

# Financial Report

For the quarter ended  
31 March 2020

REAL PEOPLE®

**Real People  
Investment Holdings Ltd**



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## 1. Treatment of Covid-19 in the accounts

- It is management's view that there is insufficient information at 31 March 2020, the Group's financial year end, to account for the financial impact of Cov-19 on the Group's forecast cashflows and accordingly no adjustment has been made to the annual results for estimation of Cov-19 related impairments in the Group's asset valuations.
- Management also holds the view that readers of the Group's annual financial statements will gain more value from an approach that accounts for asset valuations before the unknown broader impacts of Cov-19 on the future economy and the business but with added disclosure, to follow after these management accounts, on a range of scenarios that Management and the Board are engaging with the Group's various lenders.
- Using this approach to accounting and disclosures, supported by an active engagement process with Lenders throughout the new financial year to March 2021, management expects to provide a reasonable estimate of impairment levels by H1 FY 2020 (September 2020).
- These unaudited management accounts are prepared without taking into account an estimation of the impact of Cov-19.
- To note, the depressed result for FY 2020 is largely as a result of a methodology change in the DMC acquired debt portfolios that provides more accurate back testing of the statistical methodology applied for valuation purposes. This accounts for a R51.6m impairment in March 2020. The March results already include early negative consequences of the social distancing measures introduced pre-lockdown as well as the initial effects of the start of the lockdown.

## 2.1 Group statement of financial position

Group consolidated - Mar FY2020			
Actual	Prior Year	Actual vs	
R'm	R'm	Prior Year(%)	
<b>Assets</b>			
<b>Home Finance</b>			
Gross performing Loans	834.9	694.2	20.3%
Performing loans Impairments	(124.1)	(96.0)	-29.2%
Net performing loans	<b>710.9</b>	<b>598.2</b>	<b>18.8%</b>
Net non-performing loans	<b>163.6</b>	<b>180.4</b>	<b>-9.3%</b>
<b>DMC</b>			
Discontinued receivables	62.4	95.6	-34.8%
Acquired assets	574.3	594.3	-3.4%
Right-of-use asset, equipment and intangible assets	33.8	15.0	> 100%
Investments	30.1	32.2	-6.5%
Other assets	19.3	22.6	-14.5%
Deferred tax assets	26.9	14.9	80.2%
Cash and cash equivalents	326.6	428.0	-23.7%
<b>Total assets</b>	<b>1,947.9</b>	<b>1,981.2</b>	<b>-1.7%</b>
<b>Equity and liabilities</b>			
Share capital and share premium	1,308.9	1,308.9	0.0%
Accumulated loss	(903.5)	(886.4)	-1.9%
Reserves	2.4	0.5	> 100%
<b>Equity</b>	<b>407.8</b>	<b>422.9</b>	<b>-3.6%</b>
<b>Liabilities</b>			
Borrowings	1,487.5	1,481.9	0.4%
Deferred and current tax liabilities	10.6	9.5	11.7%
Other liabilities	42.0	67.0	-37.2%
<b>Total liabilities</b>	<b>1,540.2</b>	<b>1,558.4</b>	<b>-1.2%</b>
<b>Total equity and liabilities</b>	<b>1,947.9</b>	<b>1,981.3</b>	<b>-1.7%</b>
<b>Quarter Average</b>			
Average Productive Assets	1,549.1	1,467.9	5.5%
Average Total Assets	2,011.6	1,960.9	2.6%
Average Productive Assets/Average Total Assets (%)	77.0%	74.9%	2.9%
<b>YTD Average</b>			
Average Productive Assets	1,489.9	1,483.4	0.4%
Average Total Assets	1,964.6	1,949.1	0.8%
Average Productive Assets/Average Total Assets (%)	75.8%	76.1%	-0.4%

### Key take outs:

#### Assets:

- Home Finance loans and advances are higher year on year on account of growth in origination volumes relative to the previous year. Planned impairment level improvements have not materialised.
- DMC loans and advances are down year on year on account of the impairment arising from the change in valuation methodology.
- Cash and cash equivalents are higher than planned with funds being received into SPVs earlier than anticipated but lower year on year on account of increased origination levels and debt repayments made.

#### Equity:

- Equity levels are lower than prior year following the loss for the year.

#### Liabilities:

- Borrowings are higher than planned due to fund raising activities being faster than expected. The level of debt is in line with the prior year level.

