Real People Kenya Limited
Annual financial statements

For the year ended 31 March 2016

Real People Kenya Limited

Annual Financial Statements for the year ended 31 March 2016

General information

Country of incorporation and domicile	Kenya
Company registration number	C. 3/2015
Registered office	L.R. No. 209/6871 International Life House Mama Ngina Street P.O. Box 27153-00100 Nairobi
Postal address	P.O. Box 27153-00100 Nairobi
Website	Corporate website: www.realpeople.co.ke
Independent Auditor	Grant Thornton Certified Public Accountants (K) 5th Floor, Avocado Towers Muthithi Road, Westlands P.O. Box 46986-00100 Nairobi
Holding company	Real People Holdings International Limited Incorporated in Mauritius
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act.
Issued	______________________

Contents

Directors' responsibilities and approval

The directors are responsible for the preparation and fair presentation of the financial statements and related financial information included in this report in accordance with the Kenyan Companies Act (CAP 486).

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be eliminated fully, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The board confirms that the medium term note issue proceeds in August 2015 have been applied to asset origination and that the company has sufficient projected cash flows for coupon payments.

The annual financial statements have been prepared on the going concern basis as the directors have no reason to believe that the company will not be a going concern for the year ahead.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 7.

The company's financial statements set out on pages 10 to 30 were approved by the board on 18 July 2016 and were signed on their behalf by:

Albert Ruturi
Chairman

Daniel O. Ohonde
Chief executive officer

Nairobi

Company secretary's certification

Declaration by the Company secretary in respect of the Companies Act (CAP 486)

In terms of the Companies Act (CAP 486), as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Reigistrar all such returns as are required in terms of the Companies Act and that all such returns are true, correct and up to date.

Cornelius Kimamo Kigera
Reg. No. 1787
CPS (K)
P. O. Box 1[illegible]-00100, NAIROBI

Cornelius Kimamo Kigera
Company secretary

Nairobi

Audit and risk committee report

The audit committee is a sub-committee of the board of directors of the company. The report includes both these set of duties and responsibilities.

1. Audit committee terms of reference

The audit committee has adopted its formal terms of reference that have been approved by the board of directors. The audit committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

2. Audit committee members, meeting attendance and assessment

The audit committee is independent and must consist of at least a majority of independent, non-executive directors. It must meet at least three times a year as per its terms of reference. The Chief Executive Officer will attend the meeting. The Chief Financial Officer, audit partner in charge of external audit and head of internal audit and other executives, may attend the meeting by invitation and shall have unrestricted access to the Chairman and any other member of the Committee as is required in relation to any matter that falls within the remit of the Committee.

The effectiveness of the audit committee and its members are assessed on an annual basis.

3. Roles and responsibilities

3.1 Statutory duty

The audit committee's role and responsibilities include statutory duties in terms of the Capital Markets Authority Act and guidelines, and further responsibilities assigned to it by the board. The audit committee executed its duties in terms of the CMA requirements.

External audit

The audit committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act, 2015, which includes consideration of previous appointments of the external auditor, the extent of other work undertaken by the external auditor for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The audit committee ensured that the appointment of the auditor complied with the Companies Act (CAP 486), and any other legislation relating to the appointment of auditors.

The audit committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2016 financial year. The audit committee received and considered the report of the external auditor on the results of their annual audit. No significant matters were reported.

The committee has nominated, for approval at the annual general meeting, Grant Thornton Kenya Partnership as the external auditors for the 2017 financial year.

There is a formal policy that governs non-audit services by the external auditor which requires the pre-approval of the Audit and Risk Committee.

Financial statements and accounting practices

The audit committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards. The audit committee did not receive any concerns and complaints from within or outside the company relating to the accounting practices, internal audit or the audit of the financial statements of the company.

Internal financial controls and assurance function

The audit committee has overseen a process by which internal audit performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls. This written assessment by internal audit formed the basis for the audit committee's recommendation in this regard to the board, in order for the board to report thereon. The audit committee supports the opinion of the board in this regard.

Audit and risk committee report

3.2 Duties assigned by the board

In addition to the statutory duties of the audit committee, as reported above, and in accordance with the provisions of the Companies Act, 2015, the board of directors has determined further functions for the audit committee to perform, as set out in the audit committee's terms of reference. These functions include the following:

Risk management

The audit committee has oversight of the development and implementation of a policy and plan for systematic and disciplined approach to evaluate and improve the effectiveness of risk management processes within the company.

Internal audit

The audit committee is responsible for overseeing the internal audit function. The committee considers whether the internal audit function is independent and has the necessary resources, financial budgets, audit plans, standing and authority within the company to enable it to discharge its duties. The audit committee has also satisfied itself that the internal audit coverage plans and approach addresses the risks of the company and has reviewed any required changes to the scope of the audit plan.

