

Evolution Credit Limited
Unaudited condensed group financial statements
For the six months ended 30 September 2022



Evolution Credit Limited

Unaudited condensed group financial statements for the six months ended 30 September 2022

Condensed group statement of financial position

R'000	Notes	30 Sep 2022	31 Mar 2022
Assets			
Equipment		16,953	16,382
Right-of-use assets		2,614	3,660
Amount receivable in terms of Cell Captive arrangement	4	16,614	14,529
Net advances	5	1,221,842	1,129,019
Other receivables		23,438	24,296
Derivatives		14,345	12,183
Cash and cash equivalents		320,030	357,308
Total assets		1,615,836	1,557,377
Equity			
Share capital and equity notes		1,308,857	1,308,857
Reserves		1,406	1,147
Accumulated loss		(872,403)	(916,316)
Total equity		437,860	393,688
Liabilities			
Borrowings		1,079,332	1,054,110
Lease liabilities		2,967	4,003
Deferred tax		1,078	815
Provisions		49,235	57,119
Trade and other payables		42,011	44,307
Tax payable		3,353	3,335
Total liabilities		1,177,976	1,163,689
Total equity and liabilities		1,615,836	1,557,377

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Condensed group statement of financial performance

R'000	Notes	Three months ended		Six months ended	
		30-Sep-22	30-Sep-21	30-Sep-22	30-Sep-21
Revenue	6	164,911	155,887	330,487	324,115
Gross yield from assets		147,527	137,561	286,867	278,711
Impairments		1,240	18,376	4,891	21,093
Net yield		148,767	155,937	291,758	299,804
Finance costs		(29,816)	(29,223)	(57,039)	(59,958)
Net margin		118,951	126,714	234,719	239,846
Net assurance income - funeral benefits		6,142	6,036	13,613	12,589
Outsourced collection income		11,242	12,290	22,934	23,895
Other income		1,632	6,053	7,689	7,760
Net operating income		137,967	151,093	278,955	284,090
Operating expenses		(116,441)	(114,700)	(232,389)	(212,885)
Profit before taxation		21,526	36,393	46,566	71,205
Taxation		(546)	(3,651)	(2,653)	(8,032)
Profit for the period		20,980	32,742	43,913	63,173

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Condensed group statement of comprehensive income

R'000	Six months ended
	30-Sep-22 30-Sep-21
Profit for the period	43,913 63,173
<i>Other comprehensive income/(loss):</i>	
Effects of cash flow hedges	259 108
Total comprehensive income for the period	44,172 63,281

Condensed group statement of changes in equity

R'000	Share capital and equity notes	Cash flow hedging reserve	Accumulated loss	Total equity
For the twelve months ended 31 March 2022				
Opening balance	1,308,857	2,084	(1,034,595)	276,346
Profit for the year	-	-	118,279	118,279
Other comprehensive income	-	(937)	-	(937)
Closing balance	1,308,857	1,147	(916,316)	393,688
For the six months ended 30 September 2022				
Opening balance	1,308,857	1,147	(916,316)	393,688
Profit for the period	-	-	43,913	43,913
Other comprehensive income	-	259	-	259
Closing balance	1,308,857	1,406	(872,403)	437,860
For the six months ended 30 September 2021				
Opening balance	1,308,857	2,084	(1,034,595)	276,346
Profit for the period	-	-	63,173	63,173
Other comprehensive income	-	108	-	108
Closing balance	1,308,857	2,192	(971,422)	339,627

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Condensed group statement of cash flows

R'000	30-Sep-22	30-Sep-21
Cash flows generated from operating activities		
Cash generated by operations	2,503	112,617
Finance costs	(56,382)	(59,685)
Tax (paid) refunded	(1,451)	4,761
	(55,330)	57,692
Cash flows utilised in investing activities		
Additions to equipment	(5,341)	(6,153)
Proceeds on sale of equipment	563	1,871
	(4,777)	(4,282)
Cash flows from financing activities		
Proceeds from borrowings	248,982	60,000
Repayment of borrowings	(226,152)	(216,063)
	22,830	(156,063)
Total cash movement for the period	(37,277)	(102,653)
Cash and cash equivalents at the beginning of the period	357,307	426,793
Total cash and cash equivalents at the end of the period	320,030	324,140

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Notes to the condensed financial statements

The registration number of Evolution Credit Limited is 1999/020093/06.

1. Basis of preparation

The unaudited consolidated 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 2022.

