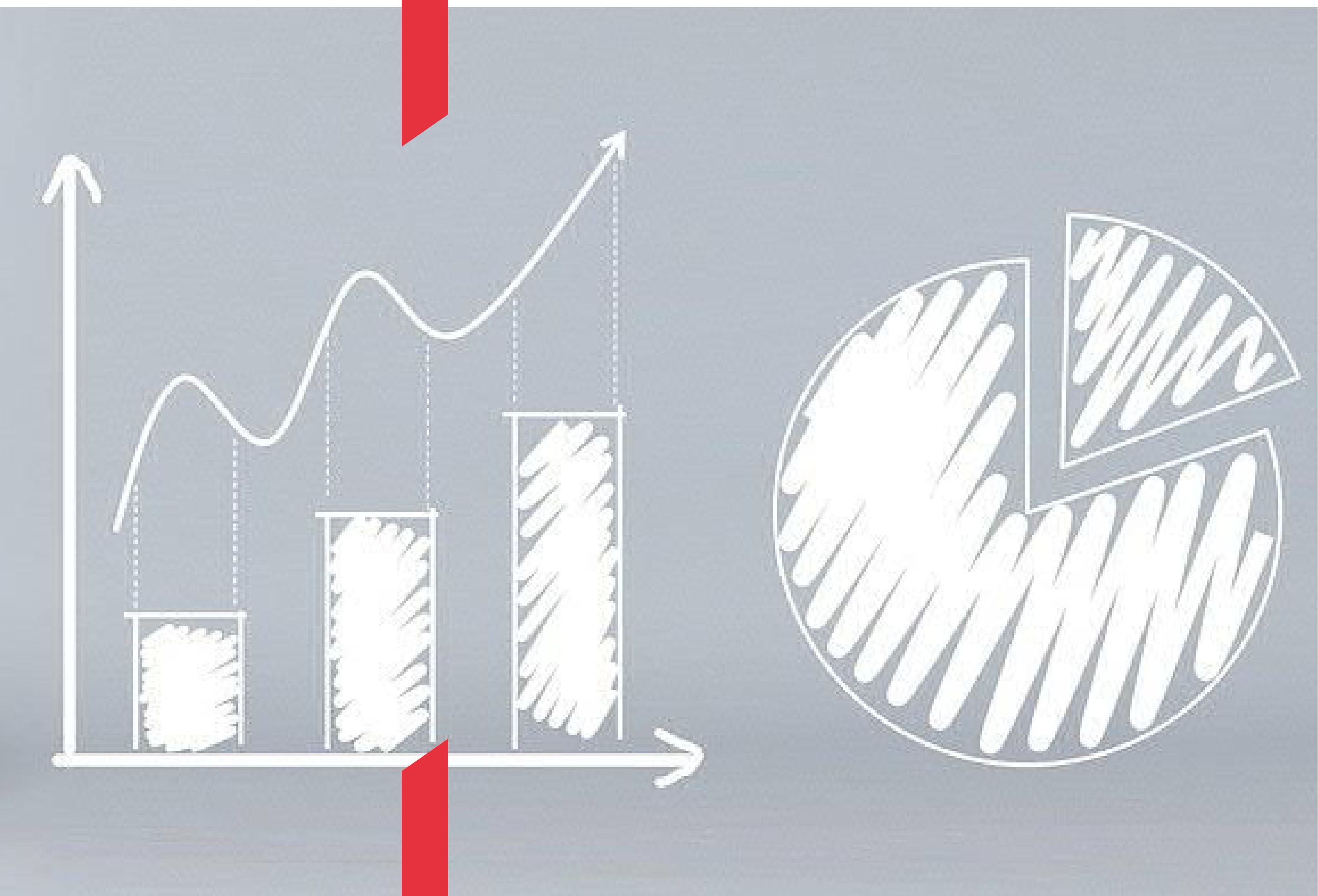
Express Credit Cash Advance (Proprietary) Limited

(Registration number 2016/0767)

Annual Financial Statements

for the year ended 31 December 2020



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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 28 of 2004, as amended 2007 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company 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 annual financial statements.

The 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 company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing, and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems, and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

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

The annual financial statements set out on pages 1 to 36, which have been prepared on the going concern basis, were approved on 31 March 2021 and were signed by:

Approval of annual financial statements

On behalf of the directors:

Eckhardt Marais	NP Esterhuyse
Chief Executive Officer	Member of the Board

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Express Credit Cash Advance (Pty) Ltd for the year ended 31 December 2020.

1. INCORPORATION

The company was incorporated on 05 July 2016 and obtained its certificate to commence business on the same day.

2. NATURE OF BUSINESS

Express Credit Cash Advance (Pty) Ltd was incorporated in Namibia and is directly or indirectly providing total microlending services and financial products. The company is engaged in the provision of short to medium-term unsecured consumer advances to salaried employees of the public and private sectors. The company finances the advances on a fixed repayment basis with no adjustments to the instalments during the original period of the advance due to interest rate fluctuations.
The company operates in Namibia.
There have been no material changes to the nature of the company's business from the prior year.

3. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 28 of 2004, as amended 2007. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

4. SHARE CAPITAL

There have been no changes to the number of authorised and issued share capital during the year under review.

On 9th of December the Company's shareholder YesCash Group Ltd. subscribed for 1000 preference shares of the Company with a view to convert YesCash Group Ltd. loan to the Company into redeemable preference shares. Whilst the subscription agreement has been approved and authorised in December 2020 the formalisation of the conversion is to be completed in April 2021. This circumstance does not affect the classification of YesCash Group Ltd. loan balance as capital contribution to equity as at 31st December 2020.

On 21 January 2021 there has been a conversion of 1000 ordinary shares into redeemable preference shares with a nominal value of NAD 1 000 and a premium amount of 45 861 878 without changing the amount of the authorised share capital.

The redeemable cumulative preference shareholders have the rights to receive the dividends in the same amount as the holders of ordinary share capital but in priority relatively to them. Redemption date is determined by the Company but it cannot be earlier than the first anniversary of the preference share issuance date or in case of a winding-up of the Company.

5. DIVIDENDS

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, it may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, it may pass on the payment of dividends. It does not recommend the declaration of a dividend for the year.

6. DIRECTORATE

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

Director	**Nationality**
E.J. Marais	South African
U. Hewitt (appointed 03/06/2019)	Latvian
N.P. Esterhuyse (appointed 01/10/2019)	Namibian

7. DIRECTORS' INTERESTS IN CONTRACTS

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company.

8. PROPERTY, PLANT AND EQUIPMENT

There was no change in the nature of the property, plant and equipment of the company. At 31 December 2020, the company's investment in property, plant and equipment amounted to NAD 3 311 584 (2019: NAD 2 626 449), of which NAD 685 135 (2019: NAD 1 649 000) was added in the current year through additions.

9. HOLDING COMPANY

The Company's majority holding company is Clever Mate Finance (Proprietary) Limited, registration number 2020/0220 which holds 51% (2019: 0%) of the company equity. Clever Mate Finance (Pty) Limited is incorporated in Namibia. Yescash Group Limited holds 49% (2019: 100%) of the company's equity. Yescash Group Limited is incorporated in Mauritius. As at 31 December 2020, Yescash Group Limited, the Company's ultimate holding company is SIA EC Finance Group, incorporated in the Republic of Latvia.

