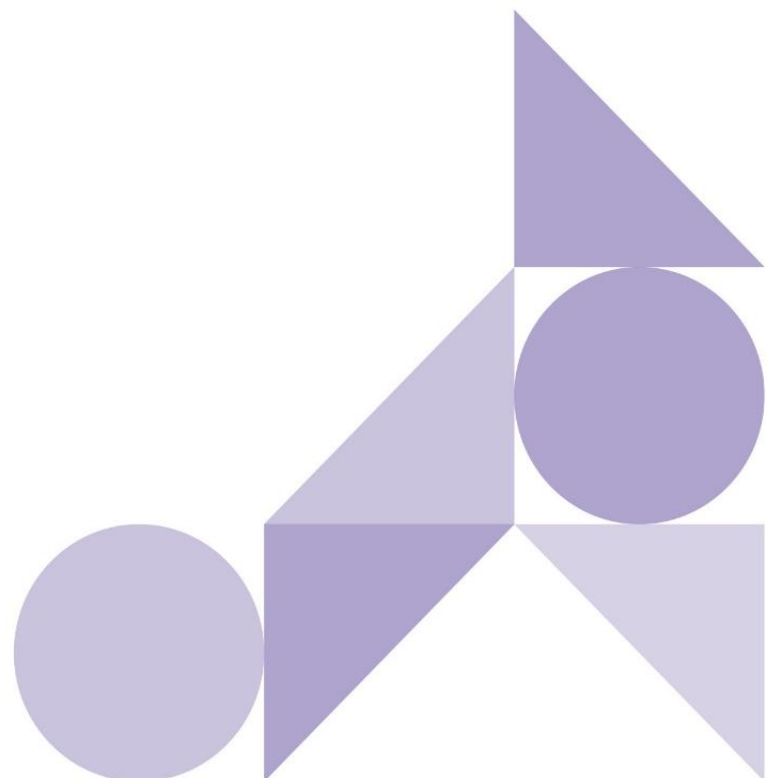


Real People Investment Holdings Limited
Unaudited condensed group financial statements
For the quarter ended 31 March 2018



Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2018

Condensed group statement of financial position

R'000	Notes	31-Mar-18	31-Mar-17
Assets			
Equipment		15,247	28,275
Intangible assets		3,406	11,621
Deferred tax		7,738	3,211
Net advances	8	1,498,213	2,201,428
Investment in associate and joint venture		24,676	19,281
Other assets		25,844	112,762
Derivative assets		3,061	15,082
Cash and cash equivalents		344,570	462,138
Total assets		1,922,755	2,853,798
Equity			
Share capital and equity notes	2	1,308,857	556,324
Reserves		(6,576)	(7,888)
Accumulated loss		(944,325)	(657,273)
Total equity		357,956	(108,837)
Liabilities			
Borrowings		1,474,159	2,791,724
Tax liabilities		12,353	30,962
Other liabilities		78,287	139,949
Total liabilities		1,564,799	2,962,635
Total equity and liabilities		1,922,755	2,853,798

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2018

Condensed group statement of financial performance

R'000	Notes	Three months ended		Twelve months ended	
		31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
<i>Continuing operations</i>					
Revenue	9	230,566	95,107	880,292	815,404
Gross yield from assets		213,865	88,558	785,341	716,672
Impairments		(26,003)	(73,064)	(92,761)	(122,218)
Net yield		187,862	15,494	692,580	594,454
Finance costs		(53,116)	(97,007)	(231,382)	(389,688)
Net margin		134,746	(81,513)	461,198	204,766
Net assurance income - funeral benefits		8,821	9,157	35,204	35,932
Outsourced collection income		7,880	(2,608)	42,271	27,434
Gain on derecognition of financial liability		-	-	50,332	-
Gain on purchase of financial liabilities		-	-	-	49,676
Foreign exchange losses		(534)	(22,644)	(8,965)	(20,201)
Income or loss from equity accounted investments		909	(15,484)	5,396	(13,350)
Other income		4,063	1,862	9,138	4,986
Net operating income		155,885	(111,230)	594,574	289,243
Operating expenses		(156,789)	(179,193)	(516,127)	(595,110)
Profit/(loss) before taxation		(904)	(290,423)	78,447	(305,867)
Taxation		24,899	(162,607)	15,077	(178,045)
Profit/(loss) from continuing operations		23,995	(453,030)	93,524	(483,912)
<i>Disposal group</i>					
Loss from operations classified as a disposal group	5	(1,605)	(77,735)	(30,310)	(130,254)
Profit/(loss) for the period		22,390	(530,765)	63,214	(614,166)
<i>Profit/(loss) attributable to:</i>					
<i>Owners of the parent</i>					
Continuing operations		23,995	(453,030)	93,524	(483,912)
Disposal group		(1,605)	(77,735)	(30,310)	(130,254)
Profit/(loss) for the period		22,390	(530,765)	63,214	(614,166)