	Mar FY2020		Mar FY2019	
	Analysis of Share capital R'm	Attribution of current equity to instruments R'm	Analysis of Share Capital R'm	Attribution of current equity to instruments R'm
E PIK Note	493.3	336.2	493.3	348.7
D PIK Note	96.6	26.8	96.6	27.8
C Preference Shares	128.5	18.6	128.5	19.2
B Preference Shares	155.9	7.2	155.9	7.4
A Ordinary Shares	-	15.5	-	16.1
Ordinary Shares	434.5	3.5	434.5	3.6
	<b>1,308.9</b>	<b>407.8</b>	<b>1,308.9</b>	<b>422.9</b>

Please note that these numbers are unaudited and may be subject to change.

## 2.2 Group statement of comprehensive income

Quarter - Mar FY2020				
Actual	ROPA %	Prior Year	ROPA %	Actual vs
R'm		R'm		Prior Year(%)
34.7	9.1%	41.4	11.4%	-16.2%
83.9	22.0%	68.5	18.9%	22.4%
(49.2)	-12.9%	(27.1)	-7.5%	-81.5%
19.1	5.0%	28.6	7.9%	-33.2%
71.8	18.8%	67.8	18.7%	5.9%
6.3	1.6%	7.7	2.1%	-18.7%
12.2	3.2%	13.6	3.7%	-9.7%
<b>144.1</b>	<b>37.7%</b>	<b>159.1</b>	<b>44.0%</b>	<b>-9.4%</b>
(49.6)	-13.0%	(46.1)	-12.7%	-7.6%
<b>94.5</b>	<b>24.7%</b>	<b>113.0</b>	<b>31.2%</b>	<b>-16.4%</b>
7.7	2.0%	8.1	2.2%	-4.3%
12.8	3.3%	13.7	3.8%	-6.7%
2.8	0.7%	6.1	1.7%	-53.9%
<b>117.8</b>	<b>30.8%</b>	<b>140.9</b>	<b>38.9%</b>	<b>-16.4%</b>
<b>(121.0)</b>	<b>-31.7%</b>	<b>(123.8)</b>	<b>-34.2%</b>	<b>2.3%</b>
(133.0)	-34.8%	(116.5)	-32.2%	-14.2%
12.0	3.2%	(7.3)	-2.0%	> -100%
0.2	0.1%	0.0	0.0%	> 100%
1.2	0.3%	(12.3)	-3.4%	> -100%
-	0.0%	-	0.0%	0.0%
<b>(3.0)</b>	<b>-0.8%</b>	<b>17.0</b>	<b>4.7%</b>	<b>&gt; -100%</b>
(51.6)	-13.5%	-	-	-100.0%
(7.7)	-2.0%	-	-	-100.0%
-	-	(3.2)	-0.9%	100.0%
-	-	(1.4)	-0.4%	100.0%
-	-	(0.6)	-0.2%	100.0%
-	-	(0.1)	0.0%	100.0%
-	-	(0.8)	-0.2%	100.0%
-	-	4.5	1.2%	-100.0%
<b>(62.3)</b>	<b>-16.3%</b>	<b>15.4</b>	<b>4.2%</b>	<b>&gt; -100%</b>
(1.6)	-0.4%	(6.4)	-1.8%	74.4%
6.0	1.6%	2.0	0.5%	> 100%
<b>(57.9)</b>	<b>-15.2%</b>	<b>10.9</b>	<b>3.0%</b>	<b>&gt; -100%</b>
1.5	0.4%	(0.5)	-0.1%	> -100%
<b>(56.5)</b>	<b>-14.8%</b>	<b>10.4</b>	<b>2.9%</b>	<b>&gt; -100%</b>