10. EVENTS AFTER THE REPORTING PERIOD

The impact of Covid 19 remains a focus and uncertain outlook and we believe it is under control with branches fully operational and business continue as usual. Legislation with reference to critical services includes the offering of short-term finance. We believe the demand for loans will as a result of COVID-19 will and has increased and the affordability therefore will be as stringent as possible to allow minimal credit risk to the business in the light of specific industries such as hospitality to allow customers are able to repaid their borrowings.

The operations of the Company have not been significantly encumbered, and client service is proceeding in compliance with required health and safety precautions.

Based on available information, the management of the Company has analysed the potential negative effects on the operations and has not identified any circumstances which might threaten the continuity of operations or result in a substantial impact on the 2020 financial statements.

On 21 January 2021 there has been a conversion of 1000 ordinary shares into redeemable preference shares with a nominal value of NAD 1 000 and a premium amount of 45 861 878 without changing the amount of the authorised share capital. The redeemable cumulative preference shareholders have the rights to receive the dividends in the same amount as the holders of ordinary share capital but in priority relatively to them. Redemption date is determined by the Company but it cannot be earlier than the first anniversary of the preference share issuance date or in case of a winding-up of the Company.

11. GOING CONCERN

We draw attention to the fact that for the year-ended 31 December 2020, the company had losses of NAD 16 402 891 (2019: NAD 12 103 427) and that the Company's accumulated loss balance as at 31 December 2020 is NAD 34 949 142 (31.12.2019: 18 546 251).

The annual financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement.

The ability of the company to continue as a going concern is dependent on several factors. The most significant of these is that the ultimate parent company continue to provide supporting services and financial assistance for the ongoing operations for the company and that the subordination agreement will remain in force for so long as it takes to restore the solvency of the company.

We are not aware of any new material changes that may adversely impact the company. On the contrary - The Namibian business has evolved to obtain a deduction code from the Ministry of Finance in 2020. The Shareholding structure were revised to strengthen the business strategically in offering credit to the Government employees, which allowed for Namibian debt invested in the business that significantly mitigated foreign exchange risk.

We are not aware of any material non-compliance with statutory or regulatory requirements of any pending changes to legislation which may affect the company.

The Company has prepared detailed financial projections covering the period until 31st December 2024 and an independent valuation performed by Cirrus Capital on the prospects of the business and expected profitability over the next five years. These projections are based on the multiple tranches of funding that are expected to be received and which will be used to facilitate the growth of the loan book substantially by applying nationwide marketing campaigns and introducing wider product range to the market. The increased loan book together with well-established sales network and microlending infrastructure will allow the Company to become profitable in 2021.

The debt funding is expected to be Namibian dollar denominated; hence it will limit the Company’s exposure to EUR/NAD exchange rate fluctuations which positively contributes to the profit.

In addition, the Company collection strategy will improve due to the use of ENDO and Government Deduction code and reduce provision for debt debts significantly.

Based on these projections’ management expects that the Company will be able to be profitable in the future.

12. SECRETARY

The Company Secretary is Bonsai Secretarial Compliance Services.

Business address:	Unit 6, Gold Street Business Park, Gold Street, Prosperita, Windhoek
Postal address:	P O Box 3516 Windhoek

13. STATEMENT OF DISCLOSURE TO THE COMPANY'S AUDITORS

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

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

The auditor, BDO Namibia, has indicated its willingness to continue in office and will be automatically reappointed at the Annual General Meeting.

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INDEPENDENT AUDITORS' REPORT

To the Directors of Express Credit Cash Advance (Pty) Ltd

Opinion

We have audited the annual financial statements of Express Credit Cash Advance (Pty) Ltd set out on pages 1 to 36, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements presents fairly, in all material respects, the financial position of the company as at 31 December 2020, and its financial performance and cash flows for the period then ended in accordance with the International Financial Reporting Standards, and the requirements of the Companies Act of Namibia.

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 Annual Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report and the detailed statement of profit or loss and other comprehensive income, which we obtained prior to the date of this auditor's report. Other information does not include the annual financial statements and our auditor's report thereon.

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

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Responsibilities of the directors for the Annual Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 annual financial statements.

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

- Identify and assess the risks of material misstatement of the annual 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 company's internal control.

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

- Conclude on the appropriateness of the directors' 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 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 auditor's report to the related disclosures in the annual 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the directors 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.

BDO

BDO (Namibia)
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: A Musarurwa
Partner

01 April 2021
Windhoek

Statement of Financial Position

in NAD	**Note**	**31 December 2020**	**31 December 2019**
ASSETS			
Cash and cash equivalents	5	15 476 359	9 937 464
Loans and advances to customers	6	64 905 584	47 222 610
Other financial assets	7	12 754 257	3 864 705
Other assets	7	4 504 477	1 894 079
Deferred commission		275 778	147 505
Deferred income tax asset	15	5 472 881	6 977 405
Premises and equipment	8	1 848 308	1 987 155
Intangible assets	8	20 096	18 398
Right-of-Use asset	8	2 610 052	2 709 954
TOTAL ASSETS		**107 867 792**	**74 759 275**
LIABILITIES			
Borrowed funds	9	69 117 724	75 786 145
Other financial liabilities	11	18 817 338	11 671 093
Other liabilities	11	6 279 141	3 042 370
Lease liability	10	2 739 753	2 805 818
TOTAL LIABILITIES		**96 953 956**	**93 305 426**
EQUITY			
Share capital	12	100	100
Capital contribution	12	45 862 878	-
Accumulated deficit		(34 949 142)	(18 546 251)
Net assets attributable to the Company’s owners		**10 913 836**	**(18 546 151)**
TOTAL EQUITY		**10 913 836**	**(18 546 151)**
TOTAL LIABILITIES AND EQUITY		**107 867 792**	**74 759 275**

Statement of Profit or Loss and Other Comprehensive Income

In NAD	**Note**	**2020**	**2019**
Interest income calculated using the effective interest method	13	64 713 726	37 461 391
Other similar income	13	5 997 005	1 758 478
Interest expense	13	(9 942 040)	(4 325 587)
Net margin on interest and similar income		**60 768 691**	**34 894 282**
Credit loss allowance	13	(7 983 457)	(18 589 865)
Net margin on interest and similar income after credit loss allowance		**52 785 234**	**16 304 417**
Foreign exchange translation gains less losses		(6 816 136)	420 572
Other income		606 009	38 262
Lease interest expense	10	(278 888)	(272 609)
Administrative and other operating expenses	14	(61 194 586)	(33 335 320)
Loss before tax		**(14 898 367)**	**(16 844 678)**
Income tax credit	15	(1 504 524)	4 741 251
LOSS FOR THE YEAR		**(16 402 891)**	**(12 103 427)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(16 402 891)**	**(12 103 427)**
Loss is attributable to:			
- Owners of the Company		**(16 402 891)**	**(12 103 427)**
Loss for the year		**(16 402 891)**	**(12 103 427)**
Total comprehensive loss is attributable to:			
- Owners of the Company		**(16 402 891)**	**(12 103 427)**
Total comprehensive loss for the year		**(16 402 891)**	**(12 103 427)**

