Finclusion Africa Holdings Limited and its subsidiaries

(Registration number 168807 GBC)

Consolidated and Separate Annual Statements for the year ended 31 December 2023

GENERAL INFORMATION

Country of incorporation and domicile	Mauritius
Nature of business and principal activities	Private holding company that operates in and holds investments in Sub Saharan Africa. Fin is a financial services group with a tech-based service offering that includes debt-financing, financial wellness, embedded credit, insurance and AI-driven credit modelling solutions.
Directors	**Executive** Timothy Nuy Tonderai Mutesva **Non-executive** Matsi Modise Preetam Prayag Manuel Koser Lutz Seebacher Leonard Stiegler Ashvin Chundoo
Registered office	C/o Imara Trust Company (Mauritius) Limited 9th Floor, NeXSky Building Ebène Cybercity 72201 Mauritius
Corporate Secretary and Administrator	C/o Imara Trust Company(Mauritius) Limited 9th Floor, NeXSky Building Ebène Cybercity 72201 Mauritius
Auditors	Nexia Baker & Arenson 5th floor C&R Court 49, Labourdonnais Street Port Louis Mauritius
Banker	AfrAsia Bank Limited Bowen Square 10, Dr Ferriere Street Port Louis
Company registration number	168807 GBC
Level of assurance	These financial statements have been audited in compliance with International Standards on Auditing and complies with the Mauritius Companies Act 2001.
Preparer	The annual financial statements were internally compiled by: Finclusion Africa Holdings Limited
Published	19 July 2024

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Who we are

Finclusion Group Limited (Fin)

Fin is simply smarter finance for everybody. Our competitive edge is a strong brand name backed by a digital and partnership-driven distribution model.

Together with our partners, we provide credit, savings, insurance and more financial wellness products; in a fast, convenient and reliable manner.

Our credit portfolio includes vehicle purchase loans, incremental housing development loans, payroll loans, housing, medical loans and BNPL - with a desire to move into savings and cards.

Active Clients: >24K

Partners: >2,000

Employees: 180

Loan book: $ 26.0m

We are changing lives through financial services.
We are building Fin – Africa's credit-led Neobank

	USDm	YoY %
Gross loans	26.0	6%
Embedded credit portfolio	6.4	82%
Total revenue	13.4	6%
Embedded credit revenue	2.4	210%

Active in **South Africa, Kenya, and Tanzania.**

fin

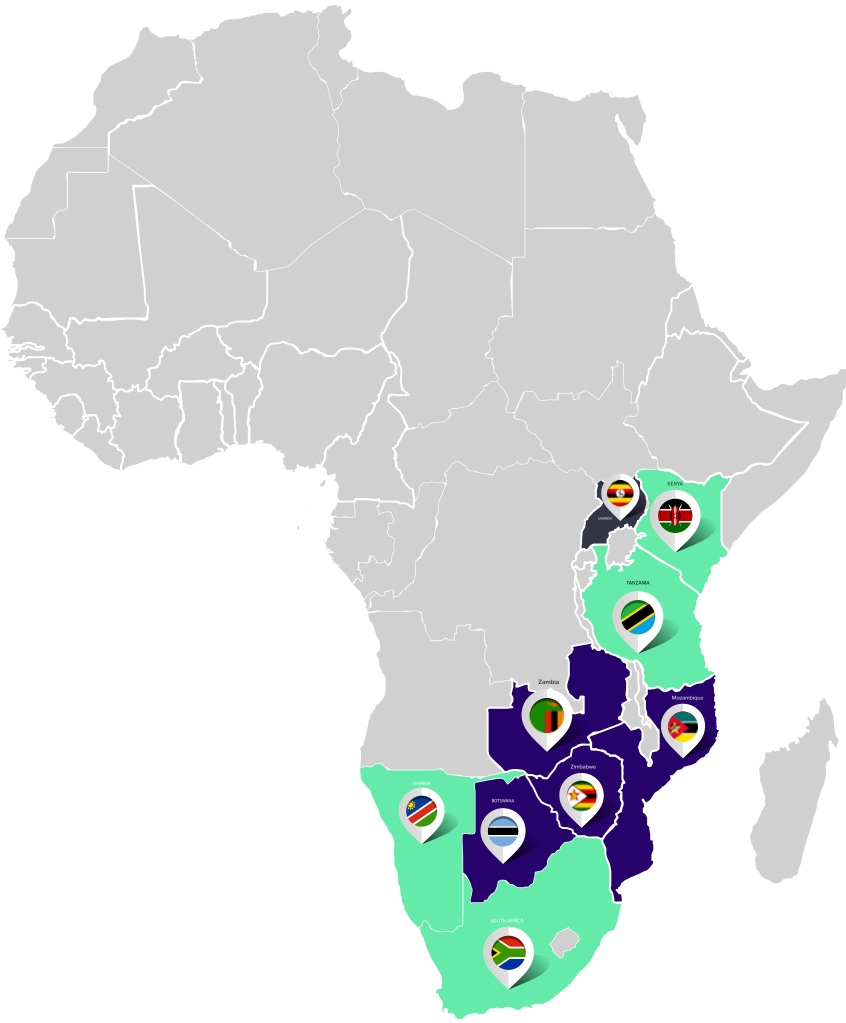
FIN Group Snapshot

Founded in 2019; >**USD 13m revenues**

Loan book growth of 6% year-on-year

>**250k** Customers served across **5 African** Countries:

Footprint

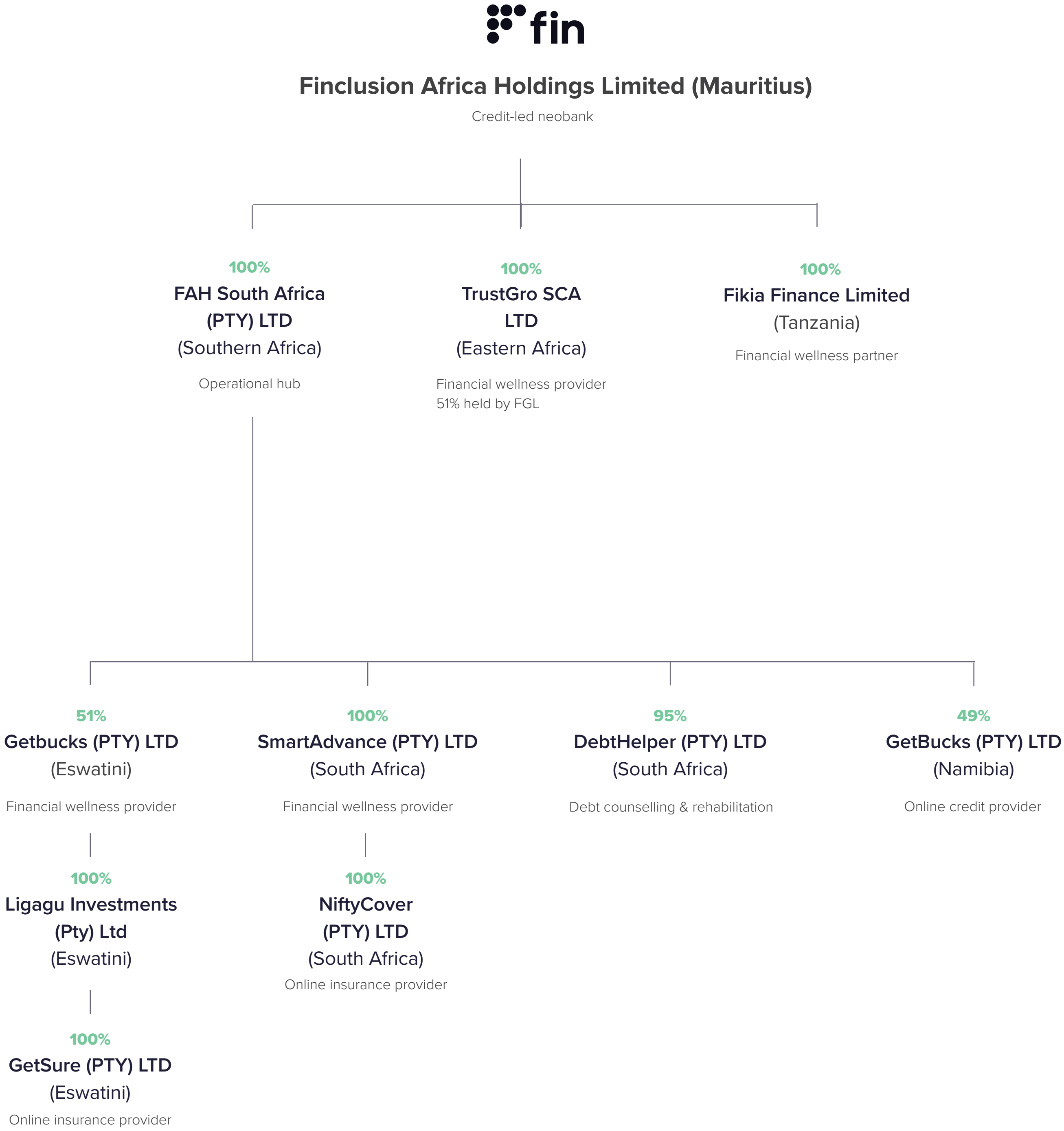


5 **Lending Operations**
Kenya | Tanzania | South Africa
Eswatini | Namibia

3 **Tech Hub**
Uganda | Kenya | South Africa

13 **Risk Scoring**
Active credit risk clients

Group structure



Corporate structure

Board of directors

The Fin Board comprises seasoned professionals with vast expertise in the African credit sector, predominantly composed of independent non-executive directors.

Matsi Modise
Chairperson

Timothy Nuy
Co-Founder & Co-CEO

Tonderai Mutesva
Co-Founder & Co-CEO

Manuel Koser
Non-Executive Director

Lutz Seebacher
Non-Executive Director

Leonard Stiegeler
Non-Executive Director

Preetam Prayag
Non-Executive Director

Ashvin Chundoo
Non-Executive Director

Our people

Country	Number of employees	Male	Female
Kenya	69	37	32
Tanzania	20	10	10
South Africa	77	24	53

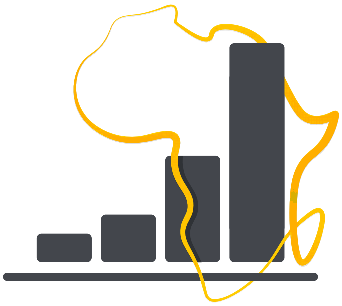
As of December 2023

- A high-performance and value-driven culture
- A dedicated focus on diversity and inclusion
- Deepening digital skills and ways of 'agile' working
- Opportunities for growth, development, and mobility across the Group
- Significant investment into up-skilling our staff through education and higher-learning initiatives.

fin

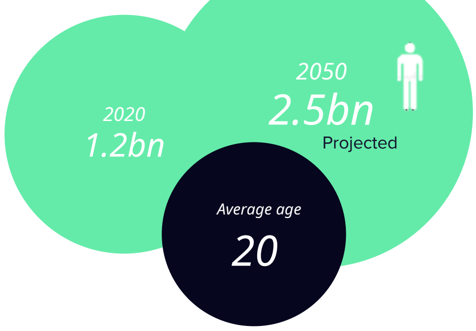
What we are solving

Credit is key to unlocking financial inclusion in Africa.



Africa is the fastest growing continent.

Population



650 million Africans are financially excluded, presenting a USD300bn opportunity in closing the Sub-Saharan credit gap.

Africa has the largest opportunity globally to migrate from cash to digital money with digital under 10% of transactions today.

Positive digital momentum

19% of the population have a mobile money account.

44% smartphone penetration rate in 2020, expected to grow to 65% by 2025.

Low credit base

9% of consumers have access to credit cards.

21% private credit to GDP vis-à-vis 64% in other emerging markets.

What we are building

Our credit-led approach to building Africa's Neo Banking platform:

Fin is evolving from a lending only institution to a full spectrum neobank, using a partnership driven approach across all the markets we operate in.

