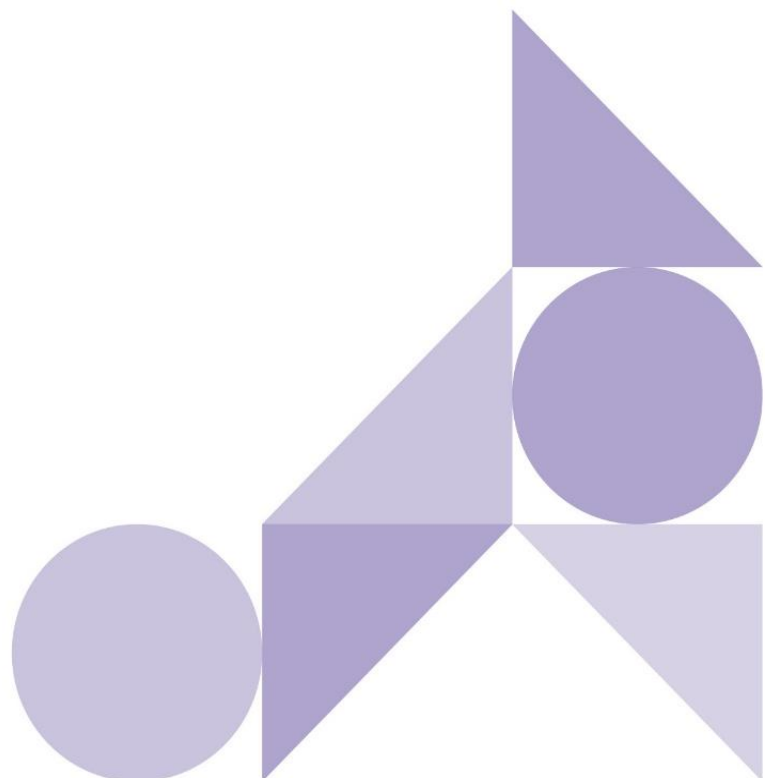


**Real People Investment Holdings Limited**  
**Unaudited condensed group financial statements**  
For the quarter ended 31 December 2016



# Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2016

## Condensed group statement of financial position

R'000	Notes	31-Dec-16	31-Mar-16
<b>Assets</b>			
Property, plant and equipment		28,002	38,599
Intangible assets		24,501	22,972
Deferred tax		217,252	194,015
Net advances	7	2,547,372	2,784,453
Investment in associate and joint venture		34,764	32,631
Other assets		136,417	186,550
Derivative assets		26,442	126,706
Cash and cash equivalents		492,342	608,392
<b>Total assets</b>		<b>3,507,092</b>	<b>3,994,318</b>
<b>Equity</b>			
Share capital	8	556,323	541,183
Reserves		26,666	36,260
Accumulated loss		(126,576)	(27,302)
Share capital and reserves		456,413	550,141
Non-controlling interest		-	(13,537)
<b>Total equity</b>		<b>456,413</b>	<b>536,604</b>
<b>Liabilities</b>			
Borrowings	9	2,905,129	3,208,211
Deferred tax		30,648	27,734
Other liabilities		114,902	221,769
<b>Total liabilities</b>		<b>3,050,679</b>	<b>3,457,714</b>
<b>Total equity and liabilities</b>		<b>3,507,092</b>	<b>3,994,318</b>

# Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2016

## Condensed group statement of financial performance

R'000	Notes	Three months ended		Nine months ended	
		31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
<i>Continuing operations</i>					
<b>Revenue</b>	10	<b>264,969</b>	<b>324,018</b>	<b>837,592</b>	<b>1,003,225</b>
<b>Gross yield from assets</b>		<b>194,992</b>	<b>303,006</b>	<b>750,942</b>	<b>882,445</b>
Impairments		(30,770)	(59,788)	(134,120)	(224,141)
<b>Net yield</b>		<b>164,222</b>	<b>243,218</b>	<b>616,822</b>	<b>658,304</b>
Finance costs		(103,563)	(93,260)	(319,175)	(301,341)
<b>Net margin</b>		<b>60,659</b>	<b>149,958</b>	<b>297,647</b>	<b>356,963</b>
Other non-interest income		69,977	21,012	111,786	104,608
<b>Net operating income</b>		<b>130,636</b>	<b>170,970</b>	<b>409,433</b>	<b>461,571</b>
Operating expenses		(162,503)	(159,425)	(491,643)	(448,757)
<b>Profit/(loss) before taxation</b>		<b>(31,867)</b>	<b>11,545</b>	<b>(82,210)</b>	<b>12,814</b>
Taxation	11	(1,122)	(1,679)	6,281	(23,902)
<b>Profit/(loss) from continuing operations</b>		<b>(32,989)</b>	<b>9,866</b>	<b>(75,929)</b>	<b>(11,088)</b>
<i>Disposal group</i>					
Profit/(loss) from operations classified as a disposal group	6	-	(1,012)	(7,540)	(970)
<b>Profit/(loss) for the period</b>		<b>(32,989)</b>	<b>8,854</b>	<b>(83,469)</b>	<b>(12,058)</b>
<i>Profit/(loss) attributable to:</i>					
<i>Owners of the parent</i>					
Continuing operations		(32,989)	10,106	(75,929)	(10,474)
Disposal group		-	(1,012)	(7,540)	(970)
		(32,989)	9,094	(83,469)	(11,444)
<i>Non-controlling interest</i>		-	(240)	-	(614)
<b>Profit/(loss) for the period</b>		<b>(32,989)</b>	<b>8,854</b>	<b>(83,469)</b>	<b>(12,058)</b>

# Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2016

## Condensed group statement of comprehensive income

R'000	Nine months ended	
	31-Dec-16	31-Dec-15
<b>Loss for the period</b>	<b>(83,469)</b>	<b>(12,058)</b>
<i>Other comprehensive income/(loss):</i>		
Cash flow hedges:		
Effects of cash flow hedges	16,825	12,955
Tax	(4,711)	(2,834)
Exchange differences on translating foreign operations	(21,708)	32,735
Total other comprehensive loss	(9,594)	42,856
<b>Total comprehensive income (loss) for the period</b>	<b>(93,063)</b>	<b>30,798</b>

## Condensed group statement of changes in equity

R'000	Share capital and share premium	Foreign currency translation reserve	Cash flow hedging reserve	Retained Income	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
<b>For the nine months ended 31 December 2016</b>							
Opening balance	541,183	20,383	15,877	(27,302)	(240)	(13,537)	536,604
Loss for the period	-	-	-	(83,469)	(83,469)	-	(83,469)
Other comprehensive income/(loss)	-	(21,708)	12,114	-	(9,594)	-	(9,594)
Scrip dividends	15,140	-	-	-	15,140	-	15,140
Transfer of non-controlling interest	-	-	-	(13,537)	(13,537)	13,537	-
Preference dividend	-	-	-	(2,268)	(2,268)	-	(2,268)
<b>Closing balance</b>	<b>556,323</b>	<b>(1,325)</b>	<b>27,991</b>	<b>(126,576)</b>	<b>(93,968)</b>	<b>-</b>	<b>456,413</b>
<b>For the nine months ended 31 December 2015</b>							
Opening balance	541,183	25,617	3,654	(24,148)	546,306	(10,601)	535,705
Loss for the period	-	-	-	(11,444)	(11,444)	(614)	(12,058)
Other comprehensive income/(loss)	-	32,735	10,121	-	42,856	-	42,856
Preference dividend	-	-	-	(10,444)	(10,444)	-	(10,444)
<b>Closing balance</b>	<b>541,183</b>	<b>58,352</b>	<b>13,775</b>	<b>(46,037)</b>	<b>567,273</b>	<b>(11,215)</b>	<b>556,058</b>
<b>For the twelve months ended 31 March 2016</b>							
Opening balance	541,183	25,617	3,654	(24,148)	546,306	(10,601)	535,705
Profit for the year	-	-	-	10,627	10,627	(2,936)	7,691
Other comprehensive income/(loss)	-	(5,234)	12,223	-	6,989	-	6,989
Preference dividend	-	-	-	(13,781)	(13,781)	-	(13,781)
<b>Closing balance</b>	<b>541,183</b>	<b>20,383</b>	<b>15,877</b>	<b>(27,302)</b>	<b>(240)</b>	<b>(13,537)</b>	<b>536,604</b>

# Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2016

## Condensed group statement of cash flows

R'000	31-Dec-16	31-Dec-15
<b>Cash flows used in operating activities</b>		
Cash generated by operations	342,575	182,992
Finance costs	(319,175)	(301,341)
Tax refunded (paid)	5,421	(19,998)
	<b>28,821</b>	<b>(138,347)</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment and intangible assets	(5,180)	(15,231)
Proceeds on sale of plant and equipment	4,403	427
	<b>(777)</b>	<b>(14,805)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	634,762	611,323
Repayment of borrowings	(778,856)	(411,163)
Dividends paid	-	(3,153)
	<b>(144,094)</b>	<b>197,007</b>
<b>Total cash movement for the period</b>	<b>(116,050)</b>	<b>43,855</b>
Cash and cash equivalents at the beginning of the period	608,392	432,757
<b>Total cash and cash equivalents at the end of the period</b>	<b>492,342</b>	<b>476,612</b>

# Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2016

## Notes to the condensed financial statements

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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 2016 which are available on the group's webpage, [www.realpeoplegroup.co.za](http://www.realpeoplegroup.co.za).

The principal accounting policies and methods of computation applied in preparing these condensed results are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements except as described in note 2 below. The financial statements are presented in South African Rands.

### 2. Group covenants

The group is required to maintain a capital adequacy ratio greater than 30% in terms of group covenants. In the current period the group remained above the covenant level. It should however be highlighted that in the absence of a capital injection or a material improvement in the trading results of the group in the near term, a breach of the covenant level is a strong possibility.

### 3. Accounting estimates and judgements

#### *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 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 uses 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.

The non-performing loans cash flow modelling methodology informing the valuation of the General Purpose Lending, Cellular and Education portfolios has been changed from an activation role rate model to a run-off triangle/chain ladder methodology in the current period, and updated to incorporate the deteriorated collection trend experienced during the year. This resulted in an additional net impairment of R 121.8 million in the current period.

In the Business Finance portfolio, the methodology used for the loss identification period was updated in the current period. This resulted in an increase in the loss identification period to twelve months to incorporate 95% of the loss emergence. In line with the methodology update an estimated additional provision of R 18 million was raised.

#### *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 initially at transaction price. Thereafter, the acquired debt is measured on a portfolio basis by discounting future anticipated cash flows at market related interest rates. Actual receipting trends are reviewed against the anticipated cash flow forecasts in order to ensure the accuracy of forecasts.

The Acquired debt discount rate has been reduced in the current period through the refinement of the methodology by removing the fixed cost absorption rate in terms of the exit price principles of IFRS 13 Fair Value Measurement and the discount rate has been changed from a simple to an effective rate. This resulted in an upward adjustment of R 90.1 million in the current period.

# Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2016

## Notes to the condensed financial statements

### 4. Accounting estimates and judgements (continued)

#### *Recognition of deferred tax asset*

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. 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.

### 5. Dividends

No ordinary dividends were declared or paid to shareholders during the nine months ended 31 December 2016.

### 6. Disposal group

The Board has approved an adjusted sale price for the sale of the Aspire Group as a result of a deterioration in the financial performance of the Aspire Schools business and changes in the discounting arrangement in respect of the Aspire Post-Schools business. The effective date of the sale will remain 1 January 2016. In terms of the transaction agreed, the group will retain contingent exposure on potential closure costs related to the post schools' business until the end of January 2017.