Statement of Changes in Equity

In NAD	**Note**	**Share capital**	**Capital Contribution**	**Accumulated deficit**	**Total**
Balance at 1 January 2019		-	-	**(6 442 824)**	**(6 442 824)**
Loss for the year		-	-	(12 103 427)	(12 103 427)
Other comprehensive income		-	-	-	-
Total comprehensive loss for 2019		-	-	(12 103 427)	(12 103 427)
Balance at 31 December 2019	12	**100**	**-**	**(18 546 251)**	**(18 546 151)**
Loss for the year		-	-	(16 402 891)	(16 402 891)
Other comprehensive income					
Total comprehensive loss for 2020		-	-	(16 402 891)	(16 402 891)
Capital Contribution		-	45 862 878	-	45 862 878
Balance at 31 December 2020	12	**100**	**45 862 878**	**(34 949 142)**	**10 913 836**

Statement of Cash Flows

In NAD	**Note**	**2020**	**2019**
Loss before tax		**(14 898 367)**	**(16 844 678)**
Adjustments for:			
Amortisation and depreciation	14	3 326 078	1 982 758
Commissions' amortisation		(128 273)	378 032
Interest expense	13	4 408 525	4 325 587
Increase in provisions and allowances	6	7 588 129	18 589 865
Unrealised loss from fluctuations of FX		(6 567 819)	(420 572)
Operating profit or loss before working capital changes		**(6 271 727)**	**8 010 992**
Net increase in:			
- loans and advances to customers	6	(25 271 103)	(46 819 638)
- other financial assets	7	(8 889 552)	(3 864 705)
- other assets	7	(2 610 398)	(1 665 990)
Net increase in:			
- other financial liabilities	11	7 146 245	10 798 236
- provisions for liabilities and charges and other liabilities	11	3 236 771	2 880 246
- lease liability	10	2 387 944	-
Net cash used in operating activities		**(24 000 093)**	**(38 671 851)**
Cash flows from investing activities			
Acquisition of premises and equipment	8	(685 135)	(1 649 000)
Acquisition of intangible assets	8	(2 403 892)	(13 667)
Net cash used in investing activities		**(3 089 027)**	**(1 662 667)**
Cash flows from financing activities			
Proceeds from related borrowed funds	16	19 985 669	35 522 190
Repayment of related borrowed funds	16	(2 775 456)	(21 315 140)
Proceeds from non-related borrowed funds	16	24 422 426	27 604 523
Repayment of non-related borrowed funds	16	-	(382 901)
Repayment of principal of lease liabilities	16	(2 732 897)	(1 740 170)
Net cash from financing activities		**38 899 742**	**39 688 502**
Net increase in cash and cash equivalents	5	5 538 895	7 364 976
Cash and cash equivalents at the beginning of the year		9 937 464	2 572 488
Cash and cash equivalents at the end of the year	5	**15 476 359**	**9 937 464**

1 Introduction

These annual financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2020 for Express Credit Cash Advance (Pty) Ltd (the "Company").

The Company was incorporated on 5 July 2016 and is domiciled in Namibia. The Company is a limited liability company. As of 31 December 2020 the Company's majority holding company is Clever Mate Finance (Proprietary) Limited which holds 51% (2019: 0%) of the Company equity. Clever Mate Finance (Pty) Limited is incorporated in Namibia. As of 31 December 2020 Yescash Group Limited holds 49% (2019: 100%) of the Company's equity. Yescash Group Limited is incorporated in Mauritius, and the Company was ultimately controlled by SIA EC Finance Group, incorporated in the Republic of Latvia.

Principal activity. The Company's principal business activity is consumer lending activities in Namibia. The Company has obtained microlenders licence and is regulated by microlending supervisory institution in the respective country.

The Company has 22 branches within Namibia.

Registered address of the Company. The Company's registered address is Unit 6, Gold Street Business Park, Gold Street, Prosperita, Windhoek, PO Box 90757, Windhoek.

Presentation currency. These annual financial statements are presented in NAD, unless otherwise stated.

Abbreviations. A glossary of various abbreviations used in this document is included in Note 24.

2 Significant Accounting Policies

Basis of preparation. These annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments at fair value. The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Financial instruments – key measurement terms. *Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 00**.**

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Company uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are initially recognised within other assets or other liabilities and are subsequently amortised on a straight-line basis over the term of the loans to related parties. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 0 for critical judgements applied by the Company in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 0 for critical judgements applied by the Company in performing the SPPI test for its financial assets.

Financial assets – reclassification*.* Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the annual statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the annual statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 17 for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 17. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 17 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include absence of payments for more than 12 months, the death of borrower, fraud cases. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial assets – modification. The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss.

Financial assets – measurement categories.

The Company recognises a financial asset on its balance sheet when, and only when, the Company becomes a party to the contract. Financial assets are classified as financial assets measured at amortised cost.

Financial assets and liabilities measured at amortised cost.

For a financial asset to be measured at amortised cost it should both be held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are carried at amortised cost using the effective interest rate method, less any allowance for impairment. The impairment allowance for financial assets that are not-credit impaired (stage 1 and stage 2 classified) is measured as the present value of all cash shortfalls which is the difference between the cash flows due to the Company in accordance with contract and the cash flows that the Company expects to receive discounted at the effective interest rate of a financial asset. The impairment allowance for financial assets that are credit impaired at the reporting date (stage 3 classified) is measured as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the effective interest rate of the financial asset. For the purchased or originated credit-impaired financial assets the credit-adjusted effective interest rate is applied from initial recognition.

A gain or loss on a financial asset that is measured at amortised cost is recognised in the profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or to recognise impairment gains or losses. Financial assets at amortised cost are recognised on drawdown. From the date of signing a contractual agreement till drawdown, the contractually committed amounts are accounted for as off-balance sheet commitments.

Modification or renegotiation of contractual cash flows of a financial asset that does not result in de-recognition of that financial asset, requires the Company to recalculate the gross carrying amount of the financial asset and recognise a modification gain or loss in profit or loss. The gross carrying amount is recalculated as the present value of the renegotiated or modified contractual cash flows through the expected life of the asset that are discounted at the financial asset's original effective interest rate or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets. When estimating the expected cash flows, all contractual terms and payments are considered, except for the expected credit losses, unless the financial asset is a purchased or originated credit-impaired financial asset. Costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

When the financial asset or part of it cannot be recovered, it or the respective part is written-off and charged against impairment for credit losses. The Company makes the decision regarding any write-off of financial assets based on existence and valuation of collateral available for a foreclosure, and the likelihood and the amount of any other expected future cash flows. Recoveries of previously written-off assets or parts of assets are credited to the statement of income.

The Company classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method. A gain or loss on a financial liability that is measured at amortised cost is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, or expires).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Company, including amounts charged or credited to current accounts of the Company's counterparties held with the Company, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Loans and advances to customers. Loans and advances to customers are recorded when the Company advances money to originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Company classifies loans and advances to customers AC category loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 18 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Depreciation of other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Office equipment	3
IT equipment	3
Computer software	3
Furniture and fixtures	4
Premises and equipment	5
Leasehold improvements	Shorter of useful life and the term of the underlying lease
Right-of-use asset	Shorter of useful life and the term of the underlying lease

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Company's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software. Capitalised computer software is amortised on a straight-line basis over expected useful lives of 3 years.

Accounting for leases by the Company as a lessee. The Company leases office premises and equipment. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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:

1 fixed payments (including in-substance fixed payments), less any lease incentives receivable;

2 variable lease payment that are based on an index or a rate;

3 amounts expected to be payable by the lessee under residual value guarantees;

4 the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

5 payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

As an exception to the above, the Company accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight-line basis.

In determining the lease term, management of the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Borrowed funds. *B*orrowed funds include shareholder loans, loans obtained from unrelated non-financial institutions and funding obtained from peer-to-peer financing platform.

