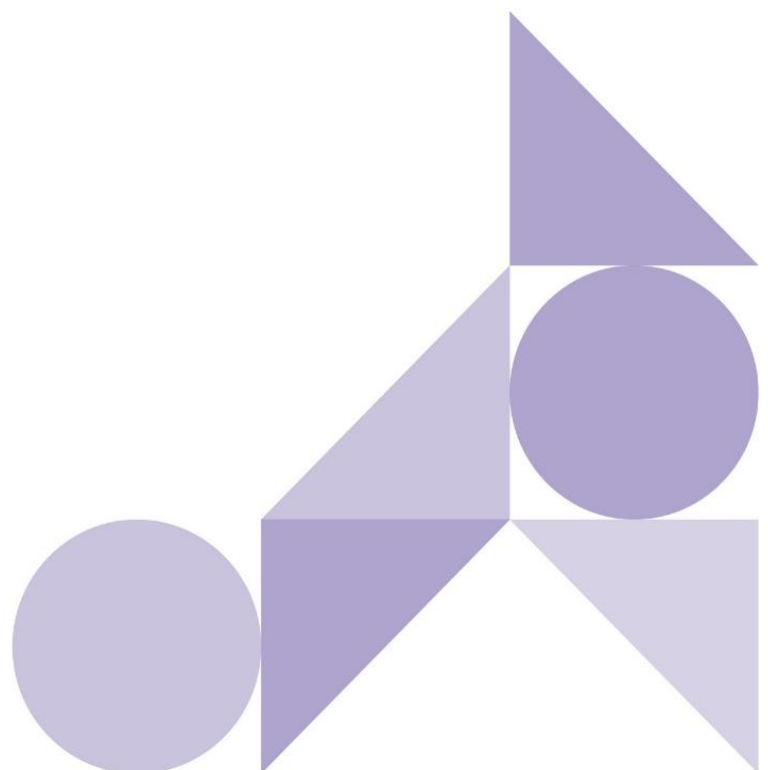


Real People Investment Holdings Limited
Unaudited condensed group financial statements
For the quarter ended 31 March 2020



Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2020

Condensed group statement of financial position

R'000	Notes	31-Mar-20	31-Mar-19
Assets			
Equipment		19 288	13 485
Right-of-use asset	6	14 099	-
Intangible assets		387	1 536
Deferred tax		26 913	14 932
Investment in associate and joint venture		28 878	28 078
Net advances	7	1 511 224	1 468 503
Other receivables		20 597	26 821
Derivatives		28 700	11 891
Cash and cash equivalents		326 600	428 031
Total assets		1 976 686	1 993 277
Equity			
Share capital and equity notes		1 308 857	1 308 857
Reserves		2 430	475
Accumulated loss		(903 527)	(886 430)
Total equity		407 760	422 902
Liabilities			
Borrowings		1 516 228	1 493 776
Tax liabilities		10 611	9 501
Provisions		7 918	24 600
Trade and other payables		34 169	42 498
Total liabilities		1 568 926	1 570 375
Total equity and liabilities		1 976 686	1 993 277

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2020

Condensed group statement of financial performance

R'000	Notes	Three months ended		Twelve months ended	
		31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
Revenue	8	228 942	200 169	889 621	839 089
Gross yield from assets		208 329	178 379	785 214	735 163
Impairments		(111 652)	(32 495)	(217 236)	(114 957)
Net yield		96 677	145 884	567 978	620 206
Finance costs		(49 614)	(44 825)	(201 124)	(197 150)
Net margin		47 063	101 059	366 854	423 056
Net assurance income - funeral benefits		7 727	8 078	32 721	33 984
Outsourced collection income		12 886	13 712	55 201	51 146
Income from equity accounted investments		963	4 355	2 690	10 377
Other income		2 535	12 856	10 119	14 406
Net operating income		71 174	140 060	467 585	532 969
Operating expenses		(133 483)	(124 859)	(482 725)	(466 109)
Profit/(loss) before taxation		(62 309)	15 201	(15 140)	66 860
Taxation		4 375	(4 442)	(1 958)	(1 921)
Profit/(loss) for the period		(57 934)	10 759	(17 098)	64 939

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2020

Condensed group statement of comprehensive income

R'000	Twelve months ended	
	31-Mar-20	31-Mar-19
Profit for the period	(17 098)	64 939
<i>Other comprehensive income/(loss):</i>		
Effects of cash flow hedges	1 955	7 051
Total comprehensive income for the period	(15 143)	71 990