The principal accounting policies are consistent with those of the annual financial statements for the year ended 31 March 2022, as described in those annual financial statements. The financial statements are presented in South African Rands.

2. Significant judgements and sources of estimation uncertainty

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.

Critical judgements in applying accounting policies

Recognition of deferred tax asset

The recognition of deferred tax assets on taxable losses in Evolution Credit Limited and subsidiaries has been suspended and the deferred tax assets recognised in prior financial years impaired until there is a history of sustainable profitability.

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 and 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.

3. Dividends

No ordinary dividends were declared or paid to shareholders during the six months ended 30 September 2022.

4. Amount receivable in terms of Cell Captive arrangement

The group invested in the preference shares in the Old Mutual Alternative Risk Transfer (OMART) Cell Captive which entitles it to the profits of the insurance business that is housed in the cell. The receivable from OMART is measured at the net asset value of the cell at the end of the reporting period.

	30-Sep-22 R'000	31-Mar-22 R'000
OMART Cell Captive preference shares	1,000	1,000
OMART Cell Captive retained earnings	15,614	13,529
	16,614	14,529

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	30-Sep-22 R'000	31-Mar-22 R'000
5. Net advances		
<i>Evolution Finance</i>		
<i>Performing loans</i>		
Gross advances	537,950	462,910
Impairment of advances	(80,196)	(69,977)
	457,754	392,933
<i>Non-performing loans</i>		
Gross advances	1,363,127	1,416,168
Impairment of advances	(1,246,868)	(1,286,727)
	116,259	129,440
<i>Acquired Debt</i>		
Gross advances	692,742	703,241
Impairment of advances	(44,905)	(96,596)
	647,837	606,645
<i>Combined</i>		
Gross advances	2,593,819	2,582,319
Impairment of advances	(1,371,977)	(1,453,300)
Net advances	1,221,842	1,129,019
6. Revenue	30-Sep-22 R'000	30-Sep-21 R'000
<i>Revenue other than from contracts with customers</i>		
Interest and similar income	267,437	261,280
Net premiums received	40,116	38,940
<i>Revenue from contracts with customers</i>		
Outsourced collection income	22,934	23,895
	330,487	324,115
7. Taxation		
Recognition of additional deferred tax assets within the group remains suspended.		
8. Segment information		
The presentation of segment information corresponds to the current operational and management-related structure of the group.		
<i>Reportable segment</i>	<i>Services</i>	
Evolution Finance	Provides credit and related financial services (credit life cover) to customers of building supply merchants	
Acquired Debt	Purchases and collects non-performing loan portfolios	
Outsourced Collections	Collects outstanding debt on the behalf of corporate outsourced clients	
Evolution Life	Operating from a cell captive structure, this channel provides a variety of funeral, disability and loss of income benefits to customers	

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Notes to the condensed financial statements

Segment information (continued)	Net operating income R'000	Operating expenses R'000	Profit before tax R'000
<i>For the six months ended 30 September 2022</i>			
Evolution Finance	63,712	(19,895)	43,816
Acquired Debt	169,755	(70,449)	99,306
Outsourced collections	23,199	(18,182)	5,018
Evolution Life	14,285	(14,274)	12
Central cost centres and head office functions	8,003	(109,589)	(101,585)
	278,955	(232,389)	46,566

For the six months ended 30 September 2021

Evolution Finance	87,820	(17,772)	70,048
Acquired Debt	150,694	(57,175)	93,519
Outsourced collections	23,850	(17,292)	6,558
Evolution Life	13,024	(12,351)	673
Central cost centres and head office functions	8,702	(108,296)	(99,593)
	284,090	(212,885)	71,205

	Assets R'000	Liabilities R'000
<i>31 March 2022</i>		
Evolution Finance	643,889	491,992
Acquired Debt	740,074	503,787
Outsource collections	5,077	5,488
Evolution Life	18,234	16,552
Central cost centres and head office functions	150,103	145,870
	1,557,377	1,163,689

30 September 2022

Evolution Finance	697,353	479,781
Acquired Debt	779,319	524,313
Outsource collections	5,324	5,324
Evolution Life	20,409	18,637
Central cost centres and head office functions	113,429	149,921
	1,615,836	1,177,976

30 September 2021

Evolution Finance	609,761	479,405
Acquired Debt	718,730	506,446
Outsource collections	4,651	4,651
Evolution Life	15,882	14,110
Central cost centres and head office functions	156,578	161,364
	1,505,603	1,165,976