Shareholder loans are carried at AC.

Subordinated debt. Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

Income taxes. Income taxes have been provided for in the annual financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Company controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at AC.

Share capital. Ordinary shares and redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the annual financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations.

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Foreign currency translation. The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and the Company's presentation currency, is the national currency of Namibia, Namibian Dollar ('NAD').

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the national banks of the respective countries at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the national banks of the respective countries, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

The results and financial position of the Company are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

When control over a foreign operation is lost, the exchange differences previously recognised in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

At 31 December 2020, the principal rate of exchange used for translating foreign currency balances was as follows:

	31.12.2020	31.12.2019
NAD / EUR	17.9910	15.7667

Staff costs and related contributions. Wages, salaries, contributions to the Company jurisdictions state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Presentation of statement of financial position in order of liquidity. The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 177 for analysis of financial instruments by their maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 177.

	31 December 2020 Amounts expected to be recovered or settled			**31 December 2019 Amounts expected to be recovered or settled**		
In NAD	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**
ASSETS						
Other financial assets	8 755	12 745 502	12 754 257	3 864 705	-	3 864 705
Other assets	1 518 991	2 985 486	4 504 477	326 846	1 567 233	1 894 079
Deferred commission	275 778	-	275 778	147 505	-	147 505
Deferred income tax asset	-	5 472 881	5 472 881	-	6 977 405	6 977 405
Right-of-Use asset	1 647 003	963 049	2 610 052	2 143 730	566 224	2 709 954
LIABILITIES						
Borrowed funds	(46 287 692)	(22 830 032)	(69 117 724)	(75 786 145)	-	(75 786 145)
Other financial liabilities	(18 817 338)	-	(18 817 338)	(11 671 093)	-	(11 671 093)
Other liabilities	(6 279 141)	-	(6 279 141)	(3 042 370)	-	(3 042 370)
Lease liability	(1 712 641)	(1 027 112)	(2 739 753)	(1 753 939)	(1 051 879)	(2 805 818)

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the annual financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the annual financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 17. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Going concern. Management prepared these annual financial statements on a going concern basis. In making this judgement management considered the Company's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of recent macro-economic developments on future operations of the Company. Note 24

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Company compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Company considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios.

Write-off policy. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement. Management considered the following indicators that there is no reasonable expectation of recovery: loans being past due over 360 days, death of the borrower, proved fraud cases. Management also considers, based on past practices, that contractual default interest is not collectible for loans overdue over 360 days. Therefore, the default interest was written-off from the gross carrying amounts of the respective loans.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

4 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Company has not early adopted.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The standard is not relevant to the Company as it does not have insurance contracts.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if are no outputs. The definition of the term ‘outputs’ is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a ‘concentration test’. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Company will apply them and assess their impact from 1 January 2020.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company is currently assessing the impact of the amendments on its financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Company is currently assessing the impact of the amendments on its annual financial statements.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company’s annual financial statements.

5 Cash and Cash Equivalents

In NAD	**2020**	**2019**
Cash on hand	15 476 359	12 134 262
Money in transit	-	(2 196 798)
Total cash and cash equivalents	**15 476 359**	**9 937 464**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2020. Refer to Note 17 for the description of the Company's credit risk grading system.

In NAD	**Placements with other banks, 31.12.2020**	**Placements with other banks, 31.12.2019**
- Excellent	15 476 359	9 937 464
- Good	-	-
- Satisfactory	-	-
- Special monitoring	-	-
Total cash and cash equivalents, excluding cash on hand	**15 476 359**	**9 937 464**

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Company did not recognise any credit loss allowance for cash and cash equivalents. Unlimited suretyship dated 16 October 2017, signed on behalf of Express Credit Cash Advance (Pty) Ltd, by EJ Marais, the director.

Interest rate analysis of cash and cash equivalents is disclosed in Note 17. Information on related party balances is disclosed in Note 22.

6 Loans and Advances to Customers

In NAD	**31 December 2020**	**31 December 2019**
Current Loans and Advances to Customers		
Gross carrying amount of loans and advances to customers at AC	78 936 033	66 223 304
Less credit loss allowance	(14 030 449)	(19 000 694)
Total carrying amount of loans and advances to customers at AC	**64 905 584**	**47 222 610**

In NAD	**Credit loss allowance**				**Gross carrying amount**			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
At 31 December 2019	**4 169 693**	**4 087 943**	**10 743 058**	**19 000 694**	**43 205 974**	**6 439 886**	**16 577 444**	**66 223 304**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(249 283)	(419 192)	668 475	-	-	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(756 613)	(1 538 884)	2 295 497	-	(5 582 842)	(2 696 235)	8 279 077	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	442 558	(141 625)	(300 933)	-	634 543	(244 109)	(390 434)	-
New originated or purchased	1 438 748	1 601 977	7 920 583	10 961 308	236 538 476	5 517 847	10 710 651	252 766 974
Write-off movement	(525 962)	-	(23 090 921)	(23 616 883)	-	-	(31 205 012)	(31 205 012)
Loan repayments	(3 080 389)	(1 988 242)	(2 515 636)	(7 584 267)	(216 085 757)	(3 499 542)	(3 263 381)	(222 848 680)
Total movements with impact on credit loss allowance charge for the period	**(2 730 941)**	**(2 485 966)**	**(15 022 935)**	**(20 239 842)**	**15 504 420**	**(922 039)**	**(15 869 099)**	**(1 286 718)**
Movements without impact on credit loss allowance charge for the period:	-	-	-	-	(1 313 089)	-	42 939	(1 270 150)
Write-offs:	-	-	15 269 597	15 269 597	-	-	15 269 597	15 269 597
At 31 December 2020	**1 438 752**	**1 601 977**	**10 989 720**	**14 030 449**	**57 397 305**	**5 517 847**	**16 020 881**	**78 936 033**

In NAD	**Credit loss allowance**				**Gross carrying amount**			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
At 31 December 2018	**218 327**	**466 267**	**1 521 282**	**2 205 876**	**13 335 356**	**1 661 435**	**1 585 218**	**16 582 009**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
New originated or purchased	3 920 410	3 668 751	10 579 724	18 168 885	43 205 974	6 439 886	13 726 905	63 372 765
Write-off movement	220 087	213 444	706 076	1 139 607	-	-	-	-
Loan repayments	(189 131)	(260 519)	(268 977)	(718 627)	(13 335 356)	(1 661 435)	(1 556 336)	(16 553 127)
Total movements with impact on credit loss allowance charge for the period	**3 951 366**	**3 621 676**	**11 016 823**	**18 589 865**	**29 870 618**	**4 778 451**	**12 170 569**	**46 819 638**
Movements without impact on credit loss allowance charge for the period:			(4 021 945)	(4 021 945)	-	-	594 759	594 759
Write-offs:	-	-	2 226 898	2 226 898	-	-	2 226 898	2 226 898
At 31 December 2019	**4 169 693**	**4 087 943**	**10 743 058**	**19 000 694**	**43 205 974**	**6 439 886**	**16 577 444**	**66 223 304**

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting and comparative periods:

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 7. Below main movements in the table are described:

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes to model assumptions, including changes in PDs, EADs and LGDs in the period, arising from update of inputs to ECL models;
- Unwinding of discount due to the passage of time because ECL is measured on a present value basis;
- Write-offs of allowances related to assets that were written off during the period.

The following tables contain analyses of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Company's maximum exposure to credit risk on these loans.

