

**Evolution Credit Limited**  
**(formerly Real People Investment Holdings Limited)**  
**Unaudited condensed group financial statements**  
For the quarter ended 31 December 2021



# Evolution Credit Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2021

## Condensed group statement of financial position

R'000	Notes	31 Dec 2021	31 Mar 2021
<b>Assets</b>			
Equipment		17,719	17,862
Right-of-use assets		4,097	5,633
Amount receivable from Old Mutual Alternative Risk Transfer	4	13,990	9,914
Net advances	5	1,140,495	1,066,354
Other receivables		23,966	26,261
Derivatives		20,971	18,847
Tax receivable		-	7,130
Cash and cash equivalents		319,913	426,793
<b>Total assets</b>		<b>1,541,151</b>	<b>1,578,794</b>
<b>Equity</b>			
Share capital and equity notes		1,308,857	1,308,857
Reserves		2,272	2,084
Accumulated loss		(939,229)	(1,034,595)
<b>Total equity</b>		<b>371,900</b>	<b>276,346</b>
<b>Liabilities</b>			
Borrowings		1,064,119	1,246,277
Deferred tax		485	349
Provisions		46,528	13,469
Trade and other payables		45,744	37,471
Tax payable		12,375	4,882
<b>Total liabilities</b>		<b>1,169,251</b>	<b>1,302,448</b>
<b>Total equity and liabilities</b>		<b>1,541,151</b>	<b>1,578,794</b>

## Evolution Credit Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2021

### Condensed group statement of financial performance

R'000	Notes	Three months ended		Nine months ended	
		31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
<b>Revenue</b>	6	<b>163,901</b>	<b>164,828</b>	<b>490,883</b>	<b>519,951</b>
<b>Gross yield from assets</b>		<b>141,608</b>	<b>146,323</b>	<b>420,319</b>	<b>464,640</b>
Impairments		22,743	41,544	43,836	(17,551)
<b>Net yield</b>		<b>164,351</b>	<b>187,867</b>	<b>464,155</b>	<b>447,089</b>
Finance costs		(28,016)	(32,528)	(87,975)	(110,308)
<b>Net margin</b>		<b>136,335</b>	<b>155,339</b>	<b>376,180</b>	<b>336,781</b>
Net assurance income - funeral benefits		6,929	6,234	19,518	20,458
Outsourced collection income		15,364	12,271	39,259	34,853
Other income		5,463	2,152	13,223	18,107
<b>Net operating income</b>		<b>164,091</b>	<b>175,996</b>	<b>448,180</b>	<b>410,199</b>
Operating expenses		(128,326)	(103,004)	(341,211)	(323,646)
<b>Profit before taxation</b>		<b>35,765</b>	<b>72,992</b>	<b>106,969</b>	<b>86,553</b>
Taxation		(3,572)	(3,697)	(11,603)	(9,822)
<b>Profit profit for the period</b>		<b>32,193</b>	<b>69,295</b>	<b>95,366</b>	<b>76,731</b>

## Evolution Credit Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2021

### Condensed group statement of comprehensive income

R'000	Nine months ended	
	31-Dec-21	31-Dec-20
<b>Profit for the period</b>	<b>95,366</b>	<b>76,731</b>
<i>Other comprehensive income/(loss):</i>		
Effects of cash flow hedges	188	(204)
<b>Total comprehensive income for the period</b>	<b>95,554</b>	<b>76,527</b>

