Consolidated Annual Financial Statements

for the 12 months ended 31 December 2020

FINCLUSION
AFRICA HOLDINGS LIMITED

Finclusion Africa Holdings Limited and its subsidiaries
(Registration number 168807/GBC)

GENERAL INFORMATION

Country of incorporation and domicile	Mauritius
Nature of business and principal activities	Private holding company that operates in and has investments in entities operating in the microfinance and insurance industry.
Directors	**Executive** Timothy Nuy **Non-Executive** Kiransingh Gulab Preetam Prayag
Registered office	c/o Imara Trust Company (Mauritius) Limited, Level 2, Alexander House, Silicon Avenue, Ebene Cybercity 72201 Mauritius
Business address	c/o Imara Trust Company (Mauritius) Limited, Level 2, Alexander House, Silicon Avenue, Ebene Cybercity 72201 Mauritius
Holding company	FirstCred Limited, incorporated in Botswana Finclusion Pte Limited, incorporated in Singapore
Auditor	Mazars 4th Floor, Unicorn Centre 18N, Frere Felix de Valois St, Port Louis Mauritius
Bankers	AfrAsia Bank Limited
Company registration number	168807/GBC
Level of assurance	These financial statements have been audited in compliance with International Standards on Auditing.
Preparer	The annual financial statements were internally compiled by: Finclusion Africa Holdings Limited
Published	7 May 2021
Finclusion Africa Holdings Limited Website	www.finclusiongroup.com

Table of contents

The reports and statements set out below comprise the consolidated and separate financial statements presented to the shareholders

Group CEO Report

We completed a turbulent year – with 2020 being a year that will forever be linked to Covid-19. We utilized this period to reposition the business, where we terminated our short-term payday lending offering and refocused on financial wellness products (wage-streaming, installment loans, free credit reports and budgeting tools) in our Southern African operations. For us – this was the year, where we successfully acquired and turned-around the entities acquired from MyBucks S.A., being Get Bucks (Proprietary) Limited in South Africa, GetBucks Pty Limited in Eswatini, and Emu-Inya Enterprises Limited in Kenya.

COLLECTION RATES

89.6%

Finclusion

16.7%

Expected Credit Loss (ECL)

The group remains confident in the quality of its loan portfolio.

Responding quickly to the challenges brought afoot by the pandemic, we tightened our credit standards and shrunk our loan book in the reporting period from c. USD 20.2m as at 31 December 2019 to c. USD 16.5m as at 31 December 2020 on the back of disbursements of c. USD 20.5m for the year at hand. As a result of these measures – we managed to maintain a steady ECL at ±16.7%, an impressive result amidst a landscape that saw most digital lenders take significant additional impairments and write-offs.

2021

We will launch new products, and expect to drive significant growth in our loan portfolio.

We are proud of our people – that have worked hard, made arrangements to work from home, and dealt with the challenges of home-schooling and lockdowns. It is people that make a business. On the back of all the work done in 2020, we are excited about what 2021 will have to offer. We will formally complete the rebranding of our subsidiaries into smartadvance in Southern Africa and TrustGro in Kenya. We will launch new products, and expect to drive significant growth in our loan portfolio.

We are excited for what 2021 will bring – and looking forward to record more successes with our people.

TIMOTHY NUY
Group CEO

ACKNOWLEDGEMENT

The Board of Directors would like to extend its sincere gratitude to our customers, management and the entire FAHL team for all their support and resilience throughout the review period.

Financial Review - Group CFO

Net operating income

USD **8.5m**

Cost of funds

18.1%

Expenses

USD **7.3m**

Cost to income ratio

82.3%

Gross loans

USD **16.5m**

Credit loss ratio (ECL)

16.7%

Total equity

USD **12.2m**

Loss after tax

USD **0.8m**

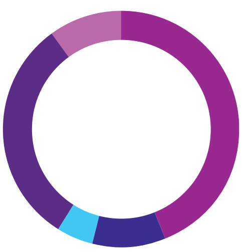
Economic Developments

Real GDP in Africa contracted by c.2.1% in 2020 reflecting the adverse impacts of the pandemic. This resulted in slower growth in household disposable incomes.

Financial Performance

Net operating income closed the year at USD8.5m, 73% of which was net interest income (NII: USD6.2m). This was achieved on the back of 89% average collection rates indicative of a high-quality loan portfolio.

The group posted a modest loss before tax of USD0.2m attributed to reduced economies of scale as gross loans contracted by 18.9% in 2020 after risk appetite was adjusted to match pandemic conditions. With a 75% fixed cost base leveraging a tech-driven service offering, a marginal increase in scale will have a significant bottom line impact. This coupled with extensive group-wide cost rationalisation saw marked improvement in financial performance in the second half of the year providing great momentum for growth in 2021.



Expenses 2020

44%
Personnel Expenses

10%
Professional Fees

5%
Depreciation and Amortisation

31%
Other operating expenses

10%
Tech Costs

Financial Review - Group CFO

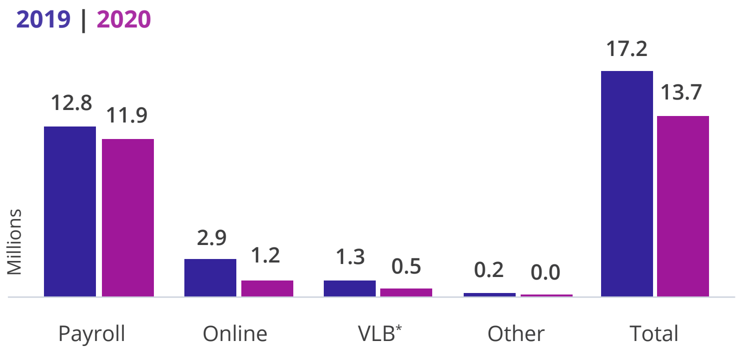
Assets ▼	Gross Loans ▼	Debt ▼	Equity ▲
USD 22.1m	**USD 16.5m**	**USD 7.5m**	**USD 12.2m**
3.2%	18.9%	42.6%	482.5%

Financial Position

The group's balance sheet remained flat year-on-year with a marginal 3.2% reduction in total assets. It is, however, a more efficient balance sheet with available funds being utilised to write higher earning (APR: 57.2%) and higher quality (credit loss ratio:16.7%) assets.

Debt-to-equity conversions by shareholders during the year saw a 42.6% reduction in total debt. This strengthened the group's equity position and reduced YTD interest expense.

Loans and Advances to Customers



Percentage of total portfolio

	2019	2020
Payroll	75%	87%
Online	17%	9%
VLB*	8%	4%
Other	1%	<1%

*Vehicle Lease Book

Outlook

Debt to Equity Ratio

0.58x

The group looks to scale up its loan portfolio in 2021 as pandemic restrictions are rolled back, leading to economies of scale. This will be achieved by recapitalising the group with emphasis on increasing its leverage by utilising debt funding.

TAMUKA MPOFU
Group CFO

Our people

Eastern Africa

NUMBER OF EMPLOYEES

63 32 31

Southern Africa

NUMBER OF EMPLOYEES

102 41 61

As of March 2021

- A high-performance and value-driven culture
- A dedicated focus on diversity and inclusion
- Deepening digital skills and ways of 'agile' working
- Opportunities for growth, development, and mobility across the Group

How we adapted to a covid world ensuring the safety of our employees.

- Enabling staff to work from home without interruption.
- Leverage online-lending infrastructure for contactless on-boarding of clients.

FINCLUSION
AFRICA HOLDINGS LIMITED

Group Structure

Finclusion Africa Holdings Limited
(Mauritius)

- 100% **FAH South Africa (Pty) Limited** (South Africa)
  - 100% **SmartAdvance (Pty) Ltd** (South Africa)
    - 100% **NiftyCredit** (South Africa)
  - 51% **SmartAdvance (Pty) Limited** (Eswatini)
  - 49% **SmartAdvance (Pty) Ltd** (Namibia)
  - 100% **NiftyCover (Pty) Limited** (South Africa)
- 49% **Emulnya Enterprises Ltd** (TrustGro Kenya)
  - 100% **Opportunity Tanzania Ltd** (GetBucks Tanzania)
- 100% **Virtual Financial Inclusion Ltd** (Mauritius Funding SPV)


Close to 3m loans granted across Sub-Saharan Africa

Directors' responsibilities report

The directors are required in terms of the Mauritius Companies Act 2001, to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the financial position of the group as at the end of the financial year 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 consolidated annual financial statements.

The consolidated annual 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 group 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, fraud, 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 group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing, and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 controls provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual 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 group's cash flow forecast for the period to 31 December 2020 and considering this review together with the current financial position, they are satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's consolidated annual financial statements. The consolidated annual financial statements have been examined by the group's external auditors and their report is presented on pages 14 to 16.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholder, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The consolidated annual financial statements set out on pages 18 to 84, which have been prepared on the going concern basis, were approved by the board of directors on 7 May 2021 and were signed on its behalf by:

TIMOTHY NUY
Group CEO

KIRANSINGH GULAB
Non-executive Director

7 May 2020

Directors' report

The directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2020.

Incorporation

Finclusion Africa Holding Limited ("FAHL", "Finclusion" or "the group") was incorporated on the 8th of November 2019 as a Private Company, limited by shares in the Republic of Mauritius. Company registration number 168807/GBC.

FAHL has been licenced as a Global Business Corporation under the Financial Services Act 2007 (License No. GB19024928) by the Financial Services Commission.

Nature of the business

Finclusion Africa Holdings Limited is an entity incorporated in Mauritius with multi-jurisdictional operations in the financial services industry. Its primary footprint is in East Africa (Kenya and Tanzania) and the Common Monetary Area (South Africa, Eswatini and Namibia). Finclusion's service offering is focused on financial wellness, direct lending, and insurance services offered through a bouquet of brands including TrustGro, GetBucks, smartadvance and niftycover, respectively.

The group aims to enhance financial inclusion in African markets through its investments in growing high potential fintech businesses.

Finclusion follows a robust approach towards risk modelling underpinned by a fully autonomous AI (Artificial Intelligence) credit scoring model. The group's custom developed systems thus allow for an effective and accurate assessment of each customer's risk profile by understanding and managing each customer at an individual level. The models developed leverage both traditional and alternative data sources to manage a borrower's credit risk ultimately allowing each customer to access appropriate financial services easily and conveniently. This allows the group to achieve its objective of sustainably enhancing financial inclusion in its operating markets.

Finclusion's financial wellness offering is centred around provision of credit rehabilitation to assist clients with over-indebtedness, blacklisting and judgements through tailored financial products. This is coupled with financial tools provided to educate clients on financial literacy thus enabling them to make better financial decisions for their future.

Strategic overview

The group used 2020 to reposition its product offering in the market and strengthen its asset quality. This included terminating the traditional pay-day loan and the development of a wage-streaming solution which will reduce the overall cost of credit to clients. Deduction at source lending remains a staple for the group, which portfolio was leveraged into growth in other markets.

Further, the maximum loan amounts in the direct-to-consumer channels were increased within the existing risk framework enabling the business to grow its presence into the higher income segments of the market.

The group remains confident in the quality of its loan portfolio as evidenced by aggregate collection rates that remained in the high 80% for most of the year (YTD: 89%) when compared to the prevailing deteriorating collection rates in its represented markets (collection rates are measured as the received repayments as a percentage of the expected repayments). This coupled with a deduction-at-source collection model, early adoption of Debi Check (debit order payment system) and other online collection systems resulted in consistently improved collection performance with Non-Performing Loan (NPL) ratio closing the year at 7.5%.

Covid-19 Response

In response to the effects of the pandemic, the group implemented the following steps for its customers:

i) Voice and automated contracting: enabling contactless onboarding.

ii) Adapted lending criteria: to allow for the changing consumer behaviour during lockdown.

iii) Introducing a broad range of non-physical payment channels.

DIRECTORS' REPORT CONTINUED

iv) Implementation of new mobile applications for Online as well as Payroll loan portfolio.

The group leveraged its online lending infrastructure fully as staff were successfully transitioned to remote (work from home) conditions a week prior to the official lockdown and have remained at home over the period with a skeletal staff presence on-premises. During this time, there has not been any observed deterioration in service levels or customer experience.

Staff were also provided with an independent and confidential support service to aid with the transition to the remote working environment with the goal of minimising their exposure risk.

Technology

The group continues to leverage its proprietary technology base to provide sustainable financial solutions to clients. The year saw continued development of existing systems with emphasis on parameter driven maintenance allowing "on-the-fly" changes to key rules and validations. This strengthened the AI driven credit scoring and affordability assessment models, fraud detection, and AI computing back-ends resulting in them being increasingly scalable, faster, and more attuned to varying customer risk profiles. Further to its proprietary technology (including the loan management system) the group sought to build synergies with existing technology ecosystems in several markets through API's and integrations allowing it to penetrate new markets faster and leverage alternative data sources.

Subsidiary name change

Get Bucks (Pty) Ltd South Africa changed its name to smartadvance (Pty) Ltd during the year under review. In addition, the company launched an additional brand, nifty, primarily for the online market. This enables the differentiation of marketing strategies between the employer payroll proposition and the direct-to-consumer proposition.

Our people

Finclusion Africa Holdings has successfully retained key staff throughout the pandemic and aims to maintain a workforce delivering the highest standards of service delivery across all its markets. We differentiate ourselves through our people.

We are committed to assisting employees achieve their professional and personal objectives and we encourage our employees to broaden their skill set and gain work experience in other organisational roles. In addition, we provide company-subsidised training opportunities to help employees develop or refine their skills, thereby increasing productivity and innovation in the workplace.

Review of financial results and activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of Mauritius. The accounting policies have been applied consistently compared to the prior year apart from adoption of new accounting standards where appropriate.

Share capital

The issued share capital of the group as at 31 December 2020 constituted of 10 000 ordinary shares of USD1.00 each of which 5 200 of the shares were subscribed to First-Cred Limited and 4 800 shares were subscribed to Finclusion Pte Limited.

Board meetings

The composition of the board changed as follows during the year to date:

Name	Date appointed	Date resigned
Executive		
Timothy Nuy	1 January 2020	
Non-Executive		
Preetam Prayag	1 January 2020	
Kiransingh Gulab	1 January 2020	

Risk management

The board is responsible for approving and reviewing groupwide risk management strategy and policy.

Internal control

Internal control is a process applied by the board of direc-

DIRECTORS' REPORT CONTINUED

tors, management, and all levels of personnel in the group to ensure that management has reasonable assurance that:

- Operations are effective, efficient, and aligned with strategy.
- Management information reports are valid, accurate and complete.
- The group follows applicable laws and regulation.
- If an instance of non-compliance is identified, remedial action is taken to rectify the matter.

Internal controls over financial reporting

The financial management team is responsible for the daily financial operations of the group as well as the internal and external reporting to the board and respective stakeholders. The tasks of the group's financial management team consist of, inter alia, monthly consolidation of group entities, and annual consolidated financial statements, management of liabilities, protection against exchange risk, and transfer pricing. The finance function of the group implements operative supervision under the Chief Financial Officer who reports to the Board.

Financial reporting systems

The consolidated financial statements are prepared by consolidating the accounting information as reported by the various subsidiaries. Accounting at subsidiary level is done by local teams and further enabled by a single accounting system. Annual budgets and forecasts are prepared by each subsidiary and consolidated to present the group budget.

Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the group had an interest and which significantly affected the business of the group. Directors have the same terms of employment as normal employees.

Holding company

FirstCred Limited - incorporated in Botswana - holding 52% of shareholding in Finclusion Africa Holdings Limited.

Finclusion Pte Limited - incorporated in Singapore - holding 48% of shareholding in Finclusion Africa Holdings Limited

External auditors

Mazars was appointed as the external auditor for the company and its subsidiaries for the year ended 31 December 2020.

Events after the reporting period

Refer to note 40 in the consolidated annual financial statements for the subsequent events.

Going concern

The annual financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

In performing the going concern assessment, the board has considered historical data relating to resources and reserves, available information about the future, the possible outcomes of planned events, changes in future conditions and the responses to such events and conditions that would be available to the board.