The credit quality of loans to customers carried at amortised cost is as follows at 31 December 2020

31.12.2020 In NAD	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
- Current	52 504 520	-	-	52 504 520
- 1-30 days past due	4 892 785	-	-	4 892 785
- 31-60 days past due	-	3 129 954	-	3 129 954
- 61-90 days past due	-	2 387 893	-	2 387 893
- Default	-	-	16 020 881	16 020 881
Gross carrying amount	**57 397 305**	**5 517 847**	**16 020 881**	**78 936 033**
Credit loss allowance	1 438 752	1 601 977	10 989 720	14 030 449
Carrying amount	**55 958 553**	**3 915 870**	**5 031 161**	**64 905 584**

31.12.2019 In NAD	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
- Current	37 470 509	-	-	37 470 509
- 1-30 days past due	5 735 465	-	-	5 735 465
- 31-60 days past due	-	4 258 318	-	4 258 318
- 61-90 days past due	-	2 181 568	-	2 181 568
- Default	-	-	16 577 444	16 577 444
Gross carrying amount	**43 205 974**	**6 439 886**	**16 577 444**	**66 223 304**
Credit loss allowance	4 169 693	4 087 943	10 743 058	19 000 694
Carrying amount	**39 036 281**	**2 351 943**	**5 834 386**	**47 222 610**

At 31 December 2020 the Company had 18 765 borrowers (2019: 13 567 borrowers). The outstanding contractual amounts of loans and advances to customers written off that are still subject to enforcement activity was as follows at 31 December 2020 and 31 December 2019:

In NAD	**31 December 2020**	**31 December 2019**
Loans and advances to customers written off	15 269 597	2 226 898
Total	**15 269 597**	**2 226 898**

The Company's policy is to complete legal enforcement steps that were initiated even though the loans were written off as there is no reasonable expectation of recovery.

The Company does not require and does not hold any collateral for the loans issued to customers.

Loans and advances in amount of NAD 30 109 183 have been used as a security for the borrowings from peer-to-peer lending platform (refer to Note 9).

7 Other Financial Assets and Other Assets

Other financial assets comprise the following:

In NAD	**2020**	**2019**
Other financial assets at AC		
Receivables from collection agencies	2 421	24 448
Loans and receivables from related parties	12 751 836	3 840 257
Less credit loss allowance	-	-
Total other financial assets at AC	**12 754 257**	**3 864 705**

Loans and receivables from related parties contain an unsecured loan to a related party of NAD 12 745 502 which carries an annual interest rate of 12.5%. Loan to a related part is receivable on 31 December 2022 whilst the recovery of the receivable is expected in 2021 when the respective related party will refinance its liabilities. The loan is denominated in South African Rand (ZAR).

The management has assessed the expected credit losses from the other financial assets and assessed it to be 0 due to the short-term nature of the receivables and their expected settlement within the next financial year. The settlement will cover the outstanding loan balance and accrued interest as at the reporting period end and interest generated in the subsequent months till the settlement. Given that the effective interest rate of the loan equals the nominal interest rate as there are no other fees and charges then the expected credit loss allowance was assessed to be equal to nil.

Other assets comprise the following:

In NAD	**2020**	**2019**
Prepayments for services	2 985 486	148 230
Security deposits	356 826	326 846
Deferred insurance expense	623 124	-
Advances paid	539 041	1 419 003
Total other assets	**4 504 477**	**1 894 079**

8 Premises, Equipment and Intangible Assets

In NAD	Office equipment	IT equipment	Computer software and licences	Furniture and fixtures	Premises and equipment	Leasehold improvements	ROU asset	Total
Carrying amount at 31 December 2018 Restated	**50 824**	**232 529**	**20 463**	**340 473**	**112 796**	**35 388**	**-**	**792 473**
Transfers upon adoption of IFRS 16, *Leases*	-	-	-		-	-	4 243 124	4 243 124
Additions	288 953	542 860	13 667	76 802	314 763	425 622	-	1 662 667
Cost at 31 December 2019	**377 245**	**875 916**	**43 655**	**465 338**	**446 940**	**461 010**	**4 243 124**	**6 913 228**
Depreciation	(102 460)	(139 345)	(15 732)	(87 511)	(61 699)	(42 841)	(1 533 170)	(1 982 758)
Accumulated depreciation	(139 928)	(239 870)	(25 258)	(135 574)	(81 080)	(42 841)	(1 533 170)	(2 197 721)
Carrying amount at 31 December 2019	**237 317**	**636 045**	**18 398**	**329 764**	**365 860**	**418 169**	**2 709 954**	**4 715 507**
Additions	116 635	344 294	15 948	118 540	-	105 666	2 387 944	3 089 027
Cost at 31 December 2020	**493 880**	**1 220 210**	**59 603**	**583 878**	**446 940**	**566 676**	**6 631 068**	**10 002 255**
Depreciation	(34 755)	(365 776)	(14 250)	(193 636)	(109 119)	(120 696)	(2 487 847)	(3 326 079)
Accumulated depreciation	(187 980)	(637 812)	(42 854)	(358 300)	(173 587)	(163 537)	(4 021 016)	(5 585 086)
Carrying amount at 31 December 2020	**319 197**	**614 563**	**20 096**	**254 668**	**256 741**	**403 139**	**2 610 051**	**4 478 455**

Expense relating to variable lease payments not included in lease liabilities included in general and administrative expenses of 2020 was NAD 2 487 846 (2019: NAD 1 464 766).

Total cash outflow for leases in 2020 was NAD 2 733 thousand (2019: NAD 1 740 thousand).

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company’s operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

9 Borrowed Funds

In NAD	**2020**	**2019**
Current Borrowings		
Borrowings from related parties	16 178 509	48 181 622
Borrowings from not related parties	-	-
Borrowings from peer-to-peer lending platform	30 109 183	27 604 523
Non-current Borrowings		
Borrowings from related parties	7 830 032	-
Borrowings from not related parties	15 000 000	-
Borrowings from peer-to-peer lending platform	-	-
Total borrowed funds at AC	**69 117 724**	**75 786 145**

The unsecured related party debt in amount of NAD 7 830 032 carries a variable interest rate of 3% above the Namibian Prime Lending rate per annum and the lender has signed a subordination agreement in favour of and for the benefit of other creditors and have deferred loan repayment until the company's assets, fairly valued, exceed its liabilities. The related party debt repayment is on or before 31st December 2022. The unsecured related party debt of NAD 16 178 509 carries a fixed interest rate of 5% per annum. The related party debt repayment is on or before 31st December 2021.

The unsecured non-related party debt of NAD 15 000 000 carries a variable interest rate of 5% above the Namibian Prime Lending rate per annum. The non-related party debt repayment is 3 years from the date of drawdown of the respective tranche. The date of the drawdown is October the 28th 2020.

Borrowings from Mintos peer-to-peer lending platform are secured with the Company’s loans and advances from customers which have been listed in Mintos platform. The borrowings from Mintos carry a variable interest rate of 3% above the Namibian Prime Lending rate per annum and the weighted average remaining maturity of 1 month.

