Real People Kenya Limited

(Registration number C3/2015)

Financial statements

for the 9 month period ended 31 December 2020

General Information

Country of incorporation and domicile	Kenya
Nature of business and principal activities	Provision of credit to small business owners
Company registration number	C3/2015
Registered office	L.R. No 209/22298 Lavington Court Apartments, Apartment A6 Muthangari Drive off Waiyaki Way Nairobi
Auditors	BDO East Africa Kenya Certified Public Accountants of Kenya The Westwood, 9th Floor Vale Close, off Ring Road Westlands PO Box 10032-00100 Nairobi Kenya
Secretary	Cornelius Kimamo Kigera
Holding company	Real People Holdings International Limited incorporated in Mauritius
Ultimate holding company	The GVR Trust incorporated in South Africa

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Audit Committee Report

This report is provided by the audit committee appointed in respect of the financial 9 month period ended 31 December 2020 of Real People Kenya Limited. The Audit Committee is a sub-committee of the board of directors of the company. The report includes both these sets of duties and resposibilities.

1. External auditor

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act of 2015 and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the Companies Act of 2015 that internal governance processes within the firm support and demonstrate the claim to independence.

The Audit Committee (AC) in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

2. Accounting practices and internal control

The AC receives regular reports provided as part the planned internal audit (IA) program to assist in evaluating the Company's internal controls. The IA places emphasis on accountability, responsibility, independence, reporting, communication and transparency, both internally and in respect of all key external stakeholders. Significant areas of focus within the reports include the following:

- identifying and managing material risks within the company and changes to these risk profiles during the year;
- creating and maintaining an effective internal control environment throughout the company;
- demonstrating the necessary respect for the control environment; and
- identifying and correcting weaknesses in systems and internal controls.

The AC is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and considering the major findings of any internal investigations into control weaknesses, fraud or misconduct, and management's response thereto.

The audit committee receives regular reports on issues in the company's key issues control log from management and regular reports regarding governance and compliance matters. Where there are improvements required in internal controls, the Committee satisfied itself of the key actions required to effect the required improvements. Having considered, analysed, reviewed and debated information provided by management, IA and the external auditors, the Committee considers that the internal controls of the Company had been effective in all material aspects throughout the year under review.

3. Audit committee terms of reference

The AC 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 contacted therein.

Audit Committee Report

4. Audit committee members, meeting attendance and assessment

The AC 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 (CFO), 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 is assessed on an annual basis.

On behalf of the audit committee

TM Karanja
Chairman Audit Committee

23 April 2021

Statement of Directors' Responsibilities

The directors are required in terms of the Companies Act of 2015 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial 9 month period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The Companies Act of 2015 requires the directors to prepare financial statements for each financial 9 month period that give a true and fair view of the financial position of the company as at the end of the financial 9 month period and of its profit or loss for that 9 month period. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are prepared in accordance with International Financial Reporting Standards 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 and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors 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. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. 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 fully eliminated, 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 accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Companies Act of 2015. They also accept responsibility for:

- designing, implementing and maintaining such internal controls as they determine necessary to enable the presentation of financial statements that are free of material misstatement, whether due to fraud or error;
- selecting suitable accounting policies and applying them consistently; and
- making accounting estimates and judgements that are reasonable in the circumstances.

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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the calendar year to 31 December 2021 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

Having made an assessment of the company's ability to continue as a going concern, the directors are aware of material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern and these are outlined in the going concern note.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Statement of Directors' Responsibilities

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 10 to 12.

The financial statements set out on pages 13 to 46, which have been prepared on the going concern basis, were approved by the board of directors on 23 April 2021 and were signed on their behalf by:

EN Ndemo

YM Godo

Directors' Report

The directors present their report together with the audited financial statements for the 9 month period ended 31 December 2020.

1. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of 2015. The accounting policies have been applied consistently compared to the prior period. During the year the company changed its financial year end from 31 March to 31 December to align with mainstream financial institutions in Kenya.

Financial results in Kenyan shillings thousands	**Dec 2020**	**Mar 2020**
Loss before taxation	(171,440)	(235,494)
Tax (charge) / credit	-	(5,656)
	(171,440)	**(241,150)**

The company recorded a net loss after tax for the 9 month period ended 31 December 2020 of KES (171,440,000). This represented a decrease from the net loss after tax of the prior 12 months ended 31 March 2020 of KES(241,150,000).