The board has, inter alia, considered the following specific factors in determining whether the group and company (FAHL standalone) is a going concern:

- Whether the group and company have sufficient cash resources to pay its creditors and maturing liabilities as and when they fall due and meet its operating costs for the ensuing twelve months.
- Whether the group and company has available cash resources to deploy in developing and growing existing operations or investing in new opportunities.

The board and management are not aware of any significant pending litigation that will threaten the going concern status of the group and company.

The going concern assessment is, however, a matter of judgment. In making this judgment, the board has considered the uncertainties arising from their assessment, both individually and collectively. The board believes the current economic outlook under COVID-19 presents near-term challenges, evidenced by increased unemployment, the temporary reduction in employee wages, and subdued economic growth

DIRECTORS' REPORT CONTINUED

within the global economy. The group has responded and will continue to respond by leveraging its online platforms and infrastructure during the pandemic. Management implemented a successful "work from home" policy enabled by the company's fintech platform allowing all business functions to operate effectively remotely. Management is working closely with payroll clients to ensure their needs are met during these trying times, whilst ensuring collectability.

To reduce irresponsible borrowing during the COVID-19 pandemic and over indebting consumers, criteria to apply for a personal loan were tightened to deal with the shift in data points available and to make effective credit decisions, including introducing psychometric scores. This has reduced the quantity of applications but has, however, maintained the quality of clients that are able to uphold their credit agreements monthly.

The board therefore remains confident in the company's ability to remain a going concern and will continue to support management in their efforts to build a sustainable business.

Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act of Mauritius.

Date of Authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on 7 May 2021. No authority was given to anyone to amend the financial statements after the date of issue.

For and on behalf of the Board of Directors

7 May 2021

IMARA
Fiduciary & Administration

CERTIFICATE FROM THE SECRETARY UNDER SECTION 166 (D) OF THE MAURITIUS COMPANIES ACT 2001 (the "Act")

We certifiy, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required by Finclusion Africa Holdings Limited, under the Act for the year ended 31 December 2020.

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For Imara Trust Company (Mauritius) Limited
Company Secretary

Registered Office:

Level 2, Alexander House, Silicon Avenue,
Ebene Cybercity 72201
Republic of Mauritius

7th May 2021

Licensed and regulated by the Financial Services Commission of Mauritius

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

FINCLUSION AFRICA HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated and separate financial statements of **FINCLUSION AFRICA HOLDINGS LIMITED** (the "Company") and its subsidiaries (together referred to as the "Group") on pages 18 to 84 which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements on pages 18 to 84 give a true and fair view of the financial position of the Group and the Company as at 31 December 2020, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRSs") and comply with the Companies Act 2001 and the Insurance Act 2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the Commentary of The Directors, the Corporate Governance report and the Secretary's Certificate as required by the Companies Act 2001 which we obtained prior to the date of the audit report. Other information does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

mazars

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

FINCLUSION AFRICA HOLDINGS LIMITED

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Representatives and Those Charged with Governance for the Financial Statements (Continued)

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as the requirement of the Companies Act and Insurance Act 2005, and for such internal control as management determines 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 representatives are responsible for assessing the Group's and 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 representatives either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

- Conclude on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

mazars

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

FINCLUSION AFRICA HOLDINGS LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Mauritius Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

a) we have no relationship with, or interests in, the Group and the Company other than in our capacity as auditors;

b) we have obtained all the information and explanations we have required; and

c) in our opinion, proper accounting records have been kept by the Group and the Company as far as appears from our examination of those records.

Other matter

This report, including the opinion has been prepared for and only for the Group's members, as a body, in accordance with Section 205 of the Mauritius Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Mazars

Udaysingh Taukoordass, FCA
Licensed by FRC

Date: 07 MAY 2021

Enhancing financial inclusion

Consolidated statement of financial position

		Group		Company	
Figures in USD	**Note**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Assets					
Cash and cash equivalents	6	2 138 271	925 859	332 036	-
Trade and other receivables	7	1 229 913	1 325 976	179 961	10 000
Loans and advances to customers	9	13 699 049	17 182 006	-	-
Other Financial Assets	8	442 147	13 726	-	-
Loans with group companies and related parties	10	1 181 339	-	3 130 667	1 330 962
Current tax receivable	22	22 902	38 290	-	-
Property and equipment	12	554 188	347 877	-	-
Goodwill	17	826 413	826 413	-	-
Intangible assets	13	459 066	483 913	-	-
Investment in subsidiary	14	-	-	7 346 971	8 448 965
Investment in associates	15	146 538	134 309	-	-
Deferred Tax (Asset)	16	1 188 510	1 346 933	-	-
Loans to related parties	10	-	-	-	-
Investment in Insurance Contracts	11	172 897	163 723	-	-
		22 061 233	**22 789 025**	**10 989 635**	**9 789 927**
Total assets		**22 061 233**	**22 789 025**	**10 989 635**	**9 789 927**
Liabilities					
Bank overdraft	6	30 992	42 355	-	-
Borrowings	20	6 411 710	7 302 816	551 066	-
Trade and other payables	18	2 274 541	2 484 053	28 774	-
Other financial liabilities		-	-	-	-
Lease liabilities	19	391 103	295 653	-	-
Liabilities in Insurance Contracts	11	17 399	29 030	-	-
Loans from related parties	10	633 406	-	453 375	-
Loans from shareholder	10	-	9 885 581	-	9 885 581
Current tax payable	22	93 234	219 451	-	-
Total liabilities		**9 852 385**	**20 258 939**	**1 033 215**	**9 885 581**
Equity					
Share Capital	21	10 307 997	10 000	10 307 997	10 000
Retained Income		(1 711 407)	(105 654)	(351 577)	(105 654)
Reserves		1 869 700	2 625 740	-	-
Total equity excluding non-controlling interest		**10 466 290**	**2 530 086**	**9 956 420**	**(95 654)**
Non-controlling interest		1 742 558	-	-	-
Total equity		**12 208 848**	**2 530 086**	**9 956 420**	**(95 654)**
Total equity and liabilities		**22 061 233**	**22 789 025**	**10 989 635**	**9 789 927**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on page 23 to 84 of the financial statements.

The annual financial statements were approved by the board of directors on 7 May 2021 and were signed on its behalf by:

Timothy Nuy
Group CEO

Kiransingh Gulab
Non-executive Director

7 May 2021

Consolidated statement of profit or loss and other comprehensive income

			Group		Company
Figures in USD	**Note**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Interest income calculated using the effective interest method	23	7 272 255	-	-	-
Other interest income	23	230 989	-	288 910	-
Interest expense calculated using effective interest method	24	(1 282 556)	(105 654)	(340 924)	(105 654)
Net interest income		**6 220 688**	**(105 654)**	**(52 014)**	**(105 654)**
Fee and commission income	25	3 031 213	-	-	-
Fee and commission expense	25	(796 066)	-	(1 839)	-
Net fee and commission income		**2 235 147**	**-**	**(1 839)**	**-**
Net trading income		**8 455 835**	**(105 654)**	**(53 853)**	**(105 654)**
Profit from associates	15	11 514	-	-	-
Other revenue		-	-	-	-
Other income	28	434 199	-	125 132	-
Impairment losses on loans and advances to customers	26	(1 710 364)	-	-	-
Net loss arising from derecognition of financial assets measured at amortised cost	27	(32 587)	-	-	-
Net operating income		**7 158 597**	**(105 654)**	**71 279**	**(105 654)**
Personnel expenses	30	(3 209 802)	-	(33 250)	-
Professional fees	32	(749 695)	-	(65 596)	-
Depreciation and amortisation	31	(347 819)	-	-	-
Intercompany charges		-	-	-	-
Other operating expenses	29	(3 036 437)	-	(218 356)	-
Profit/(loss) before taxation		**(185 156)**	**(105 654)**	**(245 923)**	**(105 654)**
Income tax expense	33	(629 358)	-	-	-
Loss for the year		**(814 514)**	**(105 654)**	**(245 923)**	**(105 654)**
Other comprehensive income					
Items that will be reclassified to profit or loss					
Movement in translation reserve:		-	-	-	-
Foreign operations - foreign currency translation differences		(776 475)	-	-	-
		(776 475)	**-**	**-**	**-**
Total other comprehensive income/(loss) net of tax		**(776 475)**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year		**(1 590 989)**	**(105 654)**	**(245 923)**	**(105 654)**
Profit or loss attributable to					
Holders of ordinary shares of the Company		(2 295 830)	(105 654)	(245 923)	(105 654)
Other equity holders		-		-	
Non-controlling interests		704 841	-	-	-
		(1 590 989)	**(105 654)**	**(245 923)**	**(105 654)**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on page 23 to 84 of the financial statements.

Consolidated statement of changes in equity

Figures in USD	Share capital	Change in control	Currency translation reserve	Total reserves	Accumulated earnings	Total attributable to owners of the parent	Non-controlling interest	Total equity
Balance as at 1 January 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit / (loss) for the year	-	-	-	-	(105 654)	(105 654)	-	(105 654)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**-**	**(105 654)**	**(105 654)**	**-**	**(105 654)**
Issue of shares	10 000	-	-	-	-	10 000	-	10 000
Change in control reserve		2 625 740		2 625 740		2 625 740		2 625 740
Share capital subscription by non-controlling interest	-	-	-	-	-	-		-
	10 000	**2 625 740**	**-**	**2 625 740**	**-**	**2 635 740**	**-**	**2 635 740**
Balance as at 31 December 2019	**10 000**	**2 625 740**	**-**	**2 625 740**	**(105 654)**	**2 530 086**	**-**	**2 530 086**
Balance as at 1 Jan 2020	**10 000**	**2 625 740**	**-**	**2 625 740**	**(105 654)**	**2 530 086**	**-**	**2 530 086**
Profit / (loss) for the year	-	-	-	-	(1 605 753)	(1 605 753)	791 239	(814 514)
Other comprehensive income	-	-	(690 077)	(690 077)	-	(690 077)	(86 398)	(776 475)
Total comprehensive income / (loss) for the year	**-**	**-**	**(690 077)**	**(690 077)**	**(1 605 753)**	**(2 295 830)**	**704 841**	**(1 590 989)**
Conversion of debt to equity	10 297 997	(65 963)	-	(65 963)	-	10 232 034		10 232 034
Dividends declared	-	-	-	-	-	-	(130 240)	(130 240)
Share capital subscription by non-controlling interest							1 167 957	1 167 957
Total movement	**10 297 997**	**(65 963)**	**-**	**(65 963)**	**-**	**10 232 034**	**1 037 717**	**11 269 751**
Balance as at 31 December 2020	**10 307 997**	**2 559 777**	**(690 077)**	**1 869 700**	**(1 711 407)**	**10 466 290**	**1 742 558**	**12 208 848**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on page 23 to 84 of the financial statements.

FAHL company statement of changes in equity

Figures in USD	Share capital	Change in control	Currency translation reserve	Total reserves	Accumulated earnings	Total attributable to owners of the parent	Non-controlling interest	Total equity
Balance as at 1 January 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit / (loss) for the year	-	-	-	-	(105 654)	(105 654)	-	(105 654)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**-**	**(105 654)**	**(105 654)**	**-**	**(105 654)**
Issue of shares	10 000	-	-	-		10 000	-	10 000
	10 000	**-**	**-**	**-**	**-**	**10 000**	**-**	**10 000**
Balance as at 31 December 2019	**10 000**	**-**	**-**	**-**	**(105 654)**	**(95 654)**	**-**	**(95 654)**
Balance as at 1 Jan 2020	**10 000**	**-**	**-**	**-**	**(105 654)**	**(95 654)**	**-**	**(95 654)**
Profit / (loss) for the year	-	-	-	-	(245 923)	(245 923)	-	(245 923)
Other comprehensive income	-	-	-	-		-	-	-
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**-**	**(245 923)**	**(245 923)**	**-**	**(245 923)**
					-			
Conversion of debt to equity	10 297 997			-	-	10 297 997		10 297 997
	10 297 997	**-**	**-**	**-**	**-**	**10 297 997**	**-**	**10 297 997**
Balance as at 31 December 2020	**10 307 997**	**-**	**-**	**-**	**(351 577)**	**9 956 420**	**-**	**9 956 420**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on page 23 to 84 of the financial statements.

Consolidated statement of cash flow

		Group		Company	
	Note	Dec-20	Dec-19	Dec-20	Dec-19
Cash flows from operating activities					
Cash generated from / (used in) operations	34	2 870 329	-	(392 040)	-
Interest received		553 632	-	148 261	-
Finance costs paid		(1 223 455)	-	(16 875)	-
Tax paid		(617 826)	-	-	-
Net cash from operating activities		**1 582 680**	**-**	**(260 654)**	**-**
Cash flows from investing activities					
Purchase of property and equipment		(59 300)	-	-	-
Purchase/Additions Right of Use Asset		(250 243)	-	-	-
Proceeds from Disposal of property and equipment		15 174	-	-	-
Advances made on loans with related parties		-	-	(490 354)	-
Payments received on loans with related parties		-	-	87 424	-
Net cash from investing activities		**(294 369)**	**-**	**(402 930)**	**-**
Cash flows from financing activities					
Advances made on Finance Lease Obligations		(223 774)	-	-	-
Payments received on Finance Lease Obligations-New lease		250 243	-	-	-
Payments received on other financial assets		561 003	-	-	-
Advances made on other financial assets		(939 819)	-	-	-
Advances made on other financial liabilities		(2 438 477)	-	-	
Payments received on other financial liabilities		2 328 472	-	549 885	
Dividend Paid		(130 240)	-	-	-
Payments received on loans from related parties		575 976	-	445 735	-
Net cash from financing activities		**(16 616)**	**-**	**995 620**	**-**
Total cash movement for the year		1 271 695	-	332 036	-
Cash at the beginning of the year		883 504	883 504	-	-
Effect of exchange rate movement on cash and cash equivalents		(47 920)	-		
Total cash at end of the year	6	**2 107 279**	**883 504**	**332 036**	**-**

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes on page 23 to 84 of the financial statements.

Notes to consolidated and separate financial statements for the year ended 31 December 2020

1. Preparation of the consolidated financial statements

1.1. Background and purpose of the consolidated financial statements

Background

Finclusion Africa Holdings Limited (FAHL) is a private company incorporated in Mauritius. The address of its registered office and principal place of business is c/o Imara Trust Company (Mauritius) Limited, Level 2, Alexander House, Silicon Avenue, Ebene, Cybercity 72201, Mauritius. The principal activities are, operating in, and having investments in entities, operating in the credit and insurance industries.

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

Basis of preparation

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') on the going concern basis in accordance with, and in compliance with, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and effective at the time of preparing these consolidated annual financial statements and the Companies Act of Mauritius, as amended.

The consolidated annual 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 USD, which is the group and company's functional currency.

These accounting policies are consistent with the previous period.

1.2. Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

1.3. Going concern

The annual financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

In performing the going concern assessment, the board has considered historical data relating to resources and reserves, available information about the future, the possible outcomes of planned events, changes in future conditions and the responses to such events and conditions that would be available to the board.
The board has, inter alia, considered the following specific factors in determining whether the group and company is a going concern:

- whether the group and company has sufficient cash resources to pay its creditors and maturing liabilities as and when they fall due and meet its operating costs for the ensuing twelve months.
- whether the group and company has available cash resources to deploy in developing and growing existing operations or investing in new opportunities.

The board and management are not aware of any significant pending litigation that will threaten the going concern status of the group and company.

The going concern assessment is, however, a matter of judgment. In making this judgment, the board has considered the uncertainties arising from their assessment, both individually and collectively. The board believes the current economic outlook under the worldwide "lockdowns" presents near-term challenges, evidenced by increased unemployment, the temporary reduction in employee wages, and subdued economic growth within the global economy.

The group has for the greater part remained largely unaffected by these events; management implemented a successful "work-from-home" policy enabled by the company's fintech platform allowing all business functions to operate effectively remotely. COVID-19 has tested the robustness of the group's business model, resulting in the board implementing the necessary measures to protect employees and clients whilst bolstering reserves to take advantage of near-term opportunities as and when they arise.