10 Lease Liabilities

Lease Liabilities	**Buildings or premises**
As at 1 January 2020	**2 805 818**
New additions	2 387 944
Interest expenses	278 888
Lease payments	(2 732 897)
As at 31 January 2020	**2 739 753**

In NAD	**Due within 1 year**	**Due between 1 and 5 years**	**Total**
Minimum lease payments at 31 December 2020	**1 912 927**	**1 077 744**	**2 990 671**
Less future finance charges	(200 286)	(50 632)	(250 918)
Present value of minimum lease payments at 31 December 2020	**1 712 641**	**1 027 112**	**2 739 753**

11 Other Financial Liabilities and Other Liabilities

Other financial liabilities comprise the following:

In NAD *Other financial liabilities at AC*	**2020**	**2019**
Trade payables	2 419 000	1 717 926
Insurance payable	623 649	-
Payables to related parties	15 774 689	9 953 167
Total other financial liabilities at AC	**18 817 338**	**11 671 093**

Other liabilities comprise the following:

In NAD	**2020**	**2019**
Accrued expenses	476 732	373 955
Withholding tax payable	1 253 212	571 676
Social Security tax payable	299 898	205 579
VAT payable	3 991 307	1 820 103
Other payables	257 992	71 057
Total other liabilities	**6 279 141**	**3 042 370**

12 Share Capital and Capital Contribution

In NAD	**Number of authorized shares**	**Ordinary shares**	**Capital Contribution**	**Total**
At 31 December 2019	4 000	100	-	100
Capital Contribution	-	-	45 862 878	45 862 878
At 31 December 2020	**4 000**	**100**	**45 862 878**	**45 862 978**

There have been no changes to the number of authorised and issued share capital during the year under review.

On 9th of December the Company's shareholder YesCash Group Ltd. subscribed for 1000 preference shares of the Company with a view to convert YesCash Group Ltd. loan to the Company into redeemable preference shares. Whilst the subscription agreement has been approved and authorised in December 2020 the formalisation of the conversion is to be completed in April 2021. This circumstance does not affect the classification of YesCash Group Ltd. loan balance as capital contribution to equity as at 31st December 2020.

On 21 January 2021 there has been a conversion of 1000 ordinary shares into redeemable preference shares with a nominal value of NAD 1 000 and a premium amount of 45 861 878 without changing the amount of the authorised share capital.

The redeemable cumulative preference shareholders have the rights to receive the dividends in the same amount as the holders of ordinary share capital but in priority relatively to them. Redemption date is determined by the Company but it cannot be earlier than the first anniversary of the preference share issuance date or in case of a winding-up of the Company.

13 Interest Income and Expense

In NAD	**2020**	**2019**
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	64 713 726	37 461 391
Total interest income calculated using the effective interest method	**64 713 726**	**37 461 391**
Other similar income		
Non-interest income	5 997 005	1 758 478
Total other similar income	**5 997 005**	**1 758 478**
Total interest and similar income	**70 710 731**	**39 219 869**
Interest and other similar expense		
Borrowed funds from related parties	(4 769 952)	(3 783 709)
Borrowed funds from peer-to-peer lending platform	(333 904)	(541 878)
Borrowed funds from non-related parties	(4 838 184)	-
Total interest expense	**(9 942 040)**	**(4 325 587)**
Net margin on interest and similar income	**60 768 691**	**34 894 282**

14 Administrative and Other Operating Expenses

In NAD	**2020**	**2019**
Staff costs	15 768 067	7 160 049
Management fees	22 961 988	10 632 979
Taxes other than on income	4 060 474	1 874 249
Depreciation of premises and equipment	3 306 824	1 987 415
Collection costs	3 212 942	1 523 906
Regulatory expenses	2 558 143	1 868 476
Advertising and marketing services	1 770 444	2 973 576
Bank fees	1 285 923	1 460 359
IT costs	1 033 719	707 598
Commissions expenses	904 618	378 032
Professional services	854 231	529 890
Utilities	852 281	426 856
Office expenses	780 171	413 108
Sundry expenses	646 359	109 603
Communication costs	442 910	327 667
Travel costs	377 758	407 796
Data costs	348 981	482 988
Amortisation of software and other intangible assets	19 254	(4 658)
Premises and equipment	9 499	75 431
Total administrative and other operating expenses	**61 194 586**	**33 335 320**

15 Income Taxes

(a) Components of income tax benefit

Income tax expense

In NAD	2020	2019
Current tax	-	-
Deferred tax	1 504 524	(4 741 251)
Income tax credit for the year	**1 504 524**	**(4 741 251)**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Company's 2020 income is 32% (2019: 32%). A reconciliation between the expected and the actual taxation charge is provided below.

In NAD	2020	2019
Profit/(loss) before tax	**(14 898 367)**	**(16 844 678)**
Theoretical tax charge/credit at statutory rate (2020: 32%; 2019: 32%)	(4 767 477)	(5 390 297)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-taxable impact from IFRS 16	366 112	-
Other non-taxable items	662 834	75 628
Other non-deductible expenses	5 243 055	22 410
Adjustment to previous DT calculations	-	551 008
Income tax expense/(credit) for the year	**1 504 524**	**(4 741 251)**

(c) Tax loss carry forwards

The estimated tax loss available for set off against future taxable income is NAD 39 186 778 (2019: NAD 7 865 262).

(d) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

The Company has prepared detailed financial projections covering the period until 31st December 2024. These projections are based on the multiple tranches of funding that are expected to be received by the end of 2020 and which will be used to facilitate the growth of the loan book substantially by applying nationwide marketing campaigns and introducing wider product range to the market. The increased loan book together with well-established sales network and microlending infrastructure will allow the Company to become profitable in 2021. The debt funding is expected to be Namibian dollar denominated; hence it will limit the Company's exposure to EUR/NAD exchange rate fluctuations which positively contributes to the profit. Based on these projections' management expects that the Company will be able to fully utilise these tax losses over the forthcoming years.

In NAD	1 January 2020	Credited/ (charged) to profit or loss	31 December 2020
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
Premises and equipment	(202 252)	(46 415)	(248 667)
IFRS adjustment	376 939	(366 112)	10 827
Credit loss allowance of loans	3 357 619	(8 477 590)	(5 119 971)
Tax loss carry forwards	3 727 670	8 812 099	12 539 769
Provision for Severance allowances	119 383	33 171	152 554
Income received in advance	165 392	119 054	284 446
Prepaid expenses	(606 105)	(662 834)	(1 268 939)
Other	38 759	(915 897)	(877 138)
Net deferred tax asset/(liability)	**6 977 405**	**(1 504 524)**	**5 472 881**
Recognised deferred tax asset	7 785 762	5 201 835	12 987 597
Recognised deferred tax liability	(808 357)	(6 706 359)	(7 514 716)
Net deferred tax asset/(liability)	**6 977 405**	**(1 504 524)**	**5 472 881**

Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards	1 January 2019	Credited/ (charged) to profit or loss	31 December 2019
Premises and equipment	(113 013)	(89 239)	(202 252)
IFRS adjustment	-	376 939	376 939
Credit loss allowance of loans	569 493	2 788 126	3 357 619
Tax loss carry forwards	1 779 674	1 947 996	3 727 670
Provision for Severance allowances	-	119 383	119 383
Income received in advance	-	165 392	165 392
Prepaid expenses	-	(606 105)	(606 105)
Other	-	38 759	38 759
Net deferred tax asset/(liability)	**2 236 154**	**4 741 251**	**6 977 405**
Recognised deferred tax asset	2 349 167	5 436 595	7 785 762
Recognised deferred tax liability	(113 013)	(695 344)	(808 357)
Net deferred tax asset/(liability)	**2 236 154**	**4 741 251**	**6 977 405**

16 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out movements in the Company's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

