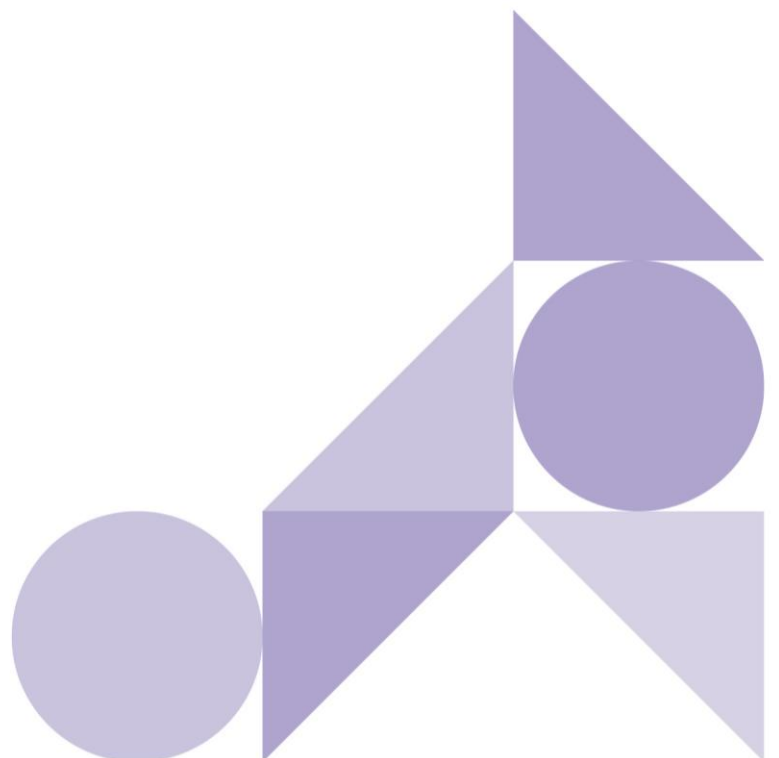


**Real People Investment Holdings Limited**  
**Unaudited condensed group financial statements**  
For the quarter ended 31 March 2016



# Real People Investment Holdings Limited and subsidiaries

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

## Condensed group statement of financial position

R'000	Notes	31-Mar-16	31-Mar-15
<b>Assets</b>			
Property, plant and equipment		38,599	45,447
Intangible assets		29,814	26,891
Deferred tax assets		194,015	190,362
Net advances	4	2,784,453	2,855,738
Other assets		186,550	133,205
Investments accounted for using the equity method		32,631	30,402
Derivative assets		126,706	23,554
Cash and cash equivalents		608,392	432,757
<b>Assets of continuing operations</b>		<b>4,001,160</b>	<b>3,738,356</b>
Assets of disposal groups	5	-	16,602
<b>Total assets</b>		<b>4,001,160</b>	<b>3,754,958</b>
<b>Equity</b>			
Share capital		541,183	541,183
Reserves		36,260	29,271
Accumulated loss		(20,460)	(24,148)
		556,983	546,306
Non-controlling interest		(13,537)	(10,601)
<b>Total equity</b>		<b>543,446</b>	<b>535,705</b>
<b>Liabilities</b>			
Borrowings	6	3,208,211	3,078,974
Deferred and current tax liabilities		27,734	11,987
Other liabilities		221,769	119,461
<b>Liabilities of continuing operations</b>		<b>3,457,714</b>	<b>3,210,422</b>
Liabilities of disposal groups	5	-	8,831
<b>Total liabilities</b>		<b>3,457,714</b>	<b>3,219,253</b>
<b>Total equity and liabilities</b>		<b>4,001,160</b>	<b>3,754,958</b>

# Real People Investment Holdings Limited and subsidiaries

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

## Condensed group statement of financial performance

R'000	Notes	Three months ended		Year ended	
		31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
<i>Continuing operations</i>					
<b>Revenue</b>	7	<b>277,560</b>	<b>350,084</b>	<b>1,261,230</b>	<b>1,414,942</b>
<b>Gross yield from assets</b>		<b>219,794</b>	<b>289,037</b>	<b>1,102,239</b>	<b>1,276,322</b>
Impairments		(39,450)	(101,207)	(263,591)	(642,129)
<b>Net yield</b>		<b>180,344</b>	<b>187,830</b>	<b>838,648</b>	<b>634,193</b>
Finance costs		(107,597)	(96,429)	(408,938)	(396,106)
<b>Net margin</b>		<b>72,747</b>	<b>91,401</b>	<b>429,710</b>	<b>238,087</b>
Other non-interest income		(15,448)	19,656	89,160	93,985
<b>Net operating income</b>		<b>57,299</b>	<b>111,057</b>	<b>518,870</b>	<b>332,072</b>
Foreign exchange gain (loss)	8	47,041	-	47,041	(46,019)
Gain on purchase of financial liabilities	9	83,158	-	121,461	-
Income (loss) from equity accounted investments		539	(1,306)	2,230	(1,306)
Operating expenses		(171,975)	(98,853)	(620,732)	(587,526)
<b>Profit (loss) before taxation</b>		<b>16,062</b>	<b>10,898</b>	<b>68,870</b>	<b>(302,779)</b>
Taxation	10	(28,760)	3,928	(52,662)	(20,460)
<b>Profit (loss) from continuing operations</b>		<b>(12,698)</b>	<b>14,826</b>	<b>16,208</b>	<b>(323,239)</b>
<i>Disposal group</i>					
(Loss) profit from operations classified as a disposal group		(705)	1,997	(1,675)	(9,654)
<b>Profit (loss) for the period</b>		<b>(13,403)</b>	<b>16,823</b>	<b>14,533</b>	<b>(332,893)</b>
<i>Profit (loss) attributable to:</i>					
<i>Owners of the parent</i>					
Continuing operations		(10,376)	14,774	19,144	(313,506)
Disposal group		(705)	1,997	(1,675)	(9,654)
		(11,081)	16,771	17,469	(323,160)
<i>Non-controlling interest</i>		(2,322)	52	(2,936)	(9,733)
<b>Profit (loss) for the period</b>		<b>(13,403)</b>	<b>16,823</b>	<b>14,533</b>	<b>(332,893)</b>