The group has elected to not restate comparative numbers on the adoption of IFRS 9 in the current year (refer to note 3). The numbers disclosed in the Consolidated Statement of Profit or Loss for the 2017 financial year above are therefore not comparable with the current year.

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2018

Condensed group statement of comprehensive income

R'000	Twelve months ended	
	31-Mar-18	31-Mar-17
Profit/(loss) for the period	63,214	(614,166)
<i>Other comprehensive income/(loss):</i>		
Cash flow hedges:		
Effects of cash flow hedges	(6,576)	(22,615)
Tax	-	6,738
Exchange differences on translating foreign operations	7,888	(28,271)
Total other comprehensive loss	1,312	(44,148)
Total comprehensive income (loss) for the period	64,526	(658,314)

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
For the twelve months ended 31 March 2018							
Opening balance	556,324	(7,888)	-	(657,273)	(108,837)	-	(108,837)
Profit for the period	-	-	-	63,214	63,214	-	63,214
Other comprehensive loss	-	7,888	(6,576)	-	1,312	-	1,312
Effect on retained earnings as a result of early adoption of IFRS 9	-	-	-	(350,266)	(350,266)	-	(350,266)
Conversion of ordinary shares into Convertible Preference Shares	(61,467)	-	-	-	(61,467)	-	(61,467)
Convertible Preference Shares converted into B Preference Shares	(115,707)	-	-	-	(115,707)	-	(115,707)
Issue of B Preference Shares	177,174	-	-	-	177,174	-	177,174
Issue of C Preference Shares	141,247	-	-	-	141,247	-	141,247
Issue of D Payment-In-Kind notes	102,766	-	-	-	102,766	-	102,766
Issue of E Payment-In-Kind notes	508,520	-	-	-	508,520	-	508,520
Closing balance	1,308,857	-	(6,576)	(944,325)	357,956	-	357,956
For the twelve months ended 31 March 2017							
Opening balance	541,183	20,383	15,877	(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)
Scrip dividends	15,141	-	-	-	15,141	-	15,141
Transfer of non-controlling interest	-	-	-	(13,537)	(13,537)	13,537	-
Preference dividend	-	-	-	(2,268)	(2,268)	-	(2,268)
Closing balance	556,324	(7,888)	-	(657,273)	(108,837)	-	(108,837)

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2018

Condensed group statement of cash flows

R'000	31-Mar-18	31-Mar-17
Cash flows used in operating activities		
Cash generated by operations	505,299	542,198
Finance costs	(212,554)	(426,788)
Tax (paid) refunded	(15,329)	792
	277,416	116,202
Cash flows from investing activities		
Additions to property, plant and equipment and intangible assets	(7,693)	(10,502)
Proceeds on sale of plant and equipment	1,776	5,266
	(5,917)	(5,236)
Cash flows from financing activities		
Proceeds on share issue	1	-
Proceeds from borrowings	58,862	338,133
Repayment of borrowings	(413,255)	(584,968)
Cash flows on derivative financial liabilities	(34,675)	-
	(389,067)	(246,835)
Total cash movement for the period	(117,568)	(135,869)
Cash and cash equivalents at the beginning of the period	462,138	608,392
Effect of exchange rate movement on cash balances	-	(10,385)
Total cash and cash equivalents at the end of the period	344,570	462,138

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2018

Notes to the condensed financial statements

The registration number of Real People Investment Holdings Limited (RPIH) 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 2017.