The company's poor trading results and downward asset carrying value adjustments placed significant pressure on the company's earnings and capital levels. The company has therefore engaged with debt and equity providers, with a view to alleviating the debt and interest burden borne by the company and placing the company on a path to sustainable profitability.

2. Share capital

There have been no changes to the authorised or issued share capital during the 9 month period under review.

3. Matters of emphasis

Deferred tax assets
The recognition of additional deferred tax assets on tax losses in the company remains suspended.

4. Dividends

The board of directors do not recommend the declaration of a dividend for the period.

5. Directors

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

Directors	Office	Designation	Nationality	Changes
YM Godo	Director	Non-executive	Kenyan	
TM Karanja	Director	Non-executive Independent	Kenyan	
CH Kocks	Director	Executive	South African	Resigned Thursday, 10 September 2020
EN Ndemo	Chairperson	Non-executive Independent	Kenyan	
BH Pieters	Director	Non-executive Independent	South African	Resigned Thursday, 10 September 2020
RL Shibutse	CEO	Executive	Kenyan	
FO Menya	CCO	Executive	Kenyan	

Directors' Report

6. 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.

7. Provision protecting directors from liability

There is no contractual agreement between the company and the directors to exempt the directors from any liability that would otherwise attach to the directors in connection with any negligence, default of duty or breach of trust in relation to the company.

8. Going concern

Having made an assessment of the company's ability to continue as a going concern as set out in more detail within the audit committee report and note 25, the directors are of the opinion, based on intended discussions with creditors and the possibility of increased funding wherein it will be assisted by external advisers, that the company will continue in operational existence for the foreseeable future providing that the support of providers of new equity proceeds as planned. There is yet no certainty in this regard.

9. Secretary

The company secretary is Mr. Cornelius Kimamo Kigera.

Postal address: PO Box 10643-00100
Nairobi
Kenya

10. Statement of disclosure to the company's auditors

With respect to each person who is a director on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the company's auditors are unaware; and
- the person has taken all the steps that he/she ought to have taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

11. Terms of appointment of the auditors

BDO East Africa Kenya continues in office in accordance with the company's Articles of Association and Section 719 of the Companies Act of 2015.

12. Shareholding

The ordinary shares in the company are held by Real People Holdings International Limited (99.99988%) and other shareholders (0.00012%).

13. Debentures

No debenture was issued during the period.

Directors' Report

The financial statements set out on pages 13 to 46, which have been prepared on the going concern basis, were approved by the board of directors on 23 April 2021, and were signed on its behalf by:

By Order of the Board

EN Ndemo
Chairperson
23 April 2021

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BDO East Africa Kenya
CI, Sameer Business Park
Mombasa Road
P.O. Box 10032-00100
Nairobi, Kenya

Independent Auditor's Report

To the Shareholder of Real People Kenya Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Real People Kenya Limited set out on pages 13 to 46, which comprise the Statement of Financial Position as at 31 December 2020, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the 9 month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial statements of Real People Kenya Limited. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Material uncertainty related to going concern

We draw attention to note 25 to the financial statements, which indicates that the company incurred a net loss of KES 171 million during the 9 month period ended 31 December 2020 and has accumulated losses of KES 1.4 billion. As of that date, the company's current liabilities exceeded its total assets by KES 651 million. These events or conditions, along with other matters as set forth in note 25 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Medium term note

The maturity date of the 3 year and 5 year notes was August 2018 and August 2020 with nominal value of KES 267 million and KES 1.04 billion respectively. In a meeting held on 28 February 2020 with the noteholders, it was agreed to extend the maturity date of all the notes to 28 February 2021.

In a meeting with the noteholders on 29 January 2021, it was agreed to extend the maturity of all the notes to 30 June 2021. Also, during the same meeting, it was agreed that payment of accrued interest that was due on 01 February 2021 was deferred to 30 June 2021. In our opinion, the company will not be able to meet the redemption obligation because, as at the time of this report, the company had not secured financing agreement to guarantee redemption of the notes in June 2021.

Current tax receivable

The financial statements indicates that the company has an amount receivable from the Kenya Revenue Authority of KES 267 million for prior years overpayments of taxes. The refund claim has been filed with the Kenya Revenue Authority and as at the date of this report, it is uncertain when the matter will be settled as this is dependent on audit by Kenya Revenue Authority.