The head of internal audit is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the audit committee on a regular basis, and has direct access to the audit committee, primarily through its chairman.

The audit committee is also responsible for the assessment and evaluation of the independence and effectiveness of the internal audit function and to ensure that the internal audit function is subject to an annual evaluation by the committee.

The audit committee is satisfied that it complied with its legal, regulatory or other responsibilities.

A review of the adequacy of management's corrective actions in response to significant internal audit findings and any significant differences of opinion has been made.

The audit committee considered and recommended the internal audit charter for approval by the board. The internal audit function's annual audit plan was approved by the audit committee.

Evaluation of the expertise and experience of financial director and finance function

The audit committee has satisfied itself that the financial director has appropriate expertise and experience. The audit committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

Whistle blowing

The audit committee receives and deals with any concern or complaints, whether from within or outside the company, relating to the accounting practices and internal audit of the company, the content or auditing of the financial statements, the internal financial controls of the company and related matters.

Compliance function

At each meeting, the Committee considered non-compliance with laws, regulations or supervisory requirements. No significant matters were reported.

4. Authority

The Committee carried out its duties and responsibilities with the necessary authority and appropriate professional support.

5. Access to the Committee

Any member of the Board, partner of the external auditors, head of internal audit, or any member of a Committee may bring to the notice of the Committee or its Chairman, the Chief Executive Officer or the Chief Financial Officer any material matter which he / she deems material.

Audit and risk committee report

6. **Financial statements**

The committee recommended acceptance of the financial statements by the Board.

On behalf of the committee:

Charl H Kocks
Audit and Risk Committee Chairman
Nairobi
18 July 2016

Grant Thornton

Independent Auditor's Report
To the shareholders of Real People Kenya Limited

We have audited the consolidated financial statements of Real People Kenya Limited, which comprise the statement of financial position as at March 31, 2016, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 30.

Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Real People Kenya Limited as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Kenyan Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books;

c) The company's statement of financial position and statement of profit or loss are in agreement with the books of accounts.

Grant Thornton

Grant Thornton
Certified Public Accountants

Grant Thornton
Certified Public Accountants (K)
Nairobi

29 July 2016

R/93/0316/399/0716/AUD

The engagement partner responsible for the audit resulting in this independent auditors' report is CPA A.K. Siele - P/No. 1690.

Directors' report

The directors submit their report on the financial statements of Real People Kenya Limited for the year ended 31 March 2016.

1. Nature of business

The company is engaged in provision of credit to emerging and middle market consumers and operates principally in Kenya.

2. Review of financial results and activities

The strategic focus of the company remained unchanged with continued focus on growth in the main existing businesses being the Responsible Finance offering in Kenya

Overall the business recorded a loss after tax of Kes 94 million (2015: profit - Kes 147 million).

The company remained adequately capitalised with a capital adequacy ratio of 30.7 % (2015: 46.6%).

The company raised Kes 1.5 billion funding during the year through a successful listed bond programme in Kenya. The funds received were applied on loan origination.

Management conducted an annual review of the methodologies and model inputs that are used to determine asset valuations and impairments with the view to adjusting these for the most recent performance trends. Overall a downward net carrying value adjustment of Kes 185 million has been passed through the records.

3. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report which may require adjustment to or disclosure in these financial statements.

4. Share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

5. Dividends

No dividends were declared or paid to shareholders during the year (2015: Nil).

6. Borrowing powers

In terms of the Memorandum and Articles of Association, the directors may exercise all the powers of the company to borrow money, as they consider appropriate. At 31 March 2016, the company's borrowings amounted to Kes 2 billion (2015: Kes 1.07 billion), refer to note 19 of the financial statements for further information relating to borrowings.

Real People Kenya Limited has a Domestic Medium Term Note Programme (DMTN) that was listed on the Fixed Income Securities section of the Nairobi Securities Exchange over the term.

Directors' report

7. Directorate

The directors in office at the date of this report are as follows:

Name	Nationality
Robert Arthur Arnold (Resigned w.e.f. 31.12.2015)	Dutch
Neil Grobbelaar	South African
Bruce Aubrey Schenk (Alternate to Neil Grobbelaar)	South African
Charl H. Kocks	South African
Nthenya Mule	Kenyan
Daniel O. Ohonde	Kenyan
Norman N. Ambunya	Kenyan
Yvonne Maria Godo	Kenyan
Albert Ruturi (Appointed w.e.f. 01.01.2016)	Kenyan

8. Shareholders

The ordinary shares of Real People Kenya Limited are held by Real People International Holdings (99.9%) and Management (0.1%).

9. Independent Auditor

At the statutory general meeting of the company the Auditor Messrs Grant Thornton, Certified Public Accountants (K) will be recommended for appointed to office and have indicated their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap 486).