From lending:	To a full-spectrum neobank:
Consumer loans	Deposits & High-yielding savings account
Earned wage access (EWA)	Payment wallets
Asset finance	Cross border payments & p2p transfers
MSME Lending	Financial education
Fin Card	Insurance

Through a partner 1st distribution strategy:

Partners
- *Branches*
- *Merchants*
- *Agents*
- *Brokers*
- *Employers*

Low-cost Digital Channels
- *USSD*
- *WhatsApp*
- *Prog. Web App*
- *Online*
- *Apps*

Across Kenya, South Africa and Tanzia:

KENYA

SOUTH AFRICA

TANZANIA

Fin Connect Capabilities

We are providing a core banking solution designed to help any financial institution launch a digital bank.

01 End to End Platform

Fin Connect is an end to end micro-services banking platform that gives a fully fledged solution to entities without any need for acquiring peripheral systems.

02 Scalable Modules

Each of the modules on Fin Connect can be deployed as a stand alone and integrated to other foreign platforms.

03 Robust Middleware

The Fin Connect Middleware is a robust gateway that handles all business logic, product details and APIs.

04 AI and ML Driven Decision Support

Fin Connect leverages on data for decision support. The data housed in the DWH can be modelled to produce multiple data points that provide input and insights for the credit decisioning engine.

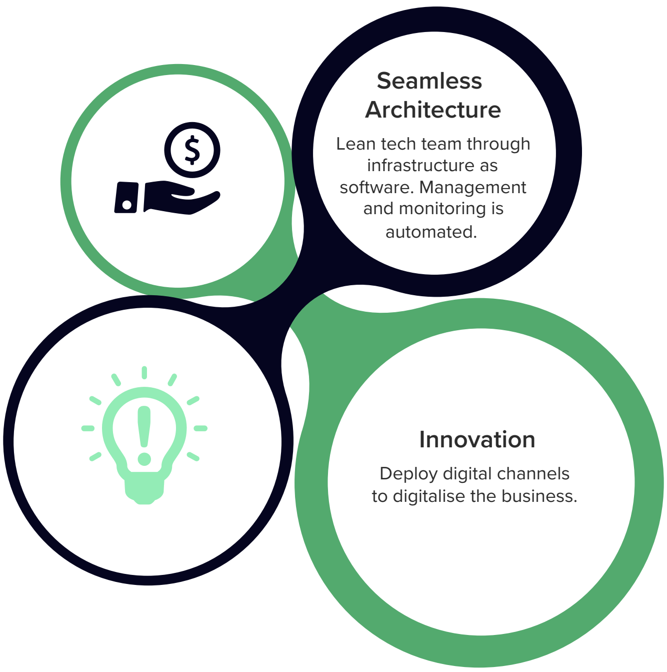
05 Portable Architecture

Fin Connect employs a containerisation architecture which shortens time to deploy and makes support and maintenance very easy.

06 Flexible Reporting and BI

The stand alone Fin Connect reporting tool is backed by a flexible data warehousing capabilities. Multiple data mining models are configured on the DWH to produce various ML based AI use cases like calculation of the expected credit loss (ECL).

Our value proposition



01 Faster deployment. Consolidate and standardise technology stacks including infrastructure deployment.

02 Reach out to millions through deployment of digital channels.

03 Eliminate systems and infrastructure clutter.

04 Automate to reduce the number of manual processes.

05 Timely production of reports, automated, to reduce reporting inefficiencies.

Why we do what we do *(The driving force behind what we do.)*

Our Mission *(What we are doing everyday.)*

We enhance the quality of life of our customers through simple, convenient, and appropriate financial services.

Our Vision *(What we will achieve in time as we continue to do what we do everyday.)*

We are creating an ecosystem where people and organisations can access financial solutions that help them meet their objectives.

Our Values *(The lens through which we are doing what we do everyday.)*

People

The building blocks of families, communities, and nations are people. We seek to connect with our stakeholders as people and create an environment where we share what motivates us to create lasting bonds.

Teamwork

When pursuing our mission and vision, our methodology is founded on collaboration and working as a team to solve the problems we all face.

Innovation

We are never satisfied with the status quo and relentlessly seek to improve. Innovation is a natural output when we understand people's motivations individually and work together as teams towards a shared vision.

Integrity

We believe in being authentic.
We believe in standing for what is right.
What we say is what we do.

Our impact

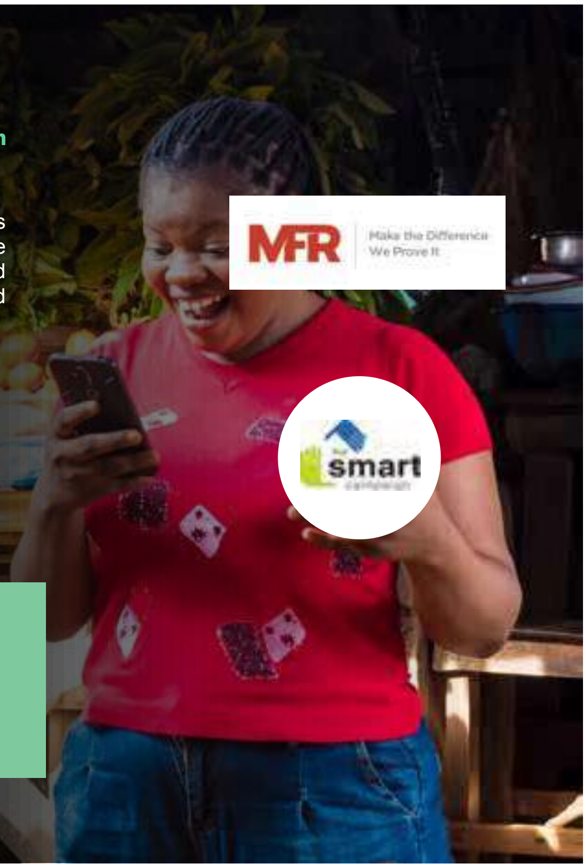
Fin: positively impacting lives

We are actively contributing towards the UN's Sustainable Development Goals through

- Financial education
- Educational loans
- Empowering small businesses
- Credit rehabilitation

An MF Rating is the social rating that provides an expert opinion on the social performance management of a financial service provider and its capacity to put its mission into practice and achieve social goals.

Our MFR is BB-, meaning adequate social performance management and client protection systems and satisfactory alignment to the social mission.



To help achieve:

- No poverty
- Quality education
- Decent work & economic growth
- Reduced inequalities

Creating Real World Impact

Transformative Lending

Ms. Taylor Jade

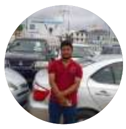
"A heartfelt thank you goes out to the Fin Medical Loans team, who were nothing short of amazing and incredibly helpful right from the start. I had to undergo life-changing surgery on August 28th 2023. Without the funds to cover the expenses upfront, my doctors' recommended Fin Medical cover. In a matter of weeks and valuable advice, my medical bills were settled"

Responsible Lending

Nikeziwe

Living with her siblings in their grandmother's small house, Nikeziwe knew it was time for a change. Turning to Fin Home Loans for support, she secured a ZAR30,000 loan in 2021 to purchase essential building materials. She made thoughtful arrangements with the Hardware, ensuring her building materials were securely kept until she could obtain a second loan. For 18 months, she never missed a payment, consistently repaying her first loan with grace and dedication.

MSME support



Mr. Samil Said: Africars' Branch Manager

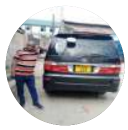
"My business has experienced significant growth over the past two years since partnering with Fin Tanzania. To date, Fin Tanzania has financed over 140 cars, giving me the assurance that no eligible customer will ever leave my showroom without a vehicle. Prior to partnering with Fin, our biggest challenge was losing customers who couldn't make full payments for a car due to the lack of a proper repayment collection system. Subsequently, we began collaborating with other financing companies that didn't meet our expectations. As a businessman who values time, we appreciate Fin for consistently delivering on schedule"

Sizable loans

Jeremiah Okari

Confronted with the need for startup capital to bolster his road construction endeavors, Jeremiah encountered the challenge of acquiring a vehicle meeting KeNHA specifications. He sought assistance from Fin Kenya, successfully securing the required vehicle. Venturing further into road construction projects, he required additional capital for hiring essential machinery. Fin stepped in with required financial support enabling him to complete roadworks in Isiolo county.

Lower APR



Mr. Twaha Juma

"My interaction with Fin Tanzania is **notably positive**, characterized by a **swift process** and **friendly staff**. I enthusiastically recommend Fin's services to friends, impressed by the product offerings and meeting their demands. With a vision to expand my business, I aim to acquire additional vehicles, envisioning a self-sustained transportation enterprise. As I eagerly anticipate to complete my repayments, I look forward to securing another vehicle through financing from Fin."

Directors' responsibilities report

The directors are required in terms of the Mauritius Companies Act 2001, to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the financial position of the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

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

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

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

The directors have reviewed the Group's cash flow forecast for the year to 31 December 2023 and considering this review together with the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group's consolidated annual financial statements. The consolidated annual financial statements have been examined by the Group's external auditors and their report is presented on pages 17 to 19.

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

The consolidated annual financial statements set out on pages 20 to 87, which have been prepared on the going concern basis, were approved for issue by the board of directors on 19 July 2024 and were signed on its behalf by:

BM MODISE (Jul 24, 2024 18:06 GMT+1)

Matsi Modise
Group Chair

19 July 2024

PREETAM PRAYAG
Non-Executive Director

19 July 2024

Directors' report

The directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2023.

Incorporation

Finclusion Africa Holdings Limited ("FAHL", "Fin" or "the Group") was incorporated on the 08th of November 2019 as a Private Company, limited by shares in the Republic of Mauritius. Company registration number 168807 GBC.

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

Nature of the business

Finclusion Africa Holdings Limited is an entity incorporated in Mauritius with multi-jurisdictional operations in the financial services industry. Its primary footprint is in East Africa (Kenya and Tanzania) and the Common Monetary Area (South Africa, Eswatini and Namibia). Finclusion's service offering is focused on financial wellness, direct lending, and insurance services.

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

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

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

Strategic overview

The year 2023 was a challenging year, marked by a significant decline in the global business environment, increasing interest rates, high inflation, increase in global oil prices and volatile social political climate affecting both and global economies. The disruptive conditions particularly hit Kenya, with a significant depreciation of the operating currency against the USD as well as South Africa, with political unrest, high exposure to external macro factors and continued load shedding which placed a strain on the economy.

Despite these broad economic challenges, the Group managed to achieve significant milestones during the year under review. We have delivered a profitable performance in East Africa and South Africa is expected to follow trend, driving profitability across the Group.

Technology

Fin Connect has invested in an innovative multi-tenant platform built on top of open-source tools, offering a robust architecture alongside an exceptional customer experience. Fineract, by its very nature, can be intricate and demanding to set up, often necessitating expert provisioning and ongoing maintenance. This complexity can pose a significant barrier for many businesses, requiring technical expertise for effective utilization. With Finconnect, we've successfully eliminated these intricate challenges associated with Fineract.

Our solution is centred around a user-friendly platform that simplifies Fineract processes into easily digestible steps for customers. Through our advanced back-office technology, users can effortlessly configure their workflow, assign permissions, and choose the integrations that suit their specific needs, setting us apart in the market. Furthermore, we offer robust team performance monitoring, providing daily reports to management for informed decision-making.

To enhance security, we've implemented a fraud detection module that aggregates data from various integrations. Before a credit decision is made, credit personnel gain access to a comprehensive list of potential frauds detected by the system, conveniently displayed on their dashboard.

Additionally, we've introduced the Fin Pay mini app, a versatile credit facility tool that enables third-party integration, allowing their customers to access financial services from Fin seamlessly. This white-labelled app comes equipped with APIs that integrate with third parties, eliminating the need for additional coding. As a Progressive Web App (PWA), it is cross-platform, functioning even on devices with lower specifications.