BDO

Independent Auditor's Report

Other Matter - Reports Required by the Companies Act of 2015

The financial statements include the Directors' Report as required by the Companies Act of 2015. The directors are responsible for this other information.

We have read the other information and, in doing so, considered whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report, we are unable to report further on this other information.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1 and 3) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya.

Independent Auditor's Report

Report on Other Legal and Regulatory Requirements

As required by the Kenya Companies Act, 2015 we report to you, based on our audit, that:

- 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;
- in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- the Company's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of account.

BDO East Africa Kenya
Regulated by ICPAK, License number: PF/0015
The Westwood, 9th Floor
Vale Close, off Ring Road
Westlands
Nairobi, Kenya

Signed on behalf of BDO East Africa Kenya by Clifford Ah Chip
engagement partner responsible for the independent audit
Practicing certificate number: P/1964
Membership number: 9578

Date: 30-04-2021

Real People Kenya Limited

Financial Statements for the 9 month period ended 31 December 2020

Statement of Profit or Loss and Other Comprehensive Income

Figures in Shillings thousand	Note(s)	9 month period ended 31 December 2020	12 month period ended 31 March 2020
Revenue	4	80,038	193,978
Other operating income	5	30	1,653
Impairment of loans and advances	6	9,254	(2,722)
Other operating expenses		(166,916)	(295,049)
Operating loss	6	**(77,594)**	**(102,140)**
Finance costs	8	(93,846)	(133,354)
Loss before taxation		**(171,440)**	**(235,494)**
Taxation	10	-	(5,656)
Loss for the period		**(171,440)**	**(241,150)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(171,440)**	**(241,150)**

Real People Kenya Limited

Financial Statements for the 9 month period ended 31 December 2020

Statement of Financial Position as at 31 December 2020

Figures in Shillings thousand	Notes	31 December 2020	31 March 2020
Assets			
Non-Current Assets			
Equipment	11	3,286	6,757
Right-of-use assets	12	26,773	4,475
Intangible assets	13	1,787	8,127
		31,846	**19,359**
Current Assets			
Loans receivable	16	378,267	452,197
Trade and other receivables	15	11,133	9,259
Current tax receivable	26	266,594	273,499
Cash and cash equivalents	17	43,298	97,112
		699,292	**832,067**
Total Assets		**731,138**	**851,426**
Equity and Liabilities			
Equity			
Share capital	18	750,000	750,000
Accumulated loss		(1,400,596)	(1,229,156)
		(650,596)	**(479,156)**
Liabilities			
Non-Current Liabilities			
Lease liabilities - right-of-use assets	12&20	19,799	3,368
Current Liabilities			
Trade and other payables	21	13,021	15,291
Medium term notes	19	1,341,764	1,310,849
Lease liabilities - right-of-use assets	12&20	7,150	1,074
		1,361,935	**1,327,214**
Total Liabilities		**1,381,734**	**1,330,582**
Total Equity and Liabilities		**731,138**	**851,426**

The financial statements and the notes on pages 13 to 46, were approved by the board of directors on the 23 April 2021 and were signed on its behalf by:

EN Ndemo

TM Karanja

Statement of Changes in Equity

Figures in Shillings thousand	Share capital	Share premium	Total share capital	Accumulated loss	Total equity
Balance at 1 April 2019	**250,000**	**500,000**	**750,000**	**(988,006)**	**(238,006)**
Loss for the year	-	-	-	(241,150)	(241,150)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**(241,150)**	**(241,150)**
Balance at 1 April 2020	**250,000**	**500,000**	**750,000**	**(1,229,156)**	**(479,156)**
Loss for the 9 month period	-	-	-	(171,440)	(171,440)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the 9 month period	**-**	**-**	**-**	**(171,440)**	**(171,440)**
Balance at 31 December 2020	**250,000**	**500,000**	**750,000**	**(1,400,596)**	**(650,596)**

Statement of Cash Flows

Figures in Shillings thousand	Note(s)	9 month period ended 31 December 2020	12 month period ended 31 March 2020
Cash flows from operating activities			
Cash generated from operations	22	2,990	119,056
Finance costs		(54,052)	(102,501)
Tax received / (paid)	23	191	(23)
Net cash from operating activities		**(50,871)**	**16,532**
Cash flows from investing activities			
Purchase of equipment	11	(247)	(172)
Sale of equipment	11	309	-
Net cash from investing activities		**62**	**(172)**
Cash flows from financing activities			
Payment on lease liabilities		(3,005)	(807)
Total cash movement for the 9 month period		**(53,814)**	**15,553**
Cash at the beginning of the 9 month period		97,112	81,559
Total cash at end of the 9 month period	17	**43,298**	**97,112**

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act of 2015.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Shillings, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

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 company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Useful lives of equipment

Management assess the appropriateness of the useful lives of equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

1.3 Equipment

Equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one 9 month period.

