

Evolution Credit Limited
(formerly Real People Investment Holdings Limited)
Unaudited condensed group financial statements
For the quarter ended 30 June 2022



Evolution Credit Limited

Unaudited condensed group financial statements for the quarter ended 30 June 2022

Condensed group statement of financial position

R'000	Notes	30 Jun 2022	31 Mar 2022
Assets			
Equipment		16 443	16 382
Right-of-use assets		3 137	3 660
Amount receivable in terms of Cell Captive arrangement	4	14 705	14 529
Net advances	5	1 163 715	1 129 019
Other receivables		25 592	24 296
Derivatives		13 997	12 183
Cash and cash equivalents		279 340	357 308
Total assets		1 516 929	1 557 377
Equity			
Share capital and equity notes		1 308 857	1 308 857
Reserves		1 692	1 147
Accumulated loss		(893 384)	(916 316)
Total equity		417 165	393 688
Liabilities			
Borrowings		994 224	1 054 110
Lease liabilities		3 492	4 003
Deferred tax		815	815
Provisions		42 996	57 119
Trade and other payables		52 898	44 307
Tax payable		5 339	3 335
Total liabilities		1 099 764	1 163 689
Total equity and liabilities		1 516 929	1 557 377

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Condensed group statement of financial performance

R'000	Notes	Three months ended	
		30-Jun-22	30-Jun-21
Revenue	6	162 437	163 897
Gross yield from assets		139 340	141 150
Impairments		3 650	2 717
Net yield		142 990	143 867
Finance costs		(27 223)	(30 736)
Net margin		115 767	113 131
Net assurance income - funeral benefits		7 472	6 553
Outsourced collection income		11 692	11 605
Other income		6 149	1 708
Net operating income		141 080	132 997
Operating expenses		(116 044)	(98 185)
Profit before taxation		25 036	34 812
Taxation		(2 107)	(4 380)
Profit for the period		22 929	30 432

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Condensed group statement of comprehensive income

R'000	Three months ended	
	30-Jun-22	30-Jun-21
Profit for the period	22 929	30 432
<i>Other comprehensive income/(loss):</i>		
Effects of cash flow hedges	545	(555)
Total comprehensive income for the period	23 474	29 877

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 three months ended 30 June 2022				
Opening balance	1 308 857	1 147	(916 316)	393 688
Profit for the period	-	-	22 929	22 929
Other comprehensive income	-	545	-	545
Closing balance	1 308 857	1 692	(893 387)	417 162
For the three months ended 30 June 2021				
Opening balance	1 308 857	2 084	(1 034 595)	276 346
Profit for the period	-	-	30 432	30 432
Other comprehensive income	-	(555)	-	(555)
Closing balance	1 308 857	1 529	(1 004 163)	306 223

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Condensed group statement of cash flows

R'000	30-Jun-22	30-Jun-21
Cash flows generated from operating activities		
Cash generated by operations	12 576	64 322
Finance costs	(27 042)	(30 594)
Tax refunded (paid)	31	6 743
	(14 435)	40 470
Cash flows utilised in investing activities		
Additions to equipment	(2 692)	(5 026)
Proceeds on sale of equipment	592	760
	(2 100)	(4 267)
Cash flows from financing activities		
Proceeds from borrowings	55 000	9 879
Repayment of borrowings	(116 432)	(108 661)
	(61 432)	(98 782)
Total cash movement for the period	(77 967)	(62 578)
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	279 340	364 215

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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 three months ended 30 June 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

	30-Jun-22 R'000	31-Mar-22 R'000
OMART Cell Captive preference shares	1 000	1 000
OMART Cell Captive retained earnings	13 705	13 529
	14 705	14 529

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Notes to the condensed financial statements

	30-Jun-22 R'000	31-Mar-22 R'000
5. Net advances		
<i>Evolution Finance</i>		
<i>Performing loans</i>		
Gross advances	492 556	462 910
Impairment of advances	(74 398)	(69 977)
	<u>418 159</u>	<u>392 933</u>
<i>Non-performing loans</i>		
Gross advances	1 384 217	1 416 168
Impairment of advances	(1 262 682)	(1 286 727)
	<u>121 534</u>	<u>129 440</u>
<i>Acquired Debt</i>		
Gross advances	697 646	703 241
Impairment of advances	(73 615)	(96 596)
	<u>624 030</u>	<u>606 645</u>
<i>Combined</i>		
Gross advances	2 574 419	2 582 319
Impairment of advances	(1 410 704)	(1 453 300)
Net advances	<u>1 163 715</u>	<u>1 129 019</u>
6. Revenue	30-Jun-22 R'000	30-Jun-21 R'000
<i>Revenue other than from contracts with customers</i>		
Interest and similar income	131 034	132 929
Net premiums received	19 712	19 363
<i>Revenue from contracts with customers</i>		
Outsourced collection income	11 692	11 605
	<u>162 437</u>	<u>163 897</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 channel	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 three months ended 30 June 2022</i>			
Evolution Finance	31 554	(9 657)	21 896
Acquired Debt	83 304	(35 429)	47 876
Outsourced collections	11 601	(9 411)	2 190
Evolution Life	7 773	(6 449)	1 324
Central cost centres and head office functions	6 849	(55 098)	(48 249)
	141 080	(116 044)	25 036

For the three months ended 30 June 2021

Evolution Finance	46 162	(8 889)	37 274
Acquired Debt	66 411	(27 407)	39 003
Outsourced collections	11 589	(8 556)	3 033
Evolution Life	6 755	(5 993)	762
Central cost centres and head office functions	2 080	(47 340)	(45 260)
	132 997	(98 185)	34 812

	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)

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Evolution Finance	598 723	(390 860)
Acquired Debt	768 195	(522 943)
Evolution Life	19 390	(17 618)
Outsource collections	4 490	(4 490)
Central cost centres and head office functions	126 130	(163 852)
	1 516 929	(1 099 764)

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Evolution Finance	659 340	(534 872)
Acquired Debt	686 066	(481 548)
Outsource collections	4 332	(4 331)
Evolution Life	14 639	(12 781)
Central cost centres and head office functions	133 126	(157 745)
	1 497 502	(1 191 277)