10. Company secretary

Coulson Harney Advocates
Certified Public Secretaries (K)
P.O. Box 10643-00100
Nairobi

Statement of profit or loss

Figures in Kenya Shilling ('000)	Notes	2016	2015
Interest income	3	988,049	879,282
Interest expense	4	(300,813)	(214,203)
Net interest income		**687,236**	**665,079**
Gains on foreign exchange		70,086	81,061
Other income	5	144,672	82,147
Provisions for impairment and bad debts written off	6	(510,145)	(213,625)
Operating expenses	7	(523,275)	(402,872)
(Loss) profit before taxation		**(131,426)**	**211,790**
Taxation	9	37,704	(65,224)
(Loss) Profit for the year		**(93,722)**	**146,566**

The accounting policies on pages 14 to 20 and the notes on pages 21 to 30 form an integral part of the annual financial statements

Statement of financial position as at 31 March 2016

Figures in Kenya Shilling ('000)	Note(s)	2016	2015
Assets			
Cash and cash equivalents	10	383,401	230,026
Loans and advances to customers	11	2,085,082	1,697,035
Current tax receivable	12	63,403	-
Receivables	13	111,019	41,655
Intangible assets	14	50,325	16,602
Equipment	15	97,635	112,548
Deferred tax	16	136,518	27,479
Total Assets		**2,927,383**	**2,125,345**
Equity and Liabilities			
Equity			
Share capital	17	750,000	750,000
Retained income (Statement of Changes in Equity)		147,709	241,431
		897,709	**991,431**
Liabilities			
Payables	18	26,170	24,155
Current tax payable	12	-	40,819
Borrowings	19	2,003,504	1,068,940
Total Liabilities		**2,029,674**	**1,133,914**
Total Equity and Liabilities		**2,927,383**	**2,125,345**

The company's financial statements set out on pages 10 to 30 were approved by the board on 18 July 2016 and were signed on their behalf by:

Albert Ruturi
Chairman

Daniel O. Ohonde
Chief executive officer

The accounting policies on pages 14 to 20 and the notes on pages 21 to 30 form an integral part of the annual financial statements

Statement of changes in equity

Figures in Kenya Shilling ('000)	Share Capital	Share premium	Total Share capital	Retained income	Total equity
Balance at April 01, 2014	**250,000**	**500,000**	**750,000**	**94,865**	**844,865**
Changes in equity Total comprehensive income for the year	-	-	-	146,566	146,566
Total changes	-	-	-	146,566	146,566
Balance at March 31, 2015	**250,000**	**500,000**	**750,000**	**241,431**	**991,431**
Balance at April 01, 2015	**250,000**	**500,000**	**750,000**	**241,431**	**991,431**
Changes in equity Total comprehensive income for the year	-	-	-	(93,722)	(93,722)
Total changes	-	-	-	(93,722)	(93,722)
Balance at March 31, 2016	**250,000**	**500,000**	**750,000**	**147,709**	**897,709**

The accounting policies on pages 14 to 20 and the notes on pages 21 to 30 form an integral part of the annual financial statements

Statement of cash flows

Figures in Kenya Shilling ('000)	Notes	2016	2015
Cash flows from operating activities			
Cash used in operations	20	(620,857)	554,365
Tax paid	12	(175,556)	(95,707)
Net cash from/(to) operating activities		**(796,413)**	**458,658**
Cash flows from investing activities			
Purchase of equipment	15	(16,172)	(61,798)
Sale of equipment	7 & 15	(676)	3,110
Purchase of intangible assets	14	(38,014)	(16,602)
Net cash to investing activities		**(54,862)**	**(75,290)**
Cash flows from financing activities			
Net movement on borrowings	19	934,564	(407,443)
Net cash from/(to) financing activities		**934,564**	**(407,443)**
Total cash movement for the year		**83,289**	**(24,075)**
Cash at the beginning of the year	10	230,026	173,040
Effect of exchange rate movement on cash balances		70,086	81,061
Total cash at end of the year	10	**383,401**	**230,026**

The accounting policies on pages 14 to 20 and the notes on pages 21 to 30 form an integral part of the annual financial statements

Accounting policies

1. Presentation of company financial statements

Annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on the historical cost basis. The company's financial statements incorporate the principal accounting policies set out below and are presented in Kenyan Shilling.

The accounting policies are consistent with the previous period.

1.1 Accounting estimates and judgements

Management is required to make estimates and assumptions that affect the amounts represented in the company financial statements and related disclosures. The determination of estimates requires the exercise of judgement based on various assumptions and other factors including historical experience. Actual results in the future may vary from the estimates. Judgements and estimates are principally made in the following areas:

Impairment of advances

Management 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 microfinance industry, in the development of the impairment practices.