An item of equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the 9 month period in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	5 years
Computer software	Straight line	3 years
Leasehold improvements	Straight line	6 years
Advertising boards	Straight line	10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting 9 month period. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each 9 month period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on equipment when there is an indicator that they may be impaired. When the carrying amount of an item of equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Intangible assets

An intangible asset is recognised when:

1.4 Intangible assets (continued)

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	5 years
Computer software, acquired	Straight line	3 years

1.5 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 3 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Loans receivable at amortised cost

Classification

Loans receivable (note 16) are classified as financial assets subsequently measured at amortised cost.

1.5 Financial instruments (continued)

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The company recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the company compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

1.5 Financial instruments (continued)

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Write off policy

The company writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default, taking the time value of money into consideration.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 6).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 15).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

1.5 Financial instruments (continued)

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item (note).

Trade and other payables

Classification

Trade and other payables (note 21), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 8).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 3 for details of risk exposure and management thereof.

Cash and cash equivalents

1.5 Financial instruments (continued)

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.6 Tax

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

1.6 Tax (continued)

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 which at the time of the transaction, affects neither accounting profit nor taxable profit (tax 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 at the time of the transaction, affects neither accounting profit nor taxable profit (tax 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.

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 the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Accounting Policies

1.7 Leases (continued)

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 6) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the company is a lessee are presented in note 12 Leases (company as lessee).

1.8 Impairment of assets

The company assesses at each end of the 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.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Accounting Policies

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

1.10Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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.

1.11Revenue from contracts with customers

The company recognises revenue from the following major sources:

- Lending

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

1.12Borrowing costs

Borrowing costs are amortised over the life of the bond.

Accounting Policies

1.13Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in 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.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, company determines a date of transaction for each payment or receipt of advance consideration.

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 during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Shillingss by applying to the foreign currency amount the exchange rate between the Shillings and the foreign currency at the date of the cash flow.

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended. 31 December 2020	12 month period ended 31 March 2020

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current 9 month period

In the current 9 month period, the company has adopted the following standards and interpretations that are effective for the current financial 9 month period and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	The impact of the amendment is not material.
• Definition of a business - Amendments to IFRS 3	1 January 2020	The impact of the amendment is not material.
• Presentation of Financial Statements: Disclosure initiative	1 January 2020	The impact of the amendment is not material.
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	1 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	1 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	1 January 2022	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	1 January 2021	Unlikely there will be a material impact

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	1 January 2021	Unlikely there will be a material impact

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

3. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

December 2020

	Note(s)	*Amortised cost*	*Total*	*Fair value*
Loans receivable	16	378,267	378,267	378,267
Trade and other receivables	15	11,133	11,133	11,133
Cash and cash equivalents	17	43,298	43,298	43,298
		432,698	**432,698**	**432,698**

March 2020

	Note(s)	*Amortised cost*	*Total*	*Fair value*
Loans receivable	16	452,197	452,197	452,197
Trade and other receivables	15	9,259	9,259	9,259
Cash and cash equivalents	17	97,112	97,112	97,112
		558,568	**558,568**	**558,568**

Categories of financial liabilities

December 2020

	Note(s)	*Fair value through profit or loss - Designated*	*Amortised cost*	*Leases*	*Total*	*Fair value*
Trade and other payables	21	-	13,021	-	13,021	13,020
Finance lease obligations	12&20	-	-	26,949	26,949	27,452
Other financial liabilities at fair value	19	1,341,764	-	-	1,341,764	1,341,764
		1,341,764	**13,021**	**26,949**	**1,381,734**	**1,382,236**