### 7. Net advances

	<b>31-Dec-16</b>	<b>31-Mar-16</b>
	<b>R'000</b>	<b>R'000</b>
<i>Credit products at amortised cost</i>		
Gross advances	1,463,857	1,518,300
Impairment of advances	(463,083)	(460,630)
Present value of estimated cash flows on written off advances	413,467	623,193
	<u>1,414,241</u>	<u>1,680,863</u>
<i>Education asset</i>	109,607	111,692
<i>Acquired debt at fair value through profit or loss</i>	1,014,255	978,229
<i>Outsourced collections asset</i>	9,269	13,669
	<u><b>2,547,372</b></u>	<u><b>2,784,453</b></u>

### 8. Share capital

In lieu of the payment of preference dividends the group has issued scrip dividends in settlement thereof. This has resulted in an increase in share capital of R15.1 million.

### 9. Borrowings

The group ended the third quarter within its stated liquidity policies. It should however be highlighted that during August 2015 funding was raised on Real People Kenya Limited's (RPK's) own balance sheet. Since this time RPK has been repaying the intercompany loan with DMC Debt Management (Pty) Limited through the receipting from assets. Due to the intercompany loan being settled by RPK during December 2016, the group is not expecting any cashflows in the short to medium term from the business. In the absence of further fund raising the group would therefore run into a liquidity deficit in the next twelve month period.

# Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2016

## Notes to the condensed financial statements

### 10. Revenue

	31-Dec-16 R'000	31-Dec-15 R'000
Interest income	300,586	329,423
Yield on non-performing loans*	(39,759)	122,064
Fee income	34,372	42,700
Fair value yield on acquired debt	361,858	244,022
Net premiums received	96,411	121,202
Other non-interest income	84,124	143,814
	<b>837,592</b>	<b>1,003,225</b>

\* The negative value for Yield on non-performing loans is a result of the carrying value adjustments to the non-performing assets in the current period.

### 11. Taxation

The group's effective tax rate is stabilising following tax planning initiatives deployed in the 2016 financial year, whilst recognition of additional deferred tax assets within the main operating company remains suspended.

### 12. 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 to customers of building supply merchants in South Africa;
- Business Finance provides working capital and asset acquisition finance to businesses in East Africa, specifically in Kenya, Uganda and Tanzania;
- Assurance provides a variety of life, disability and loss of income benefits to the broader Real People and DMC customer bases;
- 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.

	Net operating income R'000	Operating expenses R'000	Profit (loss) before tax R'000
<b><i>For the nine months ended 31 December 2016</i></b>			
Home Finance	145,788	(110,866)	34,921
Business Finance	(10,511)	(77,687)	(88,197)
Assurance	26,428	(17,071)	9,357
DMC	202,380	(239,980)	(37,601)
Group Central Services	45,347	(46,038)	(691)
	<b>409,433</b>	<b>(491,643)</b>	<b>(82,210)</b>



# Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 December 2016

## Notes to the condensed financial statements

### 12. Segment information (continued)

	Net operating income R'000	Operating expenses R'000	Profit (loss) before tax R'000
<i>For the nine months ended 31 December 2015</i>			
Home Finance	137,444	(101,303)	36,142
Business Finance	57,354	(68,673)	(11,319)
Assurance	32,201	(17,210)	14,991
DMC	207,579	(219,363)	(11,785)
Group Central Services	26,994	(42,208)	(15,214)
	<b>461,571</b>	<b>(448,757)</b>	<b>12,814</b>

	Assets R'000	Liabilities R'000
<i>31 December 2016</i>		
Home Finance	1,074,223	907,041
Business Finance	360,361	551,083
Assurance	79,933	57,010
DMC	1,775,578	1,496,975
Group Central Services	216,997	38,571
	<b>3,507,092</b>	<b>3,050,679</b>

### *31 December 2015*

Home Finance	1,062,736	948,818
Business Finance	590,543	473,240
Assurance	94,881	89,220
DMC	1,785,528	1,423,124
Group Central Services	500,594	558,230
	<b>4,034,282</b>	<b>3,492,632</b>

### *31 March 2016*

Home Finance	1,032,319	928,304
Business Finance	504,855	420,088
Assurance	107,172	100,841
DMC	1,836,188	1,450,134
Group Central Services	513,784	558,347
	<b>3,994,318</b>	<b>3,457,714</b>