The principal accounting policies are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those annual financial statements with the exception of the adoption of IFRS 9 which is set out in note 3 below.

The financial statements are presented in South African Rands.

2. Group capital restructure

The group capital restructure was completed on 5 December 2017 and had the following effect:

- 41% of the Senior Instruments (together with 55% of converted subordinated debt) at 31 March 2017 have been exchanged for E Payment-In-Kind Notes ("E PIK Notes") issued by RPIH and held by the holders of the Senior Instruments.
- 55% of Subordinated Debt at 31 March 2017 has been converted into Senior Debt. The remaining Subordinated Debt at 31 March 2017 has been exchanged for D Payment-In-Kind Notes ("D PIK Notes") issued by RPIH and held by the holders of the Subordinated Debt.
- The Preference Shares at 31 March 2017 were exchanged for C Preference Shares issued by RPIH, and held by holders of the Preference Shares. The outstanding balance on the C Preference shares was reduced to a lower level than the outstanding balance on the Preference Shares at 31 March 2017, by an amount equal to the discount to face value at 31 March 2017.
- The Convertible Preference Shares at 31 March 2017 were exchanged for B Preference Shares issued by RPIH, and held by the holders of the Convertible Preference Shares pro-rata to their Convertible holdings.
- The lenders agreed to a 12 month moratorium on payments to unsecured senior debt from 1 April 2017.

3. Changes in accounting policies and disclosures

The group has adopted IFRS 9 Financial Instruments with effect from 1 April 2017.

The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As permitted by IFRS 9, the group has elected to apply the hedge accounting requirements.

The group has elected not to restate comparative numbers.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as an adjustment to opening equity.

Accordingly, the information presented for the 2017 financial year do not reflect the requirements of IFRS 9 and is therefore not comparable to the information presented for the 2018 financial year under IFRS 9.

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2018

Notes to the condensed financial statements

3. Changes in accounting policies and disclosures (continued)

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9:

	IAS 39 categorisation	IFRS 9 categorisation	Opening balance IAS 39 R'000	IFRS 9 initial application R'000	Opening balance IFRS 9 R'000
Assets					
Net advances					
Home Finance	Loans and receivables at amortised cost	Amortised cost	841,432	(78,722)	762,710
DMC					
Acquired debt	Fair value through profit or loss	Amortised cost	918,425	(205,808)	712,617
Education asset	Fair value through profit or loss	Amortised cost	79,620	(11,160)	68,460
Discontinued receivables	Loans and receivables at amortised cost	Amortised cost	201,539	(27,837)	173,702
East Africa	Loans and receivables at amortised cost	Amortised cost	160,411	(20,015)	140,396
Derivative financial assets	Fair value through profit or loss	Fair value through profit or loss	15,082	-	15,082
Other receivables	Loans and receivables at amortised cost	Amortised cost	104,781	-	104,781
Cash and cash equivalents	Loans and receivables at amortised cost	Amortised cost	462,138	-	462,138
Other assets			70,369		70,369
Total assets			2,853,798	(343,542)	2,510,256
Equity and liabilities					
Equity			(108,837)	(350,266)	(459,103)
Liabilities					
Borrowings	Financial liabilities at amortised cost	Amortised cost	2,791,724	-	2,791,724
Trade and other payables	Financial liabilities at amortised cost	Amortised cost	64,381	-	64,381
Derivative financial liabilities	Fair value through profit or loss	Fair value through profit or loss	17,541	-	17,541
Deferred tax			-	6,724	6,724
Other liabilities			88,989	-	88,989
Total equity and liabilities			2,853,798	(343,542)	2,510,256

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2018

Notes to the condensed financial statements

4. 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.

Impairment is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

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. Disposal group

The East African subsidiaries, housing the Business Finance segment, were sold to a third party on 29 March 2018. Prior to the sale, the board was committed to a plan to sell the operations as a single sale transaction and the division was classified as a discontinued operation. The statement of financial performance has been restated for both the current and prior period to reflect the income and expenses of the East African subsidiaries separately from continuing operations.