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

3. Financial instruments and risk management (continued)

March 2020

	Note(s)	*Fair value through profit or loss - Designated*	*Amortised cost*	*Leases*	*Total*	*Fair value*
Trade and other payables	21	-	15,291	-	15,291	15,290
Finance lease obligations	12&20	-	-	4,442	4,442	4,442
Other financial liabilities at fair value	19	1,310,849	-	-	1,310,849	1,310,849
		1,310,849	**15,291**	**4,442**	**1,330,582**	**1,330,581**

Capital risk management

	Note	9 month period ended 31 December 2020	12 month period ended 31 March 2020
Financial liabilities at fair value	19	1,341,764	1,310,849
Lease liabilities	20	26,949	4,442
Trade and other payables	21	13,021	15,291
Total borrowings		**1,381,734**	**1,330,582**
Cash and cash equivalents	17	(43,298)	(97,112)
Net borrowings		**1,338,436**	**1,233,470**
Equity		(650,595)	(479,156)
Gearing ratio		(206)%	(257)%

Financial risk management

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.The maximum exposure to credit risk is presented in the table below:

		December 2020			March 2020		
		Gross carrying amount	*Credit loss allowance*	*Amortised cost / fair value*	*Gross carrying amount*	*Credit loss allowance*	*Amortised cost / fair value*
Loans receivable	16	2,539,219	(2,160,952)	378,267	2,622,403	(2,170,206)	452,197
Trade and other receivables	15	11,133	-	11,133	9,259	-	9,259
Cash and cash equivalents	17	43,298	-	43,298	97,112	-	97,112
		2,593,650	**(2,160,952)**	**432,698**	**2,728,774**	**(2,170,206)**	**558,568**

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

3. Financial instruments and risk management (continued)

Refer to the notes specific to the exposures in the table above, for additional information concerning credit risk.

Liquidity risk

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

December 2020

		Less than 1 year	*2 to 5 years*	*Total*	*Carrying amount*
Non-current liabilities					
Lease liabilities	20	-	20,302	20,302	19,799
Current liabilities					
Trade and other payables	20	13,020	-	13,020	13,020
Financial liabilities at fair value	19	1,341,764	-	1,341,764	1,341,764
Lease liabilities	20	7,150	-	7,150	7,150
		(1,361,934)	**(20,302)**	**(1,382,236)**	**(1,381,733)**

March 2020

		Less than 1 year	*2 to 5 years*	*Total*	*Carrying amount*
Non-current liabilities					
Lease liabilities	20	-	3,368	3,368	3,368
Current liabilities					
Trade and other payables	21	15,290	-	15,290	15,290
Financial liabilities at fair value	19	1,310,849	-	1,310,849	1,310,849
Lease liabilities	20	1,074	-	1,074	1,074
		(1,327,213)	**(3,368)**	**(1,330,581)**	**(1,330,581)**

4. Revenue

	9 month period ended 31 December 2020	12 month period ended 31 March 2020
Revenue from contracts with customers		
Fee income	5,836	26,640
Interest income	74,202	167,338
	80,038	**193,978**

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

4. Revenue (continued)

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

Rendering of services		
Fees earned	5,836	26,640
Interest income from customers		
Interest income	74,202	167,338
Total revenue from contracts with customers	**80,038**	**193,978**

Timing of revenue recognition

Over time		
Fee income	5,836	26,640
Interest income	74,202	167,338
	80,038	**193,978**

5. Other operating income

Commissions received	-	1,617
Bad debts recovered	30	36
	30	**1,653**

6. Operating loss

Operating loss for the 9 month period is stated after charging the following, amongst others:

Auditors remuneration		
Audit fees	4,256	3,102
Prior period adjustment	-	3,000
	4,256	**6,102**
Remuneration, other than to employees		
Administrative and managerial services	-	1,075
Consulting and professional services	26,664	64,103
Secretarial services	271	259
	26,935	**65,437**

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

6. Operating loss (continued)

Employee costs

Salaries, wages, bonuses and other benefits	89,873	122,917
Relocation costs	155	613
Staff welfare	1,153	3,506
Training	35	98
Recruitment	-	887
Retirement benefit plans: defined contribution expense	3,658	5,283
Total employee costs	**94,874**	**133,304**

Average number of persons employed during the year		
Sales and marketing	39	49
Call centre	12	12
Credit	2	2
Executive	2	2
Finance	3	3
Head Office and administration	6	6
Human resources	1	1
Information technology	2	2
Legal	2	2
Vetting	2	2
	71	**81**