1,549.1	1,467.9
436.0	417.8
3.6	3.5
-58.0%	14.9%
-53.9%	10.6%
7.0%	28.9%

YTD- Mar FY2020				
Actual	ROPA %	Prior Year	ROPA %	Actual vs
R'm		R'm		Prior Year(%)
164.6	11.0%	157.2	10.6%	4.7%
315.1	21.2%	264.4	17.8%	19.2%
(150.6)	-10.1%	(107.2)	-7.2%	-40.5%
78.6	5.3%	94.2	6.4%	-16.6%
312.7	21.0%	318.4	21.5%	-1.8%
27.9	1.9%	27.9	1.9%	0.2%
55.4	3.7%	55.3	3.7%	0.2%
<b>639.2</b>	<b>42.9%</b>	<b>653.0</b>	<b>44.0%</b>	<b>-2.1%</b>
(201.1)	-13.5%	(197.2)	-13.3%	2.0%
<b>438.1</b>	<b>29.4%</b>	<b>455.8</b>	<b>30.7%</b>	<b>-3.9%</b>
32.7	2.2%	34.0	2.3%	-3.7%
55.1	3.7%	51.2	3.4%	7.7%
14.0	0.9%	19.5	1.3%	-28.0%
<b>540.0</b>	<b>36.2%</b>	<b>560.4</b>	<b>37.8%</b>	<b>-3.6%</b>
<b>(496.1)</b>	<b>-33.3%</b>	<b>(490.5)</b>	<b>-33.1%</b>	<b>-1.1%</b>
(484.3)	-32.5%	(458.0)	-30.9%	-5.7%
(11.8)	-0.8%	(32.5)	-2.2%	63.7%
0.4	0.0%	(1.2)	-0.1%	> -100%
1.2	0.1%	(7.1)	-0.5%	> -100%
-	0.0%	-	0.0%	0.0%
<b>44.3</b>	<b>3.0%</b>	<b>68.7</b>	<b>4.6%</b>	<b>-35.5%</b>
(51.6)	-3.5%	-	0.0%	-100.0%
(7.7)	-2.0%	-	0.0%	-100.0%
-	-	(3.2)	-0.9%	100.0%
-	-	(1.4)	-0.4%	100.0%
-	-	(0.6)	-0.2%	100.0%
-	-	(0.1)	0.0%	100.0%
-	-	(0.8)	-0.2%	100.0%
-	-	4.5	1.2%	-100.0%
<b>(15.1)</b>	<b>-1.0%</b>	<b>67.0</b>	<b>4.5%</b>	<b>&gt; -100%</b>
(15.0)	-1.0%	(17.3)	-1.2%	13.1%
13.1	0.9%	15.4	1.0%	-15.0%
<b>(17.0)</b>	<b>-1.1%</b>	<b>65.1</b>	<b>4.4%</b>	<b>&gt; -100%</b>
1.9	0.1%	7.1	0.5%	-72.7%
<b>(15.1)</b>	<b>-1.0%</b>	<b>72.2</b>	<b>4.9%</b>	<b>&gt; -100%</b>
<b>Other comprehensive (loss) / income:</b>				
Movement in cash flow hedge reserve				
<b>Total comprehensive income for the period</b>				
<b>Average productive assets</b>				
<b>Average Equity</b>				
<b>Equity Multiplier</b>				
<b>Pre-tax return on equity</b>				
<b>Return on Equity</b>				
<b>Effective tax rate</b>				

1,489.9	1,483.4
415.3	386.4
3.6	3.8
-3.6%	17.3%
-4.1%	16.9%
-13.0%	2.9%

Please note that these numbers are unaudited and may be subject to change.



## 2.3 Contribution to earnings

	YTD- Mar FY2020					
	Actual	ROPA %	Prior Year	ROPA %	Actual	Actual
	R'm		R'm		vs Target (%)	vs Prior Year(%)
Home Finance	26,5	1,8%	64,4	4,3%	-64%	-58,9%
Assurance	6,7	0,4%	8,3	0,6%	-31%	-19,7%
DMC	(19,3)	-1,3%	27,1	1,8%	> -100%	> -100%
	<b>13,8</b>	<b>0,9%</b>	<b>99,8</b>	<b>6,7%</b>	<b>-89%</b>	<b>-86,1%</b>
Group Central Services	(28,9)	-1,9%	(32,8)	-2,2%	40%	11,9%
Collections performance reserve	-	-	-	0,0%	100%	0,0%
<b>Profit before tax</b>	<b>(15,1)</b>	<b>-1,0%</b>	<b>67,0</b>	<b>4,5%</b>	<b>&gt; -100%</b>	<b>&gt; -100%</b>
<b>Revenue not associated with core operations</b>						
DMC - ADP change in valuation methodology	(51,6)	-3,5%	-	0,0%	-100%	-100,0%
<b>Costs not associated with core operations</b>						
Hedging loss	0,4	0,0%	(1,2)	-0,1%	> 100%	> -100%
HF - Impairment charge - FLI NPL	(7,7)	-2,0%	-	0,0%	-100%	-100,0%
DMC - Historic VAT Claim	-	-	(3,2)	-0,9%	-	100,0%
HF - Audit overruns	-	-	(1,4)	-0,4%	-	100,0%
DMC - Audit overruns	-	-	(0,6)	-0,2%	-	100,0%
Assurance - Audit overruns	-	-	(0,1)	0,0%	-	100,0%
GCS - Audit overruns, Stratcap impaired	-	-	(0,8)	-0,2%	-	100,0%
HF - SARS interest accrual on historic positions	-	-	4,5	0,3%	-	-100,0%
<b>Adjusted profit before tax</b>	<b>43,9</b>	<b>2,9%</b>	<b>69,9</b>	<b>4,7%</b>	<b>-37%</b>	<b>-37,2%</b>

### Key take outs:

**Home Finance:** Home Finance results have been impacted by the seasonality in December and Q4 collections being worse than that experienced in the prior year. January was impacted by the period recalibration of the provisioning curves. This was exacerbated by lower receipting in March to some extent caused by the social distancing measures introduced pre-lockdown as well as the initial effects of the start of the lockdown. In addition to the impact of the above in the impairment, the total impairment coverage includes R7.7m for forward looking indicators and a SICR provision of R9m.