The board, therefore, remains confident in the group and company's ability to remain a going concern and will continue to support the newly appointed management in their efforts to build a sustainable business.

2. Accounting policies

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

2.1. New standards and amendments

2.1.1. New standards and amendments adopted from 01 January 2020

New standards impacting the Company that have been adopted in the financial statements for the year ended 31 December 2020 are:

Title	Key requirements	Effective Date*
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	01 January 2020
Definition of a Business – Amendments to IFRS 3	Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Group has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Group to reassess whether acquisitions occurring prior to 01 January 2020 met the revised definition of a business.	01 January 2020
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	01 January 2020

Other standards

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Company are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative – Definition of Material); and
- Revisions to the Conceptual Framework of Financial Reporting.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2.1.2. New standards and amendments not yet effective

There are several standards, amendments to standards and interpretations which have been issued by the IASB that are effective in the future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 01 January 2022:

Title	Key requirements	Effective Date*
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.	Originally 01 January 2021, but extended to 01 January 2023 by the IASB in March 2020
Covid-19-related Rent Concessions – Amendments to IFRS 16	In May 2020, the International Accounting Standards Board (Board) issued Covid-19-Related Rent Concessions, which amended IFRS 16 Leases. The amendment permitted lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment did not affect lessors. In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the availability of the practical expedient by one year.	01 June 2020

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2.1.3. Forthcoming requirements

Title	Key requirements	Effective Date*
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.	01 January 2022 [possibly deferred to 01 January 2023
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	01 January 2022
Title Key requirements Effective Date*	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	01 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	01 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	01 January 2022

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2.2. Functional and presentation currency

Items included in the financial statements of the group and company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in United States Dollar ("USD") which is the Company's functional and presentation currency. The USD is the currency that most faithfully represents the economic effects of the underlying transaction, events and conditions that are relevant to the Company.

2.3. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured.

Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in 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 by applying to the foreign currency amount, the exchange rate between the functional currency and the foreign currency at the date of the cash flow.

2.4. Consolidation

2.4.1. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the group. Subsidiaries are deconsolidated from the date when control ceases.

Control exists when an investor is exposed or has rights to variable returns from its involvement with the investee and can affect these returns through its power over the investee. Where such exposure and power exist over an investee, the investee is accounted for as a subsidiary. Transactions with non-controlling interests ("NCI") that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling proportionate share of the recognized amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, income, and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets and liabilities, are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2.4.2. Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This often mean that amounts previously recognised in other comprehensive income, are recycled through profit or loss.

2.4.3. Associates

Associates are all entities (including structured entities) over which the company does not have significant control. The Group uses the equity method to account for its investments in associates.

Under the equity method of accounting, an equity investment for 49% stake in GetBucks Namibia was initially recorded at cost and is subsequently adjusted to reflect the share of the net profit or loss of the associate.

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be required arising from changes in the investee's other comprehensive income that have not been included in profit or loss.

2.5. Property and equipment

Property and equipment are tangible assets which the group holds for its own use and which are expected to be used for more than one year. Property and equipment are initially measured at cost.

Cost includes all the expenditure which is directly attributable to the acquisition or construction of the asset.

Property and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses, and buildings, which are stated at the revalued amount less accumulated depreciations and any accumulated impairment losses.

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 group.

All assets are depreciated over a straight-line basis over the estimated useful life. 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 the 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 property and equipment have been assessed as follows:

Category	Average useful life
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	3 years
Leasehold improvement	Lease period

The residual value, useful life, and depreciation method of each asset are reviewed at the end of each reporting year. 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 property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Impairment tests are performed on property and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property and 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. As at the end of the reporting period, there were no indications that any assets needed to be impaired.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

An item of property and 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 property and equipment, determined as the difference between the net disposals.

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

2.6. Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets, liabilities, and contingent liabilities of the acquiree. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Intangible assets are initially recognised at cost. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- 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.

Directly attributable costs which are capitalised as part of the software product include the software development, employee costs, and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years. Amortisation is provided to write down the intangible assets, on a straight-line basis, as follows:

Category	**Average useful life**
Computer software, other	3-5 years
Customer relationships	3-10 years

The customer relationship relates to the fair value adjustments of the purchase of a deduction at source lending in respect of Loans and advances to customers, during the 2015 financial year. The group provides loans to employed individuals, who are employed by employers, vetted by the group, and have concluded an agreement with the group. In terms of these agreements, the employer deducts the loan instalments from the customer’s salary and disburses these funds to the group.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2.7. Financial instruments initial measurement

2.7.1. Date of recognition

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the group becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The group recognises balances due to customers when funds are transferred to the group.

2.7.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value plus or minus, except in the case of financial assets and financial liabilities not recorded at fair value through profit or loss, any transaction costs directly attributable to the issue of the financial asset or liability. Other receivables are measured at fair value.

2.7.3. Measurement categories of financial assets and liabilities

The group classifies all financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost.
- Fair Value through Other Comprehensive Income (FVOCI).
- Fair value through Profit and Loss (FVTPL).

2.8. Financial assets and liabilities

2.8.1. Loans and advances to customers

The group measures Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

Business model assessment

The group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model and the way those risks are managed.
- How managers of the business are compensated.
- The expected frequency, value, and timing of sales.
- The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the group's original expectations, the group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the group applies judgement and considers relevant factors.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2.8.2. Financial assets / financial liabilities measured at amortised cost.

Financial Assets / financial liabilities are measured at amortised cost. They are included in current assets / liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets / liabilities. The group's financial assets / financial liabilities measured at amortised cost comprise 'loans to / (from) group companies and related parties', 'other financial assets', 'loans and advances to customers', 'other receivables', 'cash and cash equivalents', 'borrowings', 'Loans from shareholder', 'lease liabilities', and 'trade and other payables' in the consolidated statement of financial position. (Note 6, 7, 8, 9, 10, 18, 19, 20)

Initial recognition and measurement

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

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

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Gains or losses arising from changes in the fair value of the financial assets/liabilities at fair value through profit or loss category are presented in the consolidated statement of profit or loss and other comprehensive income within 'Other income' and 'Other operating expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss are recognised in the consolidated statement of profit or loss and other comprehensive income as part of "other income" when the group's right to receive payments are established.

2.8.3. Derecognition of financial assets and liabilities

2.8.3.1. Derecognition due to substantial modification of terms and conditions

The group derecognises a financial asset or liability, for example, loans and advances to a customer or a debt facility, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be purchased or originated credit-impaired financial assets (POCI).

When assessing whether to derecognise a loan to a customer, amongst others, the group considers the following factors:

- Change in the method of collection from payroll deduction method.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

2.8.3.2. Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The group has transferred the financial asset if, and only if, either:

- The group has transferred its contractual rights to receive cash flows from the financial asset; or

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

- The group retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), only when all the following three conditions are met:

- The group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The group cannot sell or pledge the original asset other than as security to the eventual recipients.
- The group must remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

The group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the group's continuing involvement, in which case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.9. Impairment of financial assets

2.9.1. Overview of the expected credit loss principles

The group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments, in this section all referred to as "financial instruments". Equity instruments are not subject to impairment under IFRS 9.

The Expected Credit Loss (ECL) allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or "LTECL"), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL").

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that is possible within the 12 months after the reporting date.

The group established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the group categorises its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the group recognises an allowance based on 12mECLs. Stage 1 loans also include certain facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the group records an allow-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

ance for the LTECLs. Stage 2 loans also include certain facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

- Stage 3: Loans considered credit impaired. The group records an allowance for the LTECLs.

For financial assets for which the group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The group write-off policy states that a credit impaired loan with a contractual maturity of more than 1 month will be written off after 365 days of non-payment. Credit impaired loans with a contractual maturity of 1 month are written off after 180 days of non-payment.

2.9.2. The calculation of ECLs

The group calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at each loan's original EIR. A cash shortfall is the difference between the cash flows that is due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
- The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral that are integral to the loan. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the group considers three scenarios (a base case, an upside, and a downside). Each of these are associated with different PDs, and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure as well as the value of collateral.

For non-revolving (i.e., fixed term) loans, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the group has the legal right to call it earlier.

The mechanics of the ECL method are summarised below:

- **Stage 1:**

  The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. The forecasted EAD is adjusted for expected prepayment behaviour as well as additional charges in the event of default. The expected 12-month default probabilities are applied to this forecasted EAD, multiplied by the expected LGD, and discounted using the original EIR. This calculation is made for each of the three scenarios, as explained above.
- **Stage 2:**

  When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the LTECLs. The mechanics are like those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted using the original EIR.
- **Stage 3:**

  For loans considered credit-impaired, the group recognises the lifetime expected credit losses for these loans. The method is like that for Stage 2 assets, with the PD set at 100% and with LGD based on a recovery curve.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2.9.3. Forward looking information

In its ECL models, the group relies on a broad range of forward-looking information as economic inputs, such as:

- Gross domestic product ("GDP") growth
- Unemployment rates
- Central Bank base rates

2.10. Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises amounts due from banks on demand. Cash and cash equivalents are subsequently measured at amortised cost. For the purposes of the Statement of Cash Flow, cash and cash equivalents includes cash balances and bank overdrafts utilised.

2.11. Taxation (tax)

2.11.1. Current taxation

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the group operates and generates taxable income.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respects to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

2.11.2. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
The group only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the group's intention to settle on a net basis.

2.11.3. Tax expenses

The tax expense for the period comprises current and deferred tax. The taxation charge is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.12. Leases

The group leases various offices, equipment, and vehicles. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. No short-term lease exemptions have been used.

2.12.1. Right of use asset

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2.12.2. Non-current assets held for sale or disposal groups.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met, only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in

its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell (distribute). Non-current assets and disposal groups is not depreciated (or amortised) while it is classified as held for sale or while it is part of a disposal group classified as such. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

Discontinued operation

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

2.13. Impairment of non-financial assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired.

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

If any such indication exists, the group 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 of disposal and its value in use. 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 or group of cash generating units to which the asset belongs is determined.

If the recoverable amount of an asset is less than the 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. At the end of the reporting period there were no indication that an impairment test was required.

2.14. Share capital, equity, and other reserves

2.14.1. Share capital

Ordinary shares are classified as equity.

2.14.2. Revaluation reserve

A revaluation surplus is recorded in OCI and credited to the revaluation reserve in equity.

2.15. Employee benefits

2.15.1. Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. The expected cost of compensated absences is recognised as another expense in the consolidated statement of profit or loss and other comprehensive income, 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 bonus payments is recognised as another expense in the consolidated statement of profit or loss and other comprehensive income when there is a legal or constructive obligation to make such payments based on past performance.

2.16. Recognition of interest income and expense

2.16.1. The effective interest rate method

Under IFRS 9 interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by considering transaction costs, any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also considers the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life.

2.16.2. Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using the effective interest rate method. These are disclosed separately in the statement of profit or loss and other comprehensive income for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest rate method, the group only includes interest on those financial instruments that are set out in note 2.7 above.

The group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the group calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the group reverts to calculating interest income on a gross basis.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

For purchased or originated credit-impaired (POCI) financial assets, the group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

2.17. Fee and commission income

The group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the group expects to be entitled in exchange for providing the services. Fee income predominantly consists of a monthly account administration fee. Revenue is recognised over time for monthly fees as the customer obtains benefits as the group performs.

When the group provides a service to its customers, such as providing a credit report, consideration is invoiced and generally due immediately upon satisfaction of the service provided at a point in time or at the end of the contract period for a service provided over time.

The group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Where a fee or commission is charged in full at the inception of the transaction and is integral to the loan, the income and/or expense is deferred over the life of the product it relates to and realised using the effective interest rate method.

2.18. Translation of foreign currencies

2.18.1. Functional and presentational currency

The group's consolidated financial statements are presented in United States Dollar (USD), the functional currency for the Group. For each entity in the group, the group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The group uses the direct method of consolidation.

2.18.2. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non–trading activities are taken to other operating income/expense in the statement of profit or loss and other comprehensive income and recognised in OCI until the disposal of the net investment.

Non–monetary items that are measured at historical cost and at fair value in a foreign currency are translated using the spot exchange rates as at the date of recognition.

2.18.3. Group companies

On consolidation, the assets and liabilities in foreign operations are translated into United States Dollar ("USD") at the spot rate of exchange prevailing at the reporting date and their statement of profit or loss and other comprehensive income are translated at spot exchange rates prevailing at the dates of the transactions.

2.18.4. Investments in subsidiaries

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- The fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company.
- Any costs directly attributable to the purchase of the subsidiary.

2.18.5. Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings, is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Bank overdrafts and borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Borrowings are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement of redemption of borrowings is recognised over the term of the borrowings on an effective interest rate basis.

2.18.6. Finance Cost

All foreign exchange movements, commission, interest paid and impairments directly attributable to the earning of interest and fees on financial assets, other than the Loans and advances to customers, are recognised as finance costs on other financial assets.

2.19. Investment in insurance contracts

Insurance contracts are defined as those contracts or agreements containing significant insurance risk. Significant insurance risk arises if an insured event could cause the holder of the insurance contract to pay significant additional benefits as envisaged at the inception of the contract. Such contracts remain designated as insurance contracts until all rights and obligations are extinguished or expire.

The group has entered into a cell captive agreement arranged by Guardrisk, a licensed insurance company. The cell captive is a ring-fenced insurance business established to serve not only the insurance needs of the customers of niftycover Proprietary Limited, such as credit life policies and funeral policies but to provide insurance products to individuals who are not customers of the entity. The cell captive agreement effectively represents an investment in a separate class of shares in Guardrisk, which entitles the group to participate in the insurance cover offered in terms of the cell captive agreement. The participation is restricted to the results of the insurance business which is placed with Guardrisk as the licensed cell captive insurer.

The cell captive arrangement transfers significant insurance risk (of the policies issued to customers by the cell captive insurer) from the cell captive insurer to the entity, by requiring the entity to maintain the solvency of the cell captive structure. The cell captive arrangement therefore meets the definitions of an insurance contract contained in IFRS 4: Insurance contracts. The transfer of the insured risk from the cell captive structure to the entity also exposes the entity to credit losses arising from defaults on the loans and advances to customers.

The cell captive provides the entity with the ability to underwrite the insurance risks of the customer to their loans and funeral policies, via the long-term insurer. The customer is responsible for paying the premium.

For credit life cover, the customer cedes the credit risk policy underwritten by the insurer as security on their loans to the loan provider.

The results of the insurance business are determined in accordance with the shareholders agreement. In accordance with IFRS 4, these underwriting activities are determined on an annual basis whereby the earned premiums are recognised as an income and the incurred cost of claims, commission, and related expenses are recognised as an expense.

Movements during the year, which are included in the net returns of the investment in insurance contracts, comprise the following:

- Premiums written relate to business written during the period on the credit life risk of unsecured loans with the purpose of covering any credit life claims on these advances as well as premiums written for funeral cover.
- Claims incurred comprise claims and related expenses paid in the period and changes in the provisions for claims incurred but not reported and related expenses, together with any adjustments to claims from prior years.
- Movements in unearned premiums represent the portion of premiums written during the period that relate to unexpired terms of the insurance policies in force at the reporting date, generally calculated on a time apportionment basis; and
- Movements in claims outstanding relate to the costs of settling all claims arising from events that have occurred up to the reporting date.

Commissions and other costs that vary with, and are related to, securing new and renewing existing insurance contracts are expensed in the statement of profit or loss and other comprehensive income at the point which they are

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

incurred. niftycover Proprietary Limited additionally earns a binder fee and an outsourcing fee for providing underwriting services to the cell captive. Claims incurred comprise claims that are paid in the year and changes in the accruals for outstanding claims, including accruals for claims incurred but not reported and any other adjustments to claims from the previous year.

3. New standards and interpretations

Standards and interpretations effective and adopted in the current year.

A new or amended standard became applicable for the current reporting period and the group amended its accounting policies and adopted the following standard:

- IFRS 16 Lease (refer to note 5), and

The impact of the adoption of these standards and the new accounting policies are disclosed in note 5 below. The standard did not have a material impact on the group's accounting policies and did not require retrospective adjustments.

