Real People Investment Holdings Limited

Audited consolidated annual financial statements

For the year ended 31 March 2017

General information

Country of incorporation and domicile	South Africa
Company registration number	1999/020093/06
Nature of business and principal activities	Home finance, business finance and debt collection
Registered office	Real People Views 12 Esplanade Road Quigney East London 5201
Postal address	PO Box 19610 Tecoma East London 5214
Group head office contact details	Telephone: +27 (0) 10 245 8000/1 E-mail: corporate@realpeople.co.za
Website	Corporate website: www.realpeoplegroup.co.za Consumer website: www.realpeople.co.za
Auditors	Deloitte & Touche
Level of assurance	These audited consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The audited consolidated annual financial statements were internally compiled by: MT Laube, CA (SA), Group: Head of Finance
Issued	05 December 2017

Contents

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the audited consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the audited consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated financial statements.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and the Companies Act 71 of 2008 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors consider it appropriate to adopt the going concern basis for preparing the group financial statements, as the directors have no intention to liquidate the group or cease trading within the foreseeable future (twelve months from 5 December 2017). In making this assessment, the directors assume the successful implementation of the creditors restructure and the raising of third party funding.

The assessment of going concern was based on the group's forecasts, covering the period 2018 to 2020, which included the effect of the restructure transactions and funding pipeline. The directors also considered the capital forecast, liquidity and funding position of the group following the implementation of the restructure.

The external auditors are responsible for independently auditing and reporting on the group's consolidated financial statements. The consolidated financial statements have been examined by the group's external auditors and their report is presented on pages 15 to 10.

The audited consolidated annual financial statements set out on pages 4 to 14, 23 to 79 which have been prepared on the going concern basis, were approved by the board on 04 December 2017 and were signed on their behalf by:

PG de Beyer	**N Grobbelaar**
Chairman	**Group Chief Executive Officer**

Johannesburg

04 December 2017

Company Secretary's Certification

Declaration by the Company Secretary in respect of Section 88(2)(e) of the Companies Act 71 of 2008

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that, in my capacity as company secretary of Real People Investment Holdings Limited, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

C Wilkinson
Company Secretary

Johannesburg
05 December 2017

Audit committee report

Overview

The Real People Investment Holdings Limited Group Audit Committee (RPIH AC) assists the board in fulfilling its oversight responsibilities, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition, the RPIH AC assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

The RPIH AC and RPIH Risk Committee were established as separate committees in September 2016. In the prior financial year and up till September 2017 a single Audit and Risk Committee existed which performed the functions of the two separate committees.

This report aims to provide details of how the RPIH AC has satisfied its various obligations during the period, as well as discuss some of the key issues that arose during the year and how the committee addressed these to promote the integrity of RPIH financial reporting.

Composition and governance

The committee is chaired by Derrick Msibi and has four members, all of whom are independent non-executive directors. On 29 September 2016 Norman Thomson joined the committee as a fourth member. The committee met 8 times during the year.

Name	Audit Committee attendance
PG de Beyer	8/8
DTV Msibi	8/8
KT Hopkins	8/8
N Thomson (Joined the audit and risk committees 1 July 2017)	3/3

The chair of the committee reports to the board on its activities and the matters discussed at each meeting, highlighting any key items that the committee required action on and provides recommendations for their resolution.

The Group Chief Executive Officer (CEO), the Group Chief Financial Officer (CFO), the Chief Executive Officer of DMC, the Internal Auditor Partner of KPMG (IA), and representatives of the external auditors are invited to attend all RPIH AC meetings. Other members of management are invited to attend certain meetings in order to provide the committee with greater insight into specific issues or areas of the Group.

The RPIH AC Chair has regular contact with the management team to address relevant matters directly. The external auditors have direct access to the committee, including closed sessions without management, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities. The RPIH AC Chair meets with the internal and external auditors separately between AC meetings as and when required.

Ongoing training is provided to committee members on a range of financial, regulatory and other topical compliance matters. During the period under review members received training on specific International Financial Reporting Standards (IFRS), including IFRS 9: Financial Instruments - accounting implications and approach and IFRS 4: Insurance Contracts. Members also received presentations on future changes to external audit reporting, Group Own Risk and Solvency Assessment (ORSA) training, Companies Act and King IV.

The performance of the committee is assessed annually as part of the effectiveness review of the board and all its committees. The 2017 review concluded that the committee continued to operate effectively, and successfully discharged its responsibilities and duties.

Internal control

The committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and for considering the major findings of any internal investigations into control weaknesses, fraud or misconduct, and management's response thereto.

The RPIH AC receives regular reports from IA as part of the planned internal audit programme, which assists in evaluating the Group's internal controls. The IA places emphasis on accountability, responsibility, independence, reporting, communication and transparency, both internally and in respect of all RPIH key external stakeholders. Significant areas of focus in the reports include the following:

- identifying material risks within the Group, how those risks are managed and changes to these risks during the year;

Audit committee report

- creating and maintaining an effective internal control environment throughout the Group;
- demonstrating the necessary respect for the control environment; and
- identifying and recommending corrections to weaknesses in systems and internal controls.

The RPIH AC receives regular reports from the Group Information Technology function on the adequacy and effectiveness of the Group's information system controls. It also receives regular reports from the business unit Credit Committees regarding the adequacy and effectiveness of the credit monitoring processes and systems.

The RPIH AC receives regular reports regarding the Group's key issues control log from management and regular reports regarding governance and compliance matters. Where there have been improvements required in internal controls, the Committee has satisfied itself of the key actions required to effect the required improvements.

Having considered, analysed, reviewed and debated information provided by management, Internal Audit and the external auditors, the RPIH AC has recommended to the RPIH Board that internal controls be strengthened. This recommendation arises from the fact that the Group has a very complex business model and we believe that its inherent ability to manage this complexity has become challenging over time. This has arisen as a result of the Group's complex history, significant change in the industries within which the Group operates, as well as cost and liquidity pressures hampering its ability to maintain the required levels of investment in resources, systems and processes. In order to address these risks, Management and the Board have implemented the following:

- changing the Group's auditors to a firm with greater expertise, technical competency and experience relevant to the industries in which the Group operates;
- improved level of oversight and involvement by the board and audit committee;
- improved level of challenge in determining key judgements and when considering uncertainties.

In addition, due to complexity of many of the matters the Board is required to exercise judgement over, the board and management have and continue to make use of external independent advisors to inform these judgements. In this regard it should be noted that the Board obtained independent expert advice and considered this in terms of the application of exceedingly complex accounting standards applicable to the Group's advances portfolios.

Financial reporting process

The RPIH AC received regular reports from the Group CFO regarding the financial performance of the Group, the tracking and monitoring of key performance indicators, details of budgets, forecasts, long-term plans and capital expenditure, financial reporting controls and processes, and the adequacy and reliability of management information used during the financial reporting process.

The RPIH AC reviewed and approved the accounting policies of the Group as reported in the annual financial statements, monitoring the consistency of application and compliance with accounting standards. The RPIH AC also reviewed and approved the related Group policies.

The RPIH AC assessed and confirmed the appropriateness of the going-concern assumption used in the annual financial statements, taking into account the outcome of the capital and funding restructure process, management budgets and forecasts, as well as the capital forecast and the liquidity profiles.

The RPIH AC also:

- received a summary of the key technical accounting matters from the Group CFO for consideration as well as a summary of critical accounting judgements and estimates made during the financial reporting period;
- received feedback where there has been substantive discussions between management and the external auditors; and
- discussed key areas of judgement with management and the external auditors.

The RPIH AC satisfied itself as to the expertise, resources and experience of the finance function, and the appropriateness of the expertise and experience of the Group CFO in terms of the JSE Debt Listings Requirements. During Quarter 3 of the financial year the Group engaged with Deloitte for a second review process of the group's accounting policies and methodologies related to receivables valuations. This resulted in certain policy and methodology changes and financial adjustments being implemented prior to the financial year close. The finance team was under pressure in the current financial year due to the economic climate, multiple tight deadlines on reporting (including forecasting), transitioning to new external and internal auditors, a capital restructure and a creditor standstill agreement that imposed liquidity restriction and additional reporting requirements. The team remained committed to the appropriate outcome in all aspects despite the difficult circumstances, acting with the highest level of integrity at all times.

Audit committee report

The RPIH AC considered the following significant issues and key areas of management judgement applied in the preparation of the financial statements in the current year. These items include the use of estimates, some of which were changed during the current year. These changes are more fully addressed in the director's report under note 2.

Area of judgement	Judgments Applied	RPIH AC Assessment and Conclusion
Credit Risk provisioning	The determination of credit losses includes the use of estimates and is subject to significant judgement and uncertainty. The group uses models to determine credit impairments. These models are complex and certain inputs are not fully observable. This estimation uncertainty is increased due to the ongoing economic volatility in jurisdictions in which the Group operates being South Africa, Kenya, Tanzania and Uganda.	The RPIH AC reviewed and challenged reports from management regarding the level and appropriateness of impairments, provisioning methodologies and related key judgments and assumptions applied in determining the impairment balances at 31 March 2017. It has satisfied itself as to the level of impairments.
Fair value of financial instruments	Certain financial assets are carried at fair value. Where the fair value is classified as level 2 and 3 in the fair value hierarchy, the value will contain a greater element of estimation uncertainty. These instruments are valued using a valuation technique, which often is subjective in nature. The uncertainty is higher for level 3 financial instruments which, by their nature, have a fair value that is unobservable. These portfolios include loans and advances and certain derivative instruments.	The RPIH AC reviewed and discussed reports from management regarding details of critical valuation judgments applied to the valuations of financial instruments. This is disclosed in note 7 of the financial statements and in the accounting policy discussed in notes 1.2 and 1.8. Based on the reviews performed, the RPIH AC is satisfied that the values presented at 31 March 2017 are appropriate.
Taxation related matters	Deferred tax asset recognition - The Group had previously recognised deferred tax assets of R[]% of the net asset value of the Group. These assets arose on estimated and assessed tax losses within certain statutory entities, as disclosed in note 5.The amount of deferred tax assets is based on estimates and assumptions. Management has assessed the recoverability of the deferred tax assets taking account the expected and forecast future taxable income of the entities, including appropriate taxation planning strategies. Provisions for uncertain tax positions – In some cases the group may be exposed to uncertain tax positions. The outcome is often not determined until resolved with the relevant tax authority or legal processes. The group makes judgements about the existence and amount of tax liabilities in this regard.	The deferred tax recognition policy of the Group remained unchanged; however the Deferred Tax assets will not be recognised until the group has established a history of sustainable profitability. Due to the Group having a history of recent losses, it will only recognise the deferred tax asset from those losses if there is convincing evidence that there will be sufficient taxable profit against which those losses may be utilised.
Investment in associate accounting	The Group holds a 50% investment in a joint venture (Dorreal Properties (Pty) Ltd). The carrying value of the investment is largely dependent on the fair value of the investment property owned by the company. The property	RPIH held the Dorreal Properties Proprietary Limited (Dorreal) and Empower Financial Services Proprietary Limited (EFFS) investments for the full financial year. The equity accounted earnings / losses are included in the results for the

Audit committee report

	is valued using the discounted cash flow method due to the lack of observable comparable commercial property sales in East London. The valuation is dependent on a number of significant assumptions, including: • Market-related rates for the office space and parking bay rental; • The annual rental escalation rate; • The discount rate at which future rental payments are present valued; and • The market capitalisation rate, which is the assumed growth rate for the perpetuity value.	year. This included an additional write down related to a reduction in value of the underlying properties. The RPIH AC considered management's accounting treatment for the carrying value of the investments in Dorreal and EFFS, the assessment of impairment indicators and the resulting impairment assessment. The related disclosures are detailed in note 6 to the financial statements. Based on the reviews performed, the RPIH AC is satisfied that the values presented at 31 March 2017 are appropriate.

External audit findings

The external auditors have prepared their audit report including the new requirements to report of key audit matters in their report. They have actively engaged with the RPIH AC in this regard. The enhanced audit report aims to provide information that allows users of the financial statements to understand how the external auditors have considered and evaluated the significant matters identified during the course of their audit. This is effective in the auditors' report on the 2017 financial statements.

The external auditors have issued an audit opinion that includes a disclaimer on the opening balances, the statement of financial performance and cash flows for the year ended 31 March 2017. The audit opinion also contains a qualification on comparability of the statement of financial position. The RPIH AC considered the significant audit issues that formed the basis of the auditors' opinion, which are presented on pages 15 to 22 (in the auditors' report). These matters are further addressed in the directors' report under note 3 and are discussed below.

The disclaimer is primarily due to the following:

- The possibility that significant adjustments passed in financial year 2017 may have also had impact on financial year 2016; and
- Going concern and covenant breaches.

As the going concern issue and covenant breaches are the result of the significant adjustments to asset valuations prior to, and during the audit process, this requires further analysis.

The adjustments include the following:

- Alignment with market best practice as advised by the auditors.
- Changes as a result of previous interpretation and application of complex accounting standards and
- Changes in current circumstances.

The external auditors have issued a qualification based on the fact that the statement of financial position for the current year is not comparable with that of the prior year as a result of the significant adjustments made in 2017. The Board did take and follow advice from independent external experts during the 2016 audit on the significant items. The auditors took a different view from the advice obtained in 2016 and thus further adjustments were processed during 2017.

The auditors are unable to confirm which adjustments relate to prior year errors without conducting a full audit of the position as at FYE2016. The RPIH AC and auditors have agreed it would be impracticable to determine which of the adjustments should be recognised as at March 2016.

Audit committee report

Update on key focus areas in 2017

Internal Audit

Internal Audit performs an independent assurance function and forms part of the third line of defence. During the current reporting period, the Group sought to outsource the internal audit function to ensure that it included the level of expertise required, commensurate with the Group's risk profile. The proposed process was conducted and the RPIH AC ensured that group staff who were previously involved in the internal audit function were integrated in the new internal audit function to address any transition risks. KPMG was selected as the preferred service provider. The RPIH board approved the recommendation of the RPIH AC in August 2016. The new appointment took effect in September 2016.The IA has a functional reporting line to the AC chair and an operational reporting line to the Group CFO.

The IA submits reports to the RPIH AC to allow the AC to evaluate the adequacy and effectiveness of internal controls. In particular the RPIH AC:

- ensures that the IA has a direct reporting line to the Chair of the RPIH AC;
- reviewed and recommended the Internal Audit Charter for approval by the board of directors;
- monitored the effectiveness of the IA function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation; and
- monitored and challenged, where appropriate, action taken by management with regard to adverse IA findings.

External auditors

The RPIH AC is responsible for the appointment, compensation and oversight of the external auditors for the Group. During the current reporting period, the Group sought to appoint new external auditors to ensure that the auditors have the appropriate the level of expertise required, commensurate with the group's risk profile. The proposed process was conducted and the RPIH AC selected Deloitte as the preferred service provider. The RPIH board approved the recommendation of the RPIH AC in August 2016. The new appointment took effect in September 2016.

The RPIH AC has a well-established policy on auditor independence and audit effectiveness. During the period to 31 March 2017, the RPIH AC:

- recommended to the board the selection of the external auditors and the approval of their audit fees for the year under review;
- approved the external auditors' annual plan and related scope of work, confirming suitable reliance on Group Internal Audit and the appropriateness of key audit risks identified; and
- monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence, as well as the content and execution of the audit plan.

An annual review of the quality of the audit and performance of the external auditors was undertaken in 2017. This review included questionnaires completed by key finance staff, Group Internal Audit central to the assessment process and members of the RPIH AC.

As part of the assessment of the external auditors' independence, the committee reviewed and approved the Non-audit Services Policy. This policy governs the types of service that can be performed by the auditors, as well as the value and scope of the non-audit services provided by the auditors. Only those non-audit services that do not affect their independence and entail skills and experience that make them the most appropriate suppliers were approved during the period. During the 2017 financial year it was identified that non-audit service engagements would have resulted in significantly higher non-audit fees compared with the previous year. This was duly assessed by the RPIH AC taking into account the auditors' involvement in the engagement and the auditors' expertise.

The RPIH AC, having considered the impact on the auditors' independence, approved the engagements. Fees paid to the auditors are disclosed in note 24 to the annual financial statements. The RPIH AC is of the view that the Group received an efficient, effective and independent audit services. The AC recommended that the board reappoint Deloitte as the external auditors for 2018.

Accounting developments

IFRS 9 received significant attention this year as the planning and pilot phases of the implementation project were launched. The project is being managed by Group Finance. The Group is intending to adopt IFRS9 during the 2018 financial year as a component of the balance sheet restructure process. The AC satisfied itself that significant and appropriate progress is being made. The next stage of implementation and model development will be the focus for 2018.

Audit committee report

Regulatory reporting processes

The RPIH AC reviewed the adequacy of the regulatory reporting processes, which includes evaluation of the quality of reporting and the adequacy of systems and processes, and consideration of any findings regarding the regulatory reports by the external auditors.

The RPIH AC reviewed and discussed the Group mock ORSA (Own Risk and Solvency Assessment), reporting process, governance and financial information included in the report and recommended to the RPIH Board for approval. The Mock ORSA was submitted to the regulator on 31 January 2017.

Key focus areas for 2018

- Review and consideration of management's plans in respect of future changes to IFRS, most notably:
    - IFRS 9: Financial Instruments – significant progress was made during 2017, with the focus for 2018 on impairments and the development of models with a view to early adopting the statement for the year ending 31 March 2018.
    - IFRS 15: Revenue Recognition – effective for the group for its reporting period ending 31 March 2019. This continues to be an area of emphasis for the upcoming year. This includes an assessment of impacts and implementation of the relevant changes.
    - Continued focus on ensuring that the Group's financial systems, processes and controls are operating effectively, are consistent with the Group's complexity and are responsive to changes in the environment and industry.