**Assurance:** Profit before tax has underperformed as a result of weaker premium receipting and higher costs associated with cell captive implementation delays.

**DMC:** The acquired book valuation methodology has been refined to more accurately predict the performance of older, revalued portfolios. Portfolios acquired during the last three years are outperforming original priced cash flows. A once-off revaluation adjustment of R51.6m has been implemented during March 2020 to eliminate the valuation under-performance on the older portfolios. Operating costs have been contained year on year.

**GCS:** Operating expenditure closed the year below prior year. The GCS result includes a reversal of an incentive provision of R1.2m for the quarter.

### 3. 12 month rolling compliance ratios

#### Group Capital Adequacy Ratio

	Minimum per Covenant	Actual Mar FY2020 R'm	Actual Mar FY2019 R'm
<b>Permanent Capital / Total adjusted assets</b>	<b>20.0%</b>	<b>35.7%</b>	<b>32.4%</b>
Equity per statement of financial position		407.8	422.9
Cash flow hedge add back		6.4	8.7
Qualifying equity		414.1	431.6
Assurance equity		(24.8)	(22.9)
SPV equity		135.9	114.1
Intangible and deferred tax assets to be funded with equity		(0.4)	(1.5)
SPV junior loans		(325.8)	(276.3)
<b>Permanent Capital (on balance sheet equity)</b>		<b>199.0</b>	<b>245.0</b>
Assets per statement of financial position		1,947.9	1,981.3
Cash and Cash equivalents (on balance sheet)		(117.8)	(91.2)
Intangible and deferred tax assets to be funded with equity		(0.4)	(1.5)
Assurance Assets		(31.9)	(33.3)
SPV assets		(1,240.1)	(1,099.0)
<b>Total adjusted assets (on balance sheet assets)</b>		<b>557.8</b>	<b>756.2</b>

#### Cost to Income Ratio\*\*\*

	Maximum per Covenant	Actual Mar FY2020	Actual Mar FY2019
Operating Expenses		484.6	450.9
Operating Income		670.6	713.9
Income before methodology change impairment		722.2	-
Methodology change impairment		(51.6)	-
<b>Cost to income ratio</b>	<b>68%</b>	<b>72.3%</b>	<b>63.2%</b>
<b>Cost to income ratio before DMC methodology change</b>		<b>67.1%</b>	

The company has engaged the lenders regarding the breach in CTI ratio on account of the once off impact of the DMC valuation methodology change.

#### Debt Service Cover Ratio

	Minimum per Covenant	Actual Mar FY2020	Actual Mar FY2019
Free Cash Flow		215.0	213.6
Debt Service		202.2	178.9
<b>Debt Service Coverage Ratio (times)</b>	<b>1.05</b>	<b>1.06</b>	<b>1.19</b>

\*\*\* For purposes of this report the cost to income ratio is calculated using the applicable IFRS 9 methodology as opposed to the management account view which does not.



## 4. Glossary

Ratio	Definition
<b>Permanent capital / Total adjusted assets</b>	<p><b>Group equity reduced by:</b></p> <ul style="list-style-type: none"> <li>-The cash flow hedge</li> <li>-Equity in SPVs and regulated Assurance Company</li> <li>-Junior equity instruments in SPVs</li> <li>-Deferred taxation &amp; Intangible assets on balance sheet</li> </ul> <p><b>Total assets reduced by:</b></p> <ul style="list-style-type: none"> <li>-Assets in SPVs and regulated Assurance Company</li> <li>- Cash and cash equivalents on balance sheet</li> <li>-Deferred taxation &amp; Intangible assets on balance sheet</li> </ul>
<b>Gross yield on productive assets</b>	Annualised Net yield / Simple average Loans and advances and Acquired assets
<b>Net yield on productive assets</b>	Annualised Net yield / Simple average Loans and advances and Acquired assets
<b>Return on productive assets (ROPA %)</b>	Annualised profit or loss after tax/ Simple average Loans and advances and Acquired assets
<b>Debt service cover</b>	Free cash flow/Debt service
<b>Cost to income</b>	Operating expenses / Net yield (adjusted by direct costs reallocated from yield), Net assurance income - funeral benefits, Outsourced collection income and Sundry income
<b>Equity multiplier</b>	Average productive assets or Average total assets/Average equity
<b>Pre-tax return on equity</b>	Equity multiplier x Pre-tax return as a % of productive assets
<b>Return on equity</b>	Equity multiplier x Return as a % of productive assets

We are Real People, for real people



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