# Real People Investment Holdings Limited and subsidiaries

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

## Condensed group statement of comprehensive income

R'000	Year ended	
	31-Mar-16	31-Mar-15
<b>Profit (loss) for the period</b>	<b>14,533</b>	<b>(332,893)</b>
<i>Other comprehensive income:</i>		
Cash flow hedges:		
Effects of cash flow hedges	17,541	(11,503)
Tax	(5,318)	3,073
Exchange differences on translating foreign operations	(5,234)	52,822
Total other comprehensive income	6,989	44,392
<b>Total comprehensive income (loss) for the period</b>	<b>21,522</b>	<b>(288,501)</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 twelve months ended 31 March 2015</b>							
Opening balance	431,945	(27,205)	12,084	316,074	732,898	(14,882)	718,016
Loss for the year	-	-	-	(323,160)	(323,160)	(9,733)	(332,893)
Other comprehensive income	-	52,822	(8,430)	-	44,392	-	44,392
Purchase of own shares	(16,797)	-	-	-	(16,797)	-	(16,797)
Conversion of ordinary shares to redeemable preference shares	(97,459)	-	-	-	(97,459)	-	(97,459)
Share issue - Ordinary shares	122,927	-	-	-	122,927	-	122,927
Share issue - Preference shares	100,567	-	-	-	100,567	-	100,567
Preference dividend	-	-	-	(2,244)	(2,244)	-	(2,244)
Changes in ownership interest in subsidiaries	-	-	-	(14,818)	(14,818)	14,014	(804)
<b>Closing balance</b>	<b>541,183</b>	<b>25,617</b>	<b>3,654</b>	<b>(24,148)</b>	<b>546,306</b>	<b>(10,601)</b>	<b>535,705</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	-	-	-	17,469	17,469	(2,936)	14,533
Other comprehensive (loss)/income	-	(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>(20,460)</b>	<b>556,983</b>	<b>(13,537)</b>	<b>543,446</b>

# Real People Investment Holdings Limited and subsidiaries

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

## Condensed group statement of cash flows

<b>R'000</b>	<b>31-Mar-16</b>	<b>31-Mar-15</b>
<b>Cash flows from operating activities</b>		
Cash used in operations	468,510	968,812
Finance costs	(408,938)	(396,106)
Tax paid	(29,301)	(47,909)
	<b>30,271</b>	<b>524,797</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment and intangible assets	(19,717)	(22,989)
Proceeds on sale of plant and equipment	4,035	1,880
Sale of businesses	(888)	-
Redemption of financial assets	-	101,001
	<b>(16,570)</b>	<b>79,892</b>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	-	53,100
Payment to acquire own shares	-	(16,797)
Proceeds from borrowings	803,842	232,498
Repayment of borrowings	(638,755)	(637,162)
Dividends paid	(3,153)	(18,415)
	<b>161,934</b>	<b>(386,776)</b>
<b>Total cash movement for the period</b>	<b>175,635</b>	<b>217,913</b>
Cash and cash equivalents at the beginning of the period	432,757	214,844
<b>Total cash and cash equivalents at the end of the period</b>	<b>608,392</b>	<b>432,757</b>

# Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 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 2015 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 for the year ended 31 March 2016 are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in those annual financial statements. The financial statements are presented in South African Rands.

### 2. Change in 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. These estimates have been reviewed to accommodate current market best practice methodologies and current collection performance across the group's various asset classes.

In the Responsible Finance segment this was as a result of improvements in asset quality and collection performance in the Home Finance division which gave rise to a recalibration of the probability of default (PD) and loss given default (LGD) used in estimating impairment provisions and collection stress in the Business Finance division, together with impairment model refinements.

The Discontinued Receivables portfolio was classified as written off in the current year. In line with the group's accounting policy, 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 the modified terms. The discount rate was therefore reviewed and adjusted in line with a restructured and aging portfolio taking into consideration the performance of the portfolio. The discontinued cellular portfolio underperformed receipting expectations and therefore this asset class was further impaired to align the carrying value with a lower expectation of future recoveries aligned to current trends.