Annual financial statements

- The RPIH AC reviewed and discussed the audited annual financial statements with the Group CFO, the Group CEO, Internal Audit and the external auditors. The RPIH AC assessed, and found the following to be effective and appropriate:
    - the financial reporting process and controls that led to the compilation of the annual financial statements
    - the presentation and disclosure in the annual financial statements in accordance with the approved accounting policies, the requirements of IFRS and the Companies Act.
- The RPIH AC recommended to the board that the annual financial statements be approved. The board subsequently approved the annual financial statements, which will be open for discussion at the forthcoming annual general meeting.

DTV Msibi

Audit committee chairman

Johannesburg

4 December 2017

Directors' Report

The directors submit their report on the audited consolidated annual financial statements of Real People Investment Holdings Limited and its subsidiaries, associates and joint venture ("the group") for the year ended 31 March 2017.

The company annual financial statements of Real People Investment Holdings Limited are available separately from the audited consolidated annual financial statements, from the company's registered office.

1. Nature of business

Real People Investment Holdings Limited offers a range of credit products to individuals and small and medium enterprises primarily in South Africa, Kenya and Uganda. The group also invests in non-performing consumer debt and provides collections services in respect of similar debt. Credit life cover and funeral cover policies are offered to customers.

2. Review of financial results and activities

The financial year ended on a disappointing note for the group as a result of a challenging collections environment in South Africa and poor operating performance in the East African business. The group recorded a loss after tax of R614 million. The loss was largely attributable to adjustments made to various assets to values recommended by Deloitte & Touche during their pre audit engagement, as well as to adjust to current levels of collection performance.

This resulted in group capital significantly reducing below the minimum covenant requirement of 30%. The group's poor trading results and downward asset carrying value adjustments placed significant pressure on the group's earnings and capital levels and negatively affected its ability to raise funding. The group was accordingly unable to comply with its internally set liquidity policy. The group therefore engaged with debt and equity providers, with a view to alleviating the debt and interest burden borne by the group and placing the group on a path to sustainable profitability. Refer to note 40 of the financial statements for a description of this process and outcomes achieved.

Basis of preparation

The audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies, with the exception of the change in treatment of the Education asset as outlined in note 7.4 in the notes to the audited consolidated annual financial statements, have been applied consistently compared to the prior year.

3. External Audit Opinion

The group appointed Deloitte and Touche (Deloitte) as external auditors for the current financial period. Deloitte as, external auditors have issued a qualification based on the fact that the statement of financial position for the current year may not be comparable with that of the prior year as a result of the significant adjustments made in 2017. The Board did take and follow advice from independent external experts during the 2016 audit on the significant items. Deloitte however, took a different view from the advice obtained in 2016 and thus further adjustments were processed during 2017.

Deloitte were unable to confirm which adjustments relate to prior year errors without conducting a full audit of the position as at 31 March 2016. The RPIH AC and auditors have agreed it would be impracticable to determine which of the adjustments should be recognised as at 31 March 2016.

4. Events after the reporting period

The Board approved the commencement of a process aimed at raising capital for the group. Refer to note 40 of the financial statements for a description of this process and outcomes achieved.

5. Going concern

The Directors consider it appropriate to adopt the going concern basis for preparing the group financial statements, as the Directors have no intention to liquidate the group or cease trading within the foreseeable future (twelve months from 5 December 2017). In making this assessment, the Directors assume the successful implementation of the creditors restructure and the raising of third party funding.

The assessment of going concern was based on the group's forecasts, covering the period 2018 to 2020, which included the effect of the restructure transactions and funding pipeline. The Directors also considered the capital forecast, liquidity and funding position of the group following the implementation of the restructure.

6. Application of and approach to King III

The group has taken cognisance of the guidance provided by King III, and incorporated improvements into the group's governance and management structures to the extent that they are practical and relevant to the group and its stakeholders.

In addition to the corporate governance framework, the group is committed to achieving best practice as it relates to legislation, regulations and sustainability that is relevant to the business. For the 2017 financial year, apart from the areas of non-application with applicable principles and recommended practices outlined and explained below, the board is satisfied that the group complies materially with King III.

- **The majority of non-executive directors should be independent**
  The company's Memorandum of Incorporation allows for material shareholders to appoint non-executive directors to the board. At 31 March 2017 there were seven non-executive directors, of which four were considered independent per King III.

- **A programme ensuring staggered rotation of non-executive directors is in place**
  The company has a rotation programme in place for independent non-executive directors whereby the maximum term is limited to a period of five years, renewable for a further five years with effect from the date of appointment.

- **At least one third of non-executive directors should retire by rotation at the company's annual general meeting or other general meetings** – see explanatory note above.

- **The chief executive officer ("CEO") should not be a member of the nomination committee**
  The group's CEO used to be a member of the nomination committee, as the board was of the view that the Group CEO added a valuable management perspective to the committee's deliberations. The group's CEO has not been a member of the nomination committee since June 2016. The nomination committee is subject to regular evaluation and monitoring by the board in order to ensure that its duties and responsibilities are being discharged effectively.

- **The membership of all board committees should have a majority of non-executive directors as members with the majority of non-executive directors being independent**
  The majority of members are non-executives but, due to the reasons stated above, the company does not have enough independent non-executives to ensure a majority on all committees.

- **The chairman of all board committees must be an independent non-executive director**
  All board committees have an independent non-executive chairman, with the exception of the Executive Committee.

- **The chairman of the board should not be eligible for appointment as an audit committee member but may attend audit committee meetings by invitation**

The Companies Act requires that the majority of the members of the audit and risk committee are non-executives and King III requires that the majority of non-executives are independent. All of committee members are independent non-executive directors. The committee adopted the approach provided by the JSE in a guidance note which states that if a company has an independent non-executive chairman of the board, he/she may be a member of the audit committee. The committee opted not to replace the chairman of the board, Peter de Beyer, on the audit committee.

7. Share capital

Refer to note 11 of the audited consolidated annual financial statements for detail of the movement in authorised and issued share capital.

8. Dividends

No ordinary dividends were declared for the financial year ended 31 March 2017. Preference dividends of R2.3 million (2016: R13.8 million) and R27.2 million (2016: R21.3 million) were raised on the compulsory convertible preference shares and cumulative redeemable preference shares respectively.

9. Group structure

Details of material interests in subsidiaries and special purpose entities are presented in the audited consolidated annual financial statements in note 38. Refer to note 6 for a listing of the group's associates and joint venture.

Directors' Report

10. Borrowing powers

In terms of the Memorandum of Incorporation, the directors may exercise all the powers of the group to borrow money, as they consider appropriate. At 31 March 2017, the group's borrowings amounted to R2.8 billion (2016: R3.2 billion), refer to note 13 of the audited consolidated annual financial statements for further information relating to borrowings.

Real People Investment Holdings Limited has a Domestic Medium Term Note Programme (DMTN) listed on the Interest Rate Market of the JSE Limited and the NASDAQ in Norway. Real People Kenya Limited has a Medium Term Note Programme on the Nairobi Securities Exchange.

11. Shareholders

The ordinary shares and no par value compulsory convertible preference shares of the company are held as follows:

	2017	**2016**
Old Mutual Life Assurance Company (South Africa) Limited	30.1 %	30.1 %
Management Private Equity Consortium	29.1 %	29.1 %
Norwegian Investment Fund for Developing Countries	15.7 %	15.7 %
BBBEE consortium	3.9 %	3.9 %
Private equity	13.2 %	13.2 %
Private individuals	8.0 %	8.0 %
	100.0 %	**100.0 %**

12. Directorate

The directors in office during the year and at the date of this report are as follows:

Directors	*Office*	*Designation*	*Changes*
N Grobbelaar	Group chief executive officer	Executive	
BA Schenk	Chief executive officer: DMC	Executive	
A Padachie	Group chief financial officer	Executive	
PG de Beyer	Chairman	Independent non-executive	
DTV Msibi		Independent non-executive	
MA Barnes		Non-executive	Resigned 16 August 2017
RA den Besten		Non-executive	Resigned 25 May 2016
HC van Heerden		Non-executive	Resigned 04 August 2017
CA Glover		Non-executive	Resigned 16 March 2017
D Malik		Non-executive	Resigned 31 July 2017
K Hopkins		Independent non-executive *	Appointed 01 July 2016
N Thomson		Independent non-executive *	Appointed 01 July 2016
RW Baker		Alternate	Resigned 16 March 2017

* These directors were non-executive directors from from 17 June 2015 and 27 August 2015 respectively but became independent directors on 1 July 2016.

13. Company secretary

The company secretary is C Wilkinson.

Postal address:	Private Bag X4000 Parklands Johannesburg 2121
Business address:	160 Jan Smuts Avenue North Tower, Upper Ground Rosebank Johannesburg 2196

Directors' Report

14. Auditors

The Audit Committee in the current financial year found it appropriate to invite audit firms to tender for the group audit with a view to re-balancing costs versus expertise required for a business with a changing risk profile. Grant Thornton was not selected to continue with the audit engagement following the process.

Deloitte & Touche have been appointed as auditors for the current financial year in accordance with section 90 (6) of the Companies Act 71 of 2008.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Real People Investment Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

DISCLAIMER OF OPINION ON THE FINANCIAL PERFORMANCE AND CASH FLOWS AND QUALIFIED OPINION – COMPARABILITY OF STATEMENT OF FINANCIAL POSITION

We have audited the consolidated financial statements of Real People Investment Holdings Limited and its subsidiaries (the Group) set out on pages 23 to 79, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial performance and cash flows of Real People Investment Holdings Limited for the year ended 31 March 2017. Because of the significance of the matters referred to in the Basis for Opinion Section of our report we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial performance and cash flows.

In our opinion, except for the possible effects of the matter described in the Basis for Opinion Section of our report on the comparability of the current year's financial position with that of the prior year, the financial statements present fairly, in all material respects, the financial position of Real People Investment Holdings Limited as at 31 March 2017 in accordance with International Financial Reporting Standards (IFRS) and requirements of the Companies Act of South Africa.

BASIS FOR OPINIONS, INCLUDING BASIS FOR DISCLAIMER OF OPINION ON THE FINANCIAL PERFORMANCE AND CASH FLOWS AND QUALIFIED OPINION – COMPARABILITY OF STATEMENT OF FINANCIAL POSITION

Comparatives presented in these financial statements are those figures reported in the previous year's financial statements. As described in note 7 to these financial statements the Group processed a number of adjustments to the impairment models used to determine the impairment provisions required against loans and advances. In addition, the Group changed its view as to the basis for determining the fair values of the Education loan assets carried at fair value.

Further, the Group breached its financial covenants at 31 March 2017, with the contributing factors being the impairment charges processed in the current year and poor trading performance. Because of both matters the Group elected to impair the deferred tax asset of R215 million. The extent of these adjustments required in the current period is significant and has had a material impact on the results for the year to 31 March 2017.

A number of other adjustments were required to reduce the carrying value of assets carried at fair value to recoverable amounts. The quantum of these adjustments were material with some relating to the prior period.

BASIS FOR OPINIONS, INCLUDING BASIS FOR DISCLAIMER OF OPINION ON THE FINANCIAL PERFORMANCE AND CASH FLOWS AND QUALIFIED OPINION – COMPARABILITY OF STATEMENT OF FINANCIAL POSITION (continued)

Since the opening loans and advances, assets carried at fair value and deferred tax assets enter into the determination of the financial performance and cash flows for the current year, we were unable to determine whether adjustments might be necessary to the loss for the year 31 March 2017 reported in the statement of comprehensive income and to the net cash flows from operating activities reported in the statement of cash flows.

Furthermore, our opinion on the current year's financial position is qualified as a result of the comparability of the current year's financial position with that of the prior year.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of Real People Investment Holdings Limited for the year ended 31 March 2016, was audited by another auditor who expressed an unmodified opinion on those statements on 20 June 2016.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Internal controls over financial reporting The audit process for 2017 has highlighted a lack of control over the financial closing and reporting procedures which has led to: • Inaccurate management information and a significant number of audit adjustments arising during the close process. This has been disclosed in the report of the directors and the Audit Committee.	We responded to this matter by: • Increasing the amount of time spent by senior experienced auditors during the close process; • Limiting the extent of controls relied upon for audit purposes and increasing the level of substantive audit procedures; • Increased professional scepticism being applied to key judgements and focus on the key audit matters as discussed below; and • Increased level of oversight by Special Review partners separate to the engagement partner to challenge the judgements made. We are satisfied that the audit procedures have satisfactorily addressed this key audit matter.

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Loans and advances carried at amortised cost less loan provision</td><td></td></tr>
<tr><td>Loans and advances carried at amortised cost less provision represent 41% of the net asset value of the Group (Refer to note 7). The associated impairment provisions are significant in the context of the consolidated financial statements.

The determination of credit losses is inherently uncertain and is subject to significant judgement. Models used to determine credit impairments are complex and certain inputs are not observable.

This estimation uncertainty is heightened due to the ongoing economic volatility in jurisdictions in which the Group operates being South Africa, Kenya, Tanzania and Uganda.
These factors individually and collectively results in a significant risk that credit impairments may be misstated.
The Home Finance business together with loans relating to the legacy assets lends to individuals. These loans are generally low in value and are assessed collectively. This process relies on models to determine incurred losses across the portfolio.

Given the combination of inherent uncertainty in the valuation, the material nature of the balance and the significant judgements made we considered the valuation of loan loss provisions to be a key audit matter.</td><td>In the South African Home Finance portfolio and in East Africa, impairment provisions are model-driven and we therefore focused on the data used to generate the impairment provisions, as well as the appropriateness of key models by:

• Testing the historical accuracy of models by assessing the historical projections versus actual losses;
• Focusing on the most significant model assumptions and inputs, including probability of default, loss given default, and roll rates. We performed detailed procedures on the completeness and accuracy of the information used, and also compared internal data and assumptions to those used more widely in the market; and
• Using our internal credit specialists to assess the appropriateness of the models used for each significant product type, and to perform an independent recalculation of the impairment provision for selected portfolios using our challenger models.

We found that after processing the audit adjustments, the judgements applied in determining the impairment against advances together with the related disclosures were appropriate.</td></tr>
<tr><td>Acquired Debt Portfolio (ADP) and Education at Fair Value through Profit or Loss (FVTPL) and financial instruments carried at fair value</td><td></td></tr>
<tr><td>Loans and advances disclosed in note 7 are carried at fair value represent 34% of the net asset value of the Group. Financial instruments carried at fair value represent 0.5% of the net asset value of the Group.

Financial instruments that are classified as level 2 and 3 in the fair value hierarchy will have some element of estimation uncertainty inherent in their value, and the uncertainty is higher for level 3 financial instruments, which, by their nature, are unobservable.

These portfolios include loans and advances

In addition certain derivative instruments.

This risk applies to both individual financial instruments and to portfolio valuations.

Valuations are subjective in nature and may rely on inputs that are unobservable.</td><td>We assessed the models used by the directors and rates applied at year-end, and used valuation tools to re-perform valuations across a range of financial instruments by:

• Focusing on the appropriateness of the valuation methodology and inputs used;
• Additionally, these were benchmarked to current market best practices to assess the appropriateness of the methodologies applied;
• Challenging the key inputs and assumptions driving the valuation, and assessed the models used;
• Considering sensitivities to key inputs including assessing the appropriateness of the pricing multiples available from comparable listed companies, adjusted for comparability differences, size and liquidity; and assessing the reasonability of the cash flows and discount rates used by comparing them to similar instruments; and</td></tr>
</table>

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
Acquired Debt Portfolio (ADP) and Education at Fair Value through Profit or Loss (FVTPL) and financial instruments carried at fair value (continued)	
In addition, certain financial instrument valuation techniques are subject to ever-developing market practices, which may increase the estimation uncertainty. As the determination of the fair value of certain financial instruments is a key source of estimation uncertainty, is subject to significant management judgement and represents a material balance, this matter was considered a key audit matter in our audit of the consolidated financial statements.	• Assessing the disclosures made relating to the valuation of financial instruments to ensure consistency with the requirements of the relevant accounting standards and with the methodologies applied by the directors. We found that the judgements applied in determining the values were appropriate and reasonable. The disclosures were in line with the relevant accounting standards.
Deferred tax assets	
The Group had previously recognised deferred tax assets of R234 million and which consisted of 8% of the net asset value of the Group. These assets arose on estimated and assessed losses within certain statutory entities, as disclosed in note 5 of the consolidated financial statements. In order to recognise the deferred tax assets, the directors made estimates based on certain assumptions in relation to the future taxable income of the entities, including appropriate taxation planning strategies, thereby concluding on the recoverability of those individual assets. Accordingly, the assessments of the recoverability of deferred tax assets are considered a key audit matter.	Our procedures included: • Evaluating the assessments performed by the directors with regard to future taxable income, and the realisation of the deferred tax, by comparing their assessment to evidence obtained, such as approved cash flow forecasts and business plans; • Performing sensitivity analyses around the key assumptions used including growth assumptions; and • Reviewing the director's taxation planning strategies and understanding specific local taxation issues. We further considered the history of profits made by the Group and its ability to accurately forecast revenue and profits. Given the lack of track record and the poor financial results, and following the audit process, the directors considered it prudent to impair these assets as described in note 5 to the consolidated financial statements.
Provisions for uncertain tax positions	
We focused on this area as the Group is subject to tax in numerous jurisdictions and makes judgements where the ultimate tax treatment may be uncertain and is not determined until resolved with the relevant tax authority. Consequently the directors make judgements about the incidence and quantum of tax liabilities which are subject to the future outcome of assessments by tax authorities and potentially associated legal processes as a result this was determined a key audit matter.	Our tax specialists examined correspondence between the directors, the relevant tax authorities and the Group's external advisors. We examined the amounts in dispute and used our knowledge of the law and of the relevant tax jurisdictions to assess the available evidence and the judgements made by the directors. Since the settlement of the Group's tax position is subject to future negotiation with various tax authorities, the calculations of the provisions are subject to uncertainty. We found that the Group has recognised appropriate provisions for the potential exposures.