Standards and interpretations not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the group's financial statements are disclosed below. The group intends to adopt these standards, if applicable, when they become effective.

Amendments to the guidance in IFRS 3

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
- remove the assessment of whether market participants can replace any missing inputs or processes and continuing to produce outputs; and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments to IAS 40 Investment Property

Amended paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Effective for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 4

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach.
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional, and an entity is permitted to stop applying them before the new insurance contracts standard is applied. The amendment is not applicable to the Group due to the adoption of IFRS 9.

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

Amendments to IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income, or equity, according to where the entity originally recognised those past transactions or events. These amendments are applicable for annual reporting periods beginning after 1 January 2019 with the amendments being applied to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The clarification is in line with how the group currently recognises the income tax consequences of dividends and, therefore, expects no impact on its financial statements when this amendment becomes effective.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The group will apply the interpretation from its effective date.

4. Significant accounting judgements, estimates, and assumptions

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the group's control and are reflected in the assumptions if, and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

4.1. Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement on the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by several factors, changes in which can result in different levels of allowances. The group's ECL calculations are outputs of complex models with several underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The group's internal credit grading model, which assigns PDs to the individual grades.
- The group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on an ECL basis and the qualitative assessment.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

4.2. Effective Interest Rate (EIR) method

The group's EIR method recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and lifecycle of the instruments, as well expected changes to the group's base rate and other fee income/expense that are integral parts of the instrument.

4.3. Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although, tax losses can be utilised indefinitely. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

4.4. Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.5. Incremental borrowing rate

To determine the incremental borrowing rate, the group where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

4.6. Investment in Insurance contract

Judgement is required in determining the actuarial movements in the investment in the insurance assets. There is uncertainty with regards to the claims that will be made by customers, which is dependent on several unpredictable factors including unemployment, morbidity, and mortality amongst others. The Company makes this judgement based on the best estimate and in accordance with Standards of Actuarial Practice ("SAP") 104 principles.

4.7. Investment in Associates

The Group has classified the investment in Get Bucks Namibia Proprietary Limited as an associate and equity accounted for it. The Group owns 49% of the shareholding and do not have control in the entity and as a result the equity accounting method was applied.


AI-Data driven
lending.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5. Maturity analysis of assets and liabilities

The group discloses the financial statements in line with IAS 1 paragraph 60 where it is indicated that financial statements should be disclosed on the current and non-current principle. However, IAS 1 allows for a different method of disclosure if the change enables more reliable and more relevant information to the user of the financial statements. The liquidity-based presentation is based on the principle of disclosing financial information in the statement of financial position based on the liquid nature of the various items. To be comparable with peers and the industry norm, the group have adopted the liquidity-based presentation for the 2020 financial year onwards.

Maturity analysis - Group

		Dec-20		Dec-19
	Current	Non-current	Current	Non-current
Cash and cash equivalents	2 138 271	-	925 859	-
Other receivables	1 229 913	-	1 325 976	-
Loans and advances to customers	4 678 616	9 020 433	7 654 248	9 527 758
Loans to group companies and related parties	7	1 181 332	-	-
Other financial assets	442 147	-	13 726	-
Investment in insurance contracts	172 897	-	163 723	-
Current tax receivable	22 902	-	38 290	-
Investment in associates	146 538	-	134 309	-
Properties and equipment	-	554 188	-	347 877
Intangible assets	-	459 066	-	483 913
Deferred taxation	-	1 188 510	-	1 346 933
Goodwill	-	826 413	-	826 413
Total assets	**8 831 291**	**13 229 942**	**10 256 131**	**12 532 894**
Bank overdraft	30 992	-	42 355	-
Other payables	2 274 541	-	2 484 053	-
Liability in Insurance contract	17 399	-	29 030	-
Lease liabilities	116 731	274 372	87 900	207 753
Financial borrowings	774 261	5 637 449	1 307 828	5 994 988
Loans from related parties	633 406	-	-	-
Loans from shareholders	-	-	-	9 885 581
Current tax payable	93 234	-	219 451	-
Total liabilities	**3 940 564**	**5 911 821**	**4 170 617**	**16 088 322**

Maturity analysis – Company

		Dec-20		Dec-19
	Current	Non-current	Current	Non-current
Cash and cash equivalents	332 036	-	-	-
Other receivables	179 961	-	-	10 000
Loans to group companies and related parties	-	3 130 667	-	1 330 962
Investments in subsidiaries	-	7 346 971	-	8 448 965
Total assets	**511 997**	**10 477 638**	**-**	**9 789 927**
Other payables	28 774	-	-	-
Financial borrowings	551 066	-	-	-
Loans from related parties	453 375	-	-	-
Loans from shareholders	-	-	-	9 885 581
Total liabilities	**1 033 215**	**-**	**-**	**9 885 581**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

6. Cash and cash equivalents

The maturity of the fixed deposits is presented as follows:

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Bank balances	2 138 271	925 859	332 036	-
Bank overdraft	(30 992)	(42 355)	-	-
	2 107 279	**883 504**	**332 036**	**-**
Current assets	2 138 271	925 859	332 036	-
Current liabilities	(30 992)	(42 355)	-	-
	2 107 279	**883 504**	**332 036**	**-**

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Credit rating				
BBB+	76	-	-	-
BBB-	10 590	-	-	-
BB+	536 841	747 378	332 036	-
B	1 559 772	-	-	-
Unrated	-	136 126	-	-
	2 107 279	**883 504**	**332 036**	**-**

7. Trade and other receivables

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Financial instruments:				
Other receivables	192 875	402 061	-	-
Sundry receivables	307 774	73 706	143 400	10 000
External payroll receivables	191 663	319 471	-	-
	692 312	**795 238**	**143 400**	**10 000**
Non-Financial instruments:				
Deposits	-	2 834	-	-
Prepayments	123 609	121 810	-	-
VAT receivable	1 251	-	-	-
Withholding taxes	412 741	406 093	36 561	-
	537 601	**530 787**	**36 561**	**-**
Trade and other receivables	**1 229 913**	**1 325 975**	**179 961**	**10 000**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8. Other financial assets

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Loans and receivables				
Go Life International Ltd	341 008	356 865	-	-
Impairment Go Life International Ltd	(337 729)	(343 139)	-	-
192,230,769 shares trading at 26 cents a share. During the fair value appraisal, it was deemed to revalue the investment to 1 cent from the market value of 26 cents due to a lack of buyers in the open- and private markets.				
Tsepo Finance Proprietary Limited	281 326	294 407	-	-
This loan is unsecured and accrues interest at 28% per annum. This loan is not performing and therefore a provision for doubtful debt has been raised on this balance.	-	-	-	-
Impairment Tsepo Finance Proprietary Limited	(281 326)	(294 407)	-	-
ESW Investment Group limited	438 868	-	-	-
The facility accrues interest at 18% per annum and is repayable within 30 days of disbursement and is secured by pledge of the book debts of the issuer				
	442 147	**13 726**	**-**	**-**
Maturity				
Non-current assets	-	-	-	-
Current assets	442 147	13 726	-	-
	442 147	13 726	-	-

The table below indicates the credit quality and exposure to credit risk. The amounts presented are gross of impairment allowances.

		Group		Company
Figures in USD	**Dec-19**	**Dec-19**	**Dec-19**	**Dec-19**
Stage 1	438 868			
Stage 2				
Stage 3	622 334	651 272	-	-
	1 061 202	651 272	-	-
Loss allowance	(619 055)	(637 546)	-	-
	442 147	**13 726**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

9. Loans and advances to customers

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Loans and advances to customers	16 447 941	20 287 994	-	-
Impairment of loans and advances to customers	(2 748 892)	(3 110 864)	-	-
	13 699 049	**17 177 130**	**-**	**-**
Maturity split of loans and advances to customers				
Current	4 678 616	7 649 402	-	-
Non-current	9 020 433	9 527 758	-	-
	13 699 049	**17 177 160**	**-**	**-**

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
1 month	1 071 591	712 664	-	-
to 6 months	3 147 128	4 484 850	-	-
7 to 12 months	2 145 534	2 006 954	-	-
> 12 months	10 083 688	13 083 526	-	-
	16 447 941	**20 287 994**	**-**	**-**

Reconciliation of provision for ECL of Loans and advances to customers

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Opening balance	3 110 864	3 337 411	-	-
Amounts written off as uncollectable	382 872	207 284	-	-
Additional impairment recognised	181 237	289 560	-	-
Impact of currency translation	(182 866)	-	-	-
Loans and advances to customers books sold	(743 215)	(723 391)	-	-
	2 748 892	**3 110 864**	**-**	**-**

9.1. Loan and advances to customers ECL split by class:

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
1 month	145 788	82 279	-	-
2 to 6 months	460 135	578 594	-	-
7 to 12 months	263 869	198 501	-	-
> 12 months	1 879 100	2 251 490	-	-
	2 748 892	**3 110 864**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk based on the group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the group's internal grading system are explained in note 38.8 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in note 38.8.

9.2. Payroll lending

Group – December 2020

Gross loans and advances to customers in USD	Stage 1	Stage 2	Stage 3	Total
Outstanding balance as at 31 December 2019	**12 414 842**	**1 039 618**	**1 733 078**	**15 187 538**
At acquisition	-	-	-	-
Loans and advances derecognised during the period	(7 117 699)	(659 297)	(462 698)	(8 239 694)
Transfers:	-	-	-	-
Transfers from stage 1 to stage 2	(175 723)	130 526	-	(45 197)
Transfers from stage 2 to stage 1	63 051	(69 966)	-	(6 916)
Transfers from stage 1 to stage 3	(291 511)	-	281 504	(10 007)
Transfers from stage 3 to stage 1	5 469	-	(5 469)	-
Transfers from stage 2 to stage 3	-	(125 830)	118 275	(7 555)
Transfers from stage 3 to stage 2	-	-	-	-
Changes in static loans	(1 582 177)	(171 238)	190 944	(1 562 471)
New loans and advances originated	8 980 136	274 406	123 871	9 378 412
Changes in deferred costs & accrued fees	-	-	(126 244)	(126 244)
Write offs	(659)	(1 343)	(17 994)	(19 996)
Impact of currency translation	(693 831)	(60 127)	(120 244)	(874 201)
Deconsolidation	-	-	-	-
Transfer to held for sale	-	-	-	-
Outstanding balance as at 31 December 2020	**11 601 898**	**356 749**	**1 715 023**	**13 673 669**

Expected credit loss allowance in USD	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 31 Dec 2019 (IFRS 9)	**775 921**	**424 380**	**1 181 366**	**2 381 667**
At acquisition	-	-	-	-
Loans and advances derecognised during the period	(431 395)	(254 404)	(432 947)	(1 118 745)
Transfers:	-	-	-	-
Transfers from stage 1 to stage 2	(58 130)	61 018	-	2 888
Transfers from stage 2 to stage 1	4 522	(7 370)	-	(2 848)
Transfers from stage 1 to stage 3	(239 001)	-	258 064	19 064
Transfers from stage 3 to stage 1	483	-	(483)	-
Transfers from stage 2 to stage 3	-	(111 516)	112 061	544
Transfers from stage 3 to stage 2	-	-	-	-
Changes in static loans	(152 828)	(75 708)	218 961	(9 576)
New loans and advances originated	314 089	124 185	106 326	544 600
Changes in deferred costs & accrued fees	-	-	-	-
Write offs	(18)	(628)	(15 300)	(15 946)
Impact of currency translation	(44 806)	(26 143)	(81 572)	(152 521)
Deconsolidation	-	-	-	-
Transfer to held for sale	-	-	-	-
Loss allowance as at 31 December 2020	**168 837**	**133 814**	**1 346 476**	**1 649 127**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

9.3. Online

Group – December 2020

Gross loans and advances to customers in USD	Stage 1	Stage 2	Stage 3	Total
Outstanding balance as at 31 December 2019	**2 166 606**	**892 888**	**408 176**	**3 467 669**
At acquisition	-	-	-	-
Loans and advances derecognised during the period	(1 793 197)	(512 157)	(75 226)	(2 380 580)
Transfers:	-	-	-	-
Transfers from stage 1 to stage 2	(43 793)	7 917	-	(35 876)
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 1 to stage 3	(193 854)	-	139 253	(54 601)
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(270 822)	189 281	(81 541)
Transfers from stage 3 to stage 2	-	-	-	-
Changes in static loans	(1 486)	(2 349)	(32 039)	(35 874)
New loans and advances originated	1 152 199	225 845	280 495	1 658 540
Changes in Deferred costs & accrued fees	-	-	-	-
Write offs	(37 995)	(67 452)	(182 547)	(287 995)
Impact of currency translation	(96 270)	(39 674)	(18 137)	(154 080)
Deconsolidation	-	-	-	-
Transfer to held for sale	-	-	-	-
Outstanding balance as at 31 December 2020	**1 152 210**	**234 196**	**709 256**	**2 095 662**

Expected credit loss allowance in USD	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 31 Dec 2019 (IFRS 9)	**82 667**	**198 651**	**333 592**	**614 910**
At acquisition	-	-	-	-
Loans and advances derecognised during the period	(67 674)	(128 864)	(56 162)	(252 700)
Transfers:	-	-	-	-
Transfers from stage 1 to stage 2	(1 466)	2 128	-	662
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 1 to stage 3	(7 770)	-	134 074	126 304
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(45 709)	185 468	139 760
Transfers from stage 3 to stage 2	-	-	-	-
Changes in static loans	(43)	(205)	(6 322)	(6 571)
New loans and advances originated	105 051	88 514	266 618	460 182
Changes in Deferred costs & accrued fees	-	-	-	-
Write offs	(2 040)	(14 936)	(156 263)	(173 238)
Impact of currency translation	(3 673)	(8 827)	(14 823)	(27 323)
Deconsolidation	-	-	-	-
Transfer to held for sale	-	-	-	-
Loss allowance as at 31 December 2020	**105 052**	**90 752**	**686 182**	**881 986**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

9.4. Vehicle Log loan book

Gross loans and advances to customers in USD	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding balance as at 31 December 2019	**661 200**	**498 899**	**162 352**	**1 322 452**
At acquisition	-	-	-	-
Loans and advances derecognised during the period	(614 213)	(463 446)	(150 815)	(1 228 474)
Transfers:	-	-	-	-
Transfers from stage 1 to stage 2	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 1 to stage 3	-	-	-	-
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	-	-	-
Transfers from stage 3 to stage 2	-	-	-	-
Changes in static loans	-	-	-	-
New loans and advances originated	321 998	118 442	194 042	634 483
Changes in deferred costs & accrued fees	-	-	-	-
Write offs	-	-	-	-
Impact of currency translation	(46 987)	(35 453)	(11 537)	(93 978)
Deconsolidation	-	-	-	-
Transfer to held for sale	-	-	-	-
Outstanding balance as at 31 December 2020	**321 998**	**118 442**	**194 042**	**634 483**

Expected credit loss allowance in USD	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 31 Dec 2019 (IFRS 9)	**13 139**	**27 451**	**12 898**	**53 488**
At acquisition	-	-	-	-
Loans and advances derecognised during the period	(12 205)	(25 500)	(11 981)	(49 687)
Transfers:	-	-	-	-
Transfers from stage 1 to stage 2	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 1 to stage 3	-	-	-	-
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	-	-	-
Transfers from stage 3 to stage 2	-	-	-	-
Changes in static loans	-	-	-	-
New loans and advances originated	-	-	92 973	92 973
Changes in deferred costs & accrued fees	-	-	-	-
Write offs	-	-	-	-
Impact of currency translation	(934)	(1 951)	(917)	(3 801)
Deconsolidation	-	-	-	-
Transfer to held for sale	-	-	-	-
Loss allowance as at 31 December 2020	**-**	**-**	**92 973**	**92 973**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Dec-20

Group - Reconciliation:	Payroll	Online	VLB	Other	Total
Gross Book	13 673 669	2 095 660	634 483	44 130	16 447 942
ECL	(1 649 126)	(881 985)	(92 973)	(124 808)	(2 748 892)
	12 024 543	**1 213 675**	**541 510**	**(80 678)**	**13 699 050**