Condensed group statement of changes in equity

R'000	Share capital and equity notes	Cash flow hedging reserve	Retained Income	Total equity
<i>For the twelve months ended 31 March 2020</i>				
Opening balance	1 308 857	475	(886 430)	422 902
Profit for the period	-	-	(17 098)	(17 098)
Other comprehensive income	-	1 955	-	1 955
Closing balance	1 308 857	2 430	(903 528)	407 759
<i>For the twelve months ended 31 March 2019</i>				
Opening balance	1 308 857	(6 576)	(951 369)	350 912
Profit for the year	-	-	64 939	64 939
Other comprehensive income	-	7 051	-	7 051
Closing balance	1 308 857	475	(886 430)	422 902

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2020

Condensed group statement of cash flows

R'000	31-Mar-20	31-Mar-19
Cash flows (used in) generated from operating activities		
Cash generated by operations	138 657	277 559
Finance costs	(183 884)	(179 233)
Tax paid	(13 751)	(15 291)
	(58 978)	83 035
Cash flows utilised in investing activities		
Additions to equipment	(12 867)	(5 776)
Proceeds on sale of equipment	852	298
Dividend received from associate	1 890	6 975
	(10 125)	1 497
Cash flows from financing activities		
Proceeds from borrowings	468 000	509 000
Repayment of borrowings	(489 154)	(543 487)
Receipt on settlement of derivative	-	33 417
Payment of lease liabilities	(11 174)	-
	(32 328)	(1 070)
Total cash movement for the period	(101 431)	83 462
Cash and cash equivalents at the beginning of the period	428 031	344 569
Total cash and cash equivalents at the end of the period	326 600	428 031

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2020

Notes to the condensed financial statements

The registration number of Real People Investment Holdings 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 2019.

The Group is considering various scenarios to calculate the financial impact of Cov-19 on the Group's forecast cashflows and asset impairments. No forward looking adjustment has been made to the financial accounts for estimation of Cov-19 related impairments in the Group's asset valuations. Management and the Board continues to engage with the Group's lenders, on the possible impacts for a range of scenarios. These condensed financial statements therefore do not yet take into account a forward looking estimate of the impact of Cov-19.

The principal accounting policies are consistent with those of the annual financial statements for the year ended 31 March 2019, as described in those annual financial statements, except for the adoption of IFRS 16 Leases set out in note 6 below and the change in accounting policy in note 2 below. The financial statements are presented in South African Rands.

2, Change in accounting policy

Costs included in the valuation of credit impaired assets

In the prior year the valuation of credit impaired assets included direct costs in the calculation of the credit adjusted effective interest rate and the calculation of estimated future cash flows. This was based on an interpretation of an implementation guideline given by the IFRS Transition Group on first adoption of IFRS 9 Impairment of Financial Instruments. Subsequently, global guidance has been received which concludes that the inclusion or exclusion of directly attributable and incremental costs in the credit adjusted effective interest rate and projected cash flows is an accounting policy choice and not a specific requirement under IFRS 9.

During the year, the group therefore changed its accounting policy to remove the directly attributable and incremental costs from both the calculation of the credit adjusted effective interest rate for acquired portfolios and to remove these costs from the calculation of estimated future cash flows that support the valuation of the acquired and discontinued receivable portfolios. The reason for the change is to simplify the asset valuation complexity, reduce valuation volatility through the removal of an unnecessary variable and to provide more meaningful reporting by removing the costs currently being set off the revenue line.

The impact of this change would result in an increased carrying value of credit impaired assets of R14.4 million at 31 March 2018 and a corresponding decrease in equity. In the 2019 financial year profit or loss would be R4.4 million lower resulting in a closing balance that is R9.9 million higher under the new basis. The change in accounting policy has been applied prospectively as the impact of restatement of prior year figures is not considered material.

3, Change in accounting estimate

Valuation methodology for acquired debt

IFRS requires that an entity regularly review the methodology and assumptions used for estimating expected credit losses to reduce any differences between estimates and actual credit loss experience. The valuation methodology for acquired debt was back tested to the last two years of actual collections data and refinements were identified for implementation in the model. Firstly, under performance to the collections forecast was identified in the short term of the forecasting period, and secondly, the data demonstrated that higher balance portfolios had a stronger amortisation profile than the model predicted. These refinements were addressed by making the following changes to the methodology:

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2020

Notes to the condensed financial statements

3, Change in accounting estimate (continued)

- Models were calibrated to the actual collections observed in the preceding 12 months.
- A balance segmentation was introduced to groups of portfolios with similar collections amortisation profiles.
- New statistical functions were applied to the small and high balance profiles.