Objective evidence of impairment at an individual loan basis is largely governed by the extent to which the account is in arrears. On a portfolio basis, management has used historical analysis of loss ratios, roll rates from performing status to non-performing status and similar risk indicators to assess impairment. The extent to which the current carrying value exceeds the estimated recoverable amount of advances is classified as an impairment. These estimates have been reviewed to accommodate comparable methodologies and current collection performance.

Recognition of deferred tax asset

Management 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 company 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 company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.2 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Kenya Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition are recognised in profit or loss in the period in which they arise.

1.3 Equipment

Equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation on other assets is calculated using the straight line method to allocate the cost of equipment over their estimated useful lives to their residual values, as follows:

Item	*Useful life*
Furniture and fittings	6 years
Motor vehicles	5 years
Office equipment	5 years
Computer equipment	3 years
Leasehold improvements	6 years

The residual value, useful life and depreciation method of each material asset is reviewed at the end of each reporting period.

The gain or loss arising from the derecognition of an item of equipment is included in profit or loss when the item is derecognised. The gain or loss is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable system, which will be controlled by the company and has a probable benefit exceeding the cost beyond one year, are recognised as an asset.

Capitalisation is further limited to development costs where the company is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to measure costs relating to the development reliably. The internally generated computer software is amortised on a straight line basis over an estimated useful life of five years.

As the internally generated computer software is specific to the company operations, no residual value is estimated. Research expenditure is recognised as an expense when it is incurred.

Amortisation is provided to write down the intangible assets, on a straight line basis at a rate of 33% per annum.

1.5 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are measured subsequently at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period. Acquired debt has been designated as a financial instrument at fair value through profit or loss.

Loans and receivables are measured subsequently at amortised cost, using the effective interest method, less accumulated impairment losses. Loans and receivables include advances originated by the company, cash and cash equivalents and other receivables.

1.5 Financial instruments (continued)

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and cash at bank.

Financial liabilities at amortised cost are measured subsequently at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the liability on an effective interest basis.

Derivative financial instruments, which are not designated as hedging instruments are measured initially at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Impairment of financial assets

At each reporting date management assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or company of financial assets has been impaired.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the expected future cash flows of the asset that can be measured reliably. Impairment losses are recognised in profit or loss.

Objective evidence of a loss event is considered in the context of the market segment in which the company operates. A missed instalment is regarded as objective evidence only if such a missed instalment is followed by further missed instalments within a relatively short time period thereafter.

Advances are stated net of identified impairments and incurred, but not identified, impairments. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Non-performing loans are defined as loans that have more than three instalments in arrears, calculated on a cumulative basis by reference to the original contractual instalment. Where a non-performing loan has been modified to ease repayment terms, a new current effective interest rate is calculated and used to discount future cash flows. The restructured loan is accounted for as an extinguishment of the original loan and the recognition of a new loan. The asset is derecognised at the associated value. The restructured loan is recognised at fair value initially and subsequently at amortised cost using the current effective interest rate and the expected future cash flows. The effective interest rate of the new financial asset is the rate determined to arrive at the fair valuation of the loan at the date of the modification. Any difference between the carrying value of the original loan and the initial recognition of the modified loan is recognised in profit or loss. Post the restructure, the loan is valued using the current effective interest rate.

Advances are regarded as written off on an individual basis when no receipts have been received for a period of twelve consecutive months. The written off loans are considered restructured advances and are carried at their recoverable amount, being the present value of estimated future cash flows discounted at the effective interest rate based on the modified terms. The recoverable amount is calculated on a portfolio basis and is disclosed as part of net advances.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation is discharged or cancelled or expires.

Offsetting financial assets and liabilities

The company offsets financial assets and liabilities when it has a legal right to offset such financial instruments and there is an intention to settle these financial instruments on a net basis.

1.6 *Taxation*

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction (other than a business combination) which at the time of the transaction affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) which at the time of the transaction affects neither accounting profit nor taxable profit or loss.
A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised, refer to note 1.1.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period.

1.7 *Leases*

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

Operating lease expenses are recognised in profit or loss over the lease term. Most of the leases are inflation linked and therefore straight lining the expense is not applicable.

1.8 *Impairment of non-financial assets*

The company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and is recognised immediately in profit or loss.

An impairment loss, other than goodwill impairment which may not be reversed, is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined had no impairment been recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

1.9 *Share capital and equity*

Ordinary shares are classified as equity.

1.10 Provisions

Provisions are recognised when:
- The company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

A restructuring provision is raised when the company has a detailed formal plan for the restructure and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A provision for onerous contracts is raised when the unavoidable costs of meeting the obligations in terms of contracts exceed the benefits to be received under those contracts.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation except where the expected outflow is within the next twelve months and the effects of discounting are considered to be not material.

1.11 Revenue recognition

Interest income

Interest income earned on advances is recognised on a time apportionment basis that takes into account the effective yield on assets.