Our people

Staff has always and will always be our biggest asset. Our focus is to maintain a motivated and productive workforce. We have spent more time aligning the culture we need to be successful as a business and to drive performance especially through these challenging times.

We are committed to assisting employees achieve their professional and personal objectives and we encourage our employees to broaden their skill set and gain work experience in other organisational roles.

In addition, we provide company-subsidised training opportunities to help employees develop or refine their skills, thereby increasing productivity and innovation in the workplace.

Having the right people and promoting an appropriate risk culture are critical to the future success of the Group. As a result, the Group is committed to fostering a culture of risk awareness and transparency.

Directors' report (continued)

Share capital

The issued share capital of the group as at 31 December 2023 constituted of 10,000 ordinary shares held by Finclusion Group Limited.

Board Composition

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

Name	Date appointed	Date resigned
Executive		
Timothy Nuy	04 August 2020	-
Tonderai Mutesva	10 January 2023	-
Non-Executive		
Matsi Modise	31 December 2021	-
Manuel Koser	31 December 2021	-
Lutz Seebacher	31 December 2021	-
Leonard Stiegler	10 January 2023	-
Preetam Prayag	08 November 2019	-
Ashvin Chundoo	08 May 2023	-
Kunal Dwarka	25 August 2022	08 May 2023

Risk management

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

Internal control

The Group has set out internal controls which are applied by the board of directors, management, and all levels of personnel in the Group to ensure that:

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

The finance function of the Group implements operatives as per policies approved by the Board.

Financial reporting systems

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

Review of financial results and activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Mauritius Companies Act, 2001. The accounting policies have been applied consistently compared to the prior year apart from adoption of new accounting standards where appropriate.

Directors' interests in contracts

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

External auditors

The auditors, Nexia Baker & Arenson have been appointed as the external auditors for the Group and Company for the year ended 31 December 2023.

Going concern

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

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

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

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

The going concern assessment is, however, a matter of judgment. In making this judgment, the board has considered the uncertainties arising from their assessment, both individually and collectively and remains confident in the Company's ability to remain a going concern and will continue to support management in their efforts to build a sustainable business.

Date of Authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on 19 July 2024. No authority was given to anyone to amend the financial statements after the date of issue.

BM MODISE (Jul 24, 2024 18:06 GMT+1)

Matsi Modise
Group Chair
For and on behalf of the Board of Directors
19 July 2024

IMARA
Fiduciary & Administration

CERTIFICATE FROM THE SECRETARY UNDER SECTION 166 (d) OF THE MAURITIUS COMPANIES ACT 2001

We certify, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required of **Finclusion Africa Holdings Limited** under Section 166 (d) of the Mauritius Companies Act 2001 for the year ended 31 December 2023.

S. Boogaad

For **Imara Trust Company (Mauritius) Limited**
Corporate Secretary

Registered Office:
9th Floor, NeXSky Building
Ebene, Cybercity 72201
Mauritius

19 July 2024

Nexia Baker & Arenson

5th Floor, C&R Court
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FINCLUSION AFRICA HOLDINGS LIMITED AND ITS SUBSIDIARIES

Report on the Financial Statements

Opinion

We have audited the financial statements of **Finclusion Africa Holdings Limited (the "Company") and its subsidiaries (together referred as the "Group")** set out on pages 20 to 87, which comprise the statements of financial position as at 31 December 2023, and the statements of profit or loss and other comprehensive income, statements of changes in equity, and the statements of cash flows for the year then ended and a summary of material accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and comply with the Mauritius Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. 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' responsibilities report, Director's report and Certificate from the Secretary. The other information does not include the financial statements and our auditor's report thereon.

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

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

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and in compliance with the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FINCLUSION AFRICA HOLDINGS LIMITED AND ITS SUBSIDIARIES

Report on the Financial Statements (continued)

Directors' Responsibilities for the Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

Nexia
Baker & Arenson

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FINCLUSION AFRICA HOLDINGS LIMITED AND ITS SUBSIDIARIES

Report on the Financial Statements (continued)

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

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

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.

Other matters

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members, those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

The financial statements of Finclusion Africa Holdings Limited and its subsidiaries for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those statements on 29 June 2023.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act 2001

We have no relationship with or interests in the Group and the Company other than in our capacity as auditors.

We have obtained all information and explanations we have required.

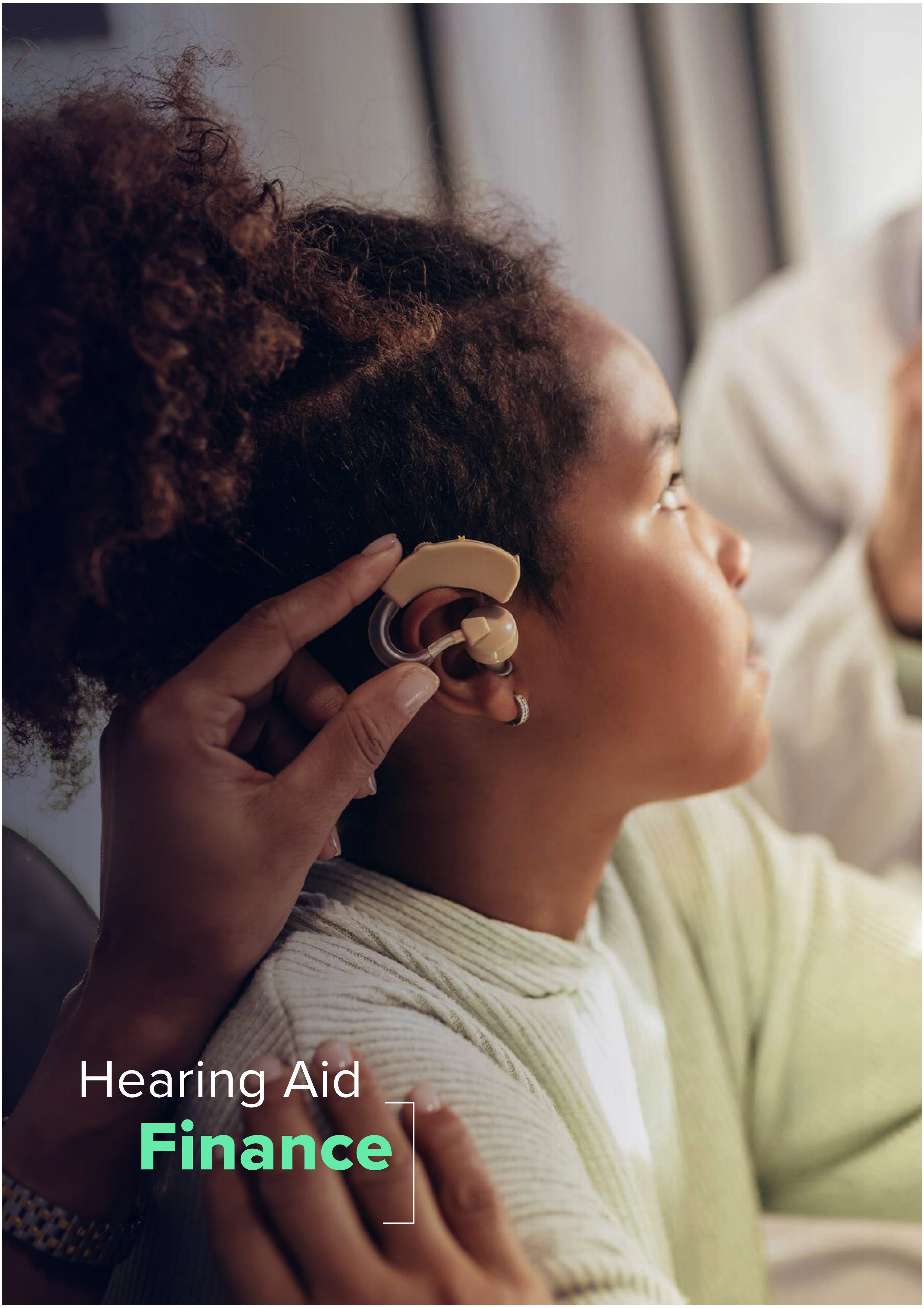
In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Nexia Baker & Arenson

Nexia Baker & Arenson
Chartered Accountants

Ouma Shankar Ochit FCCA
Licensed by FRC

Date: 19 July 2024



Hearing Aid Finance

Consolidated statements of financial position

		Group		Company	
Figures in USD	**Notes**	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Assets					
Cash and cash equivalents	6	1,497,750	2,109,072	18,624	18,600
Other receivables	7	3,205,667	1,983,914	1,130,049	855,176
Loans and advances to customers	9	17,176,755	20,043,323	-	-
Investment in insurance contracts	11	205,091	130,141	-	-
Loans to group companies and related parties	10	3,397,380	2,974,533	5,867,460	10,982,893
Other financial assets	8	2,628	2,824	-	-
Current tax receivable	22	85,880	215,999	-	-
Right of use asset	19	356,562	561,320	-	-
Property and equipment	12	339,493	409,410	-	-
Intangible assets	13	300,112	1,847,459	-	-
Investments in subsidiaries	14	-	-	13,108,301	13,108,301
Investment in associate	15	106,314	118,302	-	-
Deferred tax	16	1,340,946	2,157,150	-	-
Goodwill	17	1,738,468	1,785,771	-	-
Total assets		**29,753,046**	**34,339,218**	**20,124,434**	**24,964,970**
Liabilities					
Bank overdraft	6	-	140,420	-	-
Trade and other payables	18	1,035,904	1,366,691	161,294	233,418
Liability in Insurance contract	11	45,504	33,508	-	-
Lease liabilities	19	479,183	602,292	-	-
Loans from group companies and related parties	10	6,257,425	6,417,359	4,986,630	5,711,665
Borrowings	20	17,863,333	14,826,466	7,136,776	9,856,555
Current tax payable	22	220,895	53,499	-	11,996
Total liabilities		**25,902,244**	**23,440,235**	**12,284,700**	**15,813,634**
Equity					
Share capital	21	10,307,997	10,307,997	10,307,997	10,307,997
Reserves		959,170	3,453,496	-	-
Accumulated loses		(8,703,631)	(4,548,746)	(2,468,263)	(1,156,661)
Total equity attributable to parent		**2,563,536**	**9,212,747**	**7,839,734**	**9,151,336**
Total equity attributable to non-controlling interest		1,287,266	1,686,236	-	-
Total equity		**3,850,802**	**10,898,983**	**7,839,734**	**9,151,336**
Total equity and liabilities		**29,753,046**	**34,339,218**	**20,124,434**	**24,964,970**

The above consolidated statements of financial position should be read in conjunction with the accompanying notes on pages 25 to 87 of the financial statements.