Depreciation and amortisation		
Depreciation of equipment	3,579	7,589
Depreciation of right-of-use assets	3,214	788
Amortisation of intangible assets	6,340	11,616
Total depreciation and amortisation	**13,133**	**19,993**

Impairment of loans and advances		
Loans receivables at amortised cost	(9,254)	2,722

Expenses by nature

The total selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Employee costs	94,874	133,304
Depreciation, amortisation and impairment	13,121	19,993
Other expenses	59,178	141,752
	167,173	**295,049**

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020
7. Employee costs		
Employee costs		
Basic	81,092	101,602
Commissions	872	2,767
Bonus	1,788	1,539
Medical aid - company contributions	8,766	16,710
Other payroll levies	157	218
Leave pay provision charge	(2,802)	81
Relocation costs	155	613
Staff welfare	1,153	3,506
Training	35	98
Recruitment	-	887
Retirement benefit plans	3,658	5,283
	94,874	**133,304**
8. Finance costs		
Lease liabilities	2,165	345
Interest expense 5 year bond	59,388	81,255
Interest expense 3 year bond	15,311	20,949
Amortisation of issue cost	11,100	13,158
Amortisation of discount	5,882	17,647
Total finance costs	**93,846**	**133,354**

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

9. Directors' emoluments

Non-executive

December 2020

Directors' emoluments

	Fees for services as director	*Total*
Services as director or prescribed officer		
YM Godo	984	984
TM Karanja	1,215	1,215
CH Kocks	325	325
EN Ndemo	1,350	1,350
BH Pieters	833	833
Total	**4,707**	**4,707**

March 2020

Directors' emoluments

	Fees for services as director	*Total*
Services as director or prescribed officer		
YM Godo	1,300	1,300
TM Karanja	1,800	1,800
CH Kocks	1,300	1,300
EN Ndemo	2,000	2,000
BH Pieters	1,800	1,800
Total	**8,200**	**8,200**

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

10. Taxation

Major components of the tax expense

Current		
Local income tax	-	5,656

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting loss	(171,440)	(235,494)
Tax at the applicable tax rate of 25% (2020: 30%)	(42,860)	(70,648)
Tax effect of adjustments on taxable income		
Expenses not deductible for tax purposes	23,033	41,217
Income not subject to tax	(70)	-
Prior period adjustment	-	5,656
Deferred tax not recognised	19,897	29,431
	-	**5,656**

11. Equipment

	December 2020			March 2020		
	Cost or revaluation	*Accumulated depreciation*	*Carrying value*	*Cost or revaluation*	*Accumulated depreciation*	*Carrying value*
Furniture and fixtures	43,811	(41,148)	2,663	44,465	(38,690)	5,775
Office equipment	10,933	(10,726)	207	11,856	(11,538)	318
Computer software	68,372	(67,956)	416	68,461	(67,797)	664
Total	**123,116**	**(119,830)**	**3,286**	**124,782**	**(118,025)**	**6,757**

Reconciliation of equipment - December 2020

	Opening balance	*Additions*	*Disposals*	*Depreciation*	*Total*
Furniture and fixtures	5,775	-	(4)	(3,108)	2,663
Office equipment	318	221	(135)	(197)	207
Computer software	664	26	-	(274)	416
	6,757	**247**	**(139)**	**(3,579)**	**3,286**

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

11. Equipment (continued)

Reconciliation of equipment - March 2020

	Opening balance	*Additions*	*Disposals*	*Depreciation*	*Total*
Furniture and fixtures	15,293	-	(2,850)	(6,668)	5,775
Office equipment	815	-	-	(497)	318
Computer software	916	172	-	(424)	664
	17,024	**172**	**(2,850)**	**(7,589)**	**6,757**

12. Leases (company as lessee)

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Buildings	26,773	4,475

13. Intangible assets

	December 2020			March 2020		
	Cost / Valuation	*Accumulated amortisation*	*Carrying value*	*Cost / Valuation*	*Accumulated amortisation*	*Carrying value*
Computer software, internally generated	62,556	(60,769)	1,787	62,556	(54,429)	8,127

Reconciliation of intangible assets - December 2020

	Opening balance	*Amortisation*	*Total*
Computer software, internally generated	8,127	(6,340)	1,787

Reconciliation of intangible assets - March 2020

	Opening balance	*Amortisation*	*Total*
Computer software, internally generated	19,743	(11,616)	8,127

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

14. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement.