6. Dividends

No ordinary dividends were declared or paid to shareholders during the twelve months ended 31 March 2018.

7. Deferred tax

The recognition of additional deferred tax assets on taxable losses in Real People Investment Holdings Limited and subsidiaries has been suspended. Although it is likely that a portion of the deferred tax asset will be recoverable in future; 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 current income tax credit is primarily due to the release of deferred tax liabilities arising from the sale of portfolios in special purpose entities at a loss.

8. Net advances

	Home Finance R'000	DMC R'000	Business Finance R'000	Total R'000
31 March 2018				
Loans and receivables at amortised cost				
Gross advances	2,349,774	819,328	-	3,169,102
Impairment of advances	(1,627,145)	(43,744)	-	(1,670,889)
	722,629	775,584	-	1,498,213

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2018

Notes to the condensed financial statements

8. Net advances (continued)

	Home Finance R'000	DMC R'000	Business Finance R'000	Total R'000
31 March 2017				
Loans and receivables at amortised cost				
Gross advances	1,109,455	19,401	236,515	1,365,371
Impairment of advances	(392,465)	(14,948)	(91,130)	(498,543)
Present value of estimated cash flows on written off advances	124,444	197,085	15,026	336,555
	841,434	201,538	160,411	1,203,383
Fair value through profit or loss - Designated				
Acquired debt	-	918,425	-	918,425
Education asset	-	79,620	-	79,620
	841,434	1,199,583	160,411	2,201,428

The impact of IFRS 9 on the opening balance of R2,201.4 million was R350.3 million, refer note 3 above.

9. Revenue

Interest and similar income	708,715	231,636
Fee income	9,938	47,270
Fair value yield on acquired debt	-	381,444
Net premiums received	117,649	127,439
Other non-interest income	43,990	27,615
	880,292	815,404

Revenue from financial assets in the prior year is calculated on the basis of IAS 39 whereas revenue in the current year is calculated on the basis of IFRS 9. Refer to note 3 above for the change in accounting policy.

In addition, the effective interest rate under IFRS 9 includes collection costs for the Acquired Debt Portfolio and Education asset and service fees for the Home Finance portfolio.

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:

- 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 customers;
- DMC purchases non-performing loan portfolios and provides debt collection solutions to credit providers in South Africa; and
- Group Central Services houses the centralised functions which operate across the group.

The operations of the Business Finance division have been reclassified as a disposal group.

Real People Investment Holdings Limited and subsidiaries

Unaudited condensed group financial statements for the quarter ended 31 March 2018

Notes to the condensed financial statements

11. Segment information (continued)

	Net operating income R'000	Operating expenses R'000	Profit (loss) before tax R'000
<i>For the twelve months ended 31 March 2018</i>			
Home Finance	220,131	(137,410)	82,721
Assurance	36,142	(26,880)	9,262
DMC	296,185	(267,352)	28,833
Group Central Services	51,081	(93,450)	(42,369)
	603,539	(525,092)	78,447

	Net operating income R'000	Non-recurring items R'000	Operating expenses R'000	Profit (loss) before tax R'000
<i>For the twelve months ended 31 March 2017</i>				
Home Finance	192,884	(55,149)	(145,840)	(8,105)
Assurance	35,093	(1,004)	(21,707)	12,382
DMC	292,154	(191,461)	(305,801)	(205,108)
Group Central Services	(40,215)	14,771	(79,592)	(105,036)
	479,916	(232,843)	(552,940)	(305,867)

	Assets R'000	Liabilities R'000
<i>31 March 2018</i>		
Home Finance	904,781	765,054
Assurance	32,499	4,989
DMC	973,863	675,109
Group Central Services	11,612	119,647
Business Finance	-	-
	1,922,755	1,564,799
<i>31 March 2017</i>		
Home Finance	1,023,353	892,526
Assurance	83,753	58,524
DMC	1,402,028	1,464,735
Group Central Services	124,637	46,249
Business Finance	220,027	500,601
	2,853,798	2,962,635