The annual financial statements were approved for issue by the board of directors on 19 July 2024 and were signed on its behalf by:

Timothy Nuy
Group CEO

Tonderai Mutesva
Group CEO

19 July 2024

Consolidated statements of profit or loss and other comprehensive income

		Group		Company	
Figures in USD	**Notes**	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Interest income calculated using the effective interest method	23	6,949,762	6,675,897	-	-
Other interest and similar income	23	493,369	275,288	1,410,944	1,832,549
Interest expense calculated using effective interest method	24	(3,743,811)	(3,230,817)	(2,103,811)	(1,965,415)
Net interest income / (expenses)		**3,699,320**	**3,720,368**	**(692,867)**	**(132,866)**
Fee and commission income	25	2,194,487	3,085,090	-	-
Fee and commission expense	25	(468,193)	(712,279)	-	(45,266)
Net fee and commission income / (expenses)		**1,726,294**	**2,372,811**	**-**	**(45,266)**
Net trading income		**5,425,614**	**6,093,179**	**(692,867)**	**(178,132)**
Share of loss from associate	15	(3,729)	(8,230)	-	-
Other income	28	455,240	1,487,775	251,201	62,500
Impairment losses on loans and advances to customers	26	(2,009,459)	(2,491,669)	-	-
Impairment losses on other financial assets	27	(423,652)	5,081,055	(143,400)	-
Net operating income		**3,444,014**	**5,081,055**	**(585,066)**	**(115,632)**
Personnel expenses	30	(2,285,624)	(2,707,940)	-	-
Consulting and professional fees	32	(431,864)	(633,608)	(43,897)	(61,639)
Depreciation and amortisation	31	(344,131)	(459,614)	-	-
Other operating expenses	29	(4,460,916)	(3,289,254)	(694,635)	(1,173,661)
Loss before taxation		**(4,078,521)**	**(2,009,361)**	**(1,323,598)**	**(1,350,932)**
Income tax expense	33	(358,068)	270,978	11,996	-
Loss for the year		**(4,436,589)**	**(1,738,383)**	**(1,311,602)**	**(1,350,932)**
Loss attributable to:					
Owners of the parent		(4,154,885)	(1,787,418)	(1,311,602)	(1,350,932)
Non-controlling interests		(281,704)	49,035	-	-
		(4,436,589)	**(1,738,383)**	**(1,311,602)**	**(1,350,932)**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Transaction with owners in their capacity as owners		-	2,274,775	-	-
Foreign operations - foreign currency translation differences		(2,494,326)	194,406	-	-
Items that will be reclassified to profit or loss - NCI					
Foreign operations - foreign currency translation differences		(117,266)	(2,274,775)	-	-
Other comprehensive loss net of tax		**(2,611,592)**	**194,406**	-	**(1,350,932)**
Total comprehensive loss for the year		**(7,048,181)**	**(1,543,977)**	**(1,311,602)**	**(1,350,932)**
Total comprehensive loss attributable to:					
Owners of the parent		(6,766,477)	631,763	(1,311,602)	(1,350,932)
Non-controlling interests		(281,704)	(2,175,740)	-	-
Total comprehensive loss for the year		**(7,048,181)**	**(1,543,977)**	**(1,311,602)**	**(1,350,932)**

The above consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 25 to 87 of the financial statements.

Consolidated statement of changes in equity - Group

Figures in USD	Share capital	Change in control	Currency translation reserve	Total reserves	Accumulated losses	Total attributable to owners of the parent	Non-controlling interest	Total
Balance as at 1 January 2022	**10,307,997**	**2,559,777**	**(1,525,462)**	**1,034,315**	**(2,761,328)**	**8,580,984**	**3,861,976**	**12,442,960**
Profit / (loss) for the year	-	-	-	-	(1,787,418)	(1,787,418)	49,035	(1,738,383)
Other comprehensive income / (loss)	-	2,224,775	194,406	2,419,181	-	2,419,181	(2,224,775)	194,406
Total comprehensive income / (loss) for the year	**-**	**2,224,775**	**194,406**	**2,419,181**	**(1,787,418)**	**631,763**	**(2,175,740)**	**(1,543,977)**
Balance as at 31 December 2022	**10,307,997**	**4,784,552**	**(1,331,056)**	**3,453,496**	**(4,548,746)**	**9,212,747**	**1,686,236**	**10,898,983**
Balance as at 1 January 2023	**10,307,997**	**4,784,552**	**(1,331,056)**	**3,453,496**	**(4,548,746)**	**9,212,747**	**1,686,236**	**10,898,983**
Loss for the year	-	-	-	-	(4,154,885)	(4,154,885)	(281,704)	(4,436,589)
Other comprehensive income	-	-	(2,494,326)	(2,494,326)	-	(2,494,326)	(117,266)	(2,611,592)
Total comprehensive loss for the year	**-**	**-**	**(2,494,326)**	**(2,494,326)**	**(4,154,885)**	**(6,649,211)**	**(398,970)**	**(7,048,181)**
Balance as at 31 December 2023	**10,307,997**	**4,784,552**	**(3,825,382)**	**959,170**	**(8,703,631)**	**2,563,536**	**1,287,266**	**3,850,802**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes on pages 25 to 87 of the financial statements.

Statement of changes in equity - Company

Figures in USD	Share capital	Change in control	Currency translation reserve	Total reserves	Accumulated losses	Total attributable to owners of the parent	Non-controlling interest	Total equity
Balance as at 1 January 2022	**10,307,997**	-	-	-	**194,271**	**10,502,268**	-	**10,502,268**
Loss for the year	-	-	-	-	(1,350,932)	(1,350,932)	-	(1,350,932)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	**(1,350,932)**	**(1,350,932)**	-	**(1,350,932)**
Balance as at 31 December 2022	**10,307,997**	-	-	-	**(1,156,661)**	**9,151,336**	-	**9,151,336**
Balance as at 1 January 2023	**10,307,997**	-	-	-	**(1,156,661)**	**9,151,336**	-	**9,151,336**
Loss for the year	-	-	-	-	(1,311,602)	(1,311,602)	-	(1,311,602)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	**(1,311,602)**	**(1,311,602)**	-	**(1,311,602)**
Balance as at 31 December 2023	**10,307,997**	-	-	-	**(2,468,263)**	**7,839,734**	-	**7,839,734**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes on pages 25 to 87 of the financial statements.

Consolidated statements of cash flow

		Group		Company	
	Notes	Dec-23	Dec-22	Dec-23	Dec-22
Cash flows from operating activities					
Cash (used in) / generated from operations	34	(5,629,782)	(8,144,481)	433,216	884,382
Interest paid		(3,743,811)	(3,230,817)	(2,103,811)	(1,965,415)
Interest received		6,949,762	6,675,897	-	-
Tax received / (paid)		755,652	(964,593)	-	-
Net cash used in operating activities		**(1,668,179)**	**(5,663,995)**	**(1,670,595)**	**(1,081,033)**
Cash flows from investing activities					
Purchase of property and equipment	12	(114,854)	(189,907)	-	-
Purchase of intangible assets	13	(363,225)	(1,794,515)	-	-
Purchase/additions right of use asset		-	(337,175)	-	-
Payments received on loans with related parties		(422,847)	(127,690)	5,115,433	1,967,238
Advances made on other financial liabilities		-	-	-	(4,309,353)
Sale of intangible assets		1,777,132	-	-	-
Net cash generated from / (used in) investing activities		**876,206**	**(2,449,287)**	**5,115,433**	**(2,342,115)**
Cash flows from financing activities					
Payments received on finance lease obligations		(123,109)	176,083	-	-
Advances received / (made) on other financial liabilities		3,036,867	(699,397)	(2,616,875)	(3,210,574)
Payments (made) / received on loans from group companies		(159,934)	4,260,324	(827,939)	4,302,791
Net cash generated from / (used in) financing activities		**2,753,824**	**3,737,010**	**(3,444,814)**	**1,092,217**
Net increase / (dectease) in cash and cash equivalents		**1,961,851**	**(4,376,271)**	**24**	**(2,330,931)**
Cash and cash equivalents at beginning of the year		1,968,652	6,143,843	18,600	2,349,531
Effect of exchange rate movement on cash and cash equivalents		(2,432,753)	201,080	-	-
Cash and cash equivalents at end of the year	6	**1,497,750**	**1,968,652**	**18,624**	**18,600**

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes on pages 25 to 87 of the financial statements.

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Notes to consolidated and separate financial statements for the year ended 31 December 2023

1. Preparation of the consolidated financial statements

1.1. Background and purpose of the consolidated financial statements

Background

Finclusion Africa Holdings Limited (FAHL) is a private company incorporated in Mauritius. The address of its registered office and principal place of business is c/o Imara Trust Company (Mauritius) Limited, 9th Floor, NeXSky Building, Ebène, Cybercity 72201, Mauritius. The principal activities of the Company are, operating in, and having investments in entities operating in the credit and insurance industries.

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

Basis of preparation

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') on the going concern basis in accordance with, and in compliance with, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and effective at the time of preparing these consolidated annual financial statements and the Companies Act 2001 of Ma-auritius,as amended.

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

These accounting policies are consistent with the previous period.

1.2. Basis of consolidation

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

1.3. Going concern

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

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

The board has, inter alia, considered the following specific factors in determining whether the Group and Company is a going concern:

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

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

The going concern assessment is, however, a matter of judgment. In making this judgment, the board has considered the uncertainties arising from their assessment, both individually and collectively and remains confident in the Company's ability to remain a going concern and will continue to support the management in their efforts to build a sustainable business.

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

2. Accounting policies

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

2.1. Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 as FVTPL or FVOCI Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

Disposal of subsidiaries

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

Associates

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

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

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

2.2. Property and equipment

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

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

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

2. Accounting policies (continued)

2.2. Property and equipment (continued)

Property and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

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

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

Category	Average useful life
Furniture and fixtures	8 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	3 years
Leasehold improvement	Lease period

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Impairment tests are performed on property and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount. As at the end of the reporting period there were no indications that any assets needed to be impaired.

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

2.3. Goodwill

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

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

2.4. Intangible assets

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

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

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

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

2. Accounting policies (continued)

2.4. Intangible assets (continued)

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

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

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

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

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

2.5. Financial instruments initial measurement

Date of recognition

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

Initial measurement of financial instruments

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

Measurement categories of financial assets and liabilities

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

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

Financial assets and liabilities

Loans and advances to customers

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

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

The details of these conditions are outlined below:

Business model assessment

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

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

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

2. Accounting policies (continued)

2.5. Financial instruments initial measurement (continued)

The SPPI test

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

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

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

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

Financial assets / financial liabilities measured at amortised cost

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

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

The terms of a financial asset or liability 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.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

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

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

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired.

The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

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

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

2. Accounting policies (continued)

2.5. Financial instruments initial measurement (continued)

Financial assets (continued)

- Pass-through arrangements are transactions whereby the group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

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

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

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

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

Impairment of financial assets

Overview of the expected credit loss principles

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

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

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

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

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

- *Stage 1:* When loans are first recognised, the Group recognises an allowance based on 12m ECLs. Stage 1 loans also include certain facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LT ECLs. Stage 2 loans also include certain facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Group records an allowance for the LT ECLs.

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

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

2. Accounting policies (continued)

2.5. Financial instruments initial measurement (continued)

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

Write offs are recognised within credit loss expense on customer loan book on the Statements of Profit and Loss and other comprehensive income. Any recoveries on derecognised financial assets or partially derecognised financial assets is recognised within other income.

The calculation of ECLs

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

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

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

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

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

The mechanics of the ECL method are summarised below:

- **Stage 1:**
  The 12m ECL is calculated as the portion of LT ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. The forecasted EAD is adjusted for expected prepayment behaviour as well as additional charges in the event of default. The expected 12-month default probabilities are applied to this forecasted EAD, multiplied by the expected LGD and discounted using the original EIR. This calculation is made for each of the three scenarios, as explained above.

- **Stage 2:**
  When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LT ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted using the original EIR.

- **Stage 3:**
  For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100% and with LGD based on a recovery curve.

Forward looking information

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

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

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

2. Accounting policies (continued)

2.6. Cash and cash equivalents

Cash and cash equivalents as referred to in the statements of financial position comprises amounts due from banks on demand and are measured at amortised cost.

For purposes of the Statements of Cash Flow, cash and cash equivalents includes cash balances and bank overdrafts utilised.

2.7. Taxation (tax)

Current taxation

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

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

Deferred tax

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Group only offsets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Group’s intention to settle on a net basis.

Tax expenses

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

2.8. Leases

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

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

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

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate (10%) is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

2. Accounting policies (continued)

2.8. Leases (continued)

Right of use asset

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

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term, 3-5 years for buildings and 5 years for the printers, on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are not depreciated (or amortised) while they are classified as held for sale or while they are part of a disposal group classified as such. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

Discontinued operation

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

2.10. Impairment of non-financial assets

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

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

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

If any such indication exists, the Group estimates the recoverable amount of the asset.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs of disposal and its value in use. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit or group of cash generating units to which the asset belongs is determined.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. At the end of the reporting period there were no indication that an impairment of goodwill was required.