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Valuation of assets underpinning the carrying value of the joint venture investment in Dorreal Properties</td><td></td></tr>
<tr><td>The Group holds a 50% investment in a joint venture (Dorreal Properties (Pty) Ltd), the value of which is underpinned by an investment property. The Group had carried the investment at its considered fair value which comprised R32 million and 1% of the net asset value of the Group. (Refer to note 6 of the consolidated financial statements).
The property is valued using the discounted cash flow method due to the lack of observable comparable commercial property sales in East London.

The valuation is dependent on a number of significant judgements:

• Market-related rates for the office space and parking bay rental;
• The annual rental escalation rate;
• The discount rate at which future rental payments are present valued; and
• The market capitalisation rate, which is the assumed growth rate for the perpetuity value.

Given the combination of inherent uncertainty in the valuation and the material nature of the balance, we considered the carrying value of the investment in joint venture to be a key audit matter.</td><td>Following our review and in-house valuation, we obtained an independent third party valuation of the property underpinning the carrying value of the investment in Dorreal Properties (Pty) Ltd and considered this against the carrying value of the investment. We considered the independence and competence of the valuator and concluded we were able to place reliance on the valuation performed.

Based on the assessment of the independent valuator and the procedures performed by management on the assessment the directors to impair the investment in Dorreal Properties (Pty) Ltd as described in note 6 to the consolidated financial statements.</td></tr>
<tr><td>Going concern and close calls</td><td></td></tr>
<tr><td>The Group breached its financial covenants at 31 March 2017 because of poor trading and adjustments processed during the February 2017 close process.

The going concern is of significance to the audit of the financial statements due to the amount of judgment involved in preparing the budgets and forecasts.

The Board entered into discussions with its lenders to renegotiate its funding arrangements (“agreement with creditors”). These discussions were finalised on 14 July 2017 and are disclosed in both the directors report (refer note 4) and the consolidated financial statements (refer note 40).</td><td>We evaluated the appropriateness of the directors’ assessment of the Group’s going concern and the adequacy of the disclosures made.
Our audit procedures included challenging the directors on the suitability of the going concern conclusion, the measures planned and put into place to ensure the going concern and the reasonableness of the assumptions thereof. To achieve this, we performed the following audit procedures:

• Focused evaluation of disclosures of the loans affected by the covenant breach to ensure they comply with the requirements of IFRS and are disclosed as current in the consolidated financial statements (refer note 13);
• Challenged the reasonability of the directors’ budgets and forecasts for 2018 and 2019 financial years. We compared these against the actual financial results for the year ended 31 March 2017. For the 2018 budget, we compared the financial performance for the year to date (Half year results) to the equivalent budgeted period. We obtained a detailed understanding of the key assumptions underpinning the budgets and forecasts and their reasonability in light of the actual performance described above.</td></tr>
</table>

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
Going concern and close calls (continued)	
	• Considered the adequacy of the negotiated revised capital structure for the Group to continue to operate as a going concern; • Reviewed the restructure agreements and considered the impact of the restructure on the forecast results; • Considered the assumptions made by the directors and how these have been incorporated in the forecasts and budgets; and • Considered the adequacy of the disclosures made in the consolidated financial statements (refer note 40) to ensure that these sufficiently and accurately disclosed the key assumptions underpinning the 2018 budget and beyond. The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue to adopt the going concern basis of accounting in preparing these financial statements. Further detail is contained in the statements on going concern in note 40. Based on our procedures, we found the directors' key judgement and assumptions to be reasonable and incorporated in the forecasts. Failure to achieve these assumptions would result in a covenant breach. We are satisfied that the related disclosures in note 40 of the financial statement are appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report, the Audit Committee report and company secretary's certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Real People Limited for 1 year.

Deloitte & Touche
Registered Auditor
Per: Penny Binnie
Partner
6 December 2017

Consolidated Statement of Financial Position as at 31 March 2017

Figures in Rand thousand	Notes	2017	2016
Assets			
Property and equipment	3	28,275	38,599
Intangible assets	4	11,621	22,972
Deferred tax	5	3,211	194,015
Investments in associates and joint venture	6	19,281	32,631
Net advances	7	2,201,428	2,784,453
Reinsurance asset		-	1,150
Other receivables	8	109,881	161,538
Inventories		24	186
Derivative financial assets	9	15,082	126,706
Current tax receivable		2,857	23,676
Cash and cash equivalents	10	462,138	608,392
Total assets		**2,853,798**	**3,994,318**
Equity and liabilities			
Equity			
Equity attributable to equity holders of parent			
Share capital and share premium	11	556,324	541,183
Reserves		(7,888)	36,260
Accumulated loss		(657,273)	(27,302)
		(108,837)	550,141
Non-controlling interest		-	(13,537)
Total deficit		**(108,837)**	**536,604**
Liabilities			
Borrowings - non-current	13	639,331	2,632,458
Deferred tax	5	30,962	27,734
Provisions	14	17,371	28,789
Gross insurance liability	15	-	1,559
Derivative financial liabilities	9	17,541	-
Borrowings - current	13	2,152,393	575,753
Trade and other payables	16	105,037	178,549
Dividend payable		-	12,872
Total liabilities		**2,962,635**	**3,457,714**
Total equity and liabilities		**2,853,798**	**3,994,318**

The accounting policies on pages 28 to 37 and the notes on pages 38 to 79 form an integral part of the audited consolidated annual financial statements.

Consolidated Statement of Profit or Loss

Figures in Rand thousand	Notes	2017	2016
Continuing operations			
Revenue	18	**952,747**	**1,261,230**
Gross yield from assets	19	854,402	1,102,239
Impairments	7.3	(223,022)	(263,591)
Net yield		**631,380**	**838,648**
Finance costs	20	(426,788)	(408,938)
Net margin		**204,592**	**429,710**
Net assurance income - funeral benefits	21	35,932	45,679
Outsourced collection income		27,434	42,084
Other income	22	5,316	1,397
Net operating income		**273,274**	**518,870**
Foreign exchange (losses) / gains	23	(27,261)	47,041
Gain on purchase of financial liabilities	24	53,505	121,461
Loss or income from equity accounted investments		(13,350)	2,230
Operating expenses	25	(682,958)	(627,574)
(Loss) / profit before taxation		**(396,790)**	**62,028**
Income tax expense	26	(209,836)	(52,662)
(Loss) / profit from continuing operations		**(606,626)**	**9,366**
Disposal group			
Loss from disposal group	30	(7,540)	(1,675)
(Loss) / profit for the year		**(614,166)**	**7,691**

Attributable to:			
Owners of the parent:			
(Loss) / profit for the year from continuing operations		(606,626)	12,302
Loss for the year from disposal groups		(7,540)	(1,675)
(Loss) / profit for the year attributable to owners of the parent		**(614,166)**	**10,627**
Non-controlling interest:			
Loss for the year from continuing operations		-	(2,936)
(Loss) / profit for the year		**(614,166)**	**7,691**

The accounting policies on pages 28 to 37 and the notes on pages 38 to 79 form an integral part of the audited consolidated annual financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand thousand	Note	2017	2016
(Loss) / profit for the year		**(614,166)**	**7,691**
Other comprehensive (loss) / income:			
Items that are reclassified to profit or loss:			
Exchange differences on translating foreign operations		(28,271)	(5,234)
Effects of cash flow hedges	12	(22,615)	17,541
Taxation related to components of other comprehensive income	12	6,738	(5,318)
Other comprehensive (loss) / income for the year net of taxation		**(44,148)**	**6,989**
Total comprehensive (loss) / income for the year		**(658,314)**	**14,680**
Total comprehensive (loss) / income attributable to:			
Owners of the parent		(658,314)	17,616
Non-controlling interest		-	(2,936)
		(658,314)	**14,680**

The accounting policies on pages 28 to 37 and the notes on pages 38 to 79 form an integral part of the audited consolidated financial statements.

Consolidated Statement of Changes in Equity

Figures in Rand thousand	Share capital and share premium	Foreign currency translation reserve *	Hedging reserve	Total reserves	Accumulated loss	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 01 April 2015	**541,183**	**25,617**	**3,654**	**29,271**	**(24,148)**	**546,306**	**(10,601)**	**535,705**
Profit / (loss) for the year	-	-	-	-	10,627	10,627	(2,936)	7,691
Other comprehensive (loss) / income	-	(5,234)	12,223	6,989	-	6,989	-	6,989
Total comprehensive (loss) / income for the year	**-**	**(5,234)**	**12,223**	**6,989**	**10,627**	**17,616**	**(2,936)**	**14,680**
Preference dividends	-	-	-	-	(13,781)	(13,781)	-	(13,781)
Balance at 01 April 2016	**541,183**	**20,383**	**15,877**	**36,260**	**(27,302)**	**550,141**	**(13,537)**	**536,604**
Loss for the year	-	-	-	-	(614,166)	(614,166)	-	(614,166)
Other comprehensive loss	-	(28,271)	(15,877)	(44,148)	-	(44,148)	-	(44,148)
Total comprehensive loss for the year	**-**	**(28,271)**	**(15,877)**	**(44,148)**	**(614,166)**	**(658,314)**	**-**	**(658,314)**
Transfer of non-controlling interest	-	-	-	-	(13,537)	(13,537)	13,537	-
Scrip dividends	15,141	-	-	-	-	15,141	-	15,141
Preference dividends	-	-	-	-	(2,268)	(2,268)	-	(2,268)
Balance at 31 March 2017	**556,324**	**(7,888)**	**-**	**(7,888)**	**(657,273)**	**(108,837)**	**-**	**(108,837)**
Notes	11		12				39	

The accounting policies on pages 28 to 37 and the notes on pages 38 to 79 form an integral part of the audited consolidated annual financial statements.

* The translation reserve represents the cumulative position of translation gains and losses arising from the conversion of the net assets, and also certain long term intragroup loans, of the foreign subsidiary companies to the presentation currency.

Consolidated Statement of Cash Flows

Figures in Rand thousand	Notes	2017	2016
Cash flows from operating activities			
Cash generated from operations	27	542,198	470,769
Finance costs		(426,788)	(408,938)
Tax refunded / (paid)	28	792	(29,301)
Net cash generated from operating activities		**116,202**	**32,530**
Cash flows from investing activities			
Additions to property and equipment and intangible assets		(10,502)	(21,470)
Proceeds on disposal of property and equipment and intangible assets		5,266	3,529
Sale of businesses	31	-	(888)
Net cash utilised by investing activities		**(5,236)**	**(18,829)**
Cash flows from financing activities			
Proceeds from borrowings		338,133	803,842
Repayment of borrowings		(584,968)	(638,755)
Dividends paid	29	-	(3,153)
Net cash (utilised by) / generated from financing activities		**(246,835)**	**161,934**
Total cash movement for the year		**(135,869)**	**175,635**
Cash and cash equivalents at the beginning of the year		608,392	432,757
Effect of exchange rate movement on cash balances		(10,385)	-
Total cash and cash equivalents at end of the year	10	**462,138**	**608,392**

The accounting policies on pages 28 to 37 and the notes on pages 38 to 79 form an integral part of the audited consolidated annual financial statements.

Corporate information

Real People Investment Holdings Limited is a public company incorporated and domiciled in South Africa.

Real People Investment Holdings Limited offers a range of credit linked financial products to individuals and small and medium enterprises primarily in South Africa, Kenya and Uganda. The group also invests in non-performing consumer debt and provides collections services in respect of similar debt. Credit life cover products and funeral cover policies are offered to customers.

The company annual financial statements of Real People Investment Holdings Limited are available separately from the audited consolidated annual financial statements, from the company's registered office.

1. Significant accounting policies

1.1 Basis of preparation

The audited consolidated annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these audited consolidated annual financial statements, the Companies Act 71 of 2008 of South Africa, as amended, and the JSE Debt Listing Requirements as they relate to listed debt securities. These audited consolidated annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The audited consolidated annual financial statements have been prepared on the historic cost convention, except for the measurement of certain financial instruments at fair value and policy liabilities under insurance contracts that are valued in terms of the financial soundness basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands ("R"), which is the group's functional and presentation currency.

The directors of the group considered in terms of IAS 1 a liquidity-based statement of financial position to be more relevant and to provide more reliable information as the group does not supply goods or services within a clearly identifiable operating cycle. Therefore all assets and liabilities are presented in order of liquidity.

These accounting policies are consistent with the previous period, except as disclosed in note 7.4.

1.2 Accounting estimates and judgements

The preparation of the audited consolidated annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements and estimates are principally made in the following areas:

Impairment of advances

The group assesses its advances portfolio for impairment on a monthly basis and conducts an annual evaluation of estimates used and judgements applied during the year. As a result of the uncertainties inherent in the business activities, impairment allowances cannot be measured with precision but can only be estimated. Estimation involves judgements based on the latest available, reliable information. Management has used judgement, taking into consideration the micro-finance industry, in the development of the impairment practices.

Objective evidence of impairment at an individual loan basis is largely governed by the extent to which the account is in arrears. On a portfolio basis, management has used historical analysis of loss ratios, roll rates from performing status to non-performing status and similar risk indicators to assess impairment. The extent to which the current carrying value exceeds the estimated recoverable amount of advances is classified as an impairment. These estimates have been reviewed to accommodate comparable methodologies and current collection performance across the group’s various asset classes, refer to note 7.1 for further details.

1.3 Accounting estimates and judgements (continued)

Fair value estimation of acquired debt

The fair value of acquired debt is calculated using valuation techniques, specifically net present value techniques. Acquired debt is recognised at transaction price initially, which is the best indicator of fair value. Post-acquisition a process of risk transformation is undertaken as the cash flow profile of the portfolio emerges as part of the collection process. Post nine months on book the acquired debt is measured on a portfolio basis by discounting future anticipated cash flows, net of direct costs, at a market related weighted average cost of capital. Cash flows on acquired portfolios are forecast over a 120 month period using statistical techniques.

Refer to note 7.5. for further information regarding the process and key assumptions to determine the fair value of acquired debt.

Recognition of deferred tax assets

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future or to the extent that it is probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing taxation laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Refer note 5 for the recognised deferred tax assets and to note 26 for the estimated income tax for the year.

Repayment of an intragroup loan forming part of the original net investment in a foreign operation

Real People Kenya Limited, a company with a functional currency of Kenyan Shillings, was funded from inception by a group loan. Settlement of this loan was not considered planned or likely for many years. The loan was therefore considered part of the net investment of the foreign operation and foreign exchange gains or losses were recognised in other comprehensive income and accumulated in the foreign currency translation reserve. During the prior year the company received funds under a listed bond programme in Kenya and repayments was considered planned and likely. Full repayment has been received in the current year. This reflected a change in the net investment in that foreign operation and was therefore considered a partial disposal in the group accounts. Refer to notes 1.5 and note 23.

1.3 Consolidation

Basis of consolidation

The audited consolidated annual financial statements incorporate the financial statements of the company and all investees which are controlled directly or indirectly by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity.

The results of investees are included in the audited consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

All intragroup transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

1.3 Consolidation (continued)

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Investments in associates

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Refer to note 1.11 for the group's impairment of non-financial assets accounting policy.

Investments in joint ventures

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The group has only joint ventures.

Joint ventures

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Refer to note 1.11 for the group's impairment of non-financial assets accounting policy.

1.4 Disposal groups

Disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Accounting policies

1.5 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous audited consolidated annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Investments in subsidiaries

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:
- assets and liabilities are translated at the closing rate at each reporting date;
- income and expenses are translated at exchange rates at the dates of the transactions or suitable averages; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Net investment in foreign operations

Net investment in a foreign operation is the amount of the reporting entity’s interest in the net assets of that operation. Any monetary items that are receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future is part of the entity’s net investment in that foreign operation. Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in other comprehensive income and accumulated in the translation reserve.

When settlement of the monetary item originally included as part of the net investment in the foreign operation becomes planned and likely to occur in the foreseeable future due to changes in economic circumstances, this item is no longer considered part of the net investment of the foreign operation. Such settlements are treated as a partial disposal of the net investment, and the cumulative amount of the exchange differences relating to that monetary item, recognised in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

1.6 Property and equipment

Property and equipment is carried at cost less accumulated depreciation and any impairment losses. Property is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost of equipment over their estimated useful lives to their residual values, as follows:

Item	*Useful life*
Property	Not depreciated
Furniture and fittings	6 years
Motor vehicles	5 years
Office equipment	5 years
Computer equipment	3 years
Leasehold improvements	6 years

The residual value, useful life and depreciation method of each material asset is reviewed at the end of each reporting period.

1.6 Property and equipment (continued)

The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Refer to note 1.11 for the group's impairment of non-financial assets accounting policy.

1.7 Intangible assets

Intangible assets are initially recognised at cost and subsequently carried at cost less any accumulated amortisation and any impairment losses.

Research expenditure and costs associated with maintaining computer software programmes are recognised as an expense when it is incurred. However, costs that are clearly associated with an identifiable system, which will be controlled by the group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset.

Capitalisation is further limited to development costs where the group is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to measure costs relating to the development reliably.

The internally generated computer software is amortised on a straight-line basis over an estimated useful life of three to five years.