The amortised cost value of the acquired debt portfolio was reduced as the lifetime expected credit loss increased by R51,6 million following the above changes.

4, Accounting estimates and judgements

Critical judgements in applying accounting policies

Recognition of deferred tax asset

The recognition of additional deferred tax assets on taxable losses in Real People Investment Holdings Limited and subsidiaries has been suspended. The deferred tax assets in prior financial years were impaired resulting from a decision 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 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 or 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 required governance and oversight to support its obligations.

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.

5, Dividends

No ordinary dividends were declared or paid to shareholders during the twelve months ended 31 March 2020.

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2020

Notes to the condensed financial statements

6, Lease accounting

IFRS 16 Leases became effective from 1 January 2019 and it therefore applicable in the current year. The group elected to apply IFRS 16 retrospectively using the modified approach for operating leases where the group is the lessee. Under the modified approach prior period financial information is not restated. The implementation of IFRS 16 results in the recognition of lease liabilities of R24.3 million and accompanying right-of-use assets of R24.3 million at the beginning of the current financial period. The group has elected to measure the right-of-use asset at an amount equal to the lease liability. The lease liability was recognised by present-valuing future lease payments using an incremental borrowing rate.

7, Net advances

	31-Mar-20	31-Mar-19
	R'000	R'000
<i>Home Finance</i>		
<i>Performing loans</i>		
Gross advances	815 954	686 432
Impairment of advances	(115 574)	(91 454)
	<u>700 380</u>	<u>594 978</u>
<i>Non-performing loans</i>		
Gross advances	1 448 652	1 562 664
Impairment of advances	(1 275 820)	(1 379 055)
	<u>172 833</u>	<u>183 609</u>
<i>DMC</i>		
Gross advances	765 927	749 077
Impairment of advances	(127 916)	(59 161)
	<u>638 011</u>	<u>689 916</u>
<i>Combined</i>		
Gross advances	3 030 534	2 998 173
Impairment of advances	(1 519 310)	(1 529 670)
Net advances	<u>1 511 224</u>	<u>1 468 503</u>
	31-Mar-20	31-Mar-19
	R'000	R'000

8, Revenue

<i>Revenue other than from contracts with customers</i>		
Interest and similar income	728 970	679 821
Net premiums received	105 450	108 122
<i>Revenue from contracts with customers</i>		
Outsourced collection income	55 201	51 146
	<u>889 621</u>	<u>839 089</u>

10, Segment information

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

The segments are as follows:

- Home Finance provides credit and related financial services (credit life cover) to customers of building supply merchants
- DMC purchases non-performing loan portfolios and provides debt collection solutions to credit providers. DMC owns and collects the discontinued receivables.
- Assurance provides a variety of funeral, disability and loss of income benefits to customers.
- Group Central Services houses the centralised functions which operate across the group.

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2020

Notes to the condensed financial statements

10, Segment information (continued)

	Net operating income R'000	Operating expenses R'000	Profit before tax R'000
<i>For the twelve months ended 31 March 2020</i>			
Home Finance	174 740	(148 347)	26 393
DMC	259 445	(278 749)	(19 304)
Assurance	33 677	(26 994)	6 683
Group Central Services	(276)	(28 636)	(28 912)
	467 585	(482 725)	(15 140)

For the twelve months ended 31 March 2019

Home Finance	207 051	(142 847)	64 204
DMC	292 738	(265 600)	27 138
Assurance	34 760	(26 434)	8 326
Group Central Services	(1 580)	(31 228)	(32 808)
	532 969	(466 109)	66 860

	Assets R'000	Liabilities R'000
<i>31 March 2020</i>		
Home Finance	1 053 679	900 420
DMC	831 273	597 646
Assurance	31 751	28 708
Group Central Services	59 983	42 152
	1 976 686	1 568 926

31 March 2019

Home Finance	1 056 415	878 755
DMC	872 809	536 139
Assurance	33 152	18 440
Group Central Services	30 901	137 041
	1 993 277	1 570 375