The Company has impaired its shares in the JSE listed company Go Life Investments. The shares in the Company are not regularly traded on the Johannesburg Stock Exchange (JSE) and the Company has been unable to find a whiling buyer for the shares.

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

2. Accounting policies (continued)

2.11. Share capital, equity and other reserves

Share capital

Ordinary shares are classified as equity.

2.12. Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. The expected cost of compensated absences is recognised as another expense in the consolidated statement of profit or loss and other comprehensive income, as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as another expense in the consolidated statements of profit or loss and other comprehensive income, when there is a legal or constructive obligation to make such payments as a result of past performance.

2.13. Recognition of interest income and expense

The effective interest rate method

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

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

Interest and similar income/expense

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

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

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

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

2.14. Fee and commission income

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

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

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

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

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

2. Accounting policies (continued)

2.15. Translation of foreign currencies

Functional and presentational currency

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

Transactions and balances

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

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

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

Group companies

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

Investments in subsidiaries

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

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

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

2.16. Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings, is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

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

2.17. Finance Cost

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

2.18. Investment in insurance contracts

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

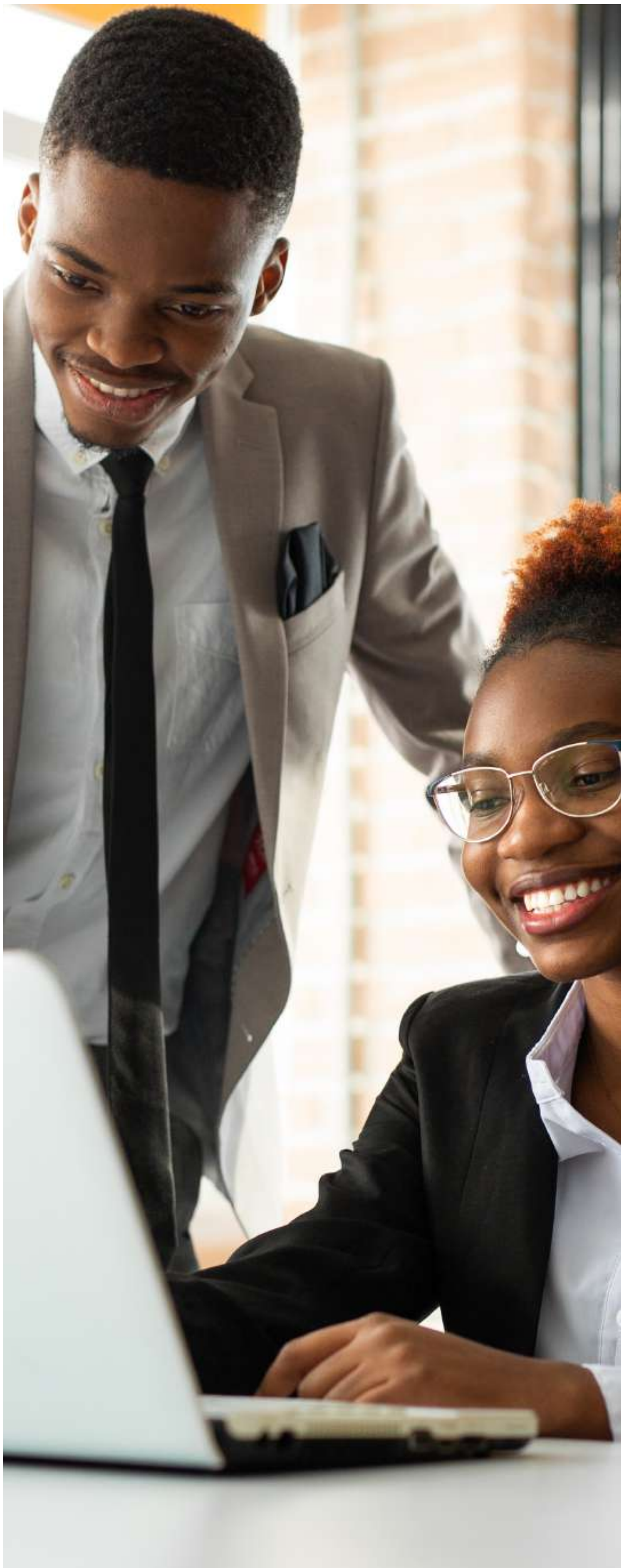
The Group has entered into a cell captive agreement arranged by Guardrisk, a licensed insurance company. The cell captive is a ring-fenced insurance business established to serve not only the insurance needs of the customers of niftycover Proprietary Limited, such as credit life policies and funeral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

The cell captive arrangement transfers significant insurance risk (of the policies issued to customers by the cell captive insurer) from the cell captive insurer to the entity by requiring the entity to maintain the solvency of the cell captive structure. The cell captive arrangement therefore meets the definition of an insurance contract contained in IFRS17'Insurance contracts'. The transfer of the insured risk from the cell captive structure to the entity also exposes the entity to credit losses arising from defaults on the advances to customers.

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

2. Accounting policies (continued)

2.18 Investment in insurance contracts (continued)



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

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

The results of the insurance business are determined in accordance with the shareholders agreement. In accordance with IFRS 7, these underwriting activities are determined on an annual basis whereby the earned premiums are recognised as income and the incurred cost of claims, commission and related expenses are recognised as expenses.

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

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

Commissions and other costs that vary with, and are related to, securing new and renewing existing insurance contracts are expensed to the statements of profit and loss and other comprehensive income at the point they are incurred. Niftycover Proprietary Limited additionally earns a binder fee and an outsourcing fee for providing underwriting services to the cell captive. Claims incurred comprise claims that are paid in the year and changes in the accruals for outstanding claims, including accruals for claims incurred but not reported and any other adjustments to claims from the previous year.

2.19. Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the annual financial statements in the period in which the dividends are approved by the directors.

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

3. New standards and interpretations

3.1. New and amended standards and interpretations

IFRS 17 Insurance Contracts

New standard establishing the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The single accounting model makes use of current estimates.

The amendments are aimed at helping companies implement the Standard and making it easier to explain their financial performance, are designed to:

- reduce costs by simplifying some requirements;
- make financial performance easier to explain; and
- ease transition by deferring the effective date to 2023 and providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

The new standard is effective from 1 January 2023 and has been effectively adopted.

IAS 8 Accounting Policies, Changes in Accounting Esti- mates and Errors.

Amendment: Definition of Accounting Estimates, effective 1 January 2023:

Disclosure Initiative relating to the Definition of Material that:

- Distinguishes clearly between a change in accounting policy and a change in accounting estimate.
- Revises the definition of an accounting estimate.
- Provides reworded and specific examples of accounting estimates.
- Clarifies that measurement techniques and inputs used in developing accounting estimates are not accounting policies.

Effective from 1 January 2023 with no material impact expected.

IAS 1 Presentation of Financial Statements

Amendment: Classification of Liabilities as Current or Non-current:

- Classification to be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period.
- Classification is unaffected by expectation of settlement.
- Settlement refers to transfer of cash equity instruments, other assets or services.

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. Effective from 1 January 2023, this amendment may impact future classification of liabilities in terms of the IAS 1 requirements to indicate maturity.

No material impact expected.

IAS 12 Income Taxes

Amendment: Deferred Tax related to Assets and Liabilities arising from a single transaction:

- Narrows the scope of the exemption for recognition of taxable / deductible temporary differences that arise on certain transactions. The transaction should not give rise to equal taxable and deductible temporary differences.
- Clarifies that deferred tax must be recognised on initial recognition of IFRS 16 leases and similar types of transactions that give rise to the recognition of an asset and a liability, such as decommissioning, restoration and similar liabilities with corresponding amounts recognised as part of the related asset.
- Effective from 1 January 2023 with no material impact expected.

Practice Statement 2 – Making Materiality Judgements

Amendment: Disclosure of Accounting Policies:

- Accounting policies to be disclosed where the information is material, by nature or amount.
- Explains when accounting policy information is considered material.
- Clarifies that when an entity chooses to disclose an immaterial accounting.

Effective from 1 January 2023 with no material impact expected.

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

3.2. Standards and interpretations not yet effective

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

Amendments to IAS 1 - Non-current liabilities with covenants

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Effective from 1 January 2024 with no material impact expected on the Company's financial statements.

Amendment to IFRS 16 – Leases on sale and leaseback

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Effective from 1 January 2024 with no impact expected on the Company's financial statements.

Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Effective from 1 January 2024 with no impact expected on the Company's financial statements.

Amendments to IAS 21 -Lack of Exchangeability (Amendments to IAS 21)

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. Effective from 1 January 2025 with no impact expected on the Company's financial statements.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

4.1. Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

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

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

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

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

4.2. Assumptions and estimated uncertainties

Significant assumptions and estimates were used in the Impairment testing for CGUs containing goodwill. Key assumptions underlying recoverable amounts are disclosed in Note 17.

4.3. Effective Interest Rate (EIR) method

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

4.4. Deferred tax assets

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

4.5. Taxation

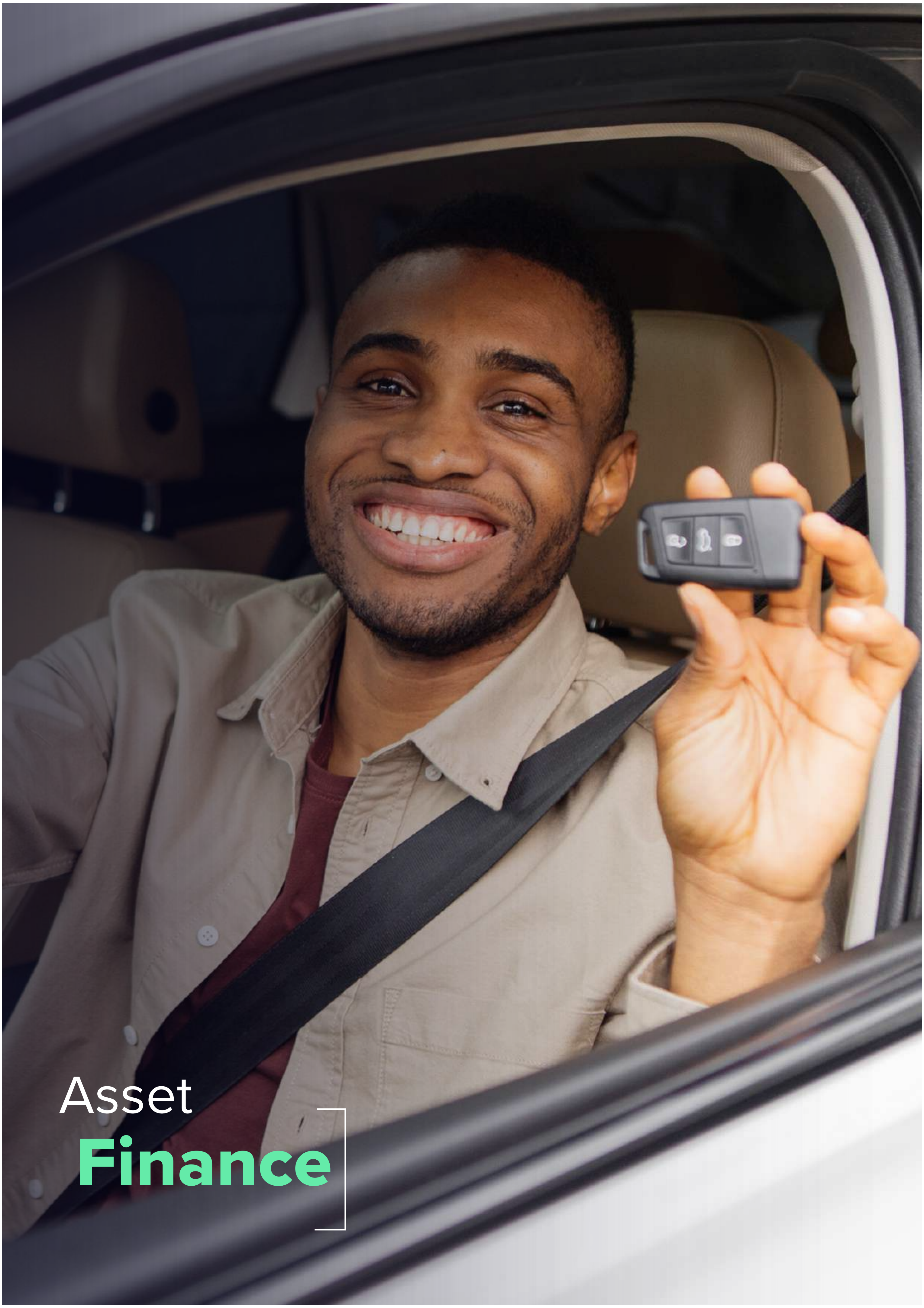
Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit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

4.6. Incremental borrowing rate

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

4.7. Investment in Insurance contract

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



Asset Finance

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

5. Maturity analysis of assets and liabilities

The Group discloses the financial statements in line with IAS 1 paragraph 60 where it is indicated that financial statements should be disclosed on the current and non-current principle. However, IAS 1 allows for a different method of disclosure as long as the change enables more reliable and more relevant information to the user of the financial statements.