As the internally generated computer software is specific to the group's operations, no residual value is estimated.

Refer to note 1.11 for the group's impairment of non-financial assets accounting policy.

1.8 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are measured subsequently at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period. Acquired debt has been designated as a financial instrument at fair value through profit or loss.

Derivative financial instruments, which are not designated as hedging instruments, are subsequently measured at fair value. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Loans and receivables are measured subsequently at amortised cost, using the effective interest method, less accumulated impairment losses. Loans and receivables include advances originated by the group, cash and cash equivalents and other receivables. Cash and cash equivalents comprise cash on hand, deposits held on call with banks, investments in money market instruments and cash at bank.

Accounting policies

1.8 Financial instruments (continued)

Financial liabilities at amortised cost are measured subsequently at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption value is recognised in profit or loss over the term of the liability on an effective interest method as interest.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities (or a part of a financial liability) are removed from the statement of financial position when, and only when, they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the expected future cash flows of the asset that can be measured reliably. Impairment losses are recognised in profit or loss.

Objective evidence of a loss event is considered in the context of the market segment in which the group operates. A missed instalment is regarded as objective evidence only if such a missed instalment is followed by further missed instalments within a relatively short time period thereafter.

Advances are stated net of identified impairments and incurred, but not identified impairments. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate.

Non-performing loans are defined as loans that have more than three instalments in arrears, calculated on a cumulative basis by reference to the original contractual instalment. Where a non-performing loan has been modified to ease repayment terms, a new current effective interest rate is calculated and used to discount future cash flows. The restructured loan is accounted for as an extinguishment of the original loan and the recognition of a new loan. The asset is derecognised at the associated value. The restructured loan is recognised at fair value initially and subsequently at amortised cost using the current effective interest rate and the expected future cash flows. The effective interest rate of the new financial asset is the rate determined to arrive at the fair valuation of the loan at the date of the modification. Any difference between the carrying value of the original loan and the initial recognition of the modified loan is recognised in profit or loss. Post the restructure, the loan is valued using the current effective interest rate.

Advances are regarded as written off on an individual basis when no receipts have been received for a period of twelve consecutive months. The written off loans are considered restructured advances and are carried at their recoverable amount, being the present value of estimated future cash flows discounted at the effective interest rate based on the modified terms. The recoverable amount is calculated on a portfolio basis and is disclosed as part of net advances.

Hedging activities

Designated and effective hedging instruments are excluded from the definition of financial instruments at fair value through profit or loss.

The group designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

1.8 Financial instruments (continued)

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified from other comprehensive income to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss as a reclassification adjustment through other comprehensive income when the forecast transaction is ultimately recognised in profit or loss.

1.9 Income tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the audited consolidated annual financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses, refer to note 1.2.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Accounting policies

1.9 Income tax (continued)

Tax expenses

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and deferred tax asset impairments.

The tax expenses for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's investees operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1.10 Leases

Operating leases – lessee

Operating lease payments are recognised as an expense over the lease term. Most of the group's leases are inflation linked and therefore straight-lining of the expense is not applicable.

1.11 Impairment of non-financial assets

The group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and is recognised immediately in profit or loss.

An impairment loss, other than goodwill impairment which may not be reversed, is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined had no impairment been recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

1.12 Share capital and equity

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as part of finance costs.

If the group reacquires its own equity instruments, the consideration paid on those treasury shares is deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. The consideration paid or received shall be recognised directly in equity.

1.13 Provisions

A restructuring provision is raised when the group has a detailed formal plan for the restructure and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation except where the expected outflow is within the next twelve months and the effects of discounting are considered to be not material.

1.14 Revenue recognition

Interest income and yield on non-performing loans

Interest income and yield on non-performing loans earned on advances is recognised on a time apportionment basis that takes into account the effective yield on assets.

Fees and commission

Fees and commission income that are integral to the effective interest rate on financial assets are included in the measurement of the effective interest rate.

Other fees and commission income (Outsourced collection income), including monthly service fees, tuition fees, administration and management fees, are recognised as the related services are performed.

Fair value yield

Acquired debt advances, and in the current year, acquired Education assets (refer to note 7.4), are carried at fair value. The fair value is calculated monthly by discounting future expected cash flows at a market related rate of return. The fair value yield recognised in profit or loss is the change in the fair value of these advances from one reporting period to the next.

Insurance income

Premiums on insurance contracts are recognised gross of commission when due.

1.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred using the effective interest method.

1.16 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities have been calculated at undiscounted amounts based on current salary rates and are presented as current liabilities in the statement of financial position.

Bonus and incentives plan

A liability for employee benefits in the form of a bonus plan is recognised in employee benefit obligations when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

(a) there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
(b) past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Defined contribution plans

The group contributes to a defined contribution scheme. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Accounting policies

1.17 *Insurance contracts*

Insurance contracts are those contracts that transfer significant insurance risk.

Recognition and measurement

The group sells Insurance and Investment Contracts.

Insurance liabilities are calculated by projecting (on a policy by policy basis) the liability outgo and expected future premiums and discounting the cashflows to the valuation date based on the valuation interest rate. These are referred to as discounted liabilities.

The basis for the projections is a "best estimate" basis. In addition, compulsory margins are added to allow for risk and uncertainty based on the relevant local Standard of Actuarial Practice (SAP104). The compulsory margins are as follows:

Assumption	*Margin*
Investment return	0.25% increase
Mortality	7.5% increase expenses
10.0% increase expenses inflation	10.0%
Lapses	25.0%

In addition to the discounted liabilities, an Incurred But Not Reported (IBNR) reserve is held. The IBNR reserves are mostly determined using the Bornhuetter-Ferguson Method.

The majority of the discounted liabilities are negative. Group policy is to eliminate negative liabilities on these policies after the addition of the IBNR.

Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for a portion of the losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. The benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Reinsurance profit share comprises negotiated profit shares with reinsurers. Income is recognised on an accrual basis as profits arise.

1.18 *Investment contracts*

Contracts under which the transfer of insurance risk to the company from the policyholder is not significant are classified as investment contracts. The liability for these contracts is set equal to the account balances held.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

None of the amendments are considered to be material to the group.

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project

Servicing contracts - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group’s accounting periods beginning on or after 1 April 2017 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective date to be determined by the IASB)

The changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

It is unlikely that the amendment will have a material impact on the group's audited consolidated annual financial statements.

IFRS 16 Leases (Effective date is for years beginning on or after 1 January 2019)

IFRS 16 is a new standard that introduces a single lessee accounting model. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee’s assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee’s financial leverage and capital employed.

The impact of this standard is currently being assessed by the directors of the group.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Effective date is for years beginning on or after 1 January 2018)

The amendment to IFRS 4 provides a temporary exemption, allowing insurers to apply IAS 39 rather than IFRS 9. The exemption only applies in certain circumstances and only for annual periods beginning before 1 January 2021.

2. New Standards and Interpretations (continued)

The exemption also introduces an "overlay approach" in specific circumstances. This approach requires the insurer to reclassify an amount between other comprehensive income and profit or loss. This results in the profit or loss for designated financial assets being the same as if the insurer had applied IAS 39 rather than IFRS 9.

The impact of this amendment is currently being assessed by the directors of the group.

IFRS 9 Financial Instruments (Effective date is for years beginning on or after 1 January 2018)

IFRS 9 is a new standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on classification and measurement, impairment, hedge accounting and derecognition.

The group has elected to adopt IFRS 9 with effect from 1 April 2017 and the financial effect on adopting IFRS 9 has been audited. The difference in the carrying amount of net advances in the DMC and Home Finance divisions resulting from the adoption of IFRS 9 has been calculated at an amount of R333 million.

IFRS 15 Revenue from Contracts with Customers (Effective date is for years beginning on or after 1 January 2018)

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

The impact of this standard and amendments is currently being assessed by the directors of the group, however the majority of the revenue earned by the group is from financial instruments and insurance contracts which are governed by other statements. The impact on the residual income for which this statement will be applicable is not expected to be significant.

Amendments to IAS 7: Disclosure initiative (Effective date is for years beginning on or after 1 January 2017)

The amendment responds to requests from investors for information that helps them better understand changes in an entity’s debt. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

The adoption of this amendment is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the audited consolidated annual financial statements.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Effective date is for years beginning on or after 1 January 2017)

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. They also clarify certain other aspects of accounting for deferred tax assets and the existing guidance under IAS 12.

It is unlikely that the amendment will have a material impact on the group's audited consolidated annual financial statements.

IFRIC 22 - Foreign currency transactions and advance consideration (Effective date is for years beginning on or after 1 January 2018)

The IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

It is unlikely that the standard will have a material impact on the group's audited consolidated annual financial statements.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand thousand

3. Property and equipment

	2017			2016		
	Cost	*Accumulated depreciation*	*Carrying value*	*Cost*	*Accumulated depreciation*	*Carrying value*
Property	295	-	295	295	-	295
Furniture and fittings	18,840	(11,128)	7,712	22,301	(9,666)	12,635
Motor vehicles	10,102	(3,969)	6,133	11,698	(7,448)	4,250
Office equipment	10,367	(7,997)	2,370	11,225	(7,582)	3,643
Computer equipment	76,841	(65,553)	11,288	79,774	(64,810)	14,964
Leasehold improvements	2,621	(2,144)	477	7,344	(4,532)	2,812
	119,066	**(90,791)**	**28,275**	**132,637**	**(94,038)**	**38,599**

Reconciliation of property and equipment - 2017

	Opening balance	*Additions*	*Disposals*	*Reclassifi- cations*	*Foreign exchange movements*	*Depreciation*	*Closing balance*
Property	295	-	-	-	-	-	295
Furniture and fittings	12,635	41	(371)	(1,537)	(653)	(2,403)	7,712
Motor vehicles	4,250	5,895	(1,963)	-	62	(2,111)	6,133
Office equipment	3,643	118	(19)	261	(264)	(1,369)	2,370
Computer equipment	14,964	2,626	(402)	1,537	705	(8,142)	11,288
Leasehold improvements	2,812	-	(1,355)	(261)	-	(719)	477
	38,599	**8,680**	**(4,110)**	**-**	**(150)**	**(14,744)**	**28,275**

Reconciliation of property and equipment - 2016

	Opening balance	*Additions*	*Disposals*	*Foreign exchange movements*	*Depreciation*	*Closing balance*
Property	295	-	-	-	-	295
Furniture and fittings	12,417	2,650	(740)	896	(2,588)	12,635
Motor vehicles	7,377	1,009	(1,734)	222	(2,624)	4,250
Office equipment	2,741	2,220	(88)	296	(1,526)	3,643
Computer equipment	19,192	7,494	(498)	126	(11,350)	14,964
Leasehold improvements	3,425	333	-	-	(946)	2,812
	45,447	**13,706**	**(3,060)**	**1,540**	**(19,034)**	**38,599**

Property and equipment encumbered as security

Motor vehicles with a carrying value of R2.3 million (2016: R3.5 million) have been acquired under instalment sale agreements and are encumbered as security for the outstanding balance, refer to note 13.

Registers with details of the property are available for inspection by shareholders or their duly authorised representatives at the registered office of the group.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand thousand	2017	2016

4. Intangible assets

	2017	2016
Computer software, internally generated		
Cost	18,311	29,732
Accumulated amortisation / impairment	(6,690)	(6,760)
	11,621	**22,972**

	2017	2016
Reconciliation of internally generated computer software		
Opening balance	22,972	26,891
Additions - internal development	4,600	7,766
Amortisation	(5,582)	(3,926)
Change in estimate	(5,529)	-
Impairment loss	(4,133)	(7,759)
Foreign exchange movements	(707)	-
	11,621	**22,972**

The useful life of certain intangible assets was estimated in 2016 to be five years. In the current period management have revised their estimate to three years to better align the useful lives to developing market practice. The effect of this revision has increased the charges for the current period by R5.5 million.

Intangible assets are derecognised when no future economic benefits are expected from the asset. During the year the capitalisation of the intangible assets was re-assessed and the requirements were not met. Intangible assets of R4.1 million (2016: R7.8 million) were therefore impaired to nil.

5. Deferred tax

Deferred tax assets and liabilities are offset when the income tax relates to the same fiscal authority and there is a legal right to offset at settlement. The following amounts are shown in the consolidated statement of financial position:

	2017	2016
Deferred tax asset	3,211	194,015
Deferred tax liability	(30,962)	(27,734)
	(27,751)	**166,281**

Deferred tax is attributable to the following:

	2017	2016
Advances	(29,920)	75,433
Provisions	-	3,672
Foreign exchange	-	(1,873)
Deferred expenses	(281)	4,360
Cash flow hedge	-	(6,738)
Fair value hedge	-	(3,775)
Other	-	2,399
Tax losses available for set off against future taxable income	2,450	92,803
	(27,751)	**166,281**

Figures in Rand thousand	2017	2016

5. Deferred tax (continued)

Reconciliation of deferred tax

At beginning of the year	166,281	178,487
Advances	(2,480)	129,413
Deferred expenses	1,428	(7,134)
Provisions	-	11,269
Foreign exchange	-	21,690
Cash flow hedge	-	(5,318)
Fair value hedge	-	(738)
Other	-	685
Decrease in tax loss available for set off against future taxable income	(3,498)	(162,073)
Impairment of deferred tax asset	(189,482)	-
	(27,751)	**166,281**

Opening balance	166,281	178,487
Tax charged to income statement (refer note 25)	(191,072)	(30,892)
Tax credit / (charge) relating to components of other comprehensive income (refer note 12)	6,738	(5,318)
Foreign exchange movements	(9,698)	24,004
	(27,751)	**166,281**

Recognition of deferred tax asset

The recognition of additional deferred tax assets on taxable losses in Real People Investment Holdings Limited andsubsidiaries has been suspended. The deferred tax asset in the current financial year has been impaired by R189.5 million. Although, post a successful restructure, it is likely that a portion of the deferred tax asset will be recoverable; a decision has been taken to impair the assets until a proven historical taxable income run rate has been established. This has resulted in a distortion of the group's effective tax rate.

The deferred tax asset remaining relates to an entity that has been trading for a year and recovery is considered likely.

The group has tax losses of R909.5 million (2016: R977.5 million) that is available indefinitely for offsetting against future taxable profits.

The group did not recognise deferred tax assets of R252.2 million (2016: R181.5 million) in respect of losses that could be carried forward against future taxable income at current applicable tax rates.

Figures in Rand thousand	2017	2016

6. Investment in associates and joint venture

The following table lists all of the associates and the joint venture in the group:

Name of company	*Nature of investment*	*% ownership interest*	*% ownership interest*	*Carrying amount*	*Carrying amount*
		2017	*2016*	*2017*	*2016*
Dorreal Properties Proprietary Limited	Joint venture	50.00 %	50.00 %	18,855	32,631
Empower Financial Services Proprietary Limited	Associate	49.10 %	49.10 %	35,466	37,767
Imfundo Finance (RF) Limited	Associate	45.00 %	- %	426	-
				54,747	70,398
Impairment of investment in Empower Financial Services Proprietary Limited				(35,466)	(37,767)
				19,281	32,631

Dorreal Properties Proprietary Limited is a private company incorporated, and has its main principal place of business in South Africa. The company is a property company which owns one of the primary buildings from which the group operates in South Africa. The investment is classified as an investment in a joint venture. There is no quoted market price available for its shares. This entity is considered a related party. The investment property in Dorreal Properties Proprietary Limited was impaired during the current year as the valuation was dependent on a number of significant judgements that changed during the year. The judgements included: Market-related rates for the office space and parking bay rental; the annual rental escalation rate; the discount rate at which future rental payments are present valued; and the market capitalisation rate, which is the assumed growth rate for the perpetuity value.

Empower Financial Services Proprietary Limited provides rehabilitative loans and financial rehabilitation solutions to over-indebted employees of state owned entities in South Africa. The company is a private company incorporated, and has its main principal place of business in South Africa. The investment has been impaired to Rnil in a previous financial year as the company's liabilities exceed its assets. The group does not have any further obligation for losses of the associate. The group's unrecognised share of losses relating to the current financial year amounted to R1.9 million (2016: R2.3 million) and cumulatively to R5.9 million (2016: R4.0 million).

Imfundo Finance (RF) Limited is a private company that provides educational loans to individuals. The company was incorporated and started trading in the current financial year. The capital contribution accounted for by the group was R45. The company has its main principal place of business in South Africa. There is no quoted market price available for its shares.

Reconciliation of investment in associates and joint venture

	2017	2016
Opening balance	32,631	30,401
Loss or income from equity accounted investments	(13,350)	2,230
	19,281	**32,631**

Figures in Rand thousand

6. Investment in associates and joint venture (continued)

Summarised financial information of material associates and joint venture

2017

Summarised statement of comprehensive income	*Revenue*	*Depreciation and amortisation*	*Other income and expenses*	*Finance income*	*Finance cost*	*Tax expense*	*Profit / (loss) from operations*	*Preference dividends*	*Total comprehensive income*
Dorreal Properties Proprietary Limited	9,828	(17)	(2,718)	437	(2,236)	(1,482)	3,812	(3,067)	745
Empower Financial Services Proprietary Limited	60	(117)	(3,788)	-	(10)	-	(3,855)	-	(3,855)
Imfundo Finance (RF) Limited	3,458	-	(937)	453	(1,659)	(368)	947	-	947
	13,346	**(134)**	**(7,443)**	**890**	**(3,905)**	**(1,850)**	**904**	**(3,067)**	**(2,163)**

Summarised statement of financial position

Assets	*Non-current assets*	*Cash and cash equivalents*	*Current assets*	*Total current assets*	*Total assets*
Dorreal Properties Proprietary Limited	83,571	5	202	207	83,778
Empower Financial Services Proprietary Limited	166	73	550	623	789
Imfundo Finance (RF) Limited	-	12,046	25,325	37,371	37,371
	83,737	**12,124**	**26,077**	**38,201**	**121,938**

Liabilities	*Non-current financial liabilities**	*Other non-current liabilities*	*Total non-current liabilities*	*Current financial liabilities**	*Other current liabilities*	*Total current liabilities*	*Total liabilities*
Dorreal Properties Proprietary Limited	19,692	15,736	35,428	-	763	763	36,191
Empower Financial Services Proprietary Limited	46,357	95	46,452	205	753	958	47,410
Imfundo Finance (RF) Limited	35,000	237	35,237	-	1,188	1,188	36,425
	101,049	**16,068**	**117,117**	**205**	**2,704**	**2,909**	**120,026**

*Current and non-current financial liabilities are expressed in the table above, excluding trade and other payables and provisions. Trade and other payables and provisions are included in other non-current liabilities and other current liabilities.