Unrecognised deferred tax asset

Equipment	8,928	7,522
Provisions for leave days	869	1,573
Provisions for loans and advances	648,748	529,501
Tax losses	105,824	119,504
Unrealised exchange differences	-	12
Provision for bonus	303	303
Right of use assets	72	20
	764,744	**658,435**

15. Trade and other receivables

Financial instruments:		
Trade receivables	7,406	5,199
Deposits	3,124	3,727
Other receivables	470	-
Staff advances	133	333
Total trade and other receivables	**11,133**	**9,259**

Split between non-current and current portions

Current assets	11,133	9,259

Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	11,133	9,259

16. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

Performing advances	387,806	456,673
Non-performing advances	2,151,413	2,165,730
Provision for impairment	(2,160,952)	(2,170,206)
	378,267	**452,197**

Split between non-current and current portions

Current assets	378,267	452,197

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

16. Loans receivable (continued)

Exposure to credit risk

Loans receivable inherently exposes the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained in all cases. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans receivable is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below.

Reconciliation of loss allowances

The following tables show the movement in the loss allowances for loans receivable. The movement in the gross carrying amounts of the loans are also presented in order to assist in the explanation of movements in the loss allowance.

Loss allowance movement

Opening balance	**(2,170,206)**	**(2,167,453)**
Reversal / (provision) during the year	9,254	(2,753)
Closing balance	**(2,160,952)**	**(2,170,206)**

Non-performing advances: Loss allowance measured at lifetime ECL (credit impaired):

Changes due to investments recognised at the beginning of the reporting period:		
Performing loan (PL0)	6,701	4,971
Performing loan (PL1)	100	574
Performing loan (PL2)	104	85
Performing loan (PL3)	1,536	4,493
Non-performing loan (NPL)	45,067	87,912
Non-performing loan write off	2,107,444	2,072,171
Gross carrying amount at end of reporting period	**2,160,952**	**2,170,206**

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

16. Loans receivable (continued)

Fair value of loans receivable

The fair value of loans receivable approximates their carrying amounts.

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	387	350
Bank balances	42,911	56,532
Short-term deposits	-	40,230
	43,298	**97,112**

18. Share capital

Authorised		
2,500,000 Ordinary shares of KES 100 each	250,000	250,000
Issued		
Ordinary	250,000	250,000
Share premium	500,000	500,000
	750,000	**750,000**

19. Medium term notes

At amortised cost		
Medium term notes	1,341,764	1,310,849

At a meeting of the note holders held on 29 January 2021, of the KES 267,100,000 3 year and KES 1,036,000,000 5-year Senior Unsecured Notes Due 2019 and 2020 respectively, the noteholders, by means of extraordinary resolutions resolved that:

i) the maturity dates for the 3 year Notes due on 3 August 2019 be extended to 30 June 2021;
ii) subject to the Issuer securing an agreement with an investor whose identity shall be approved by noteholders holding 75% of the Notes, by 30 June 2020:

- the final maturity dates for all of the Notes be extended to 24 July 2028;
- the interest shall be paid on and determined on certain dates which have been identified based on the Trust Deed and consistent with the manner in which the interest is currently paid and determined;
- the Notes shall be redeemed at their face value in four equal tranches on 1 August 2022, 29 July 2024, 27 July 2026 and 24 July 2028.

As at 23 April 2021, no investor has been identified and all the Notes have been classified as current liabilities.

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

19. Medium term notes (continued)

Split between non-current and current portions

Non-current liabilities	-	1,008,846
Current liabilities	1,341,764	1,310,849
	1,341,764	**2,319,695**

20. Lease liabilities

Minimum lease payments due		
- within one year	8,413	1,661
- in second to fifth year inclusive	26,387	4,300
	34,800	5,961
less: future finance charges	(7,851)	(1,519)
Present value of minimum lease payments	**26,949**	**4,442**

Present value of minimum lease payments due		
- within one year	7,150	1,074
- in second to fifth year inclusive	19,799	3,368
	26,949	**4,442**

Current liabilities	7,150	1,074
Non-current liabilities	19,799	3,368
	26,949	**4,442**