The liquidity-based presentation is based on the principle of disclosing financial information in the Statements of financial position based on the liquid nature of the various items. In order to be comparable with peers and the industry norm the Group has adopted the liquidity-based presentation from the 2020 financial year onward.

Maturity analysis - Group

	Dec-23		Dec-22	
	Current	**Non-current**	**Current**	**Non-current**
Cash and cash equivalents	1,497,750	-	2,109,072	-
Other receivables	3,205,667	-	1,983,914	-
Loans and advances to customers	4,274,806	12,901,949	5,603,704	14,439,619
Loans to group companies and related parties	-	3,397,380	60,125	2,914,408
Other financial assets	2,628	-	2,824	-
Investment in insurance contracts	205,091	-	130,141	-
Current tax receivable	85,880	-	215,999	-
Investment in associate	106,314	-	118,302	-
Properties and equipment	-	339,493	-	409,410
Right of use asset	-	356,562	-	561,320
Intangible assets	-	300,112	-	1,847,459
Deferred taxation	-	1,340,946	-	2,157,150
Goodwill	-	1,738,468	-	1,785,771
Total assets	**9,378,136**	**20,374,911**	**10,224,081**	**24,115,137**
Bank overdraft	-	-	140,420	-
Trade and other payables	1,035,904	-	1,366,691	-
Liability in Insurance contract	45,504	-	33,508	-
Lease liabilities	155,627	323,556	77,909	524,383
Borrowings	5,104,509	12,758,824	2,299,038	12,527,428
Loans from group companies and related parties	493,513	5,763,912	420,089	5,997,271
Current tax payable	220,895	-	53,498	-
Total liabilities	**7,055,952**	**18,846,292**	**4,391,153**	**19,049,082**

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

Maturity analysis - Company

	Dec-23		Dec-22	
	Current	**Non-current**	**Current**	**Non-current**
Cash and cash equivalents	18,624	-	18,600	-
Other receivables	1,130,049	-	855,176	-
Loans and advances to customers	-	-	-	-
Loans to group companies and related parties	2,000,000	3,867,460	2,000,000	8,982,893
Other financial assets	-	-	-	-
Investment in insurance contracts	-	-	-	-
Current tax receivable	-	-	-	-
Investments in subsidiaries	-	13,108,301	-	13,108,301
Investment in associate	-	-	-	-
Properties and equipment	-	-	-	-
Right of use asset	-	-	-	-
Intangible assets	-	-	-	-
Deferred taxation	-	-	-	-
Goodwill	-	-	-	-
Total assets	**3,148,673**	**16,975,761**	**2,873,776**	**22,091,194**
Bank overdraft	-	-	-	-
Trade and other payables	161,294	-	233,418	-
Borrowings	4,601,000	2,535,776	2,000,000	7,856,555
Loans from group companies and related parties	102,904	4,883,726	121,961	5,589,704
Current tax payable	-	-	11,996	-
Total liabilities	**4,865,198**	**7,419,502**	**2,367,375**	**13,446,259**

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

6. Cash and cash equivalents

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Bank balances	1,497,750	2,109,072	18,624	18,600
Bank overdraft	-	(140,420)	-	-
	1,497,750	**1,968,652**	**18,624**	**18,600**
Assets	1,497,750	2,109,072	18,624	18,600
Liabilities	-	(140,420)	-	-
	1,497,750	**1,968,652**	**18,624**	**18,600**

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

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

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Credit rating				
BBB+	-	102,385	-	-
BBB	863	-	-	-
BB+	18,625	660,443	18,624	18,600
BB	22,121	-	-	-
BB-	321,678	-	-	-
B+	97,669	-	-	-
B	6,938	702,518	-	-
B-	163,291	-	-	-
Unrated	866,565	503,306	-	-
	1,497,750	**1,968,652**	**18,624**	**18,600**

7. Other receivables

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Financial instruments:				
Other receivables	1,941,273	151,064	986,525	-
Sundry receivables	1,503	100,932	-	652,688
External payroll receivables	513,000	516,304	-	-
	2,455,776	**768,300**	**986,525**	**652,688**
Non-Financial instruments:				
Deposits	55,238	65,346	-	-
Prepayments	411,504	678,164	143,524	202,488
VAT receivable	283,149	175,572	-	-
Withholding taxes	-	296,532	-	-
	749,891	**1,215,614**	**143,524**	**202,488**
Total trade and other receivables	**3,205,667**	**1,983,914**	**1,130,049**	**855,176**

*Sundry receivables include receipt control accounts (consisting of timing difference between receipts recorded in loans and advances and the receipt of cash)

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

8. Other financial assets

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Loans and receivables				
Go Life International Ltd-	313,893	313,893	-	-
Impairment shares in Go Life International Ltd	(310,875)	(310,875)	-	-
9,615,384 shares trading at 1 cents a share. During the fair value appraisal in 2020, it was deemed necessary to revalue the investment to less than the market value market value of 1 cents due to a lack of buyers in the open- and private markets.				
Currency translation impact	(390)	(194)	-	-
Tsepo Finance Proprietary Limited	242,315	258,956	-	-
Impairment for financial assets -Tsepo finance Proprietary Limited	(242,315)	(258,956)	-	-
This loan is unsecured and accrues interest at 28% per annum. This loan is not performing and therefore an expected credit loss allowance has been raised on this balance.				
	2,628	**2,824**	**-**	**-**
Maturity				
Non-current asset	-	-	-	-
Current asset	2,628	2,824	-	-
	2,628	**2,824**	**-**	**-**

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

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	555,818	572,655	-	-
	555,818	**572,655**	**-**	**-**
Loss allowance	(553,190)	(569,831)	-	-
	2,628	**2,824**	**-**	**-**

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

9. Loans and advances to customers

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Loans and advances to customers	19,760,736	22,761,110	-	
ECL on loans and advances to customers	(2,583,981)	(2,717,787)	-	-
	17,176,755	**20,043,323**	**-**	**-**
Maturity split of loans and advances to customers				
Current	4,274,806	1,371,561	-	-
Non-current	12,901,949	18,671,762	-	-
	17,176,755	**20,043,323**	**-**	**-**

9.1. Loan and advances to customers split by class:

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
1 month	1,086,595	159,739	-	-
2 to 6 months	1,365,216	621,290	-	-
7 to 12 months	2,885,096	776,509	-	-
> 12 months	14,423,829	21,203,572	-	-
	19,760,736	**22,761,110**	**-**	**-**

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

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
1 month	449,580	19,074	-	-
2 to 6 months	218,090	74,185	-	-
7 to 12 months	394,431	92,719	-	-
> 12 months	1,521,880	2,531,809	-	-
	2,583,981	**2,717,787**	**-**	**-**

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

9. Loans and advances to customers (continued)

ECL allowance for loans and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in note 37.3.

Payroll lending

Group – December 2023

Gross loans and advances to customers in USD	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023(IFRS 9)	**13,583,630**	**1,514,151**	**2,294,328**	**17,392,109**
Transfers:				
Transfers from Stage 1 to Stage 2	(346,495)	346,495	-	-
Transfers from Stage 1 to Stage 3	(370,572)	-	370,572	-
Transfers from Stage 2 to Stage 3	-	(348,732)	348,732	-
Transfers from Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 3 to Stage 1	2,613	-	(2,613)	-
Transfers from Stage 2 to Stage 1	100,577	(100,577)	-	-
Financial assets derecognised during the period other than write-offs	(6,916,089)	(550,442)	(348,945)	(7,815,476)
New financial assets originated or purchased	3,701,459	500,890	750,419	4,952,768
Modification of contractual cash flows of financial assets	-	-	1,451,945	1,451,945
Write-offs	(10,782)	(175,073)	(965,402)	(1,151,257)
FX and other movements	(1,683,541)	(247,644)	(661,876)	(2,593,061)
Outstanding balance as at 31 December 2023	**8,060,800**	**939,068**	**3,237,160**	**12,237,028**

Expected credit loss allowance in USD	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2023	**232,169**	**446,847**	**1,136,224**	**1,815,240**
Movements with P&L impact				
Transfers:				
Transfers from Stage 1 to Stage 2	(7,045)	49,739	-	42,694
Transfers from Stage 1 to Stage 3	(7,017)	-	199,754	192,737
Transfers from Stage 2 to Stage 1	847	(9,300)	-	(8,453)
New financial assets originated or purchased	62,981	189,557	664,653	917,191
Changes in PDs/LGDs/EADs	(36,918)	(2,506)	(36,659)	(76,083)
Modification of contractual cash flows of financial assets	-	-	245,645	245,645
Unwind of discount	(1,499)	-	-	(1,499)
FX and other movements	(64,665)	(219,143)	257,376	(26,432)
Total net P&L charge during the period	**(53,316)**	**8,347**	**1,330,769**	**1,285,800**
Other movements with no P&L impact				
Transfers:				
Transfers from Stage 2 to Stage 3	-	(72,854)	236,132	163,278
Transfers from Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 3 to Stage 1	1,520	-	(1,520)	-
Financial assets derecognised during the period	(64,527)	(43,986)	(139,597)	(248,110)
Write offs	(967)	(73,950)	(850,356)	(925,273)
Loss allowance as at 31 December 2023	**114,879**	**264,404**	**1,711,652**	**2,090,935**

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

9. Loans and advances to customers (continued)

Payroll lending (continued)

Gross loans and advances to customers in USD	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**12,273,309**	**667,203**	**1,079,991**	**14,020,503**
Transfers:				
Transfers from Stage 1 to Stage 2	-	-	-	-
Transfers from Stage 1 to Stage 3	(304,759)	304,759	-	-
Transfers from Stage 2 to Stage 3	22,339	(22,339)	-	-
Transfers from Stage 3 to Stage 2	(236,194)	-	236,194	-
Transfers from Stage 3 to Stage 1	13,931	-	(13,931)	-
Transfers from Stage 2 to Stage 1	-	(92,017)	92,017	-
Financial assets derecognised during the period other than write-offs	-	5,799	(5,799)	-
New financial assets originated or purchased	(8,430,311)	(440,714)	(318,761)	(9,189,786)
Modification of contractual cash flows of financial assets	10,488,368	1,247,537	1,491,638	13,227,543
Write-offs	(224,698)	(39,754)	(325,274)	(589,726)
Impact of currency translation	(18,355)	(116,323)	58,253	(76,425)
Outstanding balance as at 31 December 2022	**13,583,630**	**1,514,151**	**2,294,328**	**17,392,109**