Figures in Rand thousand

6. Investment in associates and joint venture (continued)

Reconciliation of net assets to equity accounted investments in associates and joint venture	*Total net assets*	*Interest at % ownership*	*Additional investment in preference shares*	*Impairment of investment*	*Loan to associates and joint venture*	*Investment in associates and joint venture*
Dorreal Properties Proprietary Limited	47,587	23,794	15,105	(20,044)	-	18,855
Empower Financial Services Proprietary Limited	(46,621)	(22,891)	-	(11,463)	34,354	-
Imfundo Finance (RF) Limited	946	426	-	-	-	426
	1,912	**1,329**	**15,105**	**(31,507)**	**34,354**	**19,281**

Reconciliation of movement in investments in associates and joint venture	*Investment at beginning of 2017*	*Impairment*	*Dividends received*	*Share of profit / (loss)*	*Share of losses not recognised*	*Investment at end of 2017*
Dorreal Properties Proprietary Limited	32,631	(16,735)	2,550	409	-	18,855
Empower Financial Services Proprietary Limited	-	-	-	(1,893)	1,893	-
Imfundo Finance (RF) Limited	-	-	-	426	-	426
	32,631	**(16,735)**	**2,550**	**(1,058)**	**1,893**	**19,281**

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand thousand

6. Investment in associates and joint venture (continued)

2016

Summarised statement of comprehensive income	*Revenue*	*Depreciation and amortisation*	*Other income and expenses*	*Finance income*	*Finance cost*	*Tax expense*	*Profit / (loss) from operations*	*Preference dividends*	*Total comprehensive income*
Dorreal Properties Proprietary Limited	15,334	(17)	(2,284)	5	(2,304)	(1,717)	9,017	(2,299)	6,718
Empower Financial Services Proprietary Limited	120	(132)	(4,670)	-	(6)	-	(4,688)	-	(4,688)
	15,454	**(149)**	**(6,954)**	**5**	**(2,310)**	**(1,717)**	**4,329**	**(2,299)**	**2,030**

Summarised statement of financial position

Assets	*Non-current assets*	*Cash and cash equivalents*	*Current assets*	*Total current assets*	*Total assets*
Dorreal Properties Proprietary Limited	81,137	2,271	70	2,341	83,478
Empower Financial Services Proprietary Limited	661	954	549	1,503	2,164
	81,798	**3,225**	**619**	**3,844**	**85,642**

Liabilities	*Non-current financial liabilities**	*Other non-current liabilities*	*Total non-current liabilities*	*Current financial liabilities**	*Other current liabilities*	*Total current liabilities*	*Total liabilities*
Dorreal Properties Proprietary Limited	24,397	13,202	37,599	-	299	299	37,898
Empower Financial Services Proprietary Limited	42,060	95	42,155	6	2,201	2,207	44,362
	66,457	**13,297**	**79,754**	**6**	**2,500**	**2,506**	**82,260**

*Current and non-current financial liabilities are expressed in the table above, excluding trade and other payables and provisions. Trade and other payables and provisions are included in other non-current liabilities and other current liabilities.

Figures in Rand thousand

6. Investment in associates and joint venture (continued)

Reconciliation of net assets to equity accounted investments in associates and joint venture	*Total net assets*	*Interest at % ownership*	*Additional investment in preference shares*	*Impairment of investment*	*Loan to associates or joint venture*	*Investment in associates and joint venture*
Dorreal Properties Proprietary Limited	45,580	22,790	13,150	(3,309)	-	32,631
Empower Financial Services Proprietary Limited	(42,198)	(20,719)	-	(13,635)	34,354	-
	3,382	**2,071**	**13,150**	**(16,944)**	**34,354**	**32,631**

Reconciliation of movement in investments in associates and joint venture	*Investment at beginning of 2016*	*Share of profit / (loss)*	*Share of losses not recognised*	*Dividends received*	*Investment at end of 2016*
Dorreal Properties Proprietary Limited	30,402	43	-	2,186	32,631
Empower Financial Services Proprietary Limited	-	(2,302)	2,302	-	-
	30,402	**(2,259)**	**2,302**	**2,186**	**32,631**

Commitments and contingencies

The group has no commitments or contingent liabilities relating to its joint venture and associates.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand thousand

7. Net advances

	2017			2016		
	Gross advances	*Impairment of advances*	*Net advances*	*Gross advances*	*Impairment of advances*	*Net advances*
Loans and receivables at amortised cost						
South Africa	1,128,856	(407,413)	721,443	1,082,448	(390,600)	691,848
East Africa	236,515	(91,130)	145,385	435,852	(70,030)	365,822
Present value of estimated cash flows on written off advances			336,555			623,193
Total credit products	**1,365,371**	**(498,543)**	**1,203,383**	**1,518,300**	**(460,630)**	**1,680,863**
Education asset	-	-	-	604,118	(492,426)	111,692
Fair value through profit or loss - designated						
Acquired debt			918,425			978,229
Education asset (refer to note 7.4)			79,620			
Other asset						
Outsourced collections asset			-			13,669
	1,365,371	**(498,543)**	**2,201,428**	**2,122,418**	**(953,056)**	**2,784,453**

7.1 Change in accounting estimates

The group has adjusted carrying values for various asset classes to transition to what is considered best practice, on the advice of specialist consultants, as well as to adjust to current levels of collection performance.

The full financial effects of the exercise resulted in carrying value adjustments for the group of R245.3 million.

Loans and receivables

- Home Finance has revised the impairment methodology to align to "best practice" by increasing the emergence period on performing loans from one to three months, and increasing the loss identification period from four to twelve months. These adjustments have increased the coverage ratio on the performing loans portfolio from 6% to 12% and resulted in a downward adjustment of R53.1 million.
- The East Africa business increased the emergence period on performing loans from one to three months, and increased the loss identification period from three to twelve months. This in combination with a recalibration of future expected receipts on the non-performing and written off portfolios to reflect current circumstances resulted in an overall negative adjustment. The full year adjustment was a negative R34.4 million.
- DMC, the collections division of the group, continues to collect for businesses that ceased originating years ago. The discontinued receivables are classified as written off. Written off loans are considered restructured advances and are carried at their recoverable amount, being the present value of estimated future cash flows discounted at the current effective interest rate based on modified terms. The cash flow modelling methodology was changed from a roll rate model to a vintage run-off triangle model and further updated with the deteriorated recent collection performance. Commissions paid to the branch channel were previously included in the effective interest rate calculation but has been removed resulting in an increase of the effective interest rate from 23.89% to 31.84%. The overall adjustment amounted to a negative R208.3 million.
- The Outsourced collections asset was fully impaired in the current year to reflect current circumstances.

Figures in Rand thousand	2017	2016

7. Net advances (continued)

Fair value through profit or loss

DMC manages the acquired debt portfolio and regularly evaluates the portfolio's performance on a fair value basis in accordance with a documented risk management and investment strategy. The annual review of the fair value of the acquired debt portfolio resulted in an upward adjustment of R30.3 million. Estimated remaining collections on the acquired debt portfolio have been determined to be R1,856 million, which comprises a multiple of 2.04 to carrying value. Fixed costs have been removed from the discount rate. The fair value discount rate applicable to net cash flows has been increased from 30.91% to 31.58% as a result of the annual review.

In addition, the accounting policy for the Education asset was changed, refer to note 7.4 below, which resulted in an upwards carrying value adjustment of R20.2 million.

7.2 Analysis of credit products

	2017	2016
Performing advances	885,089	998,987
Non-performing loans ("NPLs")	480,282	519,313
Gross advances	1,365,371	1,518,300
Impairment of performing loans	(112,582)	(57,531)
Impairment of non-performing loans	(385,961)	(403,099)
Present value of estimated cash flows on written off advances	336,555	623,193
	1,203,383	**1,680,863**

The ratio of non-performing loans to gross advances changed significantly during the previous financial year following the re-classification of discontinued receivables into the written off category of net advances.

	2017	2016
NPLs to gross advances	35.2 %	34.2 %
NPLs coverage	80.4 %	77.6 %

7.3 Impairment of advances

	2017	2016
At beginning of the year	460,630	1,097,648
Provisions for impairment	223,022	263,591
Net provisions written off	(185,109)	(900,609)
	498,543	**460,630**

7.4. Change in accounting policy

During the year, the group changed its accounting policy with respect to the classification and measurement of the Education asset purchased from Aspire Group. The group now classifies these assets as fair value through profit or loss and measures these assets at fair value whereby changes in fair value are recognised in profit and loss. Prior to this change in accounting policy, the group classified these assets as loans and receivables and measured these assets at amortised cost.

The group believes the new policy to be more preferable as it more closely aligns the measurement of the asset with the manner in which it is managed and its performance evaluated.

The impact of this voluntary change in accounting policy on the group's audited consolidated annual financial statements is primarily a change to the classification in the net advances note and gross yield from assets note. This change did not result in a material impact on the comparative figures presented within these audited consolidated annual financial statements, hence no restatement was accounted for.

The aggregate effect of the changes in accounting policy on the audited consolidated annual financial statements for the year ended 31 March 2017 is as follows:

Figures in Rand thousand	2017	2016

7.4. Change in accounting policy (continued)

Consolidated Statement of Financial Position

	2017	2016
Reclassification:		
Net advances - fair value through profit or loss - Education asset	79,620	-
Net advances - loans and receivables at amortised cost - Education asset	(79,620)	-
	-	-

Profit or Loss

	2017	2016
Reclassification:		
Gross yield from assets - Interest income	(861)	-
Gross yield from assets - Other non-interest income	62,749	-
Gross yield from assets - Yield on non-performing loans	38	-
Gross yield from assets - Fair value yield	(61,762)	-
Impairments	(164)	-
	-	-

7.5. Acquired debt fair value measurements

Acquired debt is designated as a financial asset carried at fair value through profit and loss.

Financial instruments are grouped into various levels based on the degree to which fair value is observable. Acquired debt portfolios are classified as level three on the fair value hierarchy as fair value measurements are derived from valuation techniques that include inputs that are not based on observable market data.

The acquirer of a non-performing portfolio effectively carries out a process of risk discovery and transformation on the portfolio as potential cash flow expectations are converted to actual annuity cash flows.

Acquired debt portfolios are recognised initially at purchase price, being the best estimate of fair value determined between a willing buyer and seller in a competitive bidding process.

For the first nine months on book acquired debt portfolios are fair valued individually using the gross cash flows and discount rate inherent in the original pricing decision.

Subsequent to purchase, a process of risk transformation is conducted by the buyer.

For acquired debt portfolios on book greater than nine months fair value is calculated using net present value techniques. The key components of the net present value calculation are the expected future cash flows of the various acquired debt portfolios, expected direct costs to generate the expected future cash flows and the discount rate applied thereto.

Each portfolio retains its original purchase identity based on the credit provider it was purchased from and the date it was purchased. Expected cash flows are calculated separately for each of these portfolios. This expectation is derived using statistical software called SAS which is widely used for advanced predictive analytics. The expected cash flows are calculated on each debt portfolio acquired in the last ten years. It is assumed that a portfolio will yield cash flows from collection activities for a maximum period of ten years (120 months). The actual receipting from existing portfolios is used to develop historical cumulative cash flow curves. Statistical curves are fitted utilising the historical data points to produce a gross cash flow forecast up to month 120.

Direct costs are those costs expected to be incurred to generate the expected receipting. These are informed by actual costs historically incurred in collection of portfolios on book for greater than nine months.

For acquired debt portfolios greater than nine months on book the portfolio specific risks and pricing error risks are considered to have emerged. Collections run rates at this point have proved to be stable and capable of being statistically derived. Estimated cash flows are discounted at a rate designed to value the portfolio on a basis that generates market related returns to debt and equity providers. This discount rate is determined from time to time by the board on recommendation of the Audit Committee. The current discount rate applicable amounts to 31.58% (2016: 30.91%) per annum.

Figures in Rand thousand	2017	2016

7.5 Acquired debt fair value measurements (continued)

Reconciliation of acquired debt

	2017	2016
At beginning of the year	978,229	727,105
Fair value yield on acquired debt	381,444	408,985
Purchases	84,257	333,720
Receipts	(525,505)	(491,581)
	918,425	**978,229**

8. Other receivables

	2017	2016
Sundry receivables	25,285	35,515
Prepaid expenses	2,939	5,865
Deposits	2,161	3,220
South African Revenue Services (VAT)	-	25,380
Staff loans and advances	3,457	6,738
Loan receivables	12,326	8,858
Assurance investment loans	63,713	75,962
	109,881	**161,538**

South African Revenue Services (VAT)

Included in the South African Revenue Services balance in the prior year was a VAT receivable of R20.8 million, which, based on previous opinions received was considered recoverable. In the current financial year, management obtained legal counsel opinion that contradicted previous opinions received. In light of this new information the VAT receivable was impaired to nil.

Sundry receivables

These include the following amounts:
- During 2014, New Adventure Insurance Brokers Proprietary Limited ("NAIB") failed to pay certain amounts that fell due in terms of the agreement in which the group sold its branch network to NAIB. An arbitration process was initiated and the arbitrator award was in favour of the group. The group received and accepted a settlement offer of R9.0 million inclusive of all costs, capital, interest and other or further claims (2016: R10.0 million).
- Included in sundry receivables above is the purchase price owing by Stratcap Funding Proprietary Limited for the purchase of the Aspire Group Proprietary Limited (refer to note 31). This amount of R6.7 million (R14.3 million) is interest free and is payable in instalments as and when the company sold derives any benefit from the deferred tax asset on the statement of financial position. The group expects to receive the proceeds over a three year period.

Loan receivables

These loan receivables relate to the receivables from related parties included in the Shimmer Group, refer to note 24. These loans bear interest at jibar - 3 months plus between 10% and 11% and are repayable on demand.

Assurance investment loans

The investment loans are unsecured, bear interest at a weighted average rate of 13.5% (2016: 14.7%) and have an average repayment period of 12 instalments with the majority being repayable on 31 January 2018. R37.4 million was repaid after the reporting date. The solvency of the companies in which the group has invested in, is assessed at each board meeting of Real People Assurance Company Limited.

The creation and release of the allowance for impaired receivables have been included in operating expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand thousand	2017	2016

9. Derivative financial assets and liabilities

	2017	2016
Derivatives used for hedging		
Cross currency swaps - Cash flow hedge	-	84,210
Cross currency swap - Fair value hedge	-	42,496
	-	**126,706**
Financial assets - At fair value through profit or loss		
Cross currency swaps	15,082	-
Financial liabilities - At fair value through profit or loss		
Cross currency swaps	(17,541)	-
	(2,459)	**126,706**

The group uses cross currency swaps to manage risks arising from borrowings in foreign currencies.

Cash flow hedges were used to hedge the foreign currency and cash flow risk arising from borrowings in Swedish and Norwegian Krona and a fair value hedge was used to hedge the foreign currency and interest rate risk arising from borrowings in Botswana Pula.

Gains or losses on derivative instruments designated as cash flow hedges were recognised in other comprehensive income and accumulated in the hedge reserve. In the current financial year, it was established that the prerequisites to apply hedge accounting were not complied with, and that the cash flow hedge reserve was recycled through profit and loss. While the economic hedge remains in place, the group no longer applies hedge accounting to these amounts.

The cross currency swaps above are classified as level 3 on the fair value hierarchy as they are specifically designed to match the terms of the loan.

Reconciliation of financial assets and liabilities classified as level 3 - 2017

	Opening balance	*Reclassification*	*Gains or losses in profit or loss*	*Impairment*	*Total*
Cross currency swaps - Cash flow hedge	84,210	(84,210)	-	-	-
Cross currency swap - Fair value hedge	42,496	(42,496)	-	-	-
Cross currency swaps - financial assets at fair value through profit or loss	-	42,496	(9,743)	(17,671)	15,082
Cross currency swaps - financial liabilities at fair value through profit or loss	-	84,210	(101,751)	-	(17,541)
	126,706	**-**	**(111,494)**	**(17,671)**	**(2,459)**

Reconciliation of financial assets classified as level 3 - 2016

	Opening balance	*Gains or losses in profit or loss*	*Recognised in other comprehensive income*	*Collateral*	*Total*
Cross currency swaps - Cash flow hedge	3,103	-	135,876	(54,769)	84,210
Cross currency swap - Fair value hedge	20,451	22,045	-	-	42,496
	23,554	**22,045**	**135,876**	**(54,769)**	**126,706**

The collateral reflected above is the amount paid to the swap counterparty to compensate for counterparty settlement risk in terms of the contract. In terms of the contract the group is able to set this off against the swap liability. In the prior year the derivative was an asset and therefore the collateral was released.