In NAD	Peer-to-peer borrowed funds	Nonrelated party borrowed funds	Related party borrowed funds	Lease liabilities	Total
Liabilities from financing activities at 1 January 2019	**-**	**-**	**25 582 825**	**4 243 124**	**29 825 949**
Cash flows	27 221 622	-	14 207 050	(1 740 170)	39 688 502
Foreign exchange adjustments	224 146	-	6 111 011	-	6 335 157
Other non-cash movements	158 755	-	2 280 736	302 864	2 742 355
Liabilities from financing activities at 31 December 2019	**27 604 523**	**-**	**48 181 622**	**2 805 818**	**78 591 963**

In NAD	Peer-to-peer borrowed funds	Nonrelated party borrowed funds	Related party borrowed funds	Lease liabilities	Total
Liabilities from financing activities at 1 January 2020	**27 604 523**	**-**	**48 181 622**	**2 805 818**	**78 591 963**
Cash flows	9 422 426	15 000 000	17 210 213	(2 732 897)	38 899 742
Foreign exchange adjustments	(6 876 086)	-	308 267	-	(6 567 819)
Other non-cash movements	(41 680)	-	(41 691 561)	2 666 832	(39 066 409)
Liabilities from financing activities at 31 December 2020	**30 109 183**	**15 000 000**	**24 008 541**	**2 739 753**	**71 857 477**

17 Financial Risk Management

The risk management function within the Company is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk. The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the annual statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Expected credit loss (ECL) measurement. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period.* The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. As a matter of exception from determining the lifetime exposure based on contractual maturity, for credit cards issued to individuals, the lifetime exposure is measured over a period that is based on expected life of the credit card contracts, based on internal statistics, and it is equal on average to 1 to 5 months.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

For purposes of measuring PD, the Company defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower meets the unlikeliness-to-pay criteria listed below:
  - the borrower is deceased;
  - the borrower is insolvent;

For purposes of disclosure, the Company fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Company.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. SICR is assessed either on a portfolio basis. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Company's Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

For loans to Individuals:

- 30 days past due;
- Relative threshold defined on the basis of a portfolio for products without existing scoring models: the Group regularly monitors segments with increased credit risk (regions of higher credit risk, failed products, products on which issuing was stopped) and considers such portfolios to have a SICR.

The level of ECL that is recognised in these annual financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Company monitors whether that indicator continues to exist or has changed.

The Company determines the staging of the exposures and measures the loss allowance on a collective basis. The Company analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (such as wholesale or retail), product type, date of initial recognition, term to maturity. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Company uses statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes.

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement is based on the calculation of LGD on a portfolio basis based on recovery statistics.

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided on annual basis and provide the best estimate of the expected macro-economic development over the next five years. After five years, a mean reversion approach is used, which means that economic variables tend to revert to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP). The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The Company regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such back testing is performed at least once a year.

The results of back testing the ECL measurement methodology are communicated to Company Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Company’s exposure to foreign currency exchange rate risk at the end of the reporting period:

	31 December 2020			**31 December 2019**		
In NAD	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
EUR	16 040 866	(62 082 023)	(46 041 157)	5 259 260	(39 838 425)	(34 579 165)
Total	**16 040 866**	**(62 082 023)**	**(46 041 157)**	**5 259 260**	**(39 838 425)**	**(34 579 165)**

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant:

	At 31 December 2020		**At 31 December 2019**	
In NAD	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
NAD strengthening by 5% (2019: strengthening by 5)	2 192 436	2 192 436	1 646 627	1 646 627
NAD weakening by 20% (2019: weakening by 20%)	(9 208 231)	(9 208 231)	(6 915 833)	(6 915 833)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective Company.

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In NAD	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
31 December 2020					
Total financial assets	52 438 382	46 945 130	820 322	18 577 167	118 781 001
Total financial liabilities	2 626 407	49 447 999	931 384	48 983 266	101 989 056
Net interest sensitivity gap at 31 December 2020	**49 811 975**	**(2 502 869)**	**(111 062)**	**(30 406 099)**	**16 791 945**
31 December 2019					
Total financial assets	29 727 831	34 000 068	-	-	63 727 899
Total financial liabilities	(6 877 728)	(27 908 725)	(60 078 755)	(932 557)	(95 797 765)
Net interest sensitivity gap at 31 December 2019	**22 850 103**	**6 091 343**	**(60 078 755)**	**(932 557)**	**(32 069 866)**

At 31 December 2020 and 2019 all the Company's assets and liabilities had both fixed and variable interest rates.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash-settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Treasury department of the Group.

The liquidity management of the Group requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities.

The table below shows liabilities at 31 December 2019 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial instruments at 31 December 2020 is as follows:

In NAD	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
Assets					
Cash and cash equivalents	15 476 359	-	-	-	15 476 359
Loans and advances to customers	36 953 268	46 945 130	820 322	2 446 141	87 164 861
Other financial assets	8 755	-	-	16 131 026	16 139 781
Total	**52 438 382**	**46 945 130**	**820 322**	**18 577 167**	**118 781 001**
Liabilities					
Borrowed funds	489 416	31 786 109	-	47 905 522	80 181 047
Lease liabilities	139 220	842 323	931 384	1 077 744	2 990 671
Other financial liabilities	1 997 771	16 819 567	-	-	18 817 338
Total potential future payments for financial obligations	**2 626 407**	**49 447 999**	**931 384**	**48 983 266**	**101 989 056**
Liquidity gap arising from financial instruments	**49 811 975**	**(2 502 869)**	**(111 062)**	**(30 406 099)**	**16 791 945**

The maturity analysis of financial instruments at 31 December 2019 is as follows:

In NAD	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
Assets					
Cash and cash equivalents	9 937 464	-	-	-	9 937 464
Loans and advances to customers	17 881 346	32 044 384	-	-	49 925 730
Other financial assets	1 909 021	1 955 684	-	-	3 864 705
Total	**29 727 831**	**34 000 068**	**-**	**-**	**63 727 899**
Liabilities					
Borrowed funds	(5 582 585)	(25 121 008)	(50 385 016)	-	(81 088 609)
Lease liabilities	(197 808)	(989 041)	(918 657)	(932 557)	(3 038 063)
Other financial liabilities	(1 097 335)	(1 798 676)	(8 775 082)	-	(11 671 093)
Total potential future payments for financial obligations	**(6 877 728)**	**(27 908 725)**	**(60 078 755)**	**(932 557)**	**(95 797 765)**
Liquidity gap arising from financial instruments	**22 850 103**	**6 091 343**	**(60 078 755)**	**(932 557)**	**(32 069 866)**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Company. It is unusual for entities of the industry ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of creditors, and the past experience of the Company would indicate that these customer accounts provide a long-term and stable source of funding for the Company.

18 Management of Capital

The Company's objectives when managing capital are (i) to comply with the capital requirements set by the legislation of the jurisdictions where the Company operates, (ii) to safeguard the Company's ability to continue as a going concern.

The Company notes that without the prior approval of Exchange Control, Namibian companies may not:

• Accept loans from their non-resident shareholders; or

• Effect repayment to non-resident shareholders of loans for which permission had previously been granted.

Special considerations regarding the acceptance and repayment of loans have been considered when the non-resident interest in the Namibian company is 75% or greater, and these are outlined hereunder.

The ratio of 3:1 must be adhered to for working capital requirements. This is to say that for every NAD 3-00 working capital loan funds the company wishes to avail of, it must have NAD 1-00 capitalized in their capital or share premium account.