#### *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.

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 current year fair value adjustment took into account that collection on the newly acquired books was exceeding expectation while the existing portfolio was performing in line with valuation expectations.

# Real People Investment Holdings Limited and subsidiaries

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

## Notes to the condensed financial statements

### 3. Dividends

No ordinary dividends were declared for the financial year ended 31 March 2016. Preference dividends of R13.8 million (2015: R2.2 million) and R21.3 million (2015: R4.0 million) were raised on the compulsory convertible preference shares and cumulative redeemable preference shares respectively.

### 4. Net advances

	31-Mar-16 R'000	31-Mar-15 R'000
<i>Credit products at amortised cost</i>		
Gross advances	1,518,300	2,628,300
Impairment of advances	(460,630)	(1,097,648)
Present value of estimated cash flows on written off advances	623,193	436,298
	<u>1,680,863</u>	<u>1,966,950</u>
<i>Education asset</i>	111,692	140,157
<i>Acquired debt at fair value through profit or loss</i>	978,229	727,105
<i>Outsourced collections asset</i>	13,669	21,526
	<u>2,784,453</u>	<u>2,855,738</u>

### 5. Disposal group

#### *Aspire Group*

The group received an offer for the purchase of the Aspire Group which has been accepted and approved by the Board. Agreements have been finalised with the effective date of sale being 1 January 2016. There is a contingent liability associated with this disposal. The purchaser has an option to serve closure notice for the Post-Schools business. If a closure notice is served within three months from signature date, the group carries the full cost of closure which is estimated at R27 million. If a closure notice is served within the subsequent three month period, the costs are to be shared between the group and the purchaser in equal proportions. After six months from signature date, the purchaser bears the full cost.

### 6. Borrowings

The group ended the fourth quarter within its stated liquidity policies.

	31-Mar-16 R'000	31-Mar-15 R'000
<b>7. Revenue</b>		
Interest income	442,221	635,029
Yield on non-performing loans	28,163	(62,740)
Fee income	55,015	68,145
Fair value yield on acquired debt	408,985	308,384
Net premiums received	155,786	220,379
Other non-interest income	171,060	245,745
	<u>1,261,230</u>	<u>1,414,942</u>

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

# Real People Investment Holdings Limited and subsidiaries

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

## Notes to the condensed financial statements

### 8. Foreign exchange gain (loss)

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 current year the company received funds under a listed bond programme in Kenya and repayments have been made. Full repayment is now considered planned and likely. This reflects a change in the net investment in that foreign operation and is therefore considered a partial disposal in the group accounts.

### 9. Gain on purchase of financial liabilities

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 company bought back notes that were trading at a discount which generated a profit.

### 10. Taxation

The group has not recognised deferred tax assets in respect of losses that could be carried forward against future taxable income resulting in a disproportionately high tax charge.

### 11. Segment information

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

The segments are as follows:

- Responsible Finance provides credit and related financial services to customers of building supply merchants in South Africa (Home Finance); and small and micro-enterprises in East Africa, predominantly in Kenya;
- DMC provides debt collection and rehabilitation solutions to credit providers and retail customers in South Africa;
- Group Central Services houses the centralised functions which operate across the group; and
- Discontinued receivables includes run off books.

	Net operating income R'000	Non-recurring adjustment R'000	Operating expenses R'000	Loss before tax R'000
<i>For the twelve months ended 31 March 2016</i>				
Responsible Finance	307,776	(28,407)	(259,441)	19,928
DMC	299,936	85,648	(264,750)	120,834
Group Central Services	(21,691)	168,832	(61,111)	86,030
Discontinued receivables	14,939	(139,432)	(33,429)	(157,922)
	<b>600,960</b>	<b>86,641</b>	<b>(618,731)</b>	<b>68,870</b>



# Real People Investment Holdings Limited and subsidiaries

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

## Notes to the condensed financial statements

### 11. Segment information (continued)

	Net operating income R'000	Non-recurring adjustment R'000	Operating expenses R'000	Loss before tax R'000
<i>For the twelve months ended 31 March 2015</i>				
Responsible Finance	320,153	(225,638)	(241,674)	(147,159)
DMC	230,966	91,313	(203,533)	118,746
Group Central Services	2,848	(29,941)	(73,033)	(100,126)
Dis Discontinued receivables	37,656	(142,610)	(69,286)	(174,240)
	<b>591,623</b>	<b>(306,876)</b>	<b>(587,526)</b>	<b>(302,779)</b>

	Assets R'000	Liabilities R'000
<i>31 March 2016</i>		
Responsible Finance	1,644,346	1,449,233
DMC	1,375,884	1,096,064
Group Central Services	520,626	558,347
Discontinued receivables	460,304	354,070
	<b>4,001,160</b>	<b>3,457,714</b>

<i>31 March 2015</i>		
Responsible Finance	1,544,576	1,357,492
DMC	930,863	644,211
Group Central Services	507,092	590,759
Discontinued receivables	755,825	617,960
	<b>3,738,356</b>	<b>3,210,422</b>