Figures in Rand thousand	2017	2016

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	757	677
Bank balances	461,381	607,715
	462,138	**608,392**

The cash and cash equivalents with a carrying value of R353.8 million (2016: R276.9 million) in certain special purpose entities and Real People Assurance Company Limited are not available for use by the group as these assets are ring-fenced, refer to note 38.

A number of subsidiaries are incorporated outside the common monetary area and exchange controls could temporarily limit the amount of funds that can be transferred to and from the foreign subsidiaries.

The group's liquidity policy requires that sufficient cash is held to meet all fixed payment commitments for a twelve month period, along with 90% of anticipated receipts from net advances. Refer to note 36 for the liquidity policy.

Credit quality of cash at bank

The credit quality of cash at bank can be assessed by reference to the latest available external credit ratings:

Credit rating		
zaAA- *	-	539,565
zaA *	185,258	-
B *	5,537	-
BB+ *	1,190	-
Ba1 **	231,652	-
Not rated	37,744	68,150
	461,381	**607,715**

* Source: Standard & Poor's
** Source: Moodys's

11. Share capital and share premium

Authorised		
1,000,000 ordinary shares with a par value of R0.01 each	10	10
13,697 cumulative convertible redeemable voting preference shares with a par value of R0.01 each	-	-
10,000 redeemable non-cumulative preference shares	-	-
500,000 no par value compulsory convertible preference shares	-	-
100,000 no par value cumulative redeemable A preference shares	-	-
100,000 no par value cumulative redeemable B preference shares	-	-
100,000 no par value C shares	-	-
100,000 no par value D shares	-	-
	10	**10**

Issued		
216,347 ordinary shares	2	2
68 060 (2016: 59 157) no par value compulsory convertible preference shares	115,708	100,567
34 626 (2016: 32 352) no par value cumulative redeemable A preference shares *	-	-
8 329 (2016: 7 713) no par value cumulative redeemable B preference shares *	-	-
Share premium	440,614	440,614
	556,324	**541,183**

Figures in Rand thousand 2017 2016

11. Share capital and share premium (continued)

The holders of ordinary shares are entitled to vote at meetings of the shareholders; however no dividends may be paid to the ordinary shareholders while there are compulsory convertible preference shares in issue.

The holders of the compulsory convertible preference shares ("CCPS") are entitled, in respect of each unconverted share held, to preference dividends annually. These preference dividends are paid to the holders, in priority to the payment of dividends in respect of the ordinary shares but behind the cumulative redeemable preference shares which are prior ranking shares in the company's share capital. On the fifth anniversary of the issue date, each CCPS will be converted into ordinary shares in the share capital of the company by the issue of one ordinary share for every CCPS held. Every holder of a CCPS has one vote together with the holders of ordinary shares.

The cumulative redeemable A preference shares and cumulative redeemable B preference shares rank in priority in all respects (including without limitation as to the payment of dividends, redemption prices and other amounts) to all other classes of shares. Each holder shall be entitled to preference dividends annually which are cumulative. 592 cumulative redeemable B preference shares were issued as scrip dividends in lieu of cash dividends during the prior financial year.

In lieu of the payment of preference dividends, the group issued scrip dividends in settlement thereof at a premium of 20%.

* The redeemable preference shares are classified as a financial liability in terms of IFRS.

12. Hedging reserve

	2017	2016
Opening balance	15,877	3,654
Amount recognised in other comprehensive income	(22,615)	17,541
(Loss) gain on cash flow hedges arising during the year	-	135,876
Effective portion of cash flow hedge recycled to profit or loss	-	(150,198)
Release on bond buy back	-	31,863
Reclassification adjustment to profit or loss	(22,615)	-
Tax	6,738	(5,318)
	-	**15,877**

The opening balance of the hedging reserve was reclassified to profit or loss as a reclassification adjustment as the hedge no longer met the criteria for hedge accounting.

13. Borrowings - non-current and current

	2017	2016
Held at amortised cost		
Bonds - South Africa	933,024	1,242,730
Bonds - Kenya *	161,427	224,137
Loans	1,505,987	1,570,940
Preference shares	191,286	170,404
	2,791,724	**3,208,211**

* The covenants linked to these instruments have reduced to below the minimum levels required. Management is in the process of engaging the relevant stakeholders with the view to assessing and establishing whether or not a breach will be called by the creditor.

All borrowings in currency other than South African Rands have been fully hedged with cross currency swaps.

	2017	2016
Non-current liabilities		
At amortised cost	639,331	2,632,458
Current liabilities		
At amortised cost	2,152,393	575,753
	2,791,724	**3,208,211**

Figures in Rand thousand	2017	2016

13. Borrowings - non-current and current (continued)

Terms of borrowings

Secured	1,099,537	1,083,703
Subordinated	228,207	271,564
Unsecured	1,463,980	1,852,944
	2,791,724	**3,208,211**

Floating rates	2,532,283	2,919,190
Fixed rates	259,441	289,021
	2,791,724	**3,208,211**

Average effective interest rate	13.7 %	12.5 %

The following represents the book value of the security for these borrowings:

Net advances	1,331,926	1,277,860
Cash and cash equivalents	330,924	242,942
Property and equipment - motor vehicles	2,313	3,477
	1,665,163	**1,524,279**

14. Provisions

Reconciliation of provisions - 2017

	Opening balance	*Additions*	*Utilised during the year*	*Reversed during the year*	*Interest expense*	*Total*
Restructuring provision	2,008	442	(1,783)	(225)	-	442
Bonus provision	2,393	7,782	(8,024)	(261)	-	1,890
Incentive provision	24,388	4,038	(13,753)	(72)	438	15,039
	28,789	**12,262**	**(23,560)**	**(558)**	**438**	**17,371**

Reconciliation of provisions - 2016

	Opening balance	*Additions*	*Utilised during the year*	*Reversed during the year*	*Total*
Restructuring provision	7,436	2,008	(7,436)	-	2,008
Onerous contract	4,773	-	(3,000)	(1,773)	-
Bonus provision	1,640	8,650	(7,897)	-	2,393
Incentive provision	-	24,388	-	-	24,388
	13,849	**35,046**	**(18,333)**	**(1,773)**	**28,789**

Restructuring provision

The restructuring provision relates to employee terminations within the Group Central Services division that was restructured during the current financial year. The prior year provision related to employee terminations within the Business Finance South African division that was designated for closure.

Bonus and incentive provision

Employees in non-managerial roles are eligible for consideration of an annual discretionary bonus linked to individual and departmental performance while executive and management employees are eligible for consideration for a short-term incentive paid annually after the year-end results are finalised. Discretionary individual incentive allocations are based on a combination of group, divisional and individual performance, including financial, non-financial and risk management elements.

Figures in Rand thousand	2017	2016

15. Gross insurance liability

Gross insurance liability	-	1,559
The net insurance liability comprises the following:		
Gross insurance liability	-	1,559
Reinsurance asset	-	(1,150)
	-	**409**
Split between discounted and undiscounted liabilities		
Discounted liabilities	(6,884)	(14,207)
Undiscounted liabilities	6,884	14,616
	-	**409**
Reconciliation of movement in insurance liabilities		
Discounted liabilities		
Opening balance	(14,207)	(15,691)
Expected interest on insurance liabilities	(1,904)	(3,569)
Expected premiums on insurance liabilities	96,193	135,945
Expected unwinding of margins	(6,540)	(10,905)
Expected claims, maturities and surrenders	(31,294)	(31,770)
Expected expenses, commission and charges	(29,237)	(41,026)
Experience variations	(325)	(2,657)
Extension of term	(14,920)	(19,047)
Changes in valuation basis	7,044	(536)
New business added during the year	(22,646)	(13,682)
Change in discretionary margins	10,952	(11,269)
	(6,884)	**(14,207)**
Undiscounted liabilities		
Opening balance	14,616	20,659
Changes in valuation basis	(4,983)	(10,949)
Movement in IBNR	(2,749)	4,906
	6,884	**14,616**

16. Trade and other payables

Trade payables	12,098	14,883
VAT	3,347	-
Insurance contract liabilities	52,283	62,796
Accrued leave pay	9,470	2,743
Accrued expenses	27,839	31,776
Deposits received	-	504
Settlement creditor for bond repurchases (refer to note 23)	-	65,847
	105,037	**178,549**

In the current year the group recognised the full amount of the leave provision. In the prior year a liability was raised for an estimate of the expected future cash outflow.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand thousand	2017	2016

16. Trade and other payables (continued)

Reconcilation of insurance contract liabilities		
Opening balance	62,796	54,816
Interest earned	8,138	8,400
Management fee	(407)	(420)
Redemptions	(18,244)	-
	52,283	**62,796**

17. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	Loans and receivables	*Fair value through profit or loss - hedging*	*Fair value through profit or loss - designated*	*Financial liabilities at amortised cost*	*Total*	*Fair value of financial assets and liabilities*
Net advances	1,203,383	-	998,045	-	2,201,428	2,201,428
Derivative financial assets	-	-	15,082	-	15,082	15,082
Other receivables *	104,781	-	-	-	104,781	104,781
Cash and cash equivalents	462,138	-	-	-	462,138	462,138
Borrowings	-	-	-	(2,791,724)	(2,791,724)	(2,791,773)
Trade and other payables *	-	-	-	(64,381)	(64,381)	(64,381)
Derivative financial liabilities	-	-	(17,541)	-	(17,541)	(17,541)
	1,770,302	**-**	**995,586**	**(2,856,105)**	**(90,217)**	**(90,266)**

2016

	Loans and receivables	*Fair value through profit or loss - hedging*	*Fair value through profit or loss - designated*	*Financial liabilities at amortised cost*	*Total*	*Fair value of financial assets and liabilities*
Net advances	1,806,224	-	978,229	-	2,784,453	2,784,453
Derivative financial assets	-	126,706	-	-	126,706	126,706
Other receivables *	127,073	-	-	-	127,073	127,073
Cash and cash equivalents	608,392	-	-	-	608,392	608,392
Borrowings	-	-	-	(3,208,211)	(3,208,211)	(3,214,863)
Trade and other payables *	-	-	-	(143,526)	(143,526)	(143,526)
	2,541,689	**126,706**	**978,229**	**(3,351,737)**	**294,887**	**288,235**

Loans and receivables are measured subsequently at amortised cost, using the effective interest method, less accumulated impairment losses. Financial liabilities at amortised cost are measured subsequently at amortised cost, using the effective interest method. The fair value of financial assets and financial liabilities for disclosure is calculated using the present value of future cash flows. The fair value of derivative instruments is calculated using discounted cash flow analysis using the applicable yield curve for the duration of the instruments. Non-Rand based liabilities are fair valued with respect to currency risk in terms of the hedge taken out against these exposures. For short-term receivables and payables the carrying value approximates fair value.

* Non-financial assets and liabilities are excluded from other receivables and trade and other payables above as this analysis is required only for financial instruments.

Figures in Rand thousand	2017	2016

18. Revenue

Interest income	390,167	442,221
Yield on non-performing loans *	(21,319)	28,163
Fee income	45,617	55,015
Fair value yield	381,444	408,985
Net insurance premiums (refer to note 20)	127,439	155,786
Non-interest income	29,399	171,060
	952,747	**1,261,230**

The accounting policy for the classification and measurement of the Education asset was changed as described in note 7.4. The yield on the Education asset is included in fair value yield in the current year.

* The negative is as a result of the carrying value adjustments to the non-performing assets.

19. Gross yield from assets

Interest income	390,167	442,221
Yield on non-performing loans *	(21,319)	28,163
Fee income	45,617	55,015
Fair value yield	381,444	408,985
Net assurance income - credit life	56,141	38,879
Other non-interest income	2,352	128,976
	854,402	**1,102,239**

* The negative is as a result of the carrying value adjustments to the non-performing assets.

The accounting policy for the classification and measurement of the Education asset was changed as described in note 7.4. The yield on the Education asset is included in fair value yield in the current year. The net yield from the Education asset is dislosed in the following line items:

Fair value yield	56,180	-
Interest income	-	14,625
Yield on non-performing loans	-	(6,208)
Other non-interest income	-	132,198
Impairments	-	(106,250)
	56,180	**34,365**

20. Finance costs

Borrowings	399,416	390,241
Preference dividends	27,212	21,312
Trade and other payables	160	20
Gain on hedged foreign currency borrowings	-	(2,635)
	426,788	**408,938**

Gain on hedged foreign currency borrowings		
Gain on cross currency swap	-	(172,243)
Loss on restatement of loans	-	169,608
	-	**(2,635)**

Figures in Rand thousand 2017 2016

21. Net insurance income

	2017	2016
Net insurance premiums		
Premiums received	129,817	158,417
Premiums paid to reinsurers	(2,378)	(2,631)
	127,439	**155,786**
Net insurance benefits		
Insurance benefits	(37,273)	(72,862)
Insurance benefits recovered from reinsurers	1,907	1,631
	(35,366)	**(71,231)**
	92,073	**84,555**

Ex gratia credit life benefits are paid due to the historical high profitability of credit life, and in order to preserve important strategic relationships with the lending parties within the group, who are the main source of credit life premium income.

During the year, the Assurance company implemented a policy in determining which ex gratia claims to process. The main factors to consider according to this policy are the duration of time between lapse and incident date, the level of premiums generated and overall profitability of the relevant portfolio for the company. The overarching consideration is the company's solvency and capital adequacy, before processing such claims. In implementing this policy in 2017, the ex gratia benefits paid were reduced accordingly.

	2017	2016
Net assurance income per revenue stream		
Net assurance income - credit life	56,141	38,876
Net assurance income - funeral benefits	35,932	45,679
	92,073	**84,555**

22. Other income

Other income includes the following:

	2017	2016
Profit on sale of property and equipment	1,160	336

23. Foreign exchange (losses) / gains

	2017	2016
Loss on derivative financial instruments	(95,002)	-
Gain on restatement of borrowings	74,801	-
Loss on restatement of loan to Real People Kenya Limited	(7,060)	-
Settlement of monetary items no longer consider part of net investment in foreign operation	-	58,943
Cessation of operations	-	(11,902)
	(27,261)	**47,041**

The group uses cross currency swaps to manage risks arising from borrowings in foreign currencies. In the prior year the group applied hedge accounting and the effect of restating both the hedged items and the hedging instruments was disclosed as part of finance costs, refer to note 20. In the current financial year, it was established that the prerequisites to apply hedge accounting were not complied with and the effect of restating the hedged items and the hedging instruments is disclosed above. While the economic hedge remains in place, the group no longer applies hedge accounting to these amounts.

Settlement of the intragroup loan to Real People Kenya Limited, a foreign operation, was treated as a partial disposal, refer to note 1.2.

Tanzania has been marked for closure and therefore the amount relating to this country included in the foreign currency translation reserve was recycled through profit or loss during the prior year.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand thousand	2017	2016

24. Gain on purchase of financial liabilities

Bond repurchase programme profits	53,505	121,461

The group's medium term funding strategy is to move away from group based funding and enable independent funding and asset and liability management at subsidiary level. The board therefore approved a debt buyback proposal which envisaged retiring debt at holding company level and replacing this with bespoke funding within the divisions. As funds became available, the group bought back notes that were trading at a discount which generated the above profit.

25. Operating expenses

Operating expenses for the continuing operations and centralised functions are as follows:

	2017	2016
Advertising	4,694	5,754
Auditors remuneration - services as auditors	6,973	5,237
Auditors remuneration - other services	1,116	204
Bank charges	4,508	4,733
Collection costs and commissions	144,476	132,702
Computer expenses	14,383	17,850
Consulting fees	26,473	18,744
Legal fees	3,785	5,132
Postage, printing and stationery	7,942	8,987
Telephone	17,885	19,258
Amortisation of intangible assets, including change in estimate (refer to note 4)	11,111	3,926
Impairment of intangible assets (refer to note 4)	4,133	7,759
VAT receivable impairment (refer to note 8)	20,817	-
VAT apportionment expense and VAT leakage	28,011	16,319
Staff related costs		
Remuneration	283,383	286,160
Post-employment benefits - Defined contribution plan	12,230	9,737
Termination benefits	6,974	262
Subsistence and travel	5,065	6,509
Training and other staff costs	9,743	8,905
Property and equipment related costs		
Depreciation on property and equipment	14,744	19,034
Other property and equipment expenses	16,688	16,166
Operating lease rentals		
Premises and equipment	22,645	20,828
Other expenses	15,179	16,223
Group costs and collection costs allocated to disposal group	-	(2,855)
	682,958	**627,574**

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand thousand	2017	2016

26. Income tax expense

Major components of the tax expense

	2017	2016
Current		
Income tax	14,743	14,277
Foreign withholding tax	4,021	7,493
	18,764	**21,770**
Deferred		
Originating and reversing temporary differences	185,745	22,827
Arising from prior period	5,327	8,065
	191,072	**30,892**
	209,836	**52,662**

Reconciliation of the tax expense

	2017	2016
Applicable tax rate	28.00 %	28.00 %
Exempt income	0.04 %	(10.09)%
Deferred tax asset not raised	(69.93)%	36.64 %
Loss (income) subject to lesser capital gains tax	0.76 %	11.06 %
Different tax rates applied in foreign subsidiaries	(2.61)%	(1.76)%
Disallowable charges	(6.77)%	10.73 %
Foreign withholding taxes	(1.01)%	12.08 %
Prior year taxes	(1.34)%	2.52 %
Other	- %	(4.28)%
Average effective tax rate	**(52.86)%**	**84.90 %**

The estimated tax loss available for set off against future taxable income is R909.5 million (2016: R 977.5 million).