Dec-19

Group - Reconciliation:	Payroll	Online	VLB	Other	Total
Gross Book	15 187 538	3 467 669	1 322 452	310 334	20 287 993
ECL	(2 381 667)	(614 910)	(53 488)	(60 800)	(3 110 865)
	12 805 871	**2 852 759**	**1 268 964**	**249 534**	**17 177 128**

10. Loans to/(from) group companies and related parties

10.1. Fellow subsidiaries

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Virtual Financial Inclusion Loan	-	-	1 432 295	1 330 962
Virtual Financial Inclusion promissory notes			527 510	
	-	**-**	**1 959 805**	**1 330 962**

10.2. Loans to / (from) other related parties

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Growth State Holdings	1 170 862	-	1 170 862	-
The loan is unsecured, carries interest at 15% per annum and is repayable by 31 December 2025.				
Opportunity Tanzania	10 477	-	-	-
The loan is unsecured, bears interest at prime plus 5% per annum and is repayable in whole or in parts from time to time as and when is called upon to do so.				
Finclusion Pte limited	-	(7 677 900)	-	(7 677 900)
The loan is unsecured, bears interest at 15% per annum and is repayable by 30 June 2021. The loan was converted into equity during the financial period.				
Mybucks S.A.	-	(2 207 681)	-	(2 207 681)
The loan is unsecured, bears interest at 15% per annum and is repayable by 30 June 2021				
K2017457016 (South Africa) (Pty) Ltd	(68 202)	-	-	-
The loan is secured and bears interest at 18% on ZAR and is repayable on 28 February 2021 if a formal repayment request is received. Should no formal repayment request be received the loan will be extended in tranches of 90 days.				
Majulah Investments (Pty) Ltd	(111 829)	-	-	-
The loan is unsecured, bears interest at 18% on ZAR and is repayable on 31 December 2021.				
NIV BH	(453 375)	-	(453 375)	-
This promissory note matures in November 2021, bears interest at 6%, and an administration fee at 3%.				
	547 933	**(9 885 581)**	**717 487**	**(9 885 581)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

10.3. Loans to / (from) other related parties

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Assets	1 181 339	-	3 130 667	1 330 962
Liabilities	(633 406)	(9 885 581)	(453 375)	(9 885 581)
	547 933	**(9 885 581)**	**2 677 292**	**(8 554 619)**
Maturity analysis split of loans to/(from) group companies and related parties				
Non-current assets	1 181 339	-	3 130 667	1 330 962
Current assets	-	-	-	-
Non-current liabilities	-	(9 885 581)	-	(9 885 581)
Current liabilities	(633 406)	-	(453 375)	-
	547 933	**(9 885 581)**	**2 677 292**	**(8 554 619)**

Credit risk of loans

The maximum exposure to credit risk at the reporting date is the fair value of each loan. The fair value of the loans is disclosed in note 38.

The below table indicates the exposure to credit risk. The amounts presented are gross of impairment allowances.

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Stage 1	-	-	-	-
Fellow subsidiaries	-	-	1 959 805	1 330 962
Loans with other related parties	547 933	(9 885 581)	717 487	(9 885 581)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Fellow subsidiaries	-	-	-	-
	547 933	**(9 885 581)**	**2 677 292**	**(8 554 619)**
Loss allowance				
	547 933	**(9 885 581)**	**2 677 292**	**(8 554 619)**

10.4. Related party transactions

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Interest paid to (received from)				
VFI Limited	-	-	317 518	-
Majulah Investments (Pty) Ltd	1 501	-	-	-
K2017457016 (South Africa) (Pty) Ltd	637	-	-	-
Growth State Holdings	(150 422)	-	(150 422)	-
Promissory notes - PN002 FAHL - GBBW	68 906	-	68 906	-
Promissory notes - PN003 FAHL - MRU	78 203	-	78 203	-
Nuy Investment Holdings B.V	7 639	-	7 639	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

10.5. Related party relationships

Relationship	
Holding Company	FirstCred Limited (Botswana) Finclusion Pte Limited
Subsidiaries	smartadvance (Pty) Ltd
	niftycover Proprietary Limited
	Sanceda Recoveries Properties Limited (Deregistered in 2020)
	OTM Mobile (Pty) Ltd
	Lyngreen Properties Proprietary Limited
	Getsure Life Proprietary Limited
	GS Insurance Limited
	Get Bucks Proprietary Limited (Eswatini)
	GetSure Proprietary Limited (Eswatini)
	Ligagu Investments (Proprietary) Limited (Eswatini)
	TogetherWeGrow Proprietary Limited
	Virtual Financial Inclusion
	Click2Own Proprietary Limited
	Emu Inya Enterprises Private Limited Virtual Financial Inclusion Limited
Associates	Get Bucks (Namibia) Pty Ltd

Related parties	
Subsidiaries of common directorship directors	
	Majula Investments (Pty) Ltd
	K2017457016 (South Africa) (Pty) Ltd Fractal Labs (Pty) Ltd
Directors and members of key management	Timothy Nuy
	Tamuka Mpofu
	Kiransingh Gulab
	Preetam Prayag

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

11. Investment in insurance contracts

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Guardrisk Life Limited Cell No. 00143				
Initial investment	40 921	42 824	-	-
Re-measurement of investment in insurance contracts	114 577	91 869	-	-
Carrying value of investment insurance contracts	**155 498**	**134 693**	**-**	**-**
Re-measurement of investment in insurance contracts				
Carrying value				
- Investment in insurance contract	172 897	163 723	-	-
- Liability in insurance contract	(17 399)	(29 030)	-	-
	155 498	**134 693**	**-**	**-**

Re-measurement of investment in insurance contracts

		Group		Company
Re-measurement of investment in insurance contracts	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Net premiums earned	78 144	193 645		
Premiums earned	402 857	315 384	-	-
Claims costs	(91 345)	(33 633)	-	-
Investment income	7 268	7 148	-	-
Fees and commission paid	(81 491)	(67 639)	-	-
Actuarial movements	(80)	(151)	-	-
Taxation	(67 008)	(60 874)	-	-
Transfer to reserves	(1 199)	-	-	-
Distributions paid to cell shareholders	(145 157)	(262 010)	-	-
Currency translation impact	12 586	-	-	-
	114 575	**91 870**	**-**	**-**

Niftycover has entered a cell captive arrangement whereby niftycover as cell shareholders is able to sell insurance products under its own brand. Under the arrangement niftycover accepts the insurance risk from the policy holders and therefore acts as the insurer as defined by IFRS 4. Guardrisk is the principal to the insurance contract, although the business is underwritten on behalf of the company as cell shareholder. Under this arrangement Guardrisk undertakes the professional insurance and financial management of the cell, including functions related to underwriting, reinsurance, management of claims, actuarial and statistical analysis, and investment and accounting services.

12. Property and equipment

			Dec-20			Dec-19
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Right of use assets	492 703	(147 482)	345 221	129 676	(22 643)	107 033
Furniture and fixtures	231 121	(147 865)	83 256	230 013	(131 194)	98 819
Motor vehicles	51 671	(35 793)	15 878	40 253	(27 124)	13 129
Office equipment	72 879	(57 392)	15 487	65 669	(54 965)	10 704
IT equipment	165 870	(114 007)	51 863	158 679	(91 178)	67 501
Leasehold improvements	137 167	(94 683)	42 484	125 402	(74 713)	50 689
Total	**1 151 411**	**(597 222)**	**554 189**	**749 692**	**(401 817)**	**347 877**

12.1. Reconciliation of property and equipment Group December 2020

Figures in USD	Opening balance	Depreciation	Additions	Initial recognition	Disposals	Impact of currency translation	Total
Furniture and fixtures	98 819	(16 671)	15 497	-	(7 562)	(6 828)	83 255
Motor vehicles	13 129	(8 669)	17 668	-	(6 032)	(217)	15 879
Office equipment	10 705	(2 428)	8 063	-	(153)	(701)	15 486
IT equipment	67 501	(22 829)	13 696	-	(948)	(5 557)	51 863
Right of use assets	107 033	(124 839)	237 210	145 128	(30 454)	11 142	345 220
Leasehold improvements	50 690	(19 971)	17 545	-	(2 645)	(3 136)	42 483
Total	**347 877**	**(195 407)**	**309 679**	**145 128**	**(47 794)**	**(5 297)**	**554 186**

12.2. Reconciliation of property and equipment Group December 2019

Figures in USD	Opening balance	Depreciation	Additions	Additions through business combinations	Disposals	Impact of currency translation	Total
Furniture and fixtures				98 819		-	98 819
Motor vehicles				13 129		-	13 129
Office equipment				10 705		-	10 705
IT equipment				67 501		-	67 501
Right of use assets				107 033		-	107 033
Leasehold improvements				50 690		-	50 690
Total	**-**	**-**	**-**	**347 877**	**-**	**-**	**347 877**

13. Intangible assets

13.1. Group

	Dec-20			Dec-19		
Figures in USD	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Computer software, other	92 924	- 8 361	84 563	11 307	- 8 046	3 260
System development software	18 689	- 18 689	- 0	18 689	- 18 689	
Customer relationships	494 349	- 119 846	374 502	525 020	- 44 368	480 652
Total	**605 962**	**- 146 896**	**459 065**	**555 016**	**- 71 103**	**483 912**

13.1.1. Reconciliation of intangible assets - Group – December 2020

Figures in USD	Opening balance	Additions	Transfer - Non-current asset held for sale	Amortisation	Foreign exchange impact	Total
Computer software, other	3 260	-	72 851	(315)	8 766	84 563
System development software	(0)	-	-	-	-	(0)
Customer relationships	480 652	-	-	(75 478)	(30 672)	374 502
	483 912	**-**	**72 851**	**(75 793)**	**(21 906)**	**459 065**

13.1.2. Reconciliation of intangible assets - Group – December 2019

Figures in USD	Opening balance	Additions	Transfer - Non-current asset held for sale	Amortisation	Foreign exchange impact	Total
Computer software, other	96 954	-	(85 648)	(8 046)	-	3 260
System development software	18 689	-	-	(18 689)	-	(0)
Customer relationships	525 020	-	-	(44 368)	-	480 652
	640 663	**-**	**(85 648)**	**(71 103)**		**483 912**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14. Interests in subsidiaries including consolidated structured entities

14.1. The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Name of company	Acquisition date	% holding December 2020	% holding December 2019	Carrying amount December 2020	Carrying amount December 2019
FAH South Africa (Pty) Ltd	30-Dec-19	100%	100%	6 126 042	6 126 042
Virtual Financial Inclusion Limited	30-Dec-19	100%	100%	32 812	32 812
Emu Inya Enterprises	30-Dec-19	49%	49%	1 188 118	2 290 112
				7 346 972	**8 448 966**

On 30 December 2019, the Group acquired 100% of the shares in Finclusion Africa Holdings South Africa (FAH SA) and Virtual Financial Inclusion (VFI), and 49% of the shares in Emu Inya Enterprises from MyBucks S.A.

The Group exercises control over all the subsidiaries. It has power to appoint key management positions in the company. Finclusion Africa Holdings Limited also influences and effects the returns generated by the subsidiary companies and is entitled to receive the fair portions of the controlled subsidiary profits.

Nature of business		
smartadvance Proprietary Limited	Microfinace	
niftycover Proprietary Limited	Brokerage	
Lyngreen Properties Proprietary Limited	Investment property	
OTM Mobile (Pty) Ltd	Mobile services	
GS Insurance Limited	Brokerage	
GetSure Life SA Proprietary Limited	Non-operating entity	
Get Bucks Proprietary Limited (Eswatini)	Microfinace	
Ligagu Investment Proprietary Limited	Microfinace	
Getsure Proprietary Limited (Eswatini)	Brokerage	
Emu Inya Enterprises	Microfinance	Debt collection
Virtual Financial Inclusion	Special Purpose Vehicle	

15. Investments accounted for using the equity method

15.1. Profit from equity accounted investments

Group

Figures in USD	Getbucks Namibia	Dec-20	Getbucks Namibia	Dec-19
Profit for the period 1 Jan to 30 Jun 2020	3 672	3 672	-	-
Profit for the period 1 July to 31 Dec 2020	7 842	7 842	-	-
	11 514	**11 514**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

15.2. Investment in associates

On 30 June 2020 FAH South Africa (Pty) Ltd acquired 49% shareholding in Get Bucks (Namibia) Pty Limited for a purchase consideration of N$2,019,426, from smartadvance (Pty) Ltd.

Figures in USD	Getbucks Namibia	Dec-20	Getbucks Namibia	Dec-19
Opening balance	134 309	134 309	-	-
Original cost of 49% interest in Namibian operation through common control transaction	-	-	134 309	134 309
Adjustments:	-	-	-	
Profit and loss movement 1 Jan 20 to 30 Jun 2020	3 672	3 672	-	
Fair value adjustment at acquisition through common control transaction	4 444	4 444	-	
Foreign currency translation impact	(3 729)	(3 729)	-	-
Carrying value at acquisition (total deemed consideration)	**138 696**	**138 696**	**134 309**	**134 309**
Movement in statement of profit or loss				
Profit for the period 1 July to 31 Dec 2020	7 842	7 842	-	-
	7 842	**7 842**	**-**	**-**
Closing balance	**146 538**	**146 538**	**134 309**	**134 309**

	Getbucks Namibia	Dec-20	Getbucks Namibia	Dec-19
SUMMARISED STATEMENT OF FINANCIAL POSITION IN USD				
Cash and cash equivalents	157 167	157 167	114 299	114 299
Loan advances to customers	84 626	84 626	125 993	125 993
Other financial assets	22 161	22 161	7 283	7 283
Non-financial assets	62 808	62 808	53 313	53 313
TOTAL ASSETS	**326 762**	**326 762**	**300 888**	**300 888**
Other financial liabilities	27 060	27 060	5 324	5 324
Non-financial liabilities	645	645	1 933	1 933
TOTAL LIABILITIES	**27 705**	**27 705**	**7 257**	**7 257**
TOTAL NET ASSETS	**299 057**	**299 057**	**293 632**	**293 632**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

	Getbucks Namibia	Dec-20	Getbucks Namibia	Dec-19
SUMMARISED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME IN USD				
Net interest income	84 708	84 708	36 779	36 779
Net fee and commission income	47 684	47 684	17 797	17 797
Net trading income	**132 392**	**132 392**	**54 576**	**54 576**
Credit loss expense on customer loan book	18 418	18 418	864	864
Credit loss expense on other financial assets	(27 211)	(27 211)	-	-
Other income	-	-	5 758	5 758
Sales expenses	(16 920)	(16 920)	(6 076)	(6 076)
Professional Fees	(3 060)	(3 060)	(1 419)	(1 419)
Employee costs	(47 171)	(47 171)	(19 910)	(19 910)
Depreciation, Amortisation	(13 093)	(13 093)	(143)	(143)
Other operating expenses	(19 859)	(19 859)	(10 931)	(10 931)
Loss before taxation	**23 497**	**23 497**	**22 719**	**22 719**
Taxation	-	-	-	-
Loss after taxation	**23 497**	**23 497**	**22 719**	**22 719**
GROUP'S SHARE OF PROFIT @ 49%	**11 514**	**11 514**	**11 132**	**11 132**

SUMMARISED STATEMENT OF CASH FLOW IN USD

Cash flows from operating activities	42 679	42 679	79 573	79 573
Cash flows from investing activities	-	-	-	-
Cash flows from financing activities	-	-	(8 545)	(8 545)
	42 679	**42 679**	**71 028**	**71 028**

16. Deferred taxation

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Deferred Tax (Liability)	-	-	-	-
Deferred Tax (Asset)	1 188 510	1 346 933	-	-
	1 188 510	**1 346 933**	**-**	**-**
Reconciliation of deferred taxation				
Balance at beginning of year	1 346 933	-	-	-
Originating and reversing temporary differences on loan book impairments	24 984	-	-	-
Disposal of entity	-	-	-	-
Temporary differences due to provision	71 923	-	-	-
Assessed loss	(184 652)	-	-	-
Acquired through common control transaction	-	1 346 933	-	-
Foreign currency translation impact	(70 677)	-	-	-
Prior year adjustment	-	-	-	-
	1 188 511	**1 346 933**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Deferred tax assets on accumulated losses that has not been raised:

A deferred tax asset of USD 2 050 108 (Dec 209: USD 3 487 342) has not been recognised on accumulated losses of USD 13 951 491 (Dec 2019: USD 12 454 792) for the Group.

