

Evolution Credit Limited
Unaudited condensed group financial statements
For the nine months ended 31 December 2022



Evolution Credit Limited

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Condensed group statement of financial position

R'000	Notes	31 Dec 2022	31 Mar 2022
Assets			
Equipment		15,480	16,382
Right-of-use assets		3,921	3,660
Amount receivable in terms of Cell Captive arrangement	4	19,290	14,529
Net advances	5	1,297,218	1,129,019
Other receivables		20,175	24,296
Derivatives		14,942	12,183
Cash and cash equivalents		268,169	357,308
Total assets		1,639,195	1,557,377
Equity			
Share capital and equity notes		1,308,857	1,308,857
Reserves		1,952	1,147
Accumulated loss		(846,646)	(916,316)
Total equity		464,163	393,688
Liabilities			
Borrowings		1,067,215	1,054,110
Lease liabilities		4,313	4,003
Deferred tax		1,413	815
Provisions		54,299	57,119
Trade and other payables		44,228	44,307
Tax payable		3,564	3,335
Total liabilities		1,175,032	1,163,689
Total equity and liabilities		1,639,195	1,557,377

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Condensed group statement of financial performance

R'000	Notes	Three months ended		Nine months ended	
		31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Revenue	6	177,070	163,901	508,429	490,883
Gross yield from assets		157,736	141,608	444,603	420,319
Impairments		21	22,743	4,912	43,836
Net yield		157,757	164,351	449,515	464,155
Finance costs		(34,049)	(28,016)	(91,088)	(87,975)
Net margin		123,708	136,335	358,427	376,180
Net assurance income - funeral benefits		8,185	6,929	21,798	19,518
Outsourced collection income		11,149	15,364	34,084	39,259
Other income		1,385	5,463	9,074	13,223
Net operating income		144,427	164,091	423,383	448,180
Operating expenses		(116,308)	(128,326)	(348,700)	(341,211)
Profit before taxation		28,119	35,765	74,683	106,969
Taxation		(2,360)	(3,572)	(5,013)	(11,603)
Profit for the period		25,759	32,193	69,670	95,366

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Condensed group statement of comprehensive income

R'000	Nine months ended	
	31-Dec-22	31-Dec-21
Profit for the period	69,670	95,366
<i>Other comprehensive income/(loss):</i>		
Effects of cash flow hedges	805	188
Total comprehensive income for the period	70,475	95,554

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 nine months ended 31 December 2022				
Opening balance	1,308,857	1,147	(916,316)	393,688
Profit for the period	-	-	69,670	69,670
Other comprehensive income	-	805	-	805
Closing balance	1,308,857	1,952	(846,646)	464,163
For the nine months ended 31 December 2021				
Opening balance	1,308,857	2,084	(1,034,595)	276,346
Profit for the period	-	-	95,366	95,366
Other comprehensive income	-	188	-	188
Closing balance	1,308,857	2,272	(939,229)	371,900

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Condensed group statement of cash flows

R'000	31-Dec-22	31-Dec-21
Cash flows generated from operating activities		
Cash generated by operations	(3,098)	164,423
Finance costs	(89,209)	(87,503)
Tax (paid) refunded	(1,467)	4,761
	(93,774)	81,681
Cash flows utilised in investing activities		
Additions to equipment	(6,388)	(6,811)
Proceeds on sale of equipment	888	1,976
	(5,500)	(4,836)
Cash flows from financing activities		
Proceeds from borrowings	399,000	141,000
Repayment of borrowings	(388,865)	(324,705)
	10,135	(183,705)
Total cash movement for the period	(89,139)	(106,860)
Cash and cash equivalents at the beginning of the period	357,308	426,793
Total cash and cash equivalents at the end of the period	268,169	319,933

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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 nine months ended 31 December 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.

	31-Dec-22 R'000	31-Mar-22 R'000
OMART Cell Captive preference shares	1,000	1,000
OMART Cell Captive retained earnings	18,290	13,529
	19,290	14,529

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	31-Dec-22 R'000	31-Mar-22 R'000
5. Net advances		
<i>Evolution Finance</i>		
<i>Performing loans</i>		
Gross advances	571,005	462,910
Impairment of advances	(86,345)	(69,977)
	<u>484,661</u>	<u>392,933</u>
<i>Non-performing loans</i>		
Gross advances	1,335,308	1,416,168
Impairment of advances	(1,223,873)	(1,286,727)
	<u>111,435</u>	<u>129,440</u>
<i>Acquired Debt</i>		
Gross advances	718,262	703,241
Impairment of advances	(17,131)	(96,596)
	<u>701,130</u>	<u>606,645</u>
<i>Combined</i>		
Gross advances	2,624,575	2,582,319
Impairment of advances	(1,327,357)	(1,453,300)
Net advances	<u>1,297,218</u>	<u>1,129,019</u>
6. Revenue	31-Dec-22 R'000	31-Dec-21 R'000
<i>Revenue other than from contracts with customers</i>		
Interest and similar income	412,515	392,618
Net premiums received	61,830	59,007
<i>Revenue from contracts with customers</i>		
Outsourced collection income	34,084	39,259
	<u>508,429</u>	<u>490,883</u>
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 nine months ended 31 December 2022</i>			
Evolution Finance	96,764	(29,866)	66,898
Acquired Debt	260,555	(106,043)	154,512
Outsourced collections	34,395	(26,613)	7,782
Evolution Life	22,942	(21,076)	1,866
Central cost centres and head office functions	8,727	(165,103)	(156,375)
	423,383	(348,700)	74,683

For the nine months ended 31 December 2021

Evolution Finance	130,281	(27,665)	102,616
Acquired Debt	241,791	(91,593)	150,197
Outsourced collections	39,183	(28,238)	10,945
Evolution Life	20,189	(20,068)	121
Central cost centres and head office functions	16,736	(173,647)	(156,911)
	448,180	(341,211)	106,969

	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

31 December 2022

Evolution Finance	658,272	443,644
Acquired Debt	833,087	577,575
Outsource collections	4,259	4,259
Evolution Life	23,085	21,313
Central cost centres and head office functions	120,492	128,241
	1,639,195	1,175,032

31 December 2021

Evolution Finance	552,774	415,688
Acquired Debt	789,514	559,423
Outsource collections	5,084	5,084
Evolution Life	17,785	16,012
Central cost centres and head office functions	175,994	173,043
	1,541,151	1,169,251