Fees and commission

Fees and commission income that are integral to the effective interest rate on financial assets are included in the measurement of the effective interest rate.

Other fees and commission income, security registration fee, drawdown fee and service fee recognised on an accrual basis when the service has been provided

1.12 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered and are not discounted. Short term benefits are benefits payable within 12 months after the service is rendered, such as paid vacation leave, sick leave and bonuses.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.
Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The company contributes to the statutory National Social Security Fund. This fund is a defined contribution scheme registered under the National Social Security Fund Act. The company's obligations under this scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Kes 200 per employee per month.

The company's obligations to the schemes are recognized in the statement of profit or loss

1.14 New accounting standards and interpretations not yet effective

A number of new accounting standards, amendments to standards and interpretations have been published by the International Accounting Standards Board. However, they have not yet become effective and have thus not been applied to the financial statements for 2016. The company has not yet assessed the impact that these standards may have on future financial statements. The following are those which are considered to affect the company:

- IFRS 9 Financial Instruments (effective 1 January 2018) is a new standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on classification and measurement, impairment, hedge accounting and derecognition.

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) is a new standard that requires entities to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

- IFRS 16 Leases (effective 1 January 2019) is a new standard that introduces a single lessee accounting model. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 also requires enhanced disclosures for leases.

Annual improvements or amendments to standards already in issue applicable in future financial statements and most relevant to the company:

- Amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective 1 January 2016) clarifies that a change in the manner of disposal of a non-current asset or disposal company held for sale is considered to be a continuation of the original plan of disposal, and accordingly, the date of classification as held for sale does not change.

- Amendment to IFRS 7 Financial Instruments: Disclosures (effective 1 January 2016) clarifies under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts. The amendments also clarify the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates (effective 1 January 2016) include narrow-scope amendments to introduce clarifications to the requirements when accounting for investment entities and to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

- Amendments to IFRS 11 Joint arrangements (effective 1 January 2016) provides new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specifies the appropriate accounting treatment for such acquisitions.

- Amendments to IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2016) includes narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 to introduce clarifications to the requirements when accounting for investment entities.

- Amendment to IAS 1: Presentation of Financial Statements (effective 1 January 2016). Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.

- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (effective 1 January 2016) establishes the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

- Amendment to IAS 27: Consolidated and Separate Financial Statements (effective 1 January 2016) will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

1.14 New accounting standards and interpretations not yet effective (continued)

- Amendment to IAS 34: Interim Financial Reporting (effective 1 January 2016) clarifies the meaning of disclosure of information elsewhere in the interim financial report.

The application of certain new and revised IFRSs has not had a material effect on these financial statements.

Notes to the annual financial statements

Figures in Kenya Shilling ('000)	2016	2015

3. Interest income

Interest income	988,049	879,282

4. Interest expense

Related party borrowings interest expense (Note 21)	126,842	209,109
Other direct expenses	4,021	5,094
Bond discount and interest	169,950	-
	300,813	**214,203**

5. Other income

Management fees	-	9,712
Service fee income	144,672	72,435
	144,672	**82,147**

Management fee relates to charges made in managing related parties. Service fee are charges related to processing and serving of loans and advances.

6. Provisions for impairment

Provision for impairment (portfolio)	69,622	184,546
Provision for impairment (specific)	440,523	29,079
	510,145	**213,625**

7. Operating expenses

The following items are included within operating expenses:

Staff costs (Note 8)	311,507	253,498
Depreciation and amortisation	45,176	11,109
Telephone and postage	30,790	8,563
Lease rentals on operating lease	29,382	22,140
Motor vehicle expenses	18,806	22,142
Legal and professional fees	17,904	13,235
Advertising	13,253	4,013
Travelling	11,093	10,339
Directors remuneration	7,317	-
Subscriptions	6,566	10,785
Secretarial fees	5,121	402
Printing and stationery	5,109	5,198
Bank charges	3,596	6,947
Cleaning	3,350	2,725
Electricity and water	2,315	2,463
Auditors remuneration	2,278	2,601
Security	2,185	1,331
Insurance	1,790	1,091
Regulatory fees	1,668	1,139
Repairs and maintenance	1,665	4,652
Debt collection	713	393
Computer expenses	337	430

Figures in Kenya Shilling ('000)	2016	2015
7. Operating expenses (continued)		
Small assets not capitalised	678	374
Profit and loss on sale of assets	676	82
Administration and management fees paid	-	10,486
Provision for bad debts (related party)	-	6,700
Taxes and penalties	-	34
	523,275	**402,872**

8. Staff costs

Total employee costs		
Indirect employee costs	311,507	253,498

The following items are included within employee benefits expense:

Indirect employee costs		
Salaries and wages	264,838	228,403
Medical expense	25,562	13,799
Staff welfare	13,581	7,827
Training expense	5,856	2,200
Recruitment expense	1,670	3,184
Staff leave accruals	-	(1,915)
	311,507	**253,498**

9. Taxation expense

Major components of the tax income

Current		
Taxation	71,334	115,229
Deferred		
Deferred tax	(109,038)	(50,005)
	(37,704)	**65,224**

Reconciliation of the tax expense

Reconciliation between accounting (loss)/profit and tax expense.