17. Goodwill

17.1. Group

		Dec-20		Dec-19
Figures in USD	**Cost**	**Carrying value**	**Cost**	**Carrying value**
Goodwill	826 413	826 413	826 413	826 413
Total	**826 413**	**826 413**	**826 413**	**826 413**

17.2. Reconciliation of goodwill

Figures in USD		**Group**		**Company**
	Dec-20	**Dec-19**	**Dec-20**	**Dec-19**
Opening balance	826 413	-	-	-
Acquired through acquisition	-	826 413	-	-
Total	**826 413**	**826 413**	**-**	**-**

Management has determined the values assigned to each of the key assumptions as follows:	
Disbursement growth:	The 2021 disbursement growth is estimated at 200%, thereafter it normalises at 15-20% over a four-year forecast period. These assumptions were made based on past performance and potential fund-raising initiatives from management to complete in Q2 of 2021.
Operating cost to revenue	Average annual cost as a fixed percentage of revenue over a five-year period, based on past performance and management's expectations.
Interest income to disbursement	Average annual ratio over a five-year period, as a percentage based on past performance and management expectations.
Discount rate:	Is based on cost of equity.
Dividend pay-out ratio:	Relates to the % of profits to be distributed for each of the five years.
Long-term growth rate:	The long-term growth rate reflects the local underlying consumer price index rate for the five-year forecast period.

	Dec-20	**Dec-19**	**Dec-20**	**Dec-19**
	Komo Finance Proprietary Limited		**GetSure South Africa Proprietary Limited**	
Sales growth (%)	100	7	10	7
Interest income growth (%)	127	17	17	17
Operating costs (%)	6	4	6	4
Discount rate (%)	12.2	12.1	12.2	12.1

Management has reviewed the recoverability of the reported goodwill by applying the value-in-use calculations as well as the multi period excess earnings method. The value-in-use calculations have made use of pre-tax cash flow projections based on financial budgets approved by management.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

18. Trade and other payables

	Group		Company	
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Financial instruments:				
Trade payables	998 875	704 788	-	-
Payroll liabilities	339 627	44 022	-	-
Accruals and sundry payables	709 608	1 199 126	28 774	-
Claims reserve	16 704	24 219	-	-
	2 064 814	**1 972 155**	**28 774**	**-**
Non-Financial instruments:				
VAT payable	787	66 094	-	-
Withholding taxes	208 939	445 803	-	-
	209 726	**511 897**	**-**	**-**
Trade and other payables	**2 274 540**	**2 484 052**	**28 774**	**-**

19. Lease liabilities

	Group		Company	
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Lease liabilities				
Current	116 731	87 900	-	-
Non-current	274 372	207 753	-	-
	391 103	**295 653**	**-**	**-**

In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's finance lease liabilities.

Amounts recognised in the statement of profit or loss				
Interest expense finance leases:				
Buildings	(33 328)	-	-	-
Equipment	(1 753)	-	-	-
	(35 081)	**-**	**-**	**-**

	Group		Company	
Amounts in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Minimum lease payments due:			-	-
Within one year	111 936	100 972	-	-
More than one year and less than five years	265 037	285 659	-	-
More than five years	-	-	-	-
Total	**376 971**	**386 631**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

20. Borrowings

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
S. Crawforth	23 359	26 265	-	-
The loan is unsecured, bears interest at 17% per annum. The capital and interest outstanding are payable in full or in part on 31 March 2021.				
Ecsponent Treasury Services Proprietary Limited	135 658	1 158 760	-	-
The loan is secured and bears interest at 18% on ZAR and is payable in equal monthly instalments which contain capital and interest. The maturity date of the loan is 30 September 2021.				
AS Mintos Market Place (EURO Loan)	5 637 449	5 968 723	-	-
Dr. Peter Bibiza - Promissory note	101 067	-	101 067	-
This loan is unsecured, bears interest at 7% on EUR per annum. The capital and interest outstanding are payable in full or in part on 31 December 2021.				
LS1 LLC - Promissory note	450 000	-	450 000	-
This loan is unsecured, bears interest at 12% on USD per annum (and an administration fee of 3% per annum). The capital and interest outstanding are payable in full or in part on 30 November 2021.				
Ecsponent Collective Investment Scheme (CIS)	64 178	149 068	-	-
The loan is secured over the loans and advances, accrues interest at 20% per annum, and repayable in full in November 2021.				
	6 411 710	**7 302 816**	**551 067**	**-**
Non-current liabilities				
At amortised cost	5 637 449	5 994 988	-	-
Current liabilities				
At amortised cost	774 261	1 307 828	551 067	-
	6 411 710	**7 302 816**	**551 067**	**-**

21. Share capital

21.1. Authorised share capital

		Group		Company
Number of ordinary shares available	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Ordinary no par value shares	10 000	10 000	10 000	10 000

21.2. Reconciliation of number of shares issued

Opening balance	10 000	-	10 000	-
Issue of shares - ordinary shares	-	10 000	-	10 000
	10 000	**10 000**	**10 000**	**10 000**

21.3. Reconciliation of value of shares issued

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Opening balance	10 000	-	10 000	-
Subscription of shares	-	10 000	-	10 000
Share premium - debt to equity conversion	10 297 997	-	10 297 997	-
	10 307 997	**10 000**	**10 307 997**	**10 000**

22. Taxation receivable / (taxation payable)

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Taxation paid in advance / receivable	22 902	38 290	-	-
Taxation payable	(93 234)	(219 451)	-	-
	(70 332)	**(181 161)**	**-**	**-**

Reconciliation on movement	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Opening balance	(181 161)	(155 017)	-	-
Income taxation charged for the year	(544 484)	(859 489)	-	-
Acquired through common control transaction	-	(23 940)	-	-
Taxation paid	648 135	857 285	-	-
Taxation received	(12 364)	-	-	-
Impact of currency translation	19 542	-	-	-
Closing balance	**(70 332)**	**(181 161)**	**-**	**-**

23. Interest revenue

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Interest income calculated using the effective interest method				
Loans and advances to customers	7 272 255	-	-	-
	7 272 255	**-**	**-**	**-**
Other interest and similar income				
Bank and other cash	-	-	-	-
Other	230 989	-	288 910	-
	230 989	**-**	**288 910**	**-**
	7 503 244	**-**	**288 910**	**-**

Other interest income relates to a promissory note issued in GetBucks Proprietary Limited (Eswatini) to Ecsponent treasury services, and a promissory note issued in Finclusion Africa Holdings, to Growth State Holdings.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

24. Interest expense

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Interest expense calculated using effective interest method				
Finance cost on debt facilities	1 249 080	105 654	340 924	105 654
Interest expense on lease liability	33 476			
	1 282 556	**105 654**	**340 924**	**105 654**

25. Fee and commission income and expense

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Fee and commission income				
Income resultant from loans and advances to customers	2 746 441			
Income resultant from insurance products	284 772			
	3 031 213	-	-	-
Fee and commission expense				
Expense resultant from loans and advances to customers	(796 066)	-	(1 839)	-
	(796 066)	**-**	**(1 839)**	**-**
	2 235 147	**-**	**(1 839)**	**-**

26. Credit loss expense on customer loan book

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Impairment losses on loans and advances to customers				
Credit loss expense on loans and advances to customers	1 710 364			
	1 710 364	**-**	**-**	**-**

27. Credit loss expense on other financial assets

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Net loss arising from derecognition of financial assets measured at amortised cost				
Credit loss expense on other financial assets	32 587			
	32 587	**-**	**-**	**-**

28. Other income

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Other Income				
Other income	85 857	-	125 132	-
Bad debts recovered	333 395	-	-	-
Property and equipment	14 947	-	-	-
	434 199	**-**	**125 132**	**-**

Other income consists of income earned on provision of tech services, bad debt recovery and some profit on sale of assets.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

29. Other operating expenditure

			Group		Company
Figures in USD	**Note**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Other operating expenses					
Accommodation		14 845	-	-	-
Advertising		38 070	-	-	-
Communication expenses		393 822	-	-	-
Computer expenses		21 777	-	-	-
Corporate Investments		4 108	-	-	-
Director fee's		44 511	-	-	-
Foreign Exchange		841 834	-	(74 279)	-
General office expenses		53 953	-	-	-
Indirect taxes expensed		35 431	-	-	-
Insurance charge		23 975	-	-	-
Lease expenses		61 828	-	-	-
Motor vehicle expenses		15 128	-	-	-
Municipal expenses		43 855	-	-	-
Other expenses		400 743	-	180 593	-
Profit or loss on:		126 680	-	112 042	-
Recruitment costs		6 855	-	-	-
Repairs and maintenance		14 305	-	-	-
Restructuring costs		8 007	-	-	-
Sales expenses		372 223	-	-	-
Security		5 456	-	-	-
Shared service expenses		74 866	-	-	-
Software rental fee		60 532	-	-	-
Staff welfare		81 383	-	-	-
Subscriptions and licence fee's		234 926	-	-	-
Travel expenses		57 324	-	-	-
Withholding tax		-	-	-	-
		3 036 437	**-**	**218 356**	**-**

30. Personnel expenses

		Group		Company
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Personnel expenses				
Basic	2 692 174	-	33 250	-
Incentives	157 508	-	-	-
Company contributions	98 564	-	-	-
Leave pays provision charge	261 556	-	-	-
	3 209 802	**-**	**33 250**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31. Depreciation and amortisation

	Group		Company	
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Depreciation and amortisation				
Depreciation	70 568	-	-	-
Depreciation right of use asset	201 458	-	-	-
Amortisation	75 793	-	-	-
	347 819	**-**	**-**	**-**

32. Consulting and professional fees

	Group		Company	
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Consulting and professional fees				
Audit fees	326 595	-	-	-
Consultancy fees	304 857	-	-	-
Legal fees	118 243	-	65 596	-
	749 695	**-**	**65 596**	**-**

33. Taxation

	Group		Company	
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Income taxation				
Local income tax	537 286	-	-	-
	537 286	**-**	**-**	**-**
Deferred taxation				
Originating and reversing temporary differences	92 072			
	92 072	**-**	**-**	**-**
	629 358	**-**	**-**	**-**
Reconciliation of the taxation expense				
Accounting profit / (loss)	(185 156)	-	-	-
Taxation expense at the respective country rates	**(35 001)**	**-**	**-**	**-**
Tax effect of adjustments on taxable income				
Different tax rates of other countries	(1 708)	-	-	-
Non-deductible expenses	26 141	-	-	-
Exempt income	(46 922)	-	-	-
Assessed loss for which no deferred tax raised	686 613	-	-	-
Other	235	-	-	-
	629 358	**-**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

34. Cash flow notes

Cash generated from operating activities

	Group		Company	
	Dec-20	**Dec-19**	**Dec-20**	**Dec-19**
Cash generated from / (used in) operations				
(Loss) profit before taxation	120 127	-	50 450	-
Adjustments for:				
Depreciation and amortisation	347 819	-	-	-
Profit loss from Associate	(11 514)	-	-	-
Gains on disposals, scrapings and settlements of assets and liabilities	126 680	-	-	-
Interest income	(230 989)	-	(288 910)	-
Finance costs paid	1 114 435	-	172 804	-
Other impairments	81 641	-	-	-
Loan book impairment	1 710 364	-	-	-
Dividends received	145 157	-	-	-
Profit/(Loss) on disposal	(9 585)	-	-	-
Remeasurement of insurance contracts	(169 003)	-	-	-
	3 225 132	**-**	**(65 656)**	**-**
Changes in working capital:				
Other receivables	(322 632)	-	(355 156)	-
Loan book	553 690	-	-	-
Trade and other payables	(585 862)	-	28 773	-
	(354 804)	**-**	**(326 383)**	**-**
Cash generated / (used) from operations	**2 870 329**	**-**	**(392 039)**	**-**

35. Fair value information

Property valuations

Property valuations are performed by independent valuators which uses market information such as market related rental charges. This information is used to perform a discounted cash flow on future potential income. The sales prices achieved during recent sales of properties in the relevant area is also used as an indication.

The group classifies these instruments at Level 3.

Fair value of financial instruments not measured or disclosed at fair value

Set out below is a comparison, by class, of the carrying amounts and fair values of the group's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non–financial assets and non–financial liabilities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Figures in USD		**Group**		**Company**
Assets	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Loans to group companies and related parties	-	-	-	-
Other financial assets	409 269	13 726	-	-
Loans and advances to customers	13 531 515	17 272 515	-	-
	13 940 784	**17 286 241**	**-**	**-**
Liabilities				
Loans from group companies and related parties	(3 929 859)	(1 237 097)	-	-
Other financial borrowings	(228 945)	(26 554)	-	-
	(4 158 804)	**(1 263 651)**	**-**	**-**

36. Financial instruments by category

		Group		**Company**
Figures in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Financial assets				
Amortised cost				
Other financial assets	442 147	13 726	-	-
Loans to group companies and related parties	1 181 339	-	3 217 511	-
Loans and advances to customers	13 699 049	17 182 006	-	-
Trade and other receivables	1 229 913	1 325 976	792 567	-
Cash and cash equivalents	2 138 271	925 859	332 036	-
	18 690 719	**19 447 567**	**4 342 114**	**-**
Financial liabilities				
Amortised cost				
Loans from group companies and related parties	3 458 599	1 176 339	3 278 569	-
Borrowings	6 411 710	7 302 816	551 066	-
Lease liabilities	391 243	295 653	-	-
Trade and other payables	2 419 945	2 296 388	50 000	-
Bank overdraft	30 992	42 355	-	-
	12 712 489	**11 113 551**	**3 879 635**	**-**

Serviced 670k clients across Sub-Saharan Africa

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

37. Risk management

The risk management policies are designed to identify and analyse risks, to set appropriate limits and controls, and to monitor the risk through reliable and up-to-date information systems. Risk management is carried out by management, under policies approved by the board. The board approves principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

Finclusion Africa Holdings Limited is a fintech company which embraces technology to provide financial products and services to customers through its subsidiaries. The group's current primary activities are micro-lending and related insurance brokerage.

37.1. Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the Other financial liabilities disclosed in notes 21 & 22, cash and cash equivalents disclosed in note 6, and equity as disclosed in the statement of financial position.

To maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholder, issue new shares or sell assets to reduce debt.

Management determines the capital requirements by analysing cashflow forecasts and projections taking into consideration growth and defined gearing ratios. Evaluations are performed on an annual basis.

This gearing ratio is calculated as net debt divided by total capital:

- Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents.
- Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

Finclusion Africa Holdings Limited is currently holding a share pledge over 1,973,909 (one million, nine hundred and seventy-three thousand, nine hundred and nine) shares in Emu-Inya Enterprises Ltd T/A GetBucks Kenya representing 51% of issued shares. Shares pledged are held as security over the loan facility to Growth State Holdings Limited.

			Group		Company
	Note	Dec-20	Dec-19	Dec-20	Dec-19
Lease liabilities	19	391 103	295 653	-	-
Borrowings	20	6 411 710	7 302 816	551 066	-
Loans from group companies and related parties	10	633 406	9 885 581	-	9 885 581
		7 436 219	**17 484 050**	**551 066**	**9 885 581**
Less: Cash and cash equivalents	6	(2 107 279)	(883 504)	(332 036)	-
Net debt		**5 328 940**	**16 600 546**	**219 030**	**9 885 581**
Total equity		12 208 848	2 530 086	9 956 420	(95 654)
Total Capital		**17 537 788**	**19 130 632**	**10 175 450**	**9 789 927**
Gearing ratio		30.4%	86.8%	2.2%	101.0%

The gearing ratio improved during the current period with the significant decreases in debt and the increase in equity.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

37. RISK MANAGEMENT CONTINUED

37.2. Financial risk management

Overview

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. Taking risk is core to the financial services business. The company's objective is to achieve an appropriate balance between risk and return.