19 Contingencies and commitments

Lease commitments at 31 December 2020. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases at 31 December 2020 are as follows:

In NAD	**2020**
Not later than 1 year	1 912 927
Later than 1 year and not later than 5 years	1 077 744
Later than 5 years	-
Total lease commitments	**2 990 671**

The Company does not have any commitments or contractual obligations related to the loan applications received and approved before the year-end and that are expected to be disbursed after the year-end.

20 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

The Company does not hold financial instruments which are subject to recurring fair value measurements.

(b) Valuation processes for recurring and non-recurring level 3 fair value measurements

Level 3 valuations are reviewed on a monthly basis by the Company's Finance department who report to the

Board of Directors on a monthly basis. The Finance department considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the financial services industry.

The level three debt instruments are valued at the net present value of estimated future cash flows. The Company also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

(c) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

			31 December 2020		
In NAD	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Total fair value**	**Carrying value**
ASSETS					
Loans and advances to customers at AC	-	-	66 222 987	66 222 987	64 905 584
Other financial assets	-	-	12 312 888	12 312 888	12 754 257
TOTAL	-	-	**78 535 875**	**78 535 875**	**77 659 841**

			31 December 2019		
In NAD	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Total fair value**	**Carrying value**
ASSETS					
Loans and advances to customers at AC	-	-	51 094 871	51 094 871	47 222 610
Other financial assets	-	-	3 864 705	3 864 705	3 864 705
TOTAL	**-**	**-**	**54 959 576**	**54 959 576**	**51 087 315**

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

			31 December 2020		
In NAD	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Total fair value**	**Carrying value**
FINANCIAL LIABILITIES					
Borrowed funds					
- Loans from related parties	-	-	21 340 925	21 340 925	24 008 541
- Loans from non-related parties	-	-	13 333 333	13 333 333	15 000 000
- Loans from peer-to-peer lending platform	-	-	26 202 304	26 202 304	30 109 183
Other financial liabilities					
- Trade payables	-	-	3 042 649	3 042 649	3 042 649
- Related party payables	-	-	15 774 689	15 774 689	15 774 689
TOTAL	-	-	**79 693 900**	**79 693 900**	**87 935 062**

In NAD	Level 1 fair value	Level 2 fair value	31 December 2019 Level 3 fair value	Total fair value	Carrying value
FINANCIAL LIABILITIES					
Borrowed funds					
- Loans from related parties	-	-	(43 150 688)	(43 150 688)	(48 181 622)
- Loans from peer-to-peer lending platform	-	-	(24 579 559)	(24 579 559)	(27 604 523)
Other financial liabilities					
- Trade payables	-	-	(1 717 926)	(1 717 926)	(1 717 926)
- Related party payables	-	-	(9 953 167)	(9 953 167)	(9 953 167)
TOTAL	**-**	**-**	**(79 401 340)**	**(79 401 340)**	**(87 457 238)**

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assets, the Company used assumptions about counterparty's incremental borrowing rate and prepayment rates.

Liabilities were discounted at the Company's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Company.

21 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC.

As of 31 December 2020, and 31 December 2019, all of the Company's financial assets and liabilities were carried at AC.

22 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

For the financial year ended 31 December 2020 key management and directors' remuneration amounted to NAD 5 757 323 (2019: NAD 2 424 507).

At 31 December 2020, the outstanding balances with related parties were as follows:

In NAD	Immediate parent company	Ultimate parent company	Other related parties
Other financial assets	-	-	12 745 502
Other assets	-	3 295 364	-
Borrowings	7 830 033	-	16 178 509
Other financial liabilities	15 774 689	-	-

The income and expense items with related parties for 2020 were as follows:

In NAD	Immediate parent company	Ultimate parent company	Other related parties
Interest income	-	31 207	534 003
Interest expense	(4 426 056)	(133 361)	(210 535)
Management fees and royalties	(22 961 988)	-	-
Foreign exchange gains/(losses)	(1 245 373)	742 787	1 325 211

23 Going Concern Assessment

We draw attention to the fact that for the year-ended 31 December 2020, the Company had losses of NAD 16 402 891 (2019: NAD 12 103 427) and that the Company's. accumulated loss balance as at 31 December 2020 is NAD 34 949 142 (31.12.2019: 18 546 251).

The annual financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement.

The ability of the company to continue as a going concern is dependent on several factors. The most significant of these is that the ultimate parent company continue to provide supporting services and financial assistance for the ongoing operations for the company and that the subordination agreement will remain in force for so long as it takes to restore the solvency of the company.

We are not aware of any new material changes that may adversely impact the company. On the contrary - The Namibian business has evolved to obtain a deduction code from the Ministry of Finance in 2020. The Shareholding structure were revised to strengthen the business strategically in offering credit to the Government employees, which allowed for Namibian debt invested in the business that significantly mitigated foreign exchange risk.

We are not aware of any material non-compliance with statutory or regulatory requirements of any pending changes to legislation which may affect the company.

The Company has prepared detailed financial projections covering the period until 31st December 2024 and an independent valuation performed by Cirrus Capital on the prospects of the business and expected profitability over the next five years. These projections are based on the multiple tranches of funding that are expected to be received and which will be used to facilitate the growth of the loan book substantially by applying nationwide marketing campaigns and introducing wider product range to the market. The increased loan book together with well-established sales network and microlending infrastructure will allow the Company to become profitable in 2021.

The debt funding is expected to be Namibian dollar denominated; hence it will limit the Company’s exposure to EUR/NAD exchange rate fluctuations which positively contributes to the profit.

In addition, the Company collection strategy will improve due to the use of ENDO and Government Deduction code and reduce provision for debt debts significantly.

Based on these projections’ management expects that the Company will be able to be profitable in the future.

24 Events after the Reporting Period

The impact of Covid 19 remains a focus and uncertain outlook and we believe it is under control with branches fully operational and business continue as usual. Legislation with reference to critical services includes the offering of short-term finance. We believe the demand for loans will as a result of COVID-19 will and has increased and the affordability therefore will be as stringent as possible to allow minimal credit risk to the business in the light of specific industries such as hospitality to allow customers are able to repay their borrowings.

The operations of the Company have not been significantly encumbered, and client service is proceeding in compliance with required health and safety precautions.

Based on available information, the management of the Company has analysed the potential negative effects on the operations and has not identified any circumstances which might threaten the continuity of operations or result in a substantial impact on the 2020 financial statements.

On 21 January 2021 there has been a conversion of 1000 ordinary shares into redeemable preference shares with a nominal value of NAD 1 000 and a premium amount of 45 861 878 without changing the amount of the authorised share capital. The redeemable cumulative preference shareholders have the rights to receive the dividends in the same amount as the holders of ordinary share capital but in priority relatively to them. Redemption date is determined by the Company, but it cannot be earlier than the first anniversary of the preference share issuance date or in case of a winding-up of the Company.

25 Abbreviations

The list of the abbreviations used in these annual financial statements is provided below:

Abbreviation	Full name
AC	Amortised Cost
CCF	Credit Conversion Factor
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective interest rate
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX, Forex	Foreign Currency Exchange
IFRS	International Financial Reporting Standard
LGD	Loss Given Default
PD	Probability of Default
POCI financial assets	Purchased or Originated Credit-Impaired financial assets
ROU asset	Right of use asset
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest
SPPI test	Assessment whether the financial instruments’ cash flows represent Solely Payments of Principal and Interest