Accounting (loss)/profit	(131,426)	211,790
Tax at the applicable tax rate of 30% (2015: 30%)	(39,428)	63,537
Tax effect of adjustments on taxable income		
Expenses not deductible for tax purposes	1,724	1,687
	(37,704)	**65,224**

Figures in Kenya Shilling ('000)	2016	2015

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4,021	1,636
Cash at bank	379,380	228,390
	383,401	**230,026**

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise as above.

The company's cash and bank balances are held with major Kenyan financial institutions and in so far as the directors are able to measure any credit risk to these assets, it is deemed to be limited.

The carrying amounts of the company's cash and cash equivalents are denominated in the following currencies:

Kenya Shillings	382,868	229,374
US Dollars	369	481
SA Rand	164	171
	383,401	**230,026**

11. Loans and advances to customers

Performing advances	2,025,604	1,829,895
Non-performing advances	1,083,537	446,814
Provision for impairments	(1,024,059)	(579,674)
Net loans and advances	**2,085,082**	**1,697,035**

Provision for impaired loans and advances

At start of the year	(579,674)	(268,722)
Additional provision during the year	(444,385)	(310,952)
At end of year	**(1,024,059)**	**(579,674)**

In the opinion of the directors, the carrying amounts of loans and advances approximate their fair value.

The company's credit risk arises primarily from loans and advances. There is no concentration of credit risk and the directors are of the opinion that the company's exposure is limited because the debt is widely held.

The carrying amounts of the company's loans and advances are all denominated in Kenyan Shillings.

The directors have made a provision for the portion of the loans and advances whose recovery is in doubt. Loans that are less than three months past due are not considered to be individually impaired but a portfolio provision is recognized.

Loans and advances to customers have been written down to their recoverable amount. Non-performing loans and advances on which provisions for impairment have been recognised amount to K Sh. 1.084 billion (2015: K Sh 447 million). These are included in the statement of financial position net of provisions at K Sh 2.085 billion (2015: K Sh 1.697 billion).

Figures in Kenya Shilling ('000)	2016	2015

12. Tax paid

	2016	2015
Balance at beginning of the year	(40,819)	(21,297)
Current tax charge	(71,334)	(115,229)
Balance at end of the year	(63,403)	40,819
	(175,556)	**(95,707)**

13. Receivables

	2016	2015
Other receivables	28,653	19,932
Related party balance write off	-	(6,700)
Prepayments and deposits	24,394	28,423
Deferred bond interest	57,972	-
	111,019	**41,655**

The carrying amounts of the company's receivables are all denominated in Kenya Shillings.

14. Intangible assets

	2016			2015		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	54,616	(4,291)	50,325	-	-	-
Work in progress	-	-	-	16,602	-	16,602
Total	**54,616**	**(4,291)**	**50,325**	**16,602**	**-**	**16,602**

Reconciliation of intangible assets - 2016

	Opening Balance	Additions	Transfers	Amortisation	Total
Computer software	-	38,014	16,602	(4,291)	50,325
Work in progress	16,602	-	(16,602)	-	-
	16,602	**38,014**	**-**	**(4,291)**	**50,325**

Reconciliation of intangible assets - 2015

	Opening Balance	Additions	Total
Work in progress	-	16,602	16,602

15. Equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	63,075	(20,878)	42,197	57,567	(14,846)	42,721
Motor vehicles	17,216	(9,865)	7,351	18,503	(5,537)	12,966
Office equipment	19,124	(10,961)	8,163	17,815	(5,526)	12,289
IT equipment	69,856	(29,932)	39,924	24,444	(14,236)	10,208
Work in progress	-	-	-	34,364	-	34,364
Total	**169,271**	**(71,636)**	**97,635**	**152,693**	**(40,145)**	**112,548**

Reconciliation of equipment - 2016

	Opening Balance	Additions	Transfers	Adjustments	Depreciation	Total
Furniture and fixtures	42,721	11,010	-	-	(11,534)	42,197
Motor vehicles	12,966	-	-	87	(5,702)	7,351
Office equipment	12,289	1,895	-	-	(6,021)	8,163
IT equipment	10,208	3,267	34,364	9,713	(17,628)	39,924
Work in progress	34,364	-	(34,364)	-	-	-
	112,548	**16,172**	**-**	**9,800**	**(40,885)**	**97,635**

Reconciliation of equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	17,762	29,332	-	(4,373)	42,721
Motor vehicles	13,704	3,910	(3,192)	(1,456)	12,966
Office equipment	8,390	5,986	-	(2,087)	12,289
IT equipment	8,617	4,784	-	(3,193)	10,208
Work in progress	16,578	17,786	-	-	34,364
	65,051	**61,798**	**(3,192)**	**(11,109)**	**112,548**

All additions during the years 2016 and 2015 were made through cash payments.