The risk management policies are designed to identify and analyse the risk to set appropriate limits and control, and to monitor the risk through reliable and up to date information systems. Risk management is carried out by management, under policies approved by the board. The board approves principles for overall risk management as well as policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk. The most significant type of risk are credit risk, liquidity risk, and market risk. Market risk includes currency and interest rate risk.

Executive management are responsible to identify, monitor, and mitigate risk at all business levels under the policies approved by the Finclusion Africa Holdings Limited Board.

37.3. Liquidity risk

Liquidity risk is the risk that operations cannot be funded, and financial commitments cannot be met timeously and cost effectively. Liquidity risk management deals with the overall profile of the consolidated and separate statement of financial position, the funding requirements of the company, and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated, and necessary arrangements are put in place to ensure all future cash flow commitments are met.

37.4. Loan disbursements

Although longer loan tenures to customers have a positive impact on the revenue and the financial position, the cash is negatively impacted in the short term. To mitigate such impact, mix between longer term loan products and shorter-term loan products is managed to balance the net cash flows. smartadvance Proprietary Limited (South Africa), Emu Inya Enterprises (Kenya) and Get Bucks Proprietary Limited (Eswatini) is strongly weighted towards a short-term lending product.

Loans and advances to customers collections

Collection efficiency rates are used when projecting cash inflows. Efficiency rates are monitored monthly to optimise cash flows and are also based on historical experience. Disbursements will be adjusted in the case of lower-than-expected collections since this is managed monthly.

Cost containment and budgeting

Costs are managed daily and any variance to budgets are investigated to ensure the accuracy of the cash flow simulation models.

External debt repayments

External debt repayments are accounted for in the cash flow simulation models. Loans are renegotiated where applicable.

Treasury function

The group treasury department monitors liquidity daily, to ensure that the company's subsidiaries bank accounts are funded to meet operational requirements. Bank account movements are monitored daily and flagged for any issues requiring attention. Creditors are paid on a monthly schedule.

Debt facilities

The following table shows the undiscounted cash flows on the group's financial assets and liabilities and loan commitments based on their earliest possible contractual maturity. The group's expected cash flows on these instruments may vary from this analysis. Regular updates are provided to the group's financiers to ensure facilities and lines of credit remain open and that loan commitments are not drawn down unexpectedly.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

37.4.1. Group

Figures in USD	Note	Up to 1 month	From 1 to 12 months	Between 1 and 5 years	Total
At 31 December 2020					
Borrowings	20	-	4 471 738	1 939 973	6 411 711
Loans from group companies and related parties	10	37 433	541 008	54 965	633 406
Lease liabilities	19	120 757	138 899	131 448	391 103
Trade and other payables	18	2 213 996	60 545	-	2 274 541
Bank overdraft	6	30 992	-	-	30 992
		2 403 178	**5 212 190**	**2 126 386**	**9 741 754**

Figures in USD		Up to 1 month	From 1 to 12 months	Between 1 and 5 years	Total
At 31 December 2019					
Borrowings	20	-	5 092 271	2 210 546	7 302 817
Loans from group companies and related parties	10	710 502	3 859 762	5 315 317	9 885 581
Lease liabilities	19	52 644	125 413	117 596	295 653
Trade and other payables	18	1 913 745	570 308	-	2 484 053
Bank overdraft	6	42 355	-	-	42 355
		2 719 246	**9 647 754**	**7 643 459**	**20 010 459**

37.4.2. Company

Figures in USD	Note	Up to 1 month	From 1 to 12 months	Between 1 and 5 years	Total
At 30 December 2020					
Borrowings	20	-	551 066	-	551 066
Loans from group companies and related parties	10	-	453 375	-	453 375
Trade and other payables	18	-	28 774	-	28 774
		-	**1 033 215**	**-**	**1 033 215**

Figures in USD	Note	Up to 1 month	From 1 to 12 months	Between 1 and 5 years	Total
At 31 December 2019					
Borrowings	20	-	-	-	-
Loans from group companies and related parties	10	-	9 885 581	-	9 885 581
Trade and other payables	18	-	-	-	-
		-	**9 885 581**	**-**	**9 885 581**

Excess liquidity generated within the next twelve months will be reinvested into the loans and advances to customers and decreases exposure on funding facilities. The group and company critically assess the quality of the loans and advances to customers through their credit vetting processes.

Detail relating to expected unwinding of the loans and advances to customers		**Group**
	Dec-20	**Dec-19**
	USD	**USD**
1 Month	922 359	1 034 752
2 - 3 Months	1 434 293	1 653 063
4 - 6 Months	2 141 555	2 102 543
7 - 12 Months	2 406 807	2 082 016
> 12 Months	6 133 291	6 656 533
	13 038 305	**13 528 907**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

37.5. Market risk

Market risk is the risk that changes in the market prices, such as interest rates and foreign exchange rates, and will affect the fair value and future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall responsibility for managing market risk rests with the directors. Management is responsible for the development of detailed risk management policies (subject to review by the directors) and for the day-to-day implementation of those policies.

37.6. nterest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. For loans and receivables not recognised at fair value, the fair values have been disclosed in accordance with the fair value hierarchy which reflects the significance of the inputs used to make the measurements.

The group and company's main interest rate risk arises from long-term borrowings which are issued at fixed and variable rates. These expose the group to cash flow interest rate risk which is partially offset by having a short-term loan portfolio as the main asset in the group.

Management monitors interest rate risk monthly. Renegotiation of borrowing facilities are constantly being managed.

The table below indicates all interest-bearing financial borrowings and all interest-bearing financial assets (excluding other receivables and trade and other payables) at fixed rates and variable rates.

37.7. Interest rate profile

The interest rate profile of interest-bearing financial instruments at the end of the reporting period were as follows:

37.7.1. Group

		Dec-20	Dec-19
Variable rate instruments:			
Liabilities			
Loans from shareholder		-	-
Loans from group companies and related parties		-	-
		-	-
Fixed rate instruments:			
Assets	**Note**		
Loans to group companies and related parties	10	1 181 339	-
Cash and cash equivalents	6	2 138 271	925 859
Loans and advances to customers	9	13 699 049	17 182 006
		17 018 659	**18 107 865**
Liabilities	**Note**		
Loans from group companies and related parties	10	633 406	9 885 581
Borrowings	20	6 411 710	7 302 816
Bank overdraft	6	30 992	42 355
		7 076 108	**17 230 752**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

37.7.2. Company

Fixed rate instruments:			
Assets	**Note**		
Loans to group companies and related parties	10	3 130 667	1 330 962
Loans and advances to customers	9	-	-
Cash and cash equivalents	6	332 036	-
		3 462 703	**1 330 962**
Liabilities	**Note**		
Loans from group companies and related parties	10	453 375	9 885 581
Borrowings	20	551 066	-
Bank overdraft	6	-	-
		1 004 441	**9 885 581**

Interest rate sensitivity impact on profit or loss on variable rate instruments (excluding cash and cash equivalents):

Group	%	Dec-20	Dec-19
Variable rate instruments:			
Liabilities			
Loans from shareholder	1%	-	-
Loans from group companies and related parties	1%	-	-

Company	%	Dec-20	Dec-19
Variable rate instruments:			
Liabilities			
Loans from group companies and related parties	1%	-	-

External Funding

Formal debt instruments with non-banking institutions are utilised at fixed and variable interest rates.

Customer Interest rates

Interest rates on short- and long-term loans are fixed. Interest rates are regulated and hence, the company have limited ability to change the rates. The company is therefore exposed to increases in funding rates and will benefit from lower funding rates. Various scenarios are simulated taking into consideration, refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the company calculates the impact on profit or loss of a defined interest rate shift. The sensitivity of these interest rate shifts is based on the inter-banking lending rates.

The group and company consider there to be no interest rate risk on fixed interest-bearing assets and liabilities.

37.8. Credit risk

37.8.1. Micro lending

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the company's loans and advances to customers. For risk management reporting purposes, the company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, employer default risk and market risk).

The provision of unsecured loans to formally employed individuals is the main activity of the group and company's business. As such, exposure to credit risk and the management of this risk is a key consideration.

Customer credit risk is partly mitigated by the utilisation of payroll collection models. Employment of customers by vetted employers effectively serves as security for loans provided to such customers, since the employer recovers the company loan instalment directly from the customer's salary.

Direct lending customer credit risk is mitigated by the group through obtaining client bank statements or payslips to perform affordability assessments. Furthermore, client risk is scored using a credit scoring model which assists in predicting the risk of default of each customer.

All cash and cash equivalent assets are placed with reputable banks. If the banks credit recedes the risk will be assessed, and action taken. The company analyses the return versus risk in these instances as some banks may offer a higher return with a significant risk component.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

In extending loans to related parties, shareholders and third parties, the full credit assessments. The group reviews the annual financial statements, operations, legal and tax status of the borrower. The group also limits the tenor and size of individual debt so that it never poses a material risk to the group. All loans are interest-bearing and recorded at fair value at initial recognition.

37.8.2. Credit risk management

The group bases its credit risk policies on the customers it serves, their employers and methods of collection.

Credit Committees and Credit Policies

The group credit products are governed by the credit policy document aligned to local regulation, or as applicable in the local legislative environments. The various credit committees meet monthly. The credit policy is the output document of which the various committees' reviews are updated monthly. Collection data is reviewed by the committee and analysed. This information is used to adjust the policy to reduce bad debt and maximise acceptable levels of disbursements relative to risks. Legislative requirements on changes such as interest, fees, number of loans and affordability are reviewed monthly and are sourced via regular communication with relevant authorities.

The table below illustrates the rounded maximum and minimum loan amounts advanced to customers, determined by the credit committees considering legislative affordability within these ranges:

Loan per product mix – December 2020 (smartadvance Proprietary Limited)

Micro lending	1 to 12 months	13 to 24 months
	ZAR	ZAR
Maximum	15,000	20,000
Minimum	500	1,000

Loan per product mix – December 2019 (smartadvance Proprietary Limited)

Micro lending	1 to 12 months	13 to 24 months
	ZAR	ZAR
Maximum	15,000	20,000
Minimum	500	1,000

Loan per product mix – December 2020 Get Bucks Proprietary Limited (Eswatini)

Micro lending	1 to 12 months	13 to 72 months
	SZL	SZL
Maximum	150 000	350 000
Minimum	500	1000

Loan per product mix – December 2019 Get Bucks Proprietary Limited (Eswatini)

Micro lending	1 to 12 months	13 to 60 months
	SZL	SZL
Maximum	150,000	350,000
Minimum	250	1,000

Loan per product mix – December 2020 Emu Inya Enterprises (Getbucks Kenya)

Micro lending	1 to 12 months	13 to 84 months
	KES	KES
Maximum	1 500 000	2 500 000
Minimum	5000	50 000

Loan per product mix – December 2019 Emu Inya Enterprises (Getbucks Kenya)

Micro lending	1 to 12 months	13 to 84 months
	KES	KES
Maximum	1 500 000	2 500 000
Minimum	5000	50 000

Direct Lending

The group provide loans to gainfully employed individuals and rely on collecting loan instalments directly from the customer's bank account, via an electronic debit order, or electronic bank deduction instruction. These payments are affected on the customer's salary date using the Debi-check platform. Customers are assessed in full every time they apply for credit to determine if their credit profile remains acceptable in terms of the credit policies of the group. Clients are also able to repay instalments directly through electronic funds transfer.

37.8.3. Credit Philosophy

The credit philosophy of the group is to place primary emphasis of the credit decision on the borrower's ability to service the loan. It is therefore critical to establish the customer's ability and commitment to service their loan instalment.

A borrower's ability (or affordability) to pay is dictated by their repayment and total existing financial obligation in

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

relation to their net income. The willingness to repay is primarily based on the client's past payment history.

Credit Risk Assessment:

The group and company utilise a risk scoring engine that analyses aggregated 'big data'. The credit scoring engine is configured with the credit policy parameters and is embedded in the system, preventing human intervention which can result in breaches of policy. These models are reviewed monthly and retrained at least quarterly or when a significant market event occurs. The group also make use of credit risk cover for its customers which covers the outstanding capital in the event of a customer's loss of income relating to death, temporary and permanent disability, or retrenchment.

Micro loans

Checks:

- Identification verification
- Electronic credit bureau data
- Employer verification
- Customer affordability calculation based on source documentation.
- Term and proof of employment
- Bank account verification
- Age
- Industry of employment
- Employer
- Previous credit behaviour with the company
- Fifteen thousand points of alternative data

Documentation

- Proof of identity
- Bank statement
- Payslip
- Loan agreement with Credit Life Policy

All credit approvals are governed by the Credit Policy and product rules are incorporated into the operating system business and decisioning layer.

Employer Risk Assessment:

The group assesses the employer to determine if the employer will be able to honour its obligations in terms of the agreement. Criteria that the company uses are as follows:

Checks

- Industry type
- Financial position (3 years signed annual financial statements)
- KYC (know your customer)
- Tax clearance
- External references
- Any litigation pending.

Documentation

- Statutory documents
- Directors KYC (know your customer)
- Audited Financial Statements

Before loans are granted to customers who are employed by verified employers, the following processes are completed:

Checks

- Identification verification
- Employer verification
- Affordability calculation
- Electronic credit bureau information
- Bank account verification
- Age

Documentation

- Loan agreement
- Signed bank account deduction instruction in the event of termination of employment.
- Signed Credit Life agreement.
- Copy of identification document.
- Payslip.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

The main objective to mitigate credit risk lies in the credit granting process and this process is managed in specific procedures in the acquisition process:

- **Credit Market Indicators** – External credit bureau enquiries are used to establish outright application disqualifying factors such as fraud indicators, insolvency, debt review status as well as external exposure information relating to account handling, balances, and client commitments.
- **Customer Data Authentication** – All core customer data supplied in the application process is vetted automatically against external and independent data sources specifically pertaining to personal details, employment details, customer bank details and customer earning and exposure details. In the absence of automated controls, such validation is performed manually.
- **Internal Credit Policy Application** – In the final step in the customer credit application, the data is assimilated and passed through the proprietary internal credit application process that provides the outcome in terms of application status and if provisionally approved the credit limit, appropriate product term, product cost and monthly commitment to the customer.

37.8.4. Collection

When no deduction at source is used, the group follows a philosophy of ensuring timeous collections based on the client's salary date to optimise collection success. There is focus on internal data trends and knowledge with constant monitoring and improvement of the quality of the information database to ensure improved collection success. The group mainly utilises the regulated Debi-check system to collect instalment. Deduction mandates are obtained from customers in their loan contracts and are made from their primary bank account (where the customer 's salary is deposited).

When collection is unsuccessful, arrears follow up is performed through a systematic process of customer self-help and assisted processes managed by the group's in-house collection department in line with its approved collections strategy.

External Recovery

The group's arrears accounts are handed over to selected external debt collectors (EDC) to collect on their behalf. The main objective remains the mitigation of risk and ultimate collection without incurring excessive costs.

Sale of Loans and advances to customers

The group's arrears accounts are also on a case-by-case basis considered for sale to third party debt collectors.

Credit monitoring

The group utilises various reporting and monitoring tools to engage in and control ongoing credit risk within the credit life cycle:

- Real time monitoring on application volumes, approval rates and processing quality.
- Credit efficiency reports to get first strike collection rates.
- Vintage collection reports to establish the initial recovery process efficiency.
- Credit ageing reports to manage and control loan delinquency and provisioning.
- Active payment, collection, and integrity trend analysis to control and manage underlying risks and movement within the data operational procedures.

Deduction at Source Lending

The group provides loans to gainfully employed individuals that are employed by employers that are vetted by the group and company and that have concluded an agreement with the group. In terms of these agreements the employer deducts the loan instalments from the customer's salary and disburses these funds to the group and company. Loan size, terms, rates, and customer affordability criteria are also agreed with the employer upon engagement. In this instance the group mitigate the direct customer risk and gears the risk towards the customer's employer. Employers are assessed monthly based on their collection's performance.

37.9. Impairment assessment

37.9.1. Definition of default

The group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for expected credit loss

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

("ECL") calculations in all cases when the borrower has missed four consecutive contractual payments, or the loan becomes 90 days past due.