Deferred tax assets are only recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group recognised deferred tax assets of R8.8 million (2016: R92.8 million) relating to tax losses available for set off against future taxable income.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand thousand	2017	2016

27. Cash generated from operations

(Loss) / profit before taxation	(396,790)	62,028
Adjustments for:		
Depreciation and amortisation	25,855	22,960
Gains on disposal of property and equipment	(1,160)	(336)
Loss (income) from equity accounted investments	13,350	(2,230)
Loss from operations classified as a disposal group	(7,540)	(1,675)
Finance costs	426,788	408,938
Gain on purchase of financial liabilities	(53,505)	(121,461)
Impairment losses	27,578	10,566
Movements in insurance liability	(409)	(4,559)
Foreign exchange losses / (gains) on intragroup loans	27,261	(19,471)
Movements in provisions	(11,418)	14,940
Interest and fees charged to debtors	(508,146)	(1,047,321)
Fair value yield	(381,444)	(408,985)
Impairment of net advances	223,022	263,591
Changes in working capital:		
Origination of advances	(743,391)	(867,550)
Purchase of advances	(84,257)	(333,720)
Receipts from advances	2,041,431	2,465,271
Inventories	162	23
Other receivables	27,024	(33,109)
Disposal group working capital	-	(5,681)
Trade and other payables	(82,213)	68,550
	542,198	**470,769**

28. Tax refunded / (paid)

Balance at beginning of the year	23,676	14,514
Current tax for the year recognised in profit or loss	(18,764)	(21,770)
Withholding tax	817	(2,443)
Foreign exchange movement	(2,047)	3,774
Interest paid	(33)	300
Balance at end of the year	(2,857)	(23,676)
	792	**(29,301)**

29. Dividends paid

Balance at beginning of the year	(12,872)	(2,244)
Dividends	(2,268)	(13,781)
Scrip dividends	15,140	-
Balance at end of the year	-	12,872
	-	**(3,153)**

No ordinary dividends were declared for the financial year ended 31 March 2017. Preference dividends of R2.3 million (2016: R13.8 million) and R27.2 million (2016: R21.3 million) were raised on the compulsory convertible preference shares and cumulative redeemable preference shares respectively.

In lieu of the payment of preference dividends, the group issued scrip dividends in settlement thereof at a premium of 20%.

Notes to the Audited Consolidated Annual Financial Statements

Figures in Rand thousand	2017	2016

30. Disposal group

The group sold its shares in Aspire Group Proprietary Limited with an effective date of 1 January 2016 to a related party. Refer to note 31 for details of the sales transaction.

Profit or loss

Revenue	-	64,351
Expenses	-	(68,361)
Purchase price adjustment	(7,540)	-
Net loss before tax	(7,540)	(4,010)
Tax	-	2,335
	(7,540)	**(1,675)**

Cash flows		
Cash flows from operating activities	-	1,278
Cash flows from investing activities	-	(664)
Cash flows from financing activities	-	(474)
	-	**140**

31. Sale of businesses

The group sold during the prior year its shares in Aspire Group Proprietary Limited, previously classified as a disposal group, as well as companies that ceased trading activities in Malawi and Botswana.

The purchaser of Aspire Group Proprietary Limited had the option to serve closure notice for the post-schools business up until six months from 30 May 2016 in which case the group would have been responsible for a portion of the costs relating to the closure of the business. The purchaser elected not to serve the closure notice and continued with the post-schools business.

During the current financial year an adjustment of R7.5 million was accounted for to the original selling price of R14.3 million. This adjustment was the result changes in the agreement.

Carrying value of assets sold		
Property and equipment	-	3,942
Intangible assets	-	1,497
Deferred tax assets and liabilities	-	6,925
Inventories	-	3,829
Trade and other receivables	-	1,361
Trade and other payables	-	(4,120)
Cash and cash equivalents	-	888
Loan accounts	-	(74)
Total net assets sold	-	14,248
Net assets sold	-	14,248
Loss on disposal	7,540	70
	7,540	**14,318**

Consideration received		
Receivable	-	14,318
Adjustment to previously recognised receivable	(7,540)	-
	(7,540)	**14,318**

Net cash outflow on sale		
Cash sold	-	(888)

Figures in Rand thousand	2017	2016

32. Commitments

Operating leases commitments

Minimum lease payments due		
- within one year	17,776	22,607
- in second to fifth year inclusive	59,945	63,039
- later than five years	-	7,461
	77,721	**93,107**

Operating lease payments represent rentals payable by the company for certain of its office properties. Lease agreements include escalation clauses and options to renew contracts. The most material lease for the group includes an annual escalation of CPIX + 2%.

33. Contingencies

African Frontier Capital Proprietary Limited provides treasury services to the group. It came to management's attention that this company represents a "Personal Services Provider" as defined in paragraph 1 of the Fourth Schedule of the South African Income Tax Act and accordingly employees tax should have been deducted from amounts paid and paid over to the South African Revenue Services (SARS). A letter requesting absolution has been submitted to SARS but no response has to date been received. SARS has not been prejudiced as the employees tax has been paid over to SARS by African Frontier Capital Proprietary Limited. The estimated potential liability is R4.1 million.

The group has no further contingent assets or liabilities that require disclosure.

34. Related parties

Relationships

Significant shareholders	Old Mutual Life Assurance Company (South Africa) Limited
	Management Private Equity Consortium
	Norwegian Investment Fund for Developing Countries
Directors	N Grobbelaar
	BA Schenk
	A Padachie
	PG de Beyer
	DTV Msibi
	MA Barnes
	RA den Besten (Resigned 25 May 2016)
	HC van Heerden
	CA Glover (Resigned 16 March 2017)
	D Malik
	K Hopkins (Appointed 01 July 2016)
	N Thomson (Appointed 01 July 2016)
	RW Baker (Resigned 16 March 2017)
Subsidiaries and special purpose entities	Refer to note 37
Joint venture and associates	Refer to note 6

One of the non-executive directors manages the Shimmer Group which is considered a related party.

Figures in Rand thousand	2017	2016

34. Related parties (continued)

Related party balances

Borrowings from shareholders		
Old Mutual Life Assurance Company (South Africa) Limited - Cumulative redeemable preference shares	82,953	70,386
Old Mutual Life Assurance Company (South Africa) Limited - Term loans	546,945	581,369
Fulela Trade and Investments 91 Proprietary Limited - Cumulative redeemable preference shares	35,540	30,156
Purple Group Limited - Cumulative redeemable preference shares	14,220	12,066
Norwegian Investment Fund for Developing Countries - Subordinated debt	202,655	202,017
	882,313	**895,994**

Amounts included in trade receivables (payables) regarding related parties		
Investment loans *	59,875	72,276
Insurance contract liabilities *	(52,283)	(62,796)
Other receivables *	16,842	23,121
	24,434	**32,601**

Related party transactions

All related party transacations occurred at arms length.

Interest and redeemable preference share dividends paid to shareholders		
Old Mutual Life Assurance Company (South Africa) Limited	87,038	70,728
Fulela Trade and Investments 91 Proprietary Limited	5,384	3,977
Purple Group Limited	2,154	1,591
Norwegian Investment Fund for Developing Countries	33,968	32,214
	128,544	**108,510**

Interest received from (paid to) other related parties		
Investment loans *	7,113	7,481
Insurance contract liabilities *	(8,138)	(8,400)
	(1,025)	**(919)**

Other related party transactions		
Rental paid to related parties *	(9,314)	(8,055)
Sale of Aspire Group Proprietary Limited (former disposal group) at net asset value (refer note 30)	(7,540)	14,318
Administrative services to Aspire Group Proprietary Limited *	10,878	5,956
	(5,976)	**12,219**

The group performed certain administrative services for Aspire Group Proprietary Limited for which a management fee of R10.9 million (2016: R 6.0 million) was charged, being an appropriate allocation of costs incurred by relevant administrative departments.

* the counterparties for these balances and transactions are part of the Shimmer Group.

Figures in Rand thousand

35. Directors' emoluments

Executive

2017

	Salaries	*Incentive bonus*	*Other benefits**	*Total*
N Grobbelaar	3,313	1,437	213	4,963
BA Schenk	3,150	920	202	4,272
A Padachie	2,387	542	153	3,082
	8,850	**2,899**	**568**	**12,317**

2016

	Salaries	*Other benefits**	*Total*
N Grobbelaar	3,101	168	3,269
BA Schenk	2,979	162	3,141
A Padachie	2,253	122	2,375
	8,333	**452**	**8,785**

* Other benefits include provident fund contributions

Service contracts

All executive directors are subject to written employment agreements.

Non-executive

2017

	Directors' fees	*Committees fees*	*Total*
PG de Beyer	674	202	876
DTV Msibi	337	254	591
MA Barnes	337	64	401
RA den Besten **	84	16	100
HC van Heerden	337	-	337
CA Glover	296	9	305
D Malik **	337	21	358
K Hopkins	327	139	466
N Thomson	327	140	467
	3,056	**845**	**3,901**

Figures in Rand thousand

35. Directors' emoluments (continued)

2016

	Directors' fees	*Committees fees*	*Total*
PG de Beyer	674	212	886
RA Arnold	84	64	148
DTV Msibi	337	230	567
MA Barnes	337	106	443
RA den Besten **	337	101	438
CA Christensen-Røed **	56	-	56
CH Kocks **	74	28	102
HC van Heerden	337	-	337
CA Glover	176	-	176
D Malik **	277	21	298
K Hopkins	222	79	301
N Thomson	176	44	220
	3,087	**885**	**3,972**

** Fees paid to the shareholder represented

36. Risk management

Capital risk management

The group’s objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The group has voluntarily adopted the Basel II Simplified Standardised Approach and the Alternate Standardised Approach as a methodology for determining capital adequacy levels. Under this approach, the group has undertaken to maintain a capital adequacy ratio of 30% of risk weighted assets across the group. In the current year the capital adequacy ratio declined to below the covenant level of 30% due to the significant losses recorded for the year (2016: 34.5%).

For capital adequacy purposes, capital is categorised in terms of the Basel II framework into two tiers:
- Tier 1 capital includes equity as disclosed in the statement of financial position. In calculating the group’s qualifying Tier 1 capital, 50% of investments in both securitisation companies and the assurance company are deducted from available capital.
- Tier 2 capital includes redeemable preference shares and subordinated debt. The remaining 50% of investments in securitisation companies and the assurance company are deducted in calculating the group’s qualifying Tier 2 capital.

Refer to note for details of events after the reporting period that had the purpose of restoring the capital for the group.

The capital adequacy ratio is calculated monthly.

Real People Assurance Company Limited is subject to capital requirements in line with the Long Term Insurance Act, 1998. The Statutory Capital Adequacy Requirement is the additional amount required, over and above the actuarial liabilities, to enable the company to meet material deviations in the main parameters affecting the life assurer's business. The company has complied with these requirements during the year.

There have been no changes in the capital risk management policies or requirements from the previous year.

Financial risk management

The group’s activities expose it to credit risk, liquidity risk and market risk arising from the use of financial instruments.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has delegated certain of its functions to committees but recognises that it retains ultimate responsibility for the effective performance of the functions so delegated.

36. Risk management (continued)

The aim of the committees is to assist the board in the execution of its duties by making recommendations on a variety of issues within a framework of defined terms of reference that have been agreed with the board.

- Audit Committee - the Audit Committee is responsible for overseeing external and internal audit, the financial statements and accounting practices and internal financial control.
- Risk Committee - this committee is responsible for reviewing the adequacy and overall effectiveness of the group's risk management agenda.
- Credit Committee - each division has appointed a divisional credit committee who is responsible for the management of credit risk for net advances.
- Asset and Liability Committee ("ALCO") - the responsibilities for ALCO include liquidity risk management, interest rate risk management, currency risk management and capital risk management.

Credit risk

Credit risk is the risk that the group's clients or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities, and arises principally from the group's advances.

The group’s focus is the provision of largely unsecured credit to emerging and middle market consumers, which by its nature involves assuming higher levels of credit risk and accordingly, credit risk features as the dominant financial risk within the group.

In the current year the group has adjusted carrying values for various asset classes to transition to what is considered best practice, as determined by Deloitte & Touche during their audit, as well as to adjust to current levels of collection performance, refer to note 7.1.

A product suite in the Business Finance Division, with a carrying value of R48.8 million (2016: R196.0 million), is secured with the choice of collateral based on the size of the loan, the product and the business operated by the customer. Typical assets collateralised include business assets, vehicles and machinery and property. Security is released when the loan is settled.

An appropriate credit risk premium is priced into each credit product to ensure that acceptable returns are generated for shareholders. Credit risk premiums are based on expected probability of defaults and estimated recoveries from defaulters.

Credit risk is mitigated through the granting of loans to individuals where repayment is made through debit order deductions. The creditworthiness of individuals is evaluated in accordance with the National Credit Act No. 34 of 2005 prior to the granting of loans and each loan application is allocated a credit risk score. Management evaluates credit risk on an ongoing basis.

Figures in Rand thousand

36. Risk management (continued)

Financial assets exposed to credit risk at year-end were as follows:

Net advances (refer to note 7)	2,201,428	2,784,453
Derivative assets (refer to note 9)	15,082	126,706
Other receivables, excluding prepaid expenses, deposits and VAT	104,781	127,073
Cash and cash equivalents (refer to note 10)	462,138	608,392

For the above financial assets, the carrying amount represents the maximum exposure to credit risk.

The group's exposure to concentration risk is low due to the nature and distribution of the loan book. The advances portfolio comprises large volumes of low value loans.

The group continually monitors the performance of each loan. Where payments are missed, the loan repayment period might be extended to ensure repayment of all required instalments. In other circumstances the group may be required under law to renegotiate a loan. However, these loans remain either past due or impaired and therefore the group does not provide separate analysis of renegotiated items in terms of IFRS 7.

Analysis of credit risk - Credit products

Financial assets that are neither past due nor impaired		
Low risk	485,224	447,477
Medium risk	170,184	177,785
High risk	103,123	200,721
	758,531	**825,983**
Financial assets that are past due but not impaired (less than four months in arrears)	**144,603**	**187,919**
Financial assets that are impaired		
Carrying amount	480,282	519,313
Impairment provision	(385,961)	(401,942)
	94,321	**117,371**
Deferred fees	(18,045)	(14,916)
Incurred but not reported provision	(112,582)	(58,687)
Present value of estimated cash flows on written off advances	336,555	623,193
	1,203,383	**1,680,863**

There has been prescription law reform but a recent Supreme Court of Appeals judgement has lent support to the collection policies and practices currently employed by DMC in respect of prescription.

The sale of prescribed debt has been prohibited and debt collectors are required to exercise greater caution when collecting potentially prescribed debt. Management has assessed the impact of prescription on a group-wide basis. It is management's view that the effects of the section will not have a material effect on the group's businesses provided the necessary steps are taken to ensure debtors are made aware of prescription. The group has incorporated 'awareness' elements into all collections actions and have run awareness campaigns on the existing client base, which is largely complete. The outcomes associated with the campaign reflect minimal impact.

There are no material balances within other receivables which are past due but not impaired.

Figures in Rand thousand

36. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its current and future obligations, both expected and unexpected, without materially affecting its daily operations or overall financial position.

The group's capital position and poor trading results is negatively affecting its ability to raise funding. The group was accordingly unable to comply with its internally set liquidity policy.

Refer to note for details of events after the reporting period that had the purpose of restoring the liquidity of the group.

The business model of the group is to finance relatively short-term assets with long-term liabilities, necessarily creating a positive liquidity mismatch. Monitoring and reporting takes the form of cash flow projections for the next week and next month as well as long term cash flow forecasting and an ongoing review of future commitments and credit facilities taking into account restrictions on cash flows between individual companies.

The short term liquidity policy is designed to ensure that the group is able to meet all of its operating expenses and debt obligations over the forthcoming twelve months by measuring, whether for the next twelve-month period, available cash and unutilised credit facilities are sufficient to meet the net cash outflow of the group. When this position turns negative, corrective action is required.

The long term liquidity policy requires that at any point on the funding profile 75% of expected cumulative receipting must exceed the cumulative contractual payments relating to debt obligations. This is measured and monitored on a monthly basis and excludes cash flows relating to non-recourse funding special purpose entities.

The cash flows for the non-recourse funding special purpose entities are managed separately and in terms of the transaction documents agreed when the entity is established.

The table below analyses the group's assets and liabilities into relevant maturity buckets based on the remaining contractual period at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows for liabilities and expected receipts from assets on a non-cumulative basis.

2017	*Less than 1 month*	*1-3 months*	*3 months to 1 year*	*1-5 years*	*More than 5 years*	*Total*
Assets	593,104	294,425	1,086,485	2,155,673	369,341	4,499,028
Liabilities	(89,848)	(238,840)	(934,214)	(2,027,237)	(233,573)	(3,523,712)
	503,256	**55,585**	**152,271**	**128,436**	**135,768**	**975,316**

2016	*Less than 1 month*	*1-3 months*	*3 months to 1 year*	*1-5 years*	*More than 5 years*	*Total*
Assets	785,596	337,744	1,172,426	2,353,001	636,347	5,285,114
Liabilities	(88,106)	(168,352)	(732,574)	(2,822,612)	(14,349)	(3,825,993)
	697,490	**169,392**	**439,852**	**(469,611)**	**621,998**	**1,459,121**

Market risk - Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group originates predominantly variable rate retail lending assets. The interest rate component of the total yield of the asset varies according to different term and loan amounts (due to the fixed and available fees charged) and the interest rate charged is largely at the maximum rate permitted by the National Credit Act, which is a 2.2 multiple of the South African repo rate. For many of the assets the instalment is fixed so an increase in the variable interest rate results in term extension rather than an increase in instalment and therefore these assets behave more like fixed interest rate assets.