16. Deferred tax

Deferred tax asset	**2016**	**2015**
Deferred tax	136,518	27,479

Reconciliation of deferred tax asset (liability)

At beginning of the year	27,479	(22,526)
Accelerated capital allowances	(934)	(1,516)
Provisions	100,549	43,648
Exchange differences	10,034	7,873
Reverse VAT	(610)	-
	136,518	**27,479**

Figures in Kenya Shilling ('000)	2016	2015

16. Deferred tax (continued)

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- The entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

The directors regard the deferred tax asset as reversing over the next year against future recoverable taxable income.

17. Share capital

	2016	2015
Authorised		
2,500,000 Ordinary shares of K Sh 100/= each	250,000	250,000
Issued		
2,500,000 Ordinary shares of K Sh 100/= each	250,000	250,000
Share premium	500,000	500,000
	750,000	**750,000**

The issued and paid up ordinary shares were issued at a premium of K Sh 200.08 resulting in a share premium reserve of K Sh 500 million.

18. Payables

	2016	2015
Deposits received	3,377	7,831
Accruals	22,793	16,324
	26,170	**24,155**

In the opinion of the directors, the carrying amounts of payables approximate their fair value.

The carrying amounts of the company's payables are denominated in Kenya Shillings.

The maturity analysis of payables is as follows:

2016	**0 to 1 month**	**2 to 3 Months**	**Total**
Deposits received	-	3,376	3,376
Accruals	22,793	-	22,793
	22,793	**3,376**	**26,169**

2015	**0 to 1 month**	**2 to 3 Months**	**Total**
Deposits received	-	7,831	7,831
Accruals	16,324	-	16,324
	16,324	**7,831**	**24,155**

Figures in Kenya Shilling ('000)	2016	2015

19. Borrowings

Loans from related parties (Note 21)	451,844	1,068,940
Medium term note	1,551,660	-
	2,003,504	**1,068,940**

The related parties loan is unsecured and has no specific dates of repayment. The loan is denominated in South African Rand (ZAR). Interest is payable at 12.6% (2015:12.6%). The loan has no fixed date of maturity. There were no undrawn facilities as at the reporting date.

The medium term note issued during the year is a Kenya Shillings denominated bond. The effective interest rate is 13.65% and it is repayable between 3 - 5 years' period between August 2018 and August 2020.

Non-current liabilities		
Borrowings - non-current portion	2,003,504	1,068,940

20. Cash used in operations

(Loss)/Profit before taxation	(131,426)	211,790
Adjustments for:		
Depreciation and amortisation	45,176	11,109
Loss on sale of assets	676	82
Net foreign exchange gain	(70,086)	(81,061)
Other non-cash items	(9,802)	-
Changes in working capital:		
Loans and advances to customers	(388,046)	484,368
Receivables	(69,364)	(14,810)
Payables	2,014	(57,113)
	(620,857)	**554,365**

21. Related parties

Holding company: Real People Holdings International Limited

Related party transactions

Loan accounts - Owing to related parties		
Real People (Pty) Limited	-	54,000
Real People International Finance (Pty) Limited	451,844	1,014,940
	451,844	**1,068,940**
Interest paid to related party		
Real people International Finance (Pty) Limited	126,842	209,109
	126,842	**209,109**
Management fees		
Paid to related party	-	10,486
Receipt from related party	-	9,712

Figures in Kenya Shilling ('000)		2016	2015

21. Related parties (continued)

Key management compensation			
Salaries and wages (Including director's remuneration)		63,418	51,643
		63,418	**51,643**

22. Risk management

Capital risk management

The company's objectives when managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.
- To maintain a strong asset base to support the development of business.
- To maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistently with others in the industry, the company monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt: capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e. share capital and retained earnings).

The gearing ratio at 2016 and 2015 respectively were as follows:

Total borrowings			
Borrowings	19	2,003,504	1,068,940
Cash and cash equivalents	10	383,401	230,026
Net debt		1,620,103	838,914
Total equity		897,709	991,431
Total capital		**2,517,812**	**1,830,345**
Gearing ratio		64 %	46 %

Financial risk management

The company's activities expose it to credit risk, liquidity risk and market risk arising from the use of financial instruments.

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board has delegated certain of its functions to committees but recognises that it retains ultimate responsibility for the effective performance of the functions so delegated.