### Condensed group statement of changes in equity

R'000	Share capital and equity notes	Cash flow hedging reserve	Accumulated loss	Total equity
<b><i>For the nine months ended 31 December 2021</i></b>				
Opening balance	1,308,857	2,084	(1,034,595)	276,346
Profit for the period	-	-	95,366	95,366
Other comprehensive income	-	188	-	188
<b>Closing balance</b>	<b>1,308,857</b>	<b>2,272</b>	<b>(939,229)</b>	<b>371,900</b>
<b><i>For the nine months ended 31 December 2020</i></b>				
Opening balance	1,308,857	2,430	(1,143,226)	168,061
Loss for the period	-	-	76,731	76,731
Other comprehensive income	-	(204)	-	(204)
<b>Closing balance</b>	<b>1,308,857</b>	<b>2,226</b>	<b>(1,066,495)</b>	<b>244,588</b>
<b><i>For the twelve months ended 31 March 2021</i></b>				
Opening balance	1,308,857	2,430	(1,143,226)	168,061
Profit for the year	-	-	108,631	108,631
Other comprehensive income	-	(346)	-	(346)
<b>Closing balance</b>	<b>1,308,857</b>	<b>2,084</b>	<b>(1,034,595)</b>	<b>276,346</b>

## Evolution Credit Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2021

### Condensed group statement of cash flows

R'000	31-Dec-21	31-Dec-20
<b>Cash flows generated from operating activities</b>		
Cash generated by operations	164,403	414,916
Finance costs	(87,503)	(110,308)
Tax refunded (paid)	4,761	(4,069)
	<b>81,661</b>	<b>300,539</b>
<b>Cash flows utilised in investing activities</b>		
Additions to equipment	(6,811)	(6,378)
Proceeds on sale of equipment	1,976	1,582
	<b>(4,836)</b>	<b>(4,797)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	141,000	50,000
Repayment of borrowings	(324,705)	(277,131)
	<b>(183,705)</b>	<b>(227,131)</b>
<b>Total cash movement for the period</b>	<b>(106,880)</b>	<b>68,611</b>
Cash and cash equivalents at the beginning of the period	426,793	326,600
<b>Total cash and cash equivalents at the end of the period</b>	<b>319,913</b>	<b>395,211</b>

# Evolution Credit Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2021

## Notes to the condensed financial statements

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The registration number of Evolution Credit Limited is 1999/020093/06.

### 1. Basis of preparation

The condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These financial statements do not include all of the information required by International Financial Reporting Standards (IFRS) for full financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2021.

The principal accounting policies are consistent with those of the annual financial statements for the year ended 31 March 2021, as described in those annual financial statements. The financial statements are presented in South African Rands.

### 2. Accounting estimates and judgements

*Critical judgements in applying accounting policies*

*Recognition of deferred tax asset*

The recognition of deferred tax assets on taxable losses in Evolution Credit Limited and subsidiaries has been suspended and the deferred tax assets recognised in prior financial years impaired until there is a history of sustainable profitability.

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 and there is a history of sustainable profitability. Estimates of future taxable income are based on forecast results from operations and the application of existing taxation laws.

*Key sources of estimation uncertainty*

*Impairment of financial assets*

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's history, existing market conditions in the micro-finance industry as well as forward looking estimates at the end of each reporting period.

*Uncertain tax positions*

The nature of certain group financial products gives rise to uncertainty relating to the tax treatment and tax allowances. Appropriate research is conducted and expert opinions obtained to minimise the risk of tax misstatements. With this in mind the group is considered to have adequately provided for its tax liabilities. To the extent that the group's tax methodologies and positions require consultation with relevant experts, this is done after appropriate research and development to mitigate the risk of tax misstatements. In so doing, the group ensures that it meets its tax compliance requirements with the

Where the final outcome of tax assessments is different from the amounts that were initially recorded in the accounts, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made.

### 3. Dividends

No ordinary dividends were declared or paid to shareholders during the nine months ended 31 December 2021.

## Evolution Credit Limited and subsidiaries

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### Notes to the condensed financial statements

#### 4. Amount receivable form Old Mutual Alternative Risk Transfer

The group invested in the preference shares in the OMART Evolution Life (formerly Real People) Cell Captive which entitles it to the profits of the insurance business that is housed in the cell. The receivable from OMART is measured at the net asset value of the cell at the end of the reporting period.