As a part of a qualitative assessment of whether a customer is in default, the group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the group considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- The customer requesting emergency funding.
- The customer is deceased and there is no credit insurance through the group.
- The customer (or any legal entity) applying for bankruptcy application/protection.

The group's probability of default estimation process

The group's independent Credit Risk Department operates its internal models which assigns a CD ("Contractual Delinquency") state to each loan at each reporting period. The CD state represents the number of missed payments at each reporting date, and this is used in the computation of PDs the group runs in separate models for its key portfolios. The models incorporate both qualitative and quantitative information and, in addition to information specific to the customer, utilise supplemental external information that could affect the customer's behaviour. These information sources are used to determine the probability of defaults ("PDs"). PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 stage classification of the exposure. This is repeated for each economic scenario as appropriate.

Credit risk measurement

The estimation of credit exposure for risk management purpose is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The group measures credit risk using PD, Exposure at Default ("EAD") and Loss Given Default ("LGD").

Expected credit loss measurement

IFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the group.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(initial recognition)	(Significant increase in credit risk)	(Credit – impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the group in addressing the requirements of the standard are discussed below:

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Significant increase in credit risk

The group considers a financial instrument to have experienced a significant increase in credit risk when there is change in the payment behaviour of the clients.

The assessment of significant increase in credit risk ("SICR") incorporates forward-looking information and is performed periodically at individual loan level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness. The group assesses SICR by means of a 30-day non-payment backstop. Additionally, the group employs the following assessments for SICR:

- Loans that have recently caught up arrears are quarantined and monitored as potential risky loans. The quarantine period is calibrated per entity based on experience; and
- The monthly credit committee is required to test the performing (Stage 1) portfolio for any collective or individual signs of SICR. For example, loans granted to small business owners that succumbed to a natural disaster and are expected to default should be moved from Stage 1 to Stage 2 even though not having triggered the backstop. Depending on the severity of the circumstances, loans may be moved to Stage 3 directly.

Additionally, distressed loans (loans that have applied for debt rescue) who have not yet defaulted, are moved to Stage 3.

Measuring ECL – Explanation of inputs, assumptions, and estimation techniques

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is credit-impaired. ECL is discounted product of PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. Cumulative lifetime PD curves are developed based on historic payment behaviour together with PIT macro-economic forecasted adjustments. The group defines 3 possible macro-economic scenarios which yields 3 possible lifetime PD curves.
- EAD is based on the amounts the Group expected to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD is adjusted for prepayment behaviour as well as additional increases in penalty interest in the event of default.
- LGD represents the Group expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type, and seniority of claim. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). Stage 1 & 2 loans use LGD1 whereas Stage 3 loans use LGD2 for ECL. LGD1 & LGD2 are both based on historic default and recovery information, adjusted for future macro-economic scenarios. The group defines 3 possible macro-economic scenarios which yields 3 possible LGD1 & LGD2 curves.

The ECL is determined by projecting, for each loan, the PD, LGD and EAD at each remaining future point for the expected lifetime of each asset. Each future point is treated as an incremental step that makes up the total ECL where each point is discounted using the original effective interest rate. The sum of these discounted losses is reported as the ECL for each reporting period.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for the portfolio. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group team periodically and provide the best estimate view of the economy over the next years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the group also provide other possible scenarios along with scenario weightings. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

each chosen scenario is representative of. Following this assessment, the group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). Portfolio ECL is determined by running each scenario through the relevant ECL model weighted by the appropriate scenario weighting.

Economic variable assumptions

Loans and advances to each customer is tested for statistical correlation with macro-economic factors from the relevant country where the loan resides. These factors typically include gross domestic product ("GDP"), exchange rates ("FX"), consumer product index ("CPI"), Lending Rate, Unemployment rate, and so forth.

Once the relevant factors are determined, a *baseline forecast* is constructed with a likelihood of 60% occurrence. The baseline forecast is independently sourced from market analysts and is used as is. Next an *up/down* scenario with 20% probability is constructed based on the historically observed mean and standard deviation of each factor.

Analysis of inputs to the ECL model under multiple economic scenarios per geographic regions

To ensure completeness and accuracy, the group obtains the data used from economists. The following tables set out the key drivers of expected loss and the assumptions used for the group's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios for the respective geographical segments.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

Average ECL per product category per stage as at 31 December 2020

Payroll loan advances to customers	Stage ECL %		
	1	2	3
South Africa	1.21%	31.78%	75.67%
Eswatini	1.03%	16.94%	88.47%
Kenya	1.89%	66.37%	78.40%

Online loan advances to customers	Stage ECL %		
	1	2	3
South Africa	10.45%	50.83%	96.38%
Eswatini	5.29%	25.39%	96.94%

Average ECL per product category per stage as at 31 December 2019

Payroll loan advances to customers	Stage ECL %		
	1	2	3
South Africa	6.49%	30.19%	77.77%
Eswatini	2.23%	24.13%	87.87%
Kenya	7.26%	52.30%	67.26%

Online loan advances to customers	Stage ECL %		
	1	2	3
South Africa	5.48%	43.45%	36.02%
Eswatini	2.21%	14.61%	81.79%

COVID-19 considerations under IFRS 9

IFRS 9 will be thoroughly tested in the next few years while the pandemic is being absorbed into the business cycle. The reach and effects of the COVID-19 pandemic are still being discovered but everyone agrees that virtually all parts of a business will be impacted. This does not mean that every industry will endure hardship in the same way, on the contrary many industries have flourished as a direct result of the COVID-19 pandemic.

Staying with the theme of IFRS 9, the approach with COVID-19 is to anticipate potential future shocks to the economy which can lead to a deterioration of the quality of assets.

The ability of the credit model to react and prepare for COVID-19 impacts can be characterised by the following four points:

- Each quarter the model recalibrates using the most recent payment behaviour which will incorporate any new trends.
- Macro-economic forecasts are refreshed each quarter and any expectation around the impact of COVID-19 is automatically incorporated in the forward-looking information via these forecasts.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

- The model is designed to incorporate qualitative feedback from the various credit committees monthly, specifically where industries and sectors are analysed and the impact on clients are quantified.
- Finally, the model has been extended to accommodate additional overlays to the ECL outputs by allowing for a sector-based risk adjustment as well as adjustments on a loan-by-loan basis. This is conducted in the "COVID Tool" which is owned by management.

Loans with renegotiated terms

The loans with renegotiated terms are loans that have been restructured due to the deterioration of the financial situation of the borrower. After restructuring the loan, it remains in this independent category of satisfactory performance. During the financial period there were no loans that were renegotiated with clients.

Write-off policy

Financial assets are written off when the entity has no reasonable expectation of recovery. The group write-off policy states that a loan with a contractual maturity of more than 1 month will be written off after 365 days of non-payment. Loans with a contractual maturity of 1 month, are written off after 180 days of non-payment.

37.9.2. Credit risk impacts

The table below lists other financial assets (excluding cash and cash equivalents and Loans and advances to customers) in relation to their past due status.

Group – December 2020	**Neither past due nor impaired**	**Past due but not impaired 1 - 90 days**	**Past due but not impaired 91 - 360 days**	**Past due but not impaired >360 days**	**Impaired**	**Total**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**
Other financial assets	438 868	-	-	-	-	438 868
Loans to group companies and related parties	-	-	-	-	-	-
Trade and other receivables	572 736	15 629	-	-	55 586	643 951
	1 011 604	**15 629**	**-**	**-**	**55 586**	**1 082 819**

Group – December 2019	**Neither past due nor impaired**	**Past due but not impaired 1 - 90 days**	**Past due but not impaired 91 - 360 days**	**Past due but not impaired >360 days**	**Impaired**	**Total**
	USD	**USD**	**USD**	**USD**		
Other financial assets	-	-	-	-	-	-
Loans to group companies and related parties	-	-	-	-	-	-
Trade and other receivables	249 732	249 047	-	-	118 039	616 818
	249 732	**249 047**	**-**	**-**	**118 039**	**616 818**

Company – December 2020	**Neither past due nor impaired**	**Past due but not impaired 1 - 90 days**	**Past due but not impaired 91 - 360 days**	**Past due but not impaired >360 days**	**Impaired**	**Total**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**
Other financial assets	-	-	-	-	-	-
Loans to group companies and related parties	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Company – December 2019	Neither past due nor impaired	Past due but not impaired 1 - 90 days	Past due but not impaired 91 - 360 days	Past due but not impaired >360 days	Impaired	Total
	USD	USD	USD	USD		
Other financial assets	-	-	-	-	-	-
Loans to group companies and related parties	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**

Loans to group companies and related parties are shown at amortised cost and the recoverability of the loans are assessed monthly by the various credit committees.

37.9.3. Foreign exchange risk

Foreign exchange risk arises when future commercial transaction or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Management has set up a policy to require the group to manage its foreign exchange risk against their functional currency if this risk is realised. At this stage, the company has no significant foreign exchange exposure.

37.9.4. Concentration risk

Concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, an industry, a product, or geographic region. The group and company's credit risk portfolio are well diversified. The group and company's management approach relies on reporting of concentration risk along key dimension and portfolio limits.

Concentration risk limits are used within the group and company to ensure that funding diversification is maintained across products, geographic regions, and counterparties.

Customer concentration

Group	Single highest customer loans		Top 10 highest loans	
	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Loan advances	0.21%	0.13%	1.55%	0.96%

37.9.5. Insurance Risk

Insurance risk is the possibility that the insured event occurs and that benefit payments and expenses exceed the carrying amount of the insurance liabilities. In such event, the group would be contractually required to provide additional capital to maintain the solvency of the investment in the cell captive arrangement.

Insured events are random, and the value of claims and benefits will vary from year to year. Statistically, the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be.

Similarly, diversification of the portfolio with respect to risk factors reduces insurance risk. Guardrisk is responsible for evaluating all retention of risks in terms of statistical and underwriting disciplines, under mandate set for the cell arrangement.
Factors specifically applicable to the group that aggravate insurance risk include those arising from a lack of risk diversification in terms of type and amount of risk, geographical area, and specific industries covered. The group sells not only credit life insurance products, but also funeral policies which introduces diversification into the portfolio.

The group manages these risks through its agreement with Guardrisk. The main risks to which the group is exposed to include:

- Mortality, and morbidity risks (the risk that actual experience in respect of the rates of mortality and morbidity may be higher than that assumed in pricing and valuation varies, depending on the terms of different products).
- Expense risk (there is a risk that the entity may experience a loss due to actual expenses being higher than that assumed when pricing and valuing policies).
- Business volume risk (the risk that the entity may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

- Business volume risk (the risk that the entity may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration).
- Life underwriting risk (risk include mortality risk, lapse risk, retrenchment risk, life catastrophe risk).

These risks are mitigated through the cell captive arrangements with Guardrisk, which is experienced in the professional insurance and financial management of insurance contracts and has a proven track record that can be relied on.

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality and morbidity, termination rates, expenses, and investment performance. The investment in insurance assets is more sensitive to the rates of mortality and termination applied in the valuation of the underlying insurance liabilities. The assumptions are informed by Guardrisk's broad and extensive industry level insight and experience and are assessed annually.

The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected. In the extreme, actual claims and benefits may exceed the liabilities. The risk is mitigated to an extent through the extensive use of reinsurance and the addition of compulsory and discretionary margins.

Discretionary margins are applied where the prescribed compulsory margins are deemed insufficient in a particular case in relation to prevailing uncertainty, specifically where there is evidence of moderate to extreme variation in experience or lack of performance history does not present sufficient claims data to accurately determine the insurance liabilities. The risks arising from the sensitivity of these assumptions are mitigated further through governance and oversight applied by the board of directors.

Net debt		**Group**		**Company**
	Dec-20	**Dec-19**	**Dec-20**	**Dec-19**
Cash and cash equivalents	2 107 279	883 504	332 036	-
Borrowings - repayable within one year (including overdraft)	(1 555 390)	(1 438 083)	(1 004 441)	-
Borrowings - repayable after one year	(5 911 821)	(6 202 741)	-	-
	(5 359 932)	**(6 757 320)**	**(672 405)**	**-**
Cash and liquid investments	2 107 279	883 504	332 036	-
Gross debt - fixed interest rates	(7 467 211)	(7 640 824)	(1 004 441)	-
	(5 359 932)	**(6 757 320)**	**(672 405)**	**-**

Group	**Cash / bank overdraft**	**Borrow due within 1 year**	**Borrow due after 1 year**	**Total**
Opening balance as at 01 Jan 2020	883 504	(1 438 083)	(6 202 741)	(6 757 320)
Cashflows	1 223 775	1 069 355	(738 404)	1 554 726
Other non-cash movements	-	(438 880)	(282 214)	(721 094)
Impact of currency translation	-	271 338	292 417	563 755
New terms	-	(1 019 121)	1 019 121	-
	2 107 279	**(1 555 391)**	**(5 911 821)**	**(5 359 933)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Group	Cash / bank overdraft	Borrow due within 1 year	Borrow due after 1 year	Total
Opening balance as at 01 July 2019	-	-	-	-
Cashflows	-	-	-	-
Other non-cash movements	-	-	-	-
Acquisition of subsidiaries	883 504	(1 438 083)	(6 202 741)	(6 757 320)
Reclassified as held for sale	-			-
Debt to equity conversion		-		-
	883 504	(1 438 083)	(6 202 741)	(6 757 320)
	-	-	-	-

Company	Cash / bank overdraft	Borrow due within 1 year	Borrow due after 1 year	Total
Opening balance as at 01 Jan 2020	-	-	-	-
Cashflows	332 036	(978 746)	-	(646 710)
Other non-cash movements	-	(25 695)	-	(25 695)
New terms	-	-	-	-
	332 036	**(1 004 441)**	**-**	**(672 405)**

38. Commitments

		Group		Company
Amounts in USD	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Minimum lease payments due:	-	-	-	-
Within one year	111 936	100 972	-	-
More than one year and less than five years	265 037	285 659	-	-
More than five years	-	-	-	-
Total	**376 973**	**386 631**	**-**	**-**

Lease payments represent lease commitments on the various vehicles leased by the group.

39. Directors' emoluments and key management

Executive -December 2020

Amounts in USD	Emoluments	Bonusses	Total
	-	-	-

Executive – December 2019

Amounts in USD	Emoluments	Bonusses	Total
	-	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

40. Subsequent events

40.1. COVID-19 Pandemic

The COVID-19 pandemic spread rapidly in 2020 which spread has continued in 2021 with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The group has taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (including strictly enforcing social distancing and remote working arrangements).

The treat of a third wave of infections remains a high probability. The possibility of further lockdowns therefore remains, which could result in the economy taking significant strain during this time with the possibility of further retrenchments increasing, temporary employee layoffs, and reduced employee wages materially impacting the livelihood of many households.
This has a continued direct impact on the collectability of loans already in issue as the client's ability to meet monthly instalments is placed under pressure. Management previously implemented the necessary measures to support clients through payment holidays and reduced monthly instalments to ensure the collectability of loans, and this will continue should additional waves occur.

The group, through its fintech offering, can continue operating remotely with all business units able to operate autonomously and remotely, allowing for seamless business continuation.

To reduce irresponsible borrowing during the COVID-19 pandemic and over indebting consumers, credit criteria to apply for a personal loan was tightened to deal with the shift in data points available and to make effective credit decisions, including introducing psychometric scores. This has reduced the quantity of applications but has, however, maintained the quality of clients that are able to uphold their credit agreements monthly.

40.2. Company

After 31 December 2020, the Board of Directors of Finclusion Africa Holdings Limited approved and concluded an asset and liability purchase agreement between Virtual Financial Inclusion Ltd (as the seller) and Finclusion Africa Holdings Limited (the purchaser).

Effective 1 January 2021, Finclusion Africa Holdings acquired the assets and liabilities of Virtual Financial Inclusion Ltd.

All the business assets and liabilities were effectively ceded and assigned to the Finclusion Africa Holdings Limited, with all accompanying rights and respective obligations with respect to these assets and liabilities in a roll-up merger. Purchase consideration was equal to net asset value of Virtual Financial Inclusion Ltd as at 31 December 2020.

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