Expected credit loss allowance in USD	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**138,827**	**205,438**	**674,577**	**1,018,842**
Movements with P&L impact				
Transfers:				
Transfers from Stage 1 to Stage 2	(22,515)	22,515	-	-
Transfers from Stage 1 to Stage 3	57	(57)	-	-
Transfers from Stage 2 to Stage 1	(1,519)	-	90,128	88,609
Transfers from Stage 3 to Stage 2	36	-	(36)	-
Transfers from Stage 3 to Stage 1	-	(22,199)	22,199	-
Transfers from Stage 2 to Stage 1	-	920	(920)	-
Changes in PDs/LGDs/EADs	163,172	287,959	548,032	999,163
Modification of contractual cash flows of financial assets	(45,889)	(47,729)	(197,756)	(291,374)
Total net P&L charge during the period	**93,342**	**241,409**	**461,647**	**796,398**
Other movements with no P&L impact				
Transfers:				
Transfers from Stage 2 to Stage 3	-	-	-	-
Transfers from Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-
Financial assets derecognised during the period	-	-	-	-
Write offs	-	-	-	-
Impact of currency translation	-	-	-	-
Loss allowance as at 31 December 2022	**232,169**	**446,847**	**1,136,224**	**1,815,240**

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

9. Loans and advances to customers (continued)

Embedded credit

Group – December 2023

Gross loans and advances to customers in USD	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**3,015,403**	**975,971**	**573,954**	**4,565,328**
Transfers:				
Transfers from Stage 1 to Stage 2	(146,768)	146,768	-	-
Transfers from Stage 1 to Stage 3	(183,730)	-	183,730	-
Transfers from Stage 2 to Stage 3	-	(392,548)	392,548	-
Transfers from Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-
Transfers from Stage 2 to Stage 1	39,875	(39,875)	-	-
Financial assets derecognised during the period other than write-offs	(466,456)	(277,970)	(338,042)	(1,082,468)
New financial assets originated or purchased	1,027,758	463,000	605,712	2,096,470
Modification of contractual cash flows of financial assets	-	-	-	-
Write-offs	-	-	-	-
FX and other movements	(624,910)	634,527	(178,769)	(169,152)
Outstanding balance as at 31 December 2023	**2,661,172**	**1,509,873**	**1,239,133**	**5,410,178**

Expected credit loss allowance in USD	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**88**	**-**	**80,700**	**80,788**
Movements with P&L impact				-
Transfers:				-
Transfers from Stage 1 to Stage 2	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	-	-	-	-
New financial assets originated or purchased	20,286	9,884	12,864	43,034
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
FX and other movements	(19)	-	(72,942)	(72,961)
Total net P&L charge during the period	**20,267**	**9,884**	**(60,078)**	**(29,927)**
Other movements with no P&L impact				
Transfers:				
Transfers from Stage 2 to Stage 3	-	-	-	-
Transfers from Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-
Financial assets derecognised during the period	(57)	-	(7,770)	(7,827)
Write offs	-	-	-	-
Loss allowance as at 31 December 2023	**20,298**	**9,884**	**12,852**	**43,034**

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

9. Loans and advances to customers (continued)

Embedded credit (continued)

Gross loans and advances to customers in USD	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**999,895**	**91,330**	**30,154**	**1,121,379**
Transfers:				
Transfers from Stage 1 to Stage 2	(49,214)	49,214	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 3	-	-	-	-
Transfers from Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 3 to Stage 1	-	(23,109)	23,109	-
Transfers from Stage 2 to Stage 1	-	-	-	-
Financial assets derecognised during the period other than write-offs	(926,756)	(68,222)	(17,486)	(1,012,464)
New financial assets originated or purchased	3,001,427	926,758	531,160	4,459,345
Modification of contractual cash flows of financial assets	(9,949)	-	7,017	(2,932)
Write-offs	-	-	-	-
Impact of currency translation	-	-	-	-
Outstanding balance as at 31 December 2022	**3,015,403**	**975,971**	**573,954**	**4,565,328**

Expected credit loss allowance in USD	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**-**	**-**	**15,906**	**15,906**
Movements with P&L impact				
Transfers:				
Transfers from Stage 1 to Stage 2	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	-	-	-	-
New financial assets originated or purchased	88	-	70,807	70,895
	-	-	(10,012)	(10,012)
Changes in PDs/LGDs/EADs	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	3,999	3,999
Total net P&L charge during the period	**88**	**-**	**64,794**	**64,882**
Other movements with no P&L impact				
Transfers:				
Transfers from Stage 2 to Stage 3	-	-	-	-
Transfers from Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-
Financial assets derecognised during the period	-	-	-	-
Write offs	-	-	-	-
Impact of currency translation	-	-	-	-
Loss allowance as at 31 December 2022	**88**	**-**	**80,700**	**80,788**

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

9. Loans and advances to customers (continued)

Online

Group – December 2023

Gross loans and advances to customers in USD	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 01 January 2023	346,689	164,547	292,437	803,673
	-	-	-	-
Transfers:	-	-	-	-
Transfers from Stage 1 to Stage 2	-	-	-	-
Transfers from Stage 1 to Stage 3	(28,549)	-	28,549	-
Transfers from Stage 2 to Stage 3	-	(51,418)	51,418	-
Transfers from Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-
Transfers from Stage 2 to Stage 1	-	-	-	-
Financial assets derecognised during the period other than write-offs	(393,177)	(84,610)	(121,470)	(599,257)
New financial assets originated or purchased	1,443,524	268,638	133,095	1,845,257
Modification of contractual cash flows of financial assets	-	-	-	-
Write-offs	(19,299)	(75,909)	(303,451)	(398,659)
FX and other movements	180,965	67,303	214,248	462,516
Outstanding balance as at 31 December 2023	**1,530,153**	**288,551**	**294,826**	**2,113,530**

Expected credit loss allowance in USD	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 01 January 2023	**104,676**	**217,162**	**499,921**	**821,759**
Movements with P&L impact	-	-	-	-
Transfers:				
Transfers from Stage 1 to Stage 2	-	-	-	-
Transfers from Stage 1 to Stage 3	(1,200)	-	21,561	20,361
Transfers from Stage 2 to Stage 1	-	-	-	-
New financial assets originated or purchased	59,027	67,742	109,108	235,877
Changes in PDs/LGDs/EADs	(118)	-	(26,181)	(26,299)
Modification of contractual cash flows of financial assets	-	-	82,879	82,879
FX and other movements	(33,538)	(146,322)	(66,621)	(246,481)
Total net P&L charge during the period	**24,171**	**(78,580)**	**120,746**	**66,337**
Other movements with no P&L impact				
Transfers:				
Transfers from Stage 2 to Stage 3	-	(15,544)	31,423	15,879
Transfers from Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-
Financial assets derecognised during the period	(69,251)	(24,043)	(44,695)	(137,989)
Write offs	(496)	(31,253)	(284,225)	(315,974)
Loss allowance as at 31 December 2023	**59,100**	**67,742**	**323,170**	**450,012**

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

9. Loans and advances to customers (continued)

Online (continued)

Gross loans and advances to customers in USD	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 January 2022	1,088,020	291,571	299,493	1,679,084
Transfers:				
Transfers from Stage 1 to Stage 2	(15,064)	885	-	(14,179)
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 3	(143,971)	-	8,457	(135,514)
Transfers from Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 3 to Stage 1	-	(86,718)	5,094	(81,624
Transfers from Stage 2 to Stage 1	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	(877)	(877)
New financial assets originated or purchased	346,837	175,690	230,209	752,736
Modification of contractual cash flows of financial assets	-	-	-	-
Changes in interest accrual	(929,133)	(216,881)	(249,939)	(1,395,953)
Write-offs	-	-	-	-
Impact of currency translation	-	-	-	-
Outstanding balance as at 31 December 2022	**346,689**	**164,547**	**292,437**	**803,673**

Expected credit loss allowance in USD	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**63,317**	**99,158**	**250,817**	**413,292**
Movements with P&L impact				-
Transfers:				
Transfers from Stage 1 to Stage 2	(979)	979	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	(9,634)	-	9,634	-
New financial assets originated or purchased	51,972	117,025	255,710	424,707
Changes in PDs/LGDs/EADs	-	-	-	-
Impact of currency translation	-	-	(16,240)	(16,240)
Total net P&L charge during the period	**41,359**	**118,004**	**249,104**	**408,467**
Other movements with no P&L impact				
Transfers:				
Transfers from Stage 2 to Stage 3	-	-	-	-
Transfers from Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-
Financial assets derecognised during the period	-	-	-	-
Write offs	-	-	-	-
Impact of currency translation	-	-	-	-
Loss allowance as at 31 December 2022	**104,676**	**217,162**	**499,921**	**821,759**

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

9. Loans and advances to customers (continued)

Dec-23

Group - Reconciliation:	Payroll	Embedded credit	Online	Other	Total
Gross Book	12,237,028	5,410,178	2,113,530	-	19,760,736
ECL	(2,090,935)	(43,034)	(450,012)	-	(2,583,981)
	10,146,093	**5,367,144**	**1,663,518**	**-**	**17,176,755**

Dec-22

Group - Reconciliation:	Payroll	Embedded credit	Online	Other	Total
Gross Book	17,392,109	4,565,328	803,673	-	22,761,110
ECL	(1,815,240)	(80,788)	(821,759)	-	(2,717,787)
	15,576,869	**4,484,540**	**(18,086)**	-	**20,043,323**

Other consists of transactions costs capitalised to loans and advances and receipts not yet able to be allocated.

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

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

Loan to subsidiaries

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
SmartAdvance (Pty) Ltd	-	-	4,113,172	6,659,320
This loan is secured, carries interest at prime plus 5% per annum and is repayable in whole or in parts from time to time as and when is called upon to do so.				
TrustGro SCA Ltd	-	-	1,754,288	4,132,982
This loan is secured, carries interest at 13.75% per annum and is repayable by 30 June 2025				
	-	-	**5,867,460**	**10,792,302**

Loans to group companies other related parties

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Growth State Holdings	-	-	-	190,591
The loan is unsecured, carries interest at 15% per annum and is repayable by 31 December 2025.				
ESW Investment Group limited	1,001,385	900,146	-	-
The loan is unsecured and bears interest at 18% per annum, repayable quaterly with final repayment by 30 June 2025.				
Ecsponent Treasury Services Promissory note	2,370,451	1,726,850	-	-
The loan is unsecured and bears interest at 24% per annum, repayable by 30 June 2025.				
CFSA LOAN	-	60,125	-	-
The loan is unsecured and bears interest at 9% per annum and is repayable in whole or in parts from time to time as and when is called upon to do so.				
NiftyPay (Pty) Ltd	-	287,412	-	-
The loan is unsecured, bears interest at 12% per annum and has no fixed term of repayment.				
HappyPay Ltd	8,268	-	-	-
The loan is unsecured, bears interest at 12% per annum and has no fixed term of repayment.				
Indlu	17,276	-	-	-
The loan is unsecured, bears interest at 12% per annum and has no fixed term of repayment.				
	3,397,380	**2,974,533**	**-**	**190,591**
	3,397,380	**2,974,533**	**5,867,460**	**10,982,893**

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

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

Loans from other related parties

Figures in USD	Group Dec-23	Group Dec-22	Company Dec-23	Company Dec-22
Finclusion Group Limited	5,188,859	5,428,774	4,834,369	5,428,774
The loan is unsecured, carries interest at 12% per annum and is repayable on demand.				
Promisorry Note Program	493,513	420,089	102,904	121,960
ESW Investment Group limited	462,456	568,496	-	-
The loan is secured, bears interest at 15.5% per annum and is repayable by 31 December 2024.				
SmartAdvance Limited	112,597	-	49,357	160,931
The loan is unsecured, carries interest at prime plus 5% per annum and is repayable on demand.				
	6,257,425	**6,417,359**	**4,986,630**	**5,711,665**
Net loans (to)/ from group and other related parties	**(2,860,045)**	**(3,442,826)**	**880,830**	**5,271,228**
Provision on Assets				
Assets	3,397,380	2,974,533	5,867,460	10,982,893
Liabilities	(6,257,425)	(6,417,359)	(4,986,630)	(5,711,665)
	(2,860,045)	**(3,442,826)**	**880,830**	**5,271,228**

Maturity analysis split of loans to/(from) group companies and related parties	Group Dec-23	Group Dec-22	Company Dec-23	Company Dec-22
Non-current assets	2,370,450	2,914,408	3,867,460	8,982,893
Current assets	1,026,930	60,125	2,000,000	2,000,000
Non-current liabilities	(5,188,859)	(5,997,271)	(4,883,726)	(5,589,705)
Current liabilities	(1,068,566)	(420,088)	(102,904)	(121,960)
	(2,860,045)	**(3,442,826)**	**880,830**	**5,271,228**

Credit risk of loans

The maximum exposure to credit risk at the reporting date is the fair value of each loan. The fair value of the loans is disclosed in the note 35.