The aim of the committees is to assist the board in the execution of its duties by making recommendations on a variety of issues within a framework of defined terms of reference that have been agreed with the board.

- Audit and risk committee - This committee is responsible for reviewing the adequacy and overall effectiveness of the company's risk management function and its implementation by management.
- Credit committee - The credit committee is responsible for the management of credit risk for net advances.
- Asset and liability committee (ALCO) - The responsibilities for ALCO include liquidity risk management, interest rate risk management, currency risk management and capital risk management.

22. Risk Management

(continued) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its current and future obligations, both expected and unexpected, without materially affecting its daily operations or overall financial position.

The business model of the company is to finance relatively short-term assets with long-term liabilities, necessarily creating a positive liquidity mismatch. Monitoring and reporting takes the form of cash flow projections for the next week and next month as well as long term cash flow forecasting and an ongoing review of future commitments and credit facilities taking into account restrictions on cash flows between individual companies.

The short term liquidity policy requires that for any rolling twelve-month period, available cash reserves and unutilised credit facilities together with 90% of anticipated receipts, excluding receipts received by non-recourse funding special purpose entities, must be at least equal to the sum of all fixed payment commitments (including long term debt, tax and operating overheads). Prospective loan disbursement volumes are adjusted where necessary in order to ensure compliance with this requirement.

The long term liquidity policy requires that at any point on the funding profile 75% of expected cumulative receipting must exceed the cumulative contractual payments relating to debt obligations. This is measured and monitored on a monthly basis and excludes cash flows relating to non-recourse funding special purpose entities.

The cash flows for the non-recourse funding special purpose entities are managed separately and in terms of the transaction documents agreed when the entity is established.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company originates predominantly variable rate retail lending assets. The interest rate component of the total yield of the
asset varies according to different term and loan amounts (due to the fixed and available fees charged) For many of the assets the instalment is fixed so an increase in the variable interest rate results in term extension rather than an increase in instalment and therefore these assets behave more like fixed interest rate assets.

Interest rate risk is assessed by measuring impact of changes in interest rates on net interest income that is the difference between the total interest income and the total interest expense.

The company has exposure for interest on liabilities as the company has interest bearing liabilities. At 31 March 2016, if interest rates at that date had been 100 basis points higher with all other variables held constant, post-tax loss for the year would have been K Sh 14.024 million (2015: K Sh 7.772 million) lower, arising mainly as a result of higher interest expense on variable borrowings.

Credit risk

Credit risk

Credit risk is the risk that the company's clients or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities, and arises principally from the company's advances.

The company focus is the provision of largely unsecured credit to emerging and middle market consumers, which by its nature involves assuming higher levels of credit risk and accordingly, credit risk features as the dominant financial risk in the company.

An appropriate credit risk premium is priced into each credit product to ensure that acceptable returns are generated for shareholders. Credit risk premiums are based on expected probability of defaults and estimated recoveries from defaulters.

Credit risk is mitigated through the granting of loans to individuals where repayment is made through debit order deductions. The creditworthiness of individuals is evaluated in accordance with the Credit Reference Bureau Regulations, 2013 prior to the granting of loans and each loan application is allocated a credit risk score. Management evaluates credit risk on an ongoing basis.

22. Risk management

(continued)

The company's exposure to concentration risk is low due to the nature and distribution of the loan book. The advances portfolio comprises large volumes of low value loans.

The company continually monitors the performance of each loan. Where payments are missed, the loan repayment period might be extended to ensure repayment of all required instalments. In other circumstances the company may be required under law to renegotiate a loan. However, these loans remain either past due or impaired and therefore the company does not provide separate analysis of renegotiated items in terms of IFRS 7.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the SA Rand. The risk arises from future transactions, assets and liabilities at the statement of financial position date.

At 31 March 2016, if the currency had weakened by 10% against foreign currencies detailed in these financial statements, with all other variables held constant, post-tax profit for the year would have been K Sh 31.592 million lower (2015: K Sh 74.780 million lower). If the K Sh had strengthened against the foreign currencies, the effect would have been the opposite.

23. Fair value

The directors consider that there is no material difference between the fair value and carrying value of the company's' financial assets and liabilities where fair value details have not been presented.

24. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

25. Commitments

Operating leases - as lessee (expense)

Minimum lease payments due		
- Within one year	30,114	10,160
- In second to fifth year inclusive	48,856	30,584
- Later than five years	-	13,774
	78,970	**54,518**

The company leases various properties under non-cancellable operating lease agreements. The lease terms are between 1July 2015 and October 2020 and are generally renewable at the end of the lease

26. Contingencies

The company is a defendant in various legal actions. In the opinion of the directors and after taking appropriate advice, the outcome of such actions will not give rise to any significant liabilities.

27. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report which may require adjustment to these financial statements or has not already been disclosed in the notes to the financial statements.