Figures in Rand thousand 2017 2016

36. Risk management (continued)

Interest rate risk is assessed by measuring the impact of changes in interest rates on net interest income, that is the difference between the total interest income and the total interest expense. The following table illustrates the sensitivity of profit or loss before tax for a year to an increase of 100 basis points. This analysis is for the assets and liabilities in South Africa only and assumes that floating rate liabilities will reprice at their next repricing date with assets repricing immediately.

	2017	2016
Current rates + 1%	977	1,146

Market risk - Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The group is exposed to, and actively manages, currency risk: on the asset side through its lending operations in East Africa and on the liability side via foreign borrowings.

Currency exposure arising from foreign currency debt is required to be hedged via the execution of cross currency hedging instruments in accordance with the group's foreign currency risk management policy. The group entered into cross currency swaps with suitably rated swap counterparts to hedge the currency risk inherent in foreign currency denominated borrowings. The swaps effectively fix the exchange rate for the duration of the repayment term.

The East Africa operations are consolidated in the group's results with exchange differences recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

The group reviews its foreign currency exposure, including commitments on an ongoing basis. In the past year the currencies used in translating foreign operations have moved against the Rand by 0.5% to (2.0)% year on year. A further 5% weakening of the Rand against these currencies at 31 March would have increased the foreign currency translation reserve by the amounts shown below. This analysis is for the group's exposure to unhedged foreign denominated balances and assumes that all other variables remain constant.

	2017	2016
Kenyan Shillings	3,764	10,250
Ugandan Shillings	2,212	3,231
Tanzanian Shillings	456	1,085
	6,432	**14,566**

The spot exchange rates used for conversion of foreign assets and liabilities at 31 March were:

	2017	2016
ZAR : Kenyan Shillings	0.1327	0.1491
ZAR : Ugandan Shillings	0.0037	0.0045
ZAR : Tanzanian Shillings	0.0061	0.0069

Insurance risk

The group issues contracts that transfer insurance risk. The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insured contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the group faces under its insurance contracts is that the actual claims and benefit payments plus ongoing expenses exceed the carrying amount of the insurance liabilities. This could occur if the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

The group uses appropriate base tables of standard mortality according to the type of contract being written. Where limited historic experience is available, statistical methods based on market experience are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. As no historical evidence of selective termination behaviour is available, statistical methods based on market experience are used to determine appropriate termination rates.

Figures in Rand thousand

36. Risk management (continued)

Specific allowance has been made in the valuation of the policy liabilities for the financial effect of AIDS by using mortality tables that allows appropriately for the expected impact of AIDS on mortality. In addition to this, the premium rates for all new products have been determined by loading the mortality assumptions to take account of the deterioration in mortality and morbidity experience due to AIDS and HIV infection. The tables used are the most recent ASSA 2008 tables as published by the Actuarial Society of South Africa.

Risk management for the group is becoming increasingly important under the Solvency Assessment and Management (SAM) regime which is the new risk-based regulatory regime currently being developed by the Financial Services Board. SAM proposes a three-pillar approach. Pillar I is a quantitative solvency assessment using market-consistent methods. Pillar II addresses qualitative aspects that affect an assurance company's solvency, namely the assurance company's risk management structure and procedures. Pillar III sets out public reporting requirements.

37. Segmental information

The presentation of segment information corresponds to the current operational and management-related structure of the group.

- Home Finance provides credit and related financial services to customers of building supply merchants in South Africa;
- Assurance provides a variety of life, disability and loss of income benefits to the broader Real People and DMC customer bases;
- Business Finance provides working capital and asset acquisition finance to businesses in East Africa, specifically in Kenya, Uganda and Tanzania;
- DMC provides debt collection and rehabilitation solutions to credit providers and retail customers in South Africa and includes the discontinued receivables; and
- Group Central Services houses the centralised functions which operate across the group.

Segment assets and liabilities:

2017	*Home Finance*	*Assurance*	*Business Finance*	*DMC*	*Group Central Services*	*Total*
Net advances	841,648	-	160,196	1,199,584	-	2,201,428
Other assets	181,705	83,753	59,831	202,444	124,637	652,370
Segment assets	1,023,353	83,753	220,027	1,402,028	124,637	2,853,798
Segment liabilities	(892,526)	(58,524)	(500,601)	(1,464,735)	(46,249)	(2,962,635)
	130,827	**25,229**	**(280,574)**	**(62,707)**	**78,388**	**(108,837)**

2016	*Home Finance*	*Assurance*	*Business Finance*	*DMC*	*Group Central Services*	*Total*
Net advances	817,525	-	376,053	1,590,875	-	2,784,453
Other assets	186,313	107,172	128,727	273,795	513,858	1,209,865
Segment assets	1,003,838	107,172	504,780	1,864,670	513,858	3,994,318
Segment liabilities	(905,550)	(107,172)	(420,088)	(1,479,973)	(544,931)	(3,457,714)
	98,288	**-**	**84,692**	**384,697**	**(31,073)**	**536,604**

Figures in Rand thousand

37. Segmental information (continued)

Segment income and expenses:

2017	*Home Finance*	*Assurance*	*Business Finance*	*DMC*	*Group Central Services*	*Total*
Net yield	316,615	-	71,292	483,049	5,736	876,692
Other non-interest income	-	35,932	19	25,621	2,651	64,223
Finance costs	(123,731)	(839)	(60,981)	(216,516)	(24,721)	(426,788)
Non-recurring items	(55,149)	(1,004)	(30,888)	(191,461)	14,771	(263,731)
Operating expenses	(145,840)	(21,707)	(101,822)	(305,801)	(72,016)	(647,186)
Loss before tax	(8,105)	12,382	(122,380)	(205,108)	(73,579)	(396,790)
Taxation	474	(3,339)	(31,790)	(175,406)	225	(209,836)
Loss after tax from continuing operations	**(7,631)**	**9,043**	**(154,170)**	**(380,514)**	**(73,354)**	**(606,626)**
Loss from operations classified as a disposal group						(7,540)
Loss for the year						**(614,166)**

2016	*Home Finance*	*Assurance*	*Business Finance*	*DMC*	*Group Central Services*	*Total*
Net yield	300,433	-	139,679	466,142	14,255	920,509
Other non-interest income	-	45,679	6	44,324	1,381	91,390
Finance costs	(120,886)	(1,031)	(58,828)	(199,343)	(28,850)	(408,938)
Non-recurring items	15,299	-	(43,670)	(53,832)	168,844	86,641
Operating expenses	(135,653)	(22,738)	(95,928)	(303,182)	(70,073)	(627,574)
Profit before tax	59,193	21,910	(58,741)	(45,891)	85,557	62,028
Taxation	(15,727)	(6,633)	816	(18,004)	(13,114)	(52,662)
Profit after tax from continuing operations	**43,466**	**15,277**	**(57,925)**	**(63,895)**	**72,443**	**9,366**
Loss from operations classified as a disposal group						(1,675)
Profit for the year						**7,691**

The results for Business Finance above is attributable to entities operating in foreign countries, primarily Kenya.

Figures in Rand thousand 2017 2016

38. Group structure

The audited consolidated annual financial statements include the results of Real People Investment Holdings Limited and all of its subsidiaries and special purpose entities as well as its equity accounted investments as disclosed in note 6.

Subsidiaries

The principal operating subsidiaries are as follows:

Name of subsidiary	*Country of incorporation and principal place of business*	*Principal activity*	*Proportion of ownership interest held by the group 2017*	*Proportion of ownership interest held by the group 2016*
DMC Debt Management Consultants Proprietary Limited (formerly Real People Proprietary Limited) *	South Africa	DMC	100.0 %	100.0 %
Real People Home Finance Proprietary Limited	South Africa	Home Finance	100.0 %	- %
Real People Assurance Company Limited	South Africa	Long term insurance	99.9 %	99.9 %
DMC Acquired Debts 4 Proprietary Limited	South Africa	DMC	100.0 %	100.0 %
Real People Kenya Limited	Kenya	Business Finance	100.0 %	100.0 %
Real People Financial Services (Uganda) Limited	Uganda	Business Finance	100.0 %	100.0 %
MKA Debt Solutions Proprietary Limited	South Africa	DMC	100.0 %	100.0 %

Real People Assurance Company Limited is subject to statutory capital requirements that restrict the ability of the company to remit dividends to its holding company.

* Real People Proprietary Limited and Real People Credit Proprietary Limited, together with other small entities, merged with effect from 1 April 2016. Subsequent to the merger, Real People Credit Proprietary Limited no longer contained any operations and has been deregistered. Real People Proprietary Limited was subsequently renamed to DMC Debt Management Consultants Proprietary Limited.

Special purpose entities

The entities listed below are special purpose entities controlled by the group in terms of IFRS 10. These entities have been included in the group's audited consolidated annual financial statements since inception of the entities even though the group does not hold the ordinary shares in these entities. The entities have been consolidated 100% in the current and prior years.

Name of special purpose entity	*Principal activity*
Real People Home Improvement Finance (RF) Proprietary Limited	Home Finance
Evolution Future Flow Securities (RF) Limited	DMC, Home Finance
Evolution Future Flow Securities 2 (RF) Limited	DMC
Imonti Future Flow Securities (RF) Limited	DMC
Nyati Securitisation 1 (RF) Limited	Home Finance
Umuzi Finance (RF) Limited	Home Finance

38. Group structure (continued)

Securitisations form an integral part of the group's funding strategy. The issuer, which is a bankruptcy remote special purpose entity, issues notes to fund the purchase of eligible loans from DMC Debt Management Consultants or Real People Home Finance Proprietary Limited, the originator of the loans. DMC Debt Management Consultants or Real People Home Finance Proprietary Limited does not retain any rights and obligations in the assets of the special purpose entities, nor does it retain any obligation to the creditors of the special purpose entity in the event of liquidation. The issuer's activities are restricted to those of the securitisation programme and fall within the ambit of the National Credit Act.

The carrying amount of the assets and liabilities to which these restrictions apply as at 31 March 2017 was R1,060.4 million (2016: R1,241.9 million) and R1,066.1 million (2016: R1,232.5 million) respectively.

39. Non-controlling interest

There is a 20% non-controlling interest in Real People (Tanzania) Limited, a company operating in Tanzania. This company is no longer considered to be a going concern and is not material to the group. The amount of the loss allocated to the non-controlling shareholder was transferred out of non-controlling interest into accumulated loss as the group has no expectation of receiving any contribution from the non-controlling shareholder in the future.

40. Events after the reporting period and going concern

In light of the poor trading results and the group capital reducing below the minimum covenant requirement of 30% at 31 March 2017, the following was implemented:

Agreement with creditors

The Board approved the commencement of a process aimed at raising capital for the group. The Directors approved that the Board constitute an ad-hoc Board sub-committee consisting of independent, non-executive directors to oversee the creditor restructure process, subject to the final approval of the Board. The Directors further approved a creditor restructure that resulted from a negotiated outcome agreed between the holders of the different classes of instruments in the group. As part of the process aimed at restructuring the capital, the group entered into a debt standstill agreement on 17 May 2017 with approximately seventy percent of its senior unsecured funders and one hundred percent of its subordinated debt funders (the Participating Funders). The Participating Funders to the standstill agreement included all noteholders under the group's South African Domestic Medium Term Note programme.

The majority of the group's creditors agreed to a restructure whereby the holders of debt capitalised the group. As a condition to and upon the implementation of the restructure, the group's East African holdings were to be sold.

In terms of the standstill agreement, no interest or capital repayments were required to be made to the Participating Funders whilst the standstill agreement remained in place and the Participating Funders further agreed not to take any enforcement action against the group while the standstill agreement was in force.

The RPIH Board approved the term sheet for the capital restructure on 12 July 2017 and the requisite majority of shareholders on 18 September 2017, as required by the standstill agreement. Legally binding agreements were signed on 30 November 2017.

40. Events after the reporting period and going concern (continued)

The following table illustrates the restructure transactions if these took place with effect from 1 April 2017:

Impact of the restructure

Equity	*Maturity date of new instruments*	*Balance at 31 March 2017*	*Step 1*	*Step 2*	*Step 3*	*Step 4*	*Step 5*	*Step 6*	*Step 7*	*Step 8*	*Balance post restructure*
		R'000	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*		*R'000*	*R'000*
Share capital		61 467				-61 467					-
Retained income								50 332		55 399	105 731
Affected liabilities											-
Convertible preference shares		115 707				61 467	-177 174				-
Cumulative preference shares A		58 865							-58 865		-
Cumulative preference shares B		132 713						-50 332	-82 381		-
Subordinated debt		228 369	-125 603	-102 766							-
Senior liabilities	30/09/2025	1 114 692	125 603		-508 521						731 774
New liabilities and Equity											-
B preference shares	N/A						177 174			-21 266	155 909
C preference shares	N/A								141 247	-12 712	128 534
D PIK notes	N/A			102 766						-6 166	96 600
E PIK notes	N/A				508 521					-15 256	493 265
Total		**1 711 813**	-	-	-	-	-	-	-	-	**1 711 813**

Step 1 Subordinated debt previously accrued interest at Jibar + 10% and was repayable by April 2025. The first step was to convert 55% subordinated debt to senior debt.

Step 2 Convert the balance of the 45% subordinated debt to D PIK (Payment-In-Kind) notes. Refer to below for ranking of the D PIK note for the return of equity.

Step 3 The senior debt previously bore interest at Jibar + 6.54% and was repayable by March 2020. 41% of the senior debt was converted to E PIK notes. Refer to below for ranking of the E PIK note for the return of equity.

Step 4 Convert 50% of share capital raised in 2014 to Convertible Preference shares.

Step 5 The total Convertible Preference shares were converted to new B Preference shares. Refer to below for ranking of the B Preference Shares for the return of equity.

Step 6 Revalue Cumulative B preference shares to purchase price.

Step 7 Convert Cumulative preference shares to new C Preference shares. Refer to below for ranking of the C Preference shares for the return of equity.

Step 8 Debt holders contributed part of their interest as noted above to a special purpose vehicle to create a formal management incentive vehicle.

40. Events after the reporting period and going concern (continued)

The ranking of the new instruments will be:

- Senior unsecured Debt
- E PIK notes
- D PIK notes define
- C Preference shares
- B Preference Shares

The revised debt structure reduces the interest expense of the group by approximately 41%.

One of the conditions of the creditors restructure is the dinvestment from the East African subsidiaries. Therefore, the shares in the East African holding company were transferred to a Trust at a nominal value on 30 November 2017.

The beneficiaries of the Trust are a combination of the various sub-ordinated instruments post the restructure. The East African companies incurred significant trading losses in the past few years and the new equity participants will not be exposed to this business unit in the future. Any future value realised or losses incurred will no longer impact the group from the date of sale. The forecast prepared also assumed the externalisation of the East African subsidiaries. The sale of East African companies resulted in derecognition from the South African group. All related assets and liabilities were therefore removed from the group and a profit and loss recognised on disposal.

As a result of this restructure, revised financial covenants have been put in place. These are:

- Cost to income ratio (minimum ratio of 68% from 30 June 2018);
- Permanent equity to total assets ratio (excluding ring-fenced funding vehicles) (minimum ratio of 20% on 30 June 2018, 22.5% on 30 June 2019 and 25% on 30 June 2020; and
- Debt service cover ratio (minimum of 1.05 times from 30 June 2018).

A breach of the above covenants will constitute an event of default.

The financial covenants are measured quarterly from 30 June 2018. These are based on the group adopting IFRS 9 with effect from 1 April 2017. The group has completed an initial project and estimates that the opening balance adjustment on adopting the revised standard is that equity at 1 April 2017 will be reduced by approximately R330m.

As part of the process, management and the directors have prepared a detailed bottom-up three year budget and cash flow forecast for the period through to 31 March 2020, being at least 12 months after the date of approval of the financial statements. This forecast has been approved by Group Exco, the Board sub-committee and the Board

In assessing the forecast, the directors have considered at a high level:

- Forecast economic indicators that could emerge in the South African over the medium to long term.
- Material accounting pronouncements and the effects that this would have on the group's results and specifically the application of IFRS 9;
- Solvency and liquidity requirements post a restructure and more specifically the group's ability to raise funding;
- Assessments under varying conditions of plausible stress events and the effects this would have on the covenant levels negotiated

Key assumptions included in the forecast include:

- IFRS 9 is adopted with an effective date of 1 April 2017;
- The East Africa businesses will be sold resulting in the de-recognition of the unit;
- Funding will be raised off balance sheet in non-recourse SPV's post the successful re-capitalisation of the group and is premised on the view that investor sentiment will improve;
- Reduced interest expense as a result of the restructure;
- An emphasis on reducing costs through prudent management thereof; and
- No significant deterioration in the operating environment.

Based on these forecasts the board-recalculated covenants at each reporting date. The board has concluded that the headroom is adequate to account for budgeting and forecasting uncertainties. The board has concluded that there is therefore adequate headroom on all covenant test dates for the foreseeable future.

40. Events after the reporting period and going concern (continued)

Having strengthened the statement of financial position, the group is now fully focusing on the operational priorities that will underpin its future growth. These priorities include restoring asset origination ability and revenue earnings potential, raising funding through special purpose vehicles, managing costs in a prudent manner and thus restoring the group's internal capital generating ability.

The directors therefore consider it appropriate to adopt the going concern basis for preparing the group financial statements, as the directors have no intention to liquidate the group or cease trading within the foreseeable future (twelve months from 5 December 2017). In making this assessment, the directors assumed that the benefits of the creditors restructure will improve investor sentiment and thus enable the raising of third party funding through SPV's.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report which may require adjustment to these financial statements or has not already been disclosed in the notes to the financial statements.