21. Trade and other payables

Financial instruments:		
Trade payables	60	76
Accrued leave pay	2,427	5,243
Accrued bonus	-	1,012
Accrued expenses	6,895	4,663
Salary control accounts	3,706	4,188
Assurance control accounts	144	23
Other payables	(211)	86
	13,021	**15,291**

Notes to the Financial Statements

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

22. Cash generated from operations

Loss before taxation	(171,440)	(235,494)
Adjustments for:		
Depreciation and amortisation	13,133	19,993
Assets write off	-	2,850
Gain on disposal of assets	(170)	-
Finance costs	81,413	103,012
Net impairments and movements in credit loss allowances	(9,254)	2,722
Amortisation of discount	5,882	17,647
Amortisation of issue cost	4,386	13,158
Changes in working capital:		
Trade and other receivables	(1,874)	3,009
Trade and other payables	(2,270)	2,473
Advance to customers	83,184	189,686
	2,990	**119,056**

23. Tax balance

Balance at beginning	273,499	279,132
Current tax recognised in profit or loss	-	(5,656)
Prior period adjustment (withholding tax)	(6,714)	-
Balance at end	(266,594)	(273,499)
	191	**(23)**

24. Related parties

Relationships

Ultimate holding company	The GVR Trust
Holding company	Real People Holdings International Limited
Fellow subsidiary	Real People Tanzania Limited
Fellow subsidiary	Real People Financial Services (Uganda) Limited

Compensation to directors and other key management

Short-term employee benefits	4,706	8,200

25. Going concern

We draw attention to the fact that at 31 December 2020, the company had accumulated losses of KES (1,400,596,000) and that the company's total liabilities exceed its assets by KES (650,596,000).

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Figures in Shillings thousand	9 month period ended 31 December 2020	12 month period ended 31 March 2020

25. Going concern (continued)

The ability of the company to continue its operations into the foreseeable future is dependent on several factors. Firstly, the continued engagement with noteholders and prospective investors to increase capital either by equity or quasi-equity instruments, which will also restore the solvency of the company. Secondly, concerted efforts to ensure the company remains an attractive prospect for investors. The company is ensuring this by cost containment and reviewing the core operation system to improve operating efficiency. The company is further diversifying its product and service offering through the introduction of asset financing, insurance premium financing, mobile lending (via the RealPesa mobile app) and other short term products, all of which will help drive revenue growth.

26. Current tax receivable

Composition of balance		
Overpaid taxes 2014	36,795	36,795
Overpaid taxes 2015	96,610	96,610
Overpaid taxes 2016	65,745	65,745
Assessed refund 2016	67,019	67,019
Withholding tax	425	7,330
	266,594	**273,499**

Notes to the Financial Statements

27. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - December 2020

	Opening balance	*Discount amortised*	*Issue cost amortised*	*Interest expense*	*New leases*	*Total non-cash movements*	*Cash flows*	*Closing balance*
3 year notes	270,794	-	-	15,311	-	15,311	(11,079)	275,026
5 year notes	1,040,055	5,882	4,386	59,388	-	69,656	(42,973)	1,066,738
Finance lease liabilities	4,442	-	-	2,165	25,513	27,678	(5,171)	26,949
	1,315,291	**5,882**	**4,386**	**76,864**	**25,513**	**112,645**	**(59,223)**	**1,368,713**
Total liabilities from financing activities	**1,315,291**	**5,882**	**4,386**	**76,864**	**25,513**	**112,645**	**(59,223)**	**1,368,713**

Reconciliation of liabilities arising from financing activities - March 2020

	Opening balance	*Discount amortised*	*Issue cost amortised*	*Interest expense*	*New leases*	*Total non-cash movements*	*Cash flows*	*Closing balance*
3 year notes	270,689	-	-	20,949	-	20,949	(20,844)	270,794
5 year notes	1,008,845	17,647	13,158	81,255	-	112,060	(80,850)	1,040,055
Finance lease liabilities	-	-	-	345	5,249	5,594	(1,152)	4,442
	1,279,534	**17,647**	**13,158**	**102,549**	**5,249**	**138,603**	**(102,846)**	**1,315,291**
Total liabilities from financing activities	**1,279,534**	**17,647**	**13,158**	**102,549**	**5,249**	**138,603**	**(102,846)**	**1,315,291**