	31-Dec-21 R'000	31-Mar-21 R'000
OMART Cell Captive preference shares	1,000	1,000
OMART Cell Captive retained earnings	12,990	8,914
	<b>13,990</b>	<b>9,914</b>

#### 5. Net advances

##### *Evolution Finance (formerly Home Finance)*

##### *Performing loans*

Gross advances	450,736	435,433
Impairment of advances	(73,638)	(81,897)
	377,098	353,536

##### *Non-performing loans*

Gross advances	1,451,831	1,529,242
Impairment of advances	(1,314,481)	(1,366,489)
	137,349	162,753

##### *Acquired Debt*

Gross advances	727,651	723,203
Impairment of advances	(101,604)	(173,138)
	626,047	550,065

##### *Combined*

Gross advances	2,630,217	2,687,878
Impairment of advances	(1,489,722)	(1,621,524)
<b>Net advances</b>	<b>1,140,495</b>	<b>1,066,354</b>

#### 6. Revenue

	31-Dec-21 R'000	31-Dec-20 R'000
<i>Revenue other than from contracts with customers</i>		
Interest and similar income	392,618	424,759
Net premiums received	59,007	69,145
<i>Revenue from contracts with customers</i>		
Outsourced collection income	39,259	34,853
	<b>490,883</b>	<b>528,758</b>

#### 7. Taxation

Recognition of additional deferred tax assets within the group remains suspended.

## Evolution Credit Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2021

### Notes to the condensed financial statements

#### 8. Segment information

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

<i>Reportable segment</i>	<i>Services</i>
Evolution Finance channel (formerly Home Finance)	Provides credit and related financial services (credit life cover) to customers of building supply merchants
Acquired Debt channel	Purchases non-performing loan portfolios and provides debt collection solutions to credit providers. Owns and collects the discontinued receivables of the group
Outsourced Collections channel	Collects outstanding debt on the behalf of corporate outsourced clients
Evolution Life channel (formerly RP Life)	Provides a variety of funeral, disability and loss of income benefits to customers.

	Net operating income R'000	Operating expenses R'000	Profit before tax R'000
<b><i>For the nine months ended 31 December 2021</i></b>			
Evolution Finance	130,281	(27,665)	102,616
Acquired Debt	241,500	(91,604)	149,896
Outsourced collections	39,183	(28,238)	10,945
Evolution Life	20,189	(20,068)	121
Central cost centres and head office functions	17,027	(173,636)	(156,609)
	<b>448,180</b>	<b>(341,211)</b>	<b>106,969</b>

**\* For the nine months ended 31 December 2020**

Evolution Finance	145,537	(85,646)	59,891
Acquired Debt	201,042	(72,038)	129,004
Outsourced collections	34,936	(20,279)	14,657
Evolution Life	20,839	(17,429)	3,409
Central cost centres and head office functions	7,846	(128,254)	(120,408)
	<b>410,199</b>	<b>(323,646)</b>	<b>86,553</b>

\* Comparatives have been restated for comparability with current year results per channel.

	Assets R'000	Liabilities R'000
<b><i>31 December 2021</i></b>		
Evolution Finance	552,774	415,688
Acquired Debt	789,514	559,420
Evolution Life	17,785	16,012
Central cost centres and head office functions	181,078	178,130
	<b>1,541,151</b>	<b>1,169,251</b>
<b><i>31 December 2020</i></b>		
Evolution Finance	718,047	617,832
Acquired Debt	770,968	812,736
Evolution Life	18,828	16,734
Central cost centres and head office functions	66,505	(117,541)
	<b>1,574,348</b>	<b>1,329,760</b>



## Evolution Credit Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2021

### Notes to the condensed financial statements

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8. Segment information (continued)

	Assets R'000	Liabilities R'000
<b>31 March 2021</b>		
Evolution Finance	676,514	645,801
Acquired Debt	841,856	884,017
Evolution Life	13,726	17,427
Central cost centres and head office functions	46,698	(244,797)
	<b>1,578,794</b>	<b>1,302,448</b>

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