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

Figures in USD	Group Dec-23	Group Dec-22	Company Dec-23	Company Dec-22
Stage 1	-	-	-	-
Loans to group companies	-	-	5,867,460	10,792,302
Loans to other related parties	3,397,380	2,974,533	-	190,591
Stage 2	-	-	-	-
Stage 3	-	-	-	-
	3,397,380	**2,974,533**	**5,867,460**	**10,982,893**
Loss allowance	-	**-**	-	**-**
	3,397,380	**2,974,533**	**5,867,460**	**10,982,893**

Related party transactions

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Interest paid to / (received from) related parties				
Smartadvance (Pty) Ltd	(905,275)	(1,192,220)	(905,275)	(1,192,220)
TrustGro SCA Ltd (Kenya)	(505,669)	(640,306)	(505,669)	(640,306)
Finclusion Group Limited	705,560	545,897	705,560	470,693
Fractal Labs (Pty) Ltd	9,565	(21,986)	-	-
ESW Investment Group Limited	135,473	(145,599)	-	-
Commonwealth Finance South Africa (Pty) Ltd	1,831	(2,046)	-	-
Other Income paid to / (received from) related parties				
TrustGro SCA Ltd (Kenya)	(31,250)	(31,250)	(31,250)	(31,250)
Smart Advance (Pty) Ltd (South Africa)	(31,250)	(31,250)	(31,250)	(31,250)
Management fees paid to/(received from) related parties				
Finclusion Group Limited (Mauritius)	156,000	156,000	156,000	156,000
Amounts included in Trade receivable (Trade Payable) regarding related parties				
smartadvance (Pty) Ltd	-	-	-	-
TrustGro SCA Ltd (Kenya)	45,000	-	45,000	-
Awamo Uganda	852,945	-	852,945	-
Other expenses paid to/(received from) related parties				
Consulting fees				
Fractal Labs (Pty) Ltd (South Africa)	3,280	(132,229)	-	-
Rental expense				
Fractal Labs (Pty) Ltd (South Africa)	-	3,525	-	-

Payroll Loans

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

Related party relationships

Relationship	
Holding company	Finclusion Group Limited
Subsidiaries	FAH South Africa (Pty) Ltd (South Africa) TrustGro SCA Ltd (Kenya) Get Bucks (Pty) Ltd (Eswatini) SmartAdvance (Pty) Ltd (South Africa) DebtHelper (Pty) Ltd (South Africa) Ligagu Investments (Pty) Ltd (Eswatini) Niftycover (Pty) Ltd (South Africa) GetSure (Pty) Ltd (Eswatini) Fikia Finance Limited (Tanzania)
Associate	Get Bucks (Namibia) Pty Ltd

Related parties

Subsidiaries of common directorship directors	Majula Investments (Pty) Ltd K2017457016 (South Africa) (Pty) Ltd
Fellow subsidiaries of ultimate holding company	Fin South Africa (pty) Limited. (South Africa) Fin Connect Limited (Mauritius) Fin Ventures Limited (Mauritius)
Directors and members of key management	Timothy Nuy Tonderai Mutesva Preetam Prayag Ashvin Chundoo Matsi Modise Manuel Koser Leonard Stiegler Lutz Seebacher

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

11. Investment in insurance contracts

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Guardrisk Life Limited Cell No. 00143				
Initial investment	32,795	35,247	-	-
Re-measurement of investment in insurance contracts	126,792	61,386	-	-
Carrying value of investment insurance contracts	**159,587**	**96,633**	**-**	**-**
Re-measurement of investment in insurance contracts				
Carrying value				
Investment in insurance contract	205,091	130,141	-	-
Liability in insurance contract	(45,504)	(33,508)	-	-
Carrying value of investment insurance contracts	**159,587**	**96,633**	**-**	**-**
Carrying value investment in insurance contracts				
Opening balance	**96,633**	**99,793**	-	-
Insurance revenue earned	362,884	482,936	-	-
Insurance service expenses	(205,843)	(242,304)	-	-
Insurance finance income	11,291	9,073	-	-
Dividends received	(106,039)	(250,192)	-	-
Transfer to life fund	661	(2,673)	-	-
Closing balance	**159,587**	**96,633**	**-**	**-**

Nifty cover has entered into a cell captive arrangement whereby the Company as cell shareholders is able to sell insurance products under its own brand. Under the arrangement niftycover accepts the insurance risk from the policy holders and therefore acts as the insurer as defined by IFRS17. Guardrisk is the principal to the insurance contract, although the business is underwritten on behalf of the Company as cell shareholder. Under this arrangement Guardrisk undertakes the professional insurance and financial management of the cell, including functions related to underwriting, reinsurance, management of claims, actuarial and statistical analysis and investment and accounting services.

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

12. Property and equipment

Group	Dec-23			Dec-22		
Figures in USD	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	220,067	(134,072)	85,995	240,823	(141,463)	99,360
Motor vehicles	63,208	(20,449)	42,759	17,096	(10,257)	6,839
Office equipment	85,906	(51,561)	34,345	102,787	(54,548)	48,239
IT equipment	270,723	(182,775)	87,948	270,031	(145,601)	124,430
Leasehold improvements	182,842	(94,396)	88,446	230,032	(99,490)	130,542
Total	**822,746**	**(483,253)**	**339,493**	**860,769**	**(451,359)**	**409,410**

No property or plant is held as security or has been pledged.

Reconciliation of property and equipment Group December 2023

Figures in USD	Opening balance	Depreciation	Additions	Additions through business combinations	Disposals	Impact of currency translation	Total
Furniture and fixtures	117,671	(21,567)	24,563	-	-	(34,555)	86,112
Motor vehicles	176	(8,157)	47,301	-	-	3,322	42,642
Office equipment	48,284	(9,368)	2,841	-	-	(7,412)	34,345
IT equipment	113,094	(45,472)	39,077	-	-	(18,751)	87,948
Leasehold improvements	130,185	(27,317)	1,072	-	-	(15,494)	88,446
Total	**409,410**	**(111,881)**	**114,854**	**-**	**-**	**(72,890)**	**339,493**

Reconciliation of property and equipment Group December 2022

Figures in USD	Opening balance	Depreciation	Additions	Additions through business combinations	Disposals	Impact of currency translation	Total
Furniture and fixtures	77,417	(21,494)	59,965	-	-	1,783	117,671
Motor vehicles	10,962	(3,928)	-	-	-	(6,858)	176
Office equipment	51,424	(11,171)	7,405	-	-	626	48,284
IT equipment	83,316	(37,163)	54,418	-	-	12,523	113,094
Leasehold improvements	104,822	(13,543)	68,119	-	-	(29,213)	130,185
Total	**327,941**	**(87,299)**	**189,907**	**-**	**-**	**(21,139)**	**409,410**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

13. Intangible assets

Group

	Dec-23			Dec-22		
Figures in USD	**Cost**	**Accumulated Amortisation**	**Carrying value**	**Cost**	**Accumulated Amortisation**	**Carrying value**
Software development	269,272	(65,432)	203,840	1,990,900	(319,943)	1,670,957
Customer relationships	679,561	(583,289)	96,272	730,351	(553,849)	176,502
Total	**948,833**	**(648,721)**	**300,112**	**2,721,251**	**(873,792)**	**1,847,459**

Reconciliation of intangible assets - Group – December 2023

Figures in USD	**Opening balance**	**Additions**	**Transfer**	**Amortisation**	**Impact of currency translation**	**Total**
Software development	1,670,957	363,225	(1,777,132)	(6,822)	(46,388)	203,840
Customer relationships	176,502	-	-	(67,386)	(12,844)	96,272
Total	**1,847,459**	**363,225**	**(1,777,132)**	**(74,208)**	**(59,232)**	**300,112**

Reconciliation of intangible assets - Group – December 2022

Figures in USD	**Opening balance**	**Additions**	**Reclassification**	**Amortisation**	**Impact of currency translation**	**Total**
Software development	10,630	1,794,515	-	(134,188)	-	1,670,957
Customer relationships	266,673	-	-	(75,928)	(14,243)	176,502
Total	**277,303**	**1,794,515**	**-**	**(210,116)**	**(14,243)**	**1,847,459**

Veterinary Finance

Notes to consolidated and separate financial statements for the year ended 31 December 2023 (continued)

14. Interests in subsidiaries including consolidated structured entities

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

Name of company	Acquisition date	% holding Dec-23	% holding Dec-22	Carrying amount Dec-23	Carrying amount Dec-22
FAH South Africa (Pty) Ltd	30-Dec-19	100%	100%	10,548,032	10,548,032
TrustGro SCA Limited	30-Dec-19	100%*	100%*	1,188,118	1,188,118
Fikia Finance Limited	01-Jan-22	100%	100%	1,372,151	1,372,151
				13,108,301	**13,108,301**

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

On 1 January 2021 Virtual Financial Inclusion (VFI) a 100% owned subsidiary of the group was amalgamated into the Finclusion Africa Holdings Limited (the parent of Virtual Financial Inclusion).

*On 1 January 2022 the Group acquired the remaining stake in GSEA and in TrustGro SCA limited (51%) through FGL.

The Group exercises control over all the subsidiaries. It has power to appoint key management positions in the Company.

Finclusion Africa Holdings Limited also influences and effects the returns generated by the subsidiary companies and is entitled to receive the fair portions of the controlled subsidiary profits.

Name of company	Nature of business
Niftycover Proprietary Limited	Brokerage
*OTM Mobile (Pty) Ltd	Mobile services
*GS Insurance Limited	Brokerage
*GetSure Life SA Proprietary Limited	Non-operating entity
GetBucks Proprietary Ltd (Eswatini)	Micro lending Micro
Ligagu Investment Proprietary Limited	lending Brokerage
Getsure Proprietary Limited (Eswatini)	

***These entities are dormant.**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

15. Investment accounted for using the equity method

Group

Figures in USD	**Dec-23**	**Dec-22**
Loss for the year ended 31 Dec 2021	-	(5,250)
Loss for the year ended 31 Dec 2022	-	(2,980)
Loss for the year ended 31 Dec 2023	(3,729)	-
Share of loss for the year from associate	**(3,729)**	**(8,230)**

Investment in associate - Group

Figures in USD	**Dec 23**	**Dec 22**
Opening balance	118,302	134,886
Original cost of 49% interest in Namibian operation	-	-
Adjustments:		
Movement in statement of profit or loss	(3,729)	(8,230)
Fair value adjustment at acquisition through common control transaction	-	-
Foreign currency translation impact	(8,259)	(8,354)
Closing balance	**106,314**	**118,302**

SUMMARISED STATEMENT OF FINANCIAL POSITION IN USD

	Dec 23	**Dec 22**
Cash and cash equivalents	110,594	98,225
Loan advances to customers	70,040	102,607
Other financial assets	-	-
Non-financial assets	16,436	53,543
TOTAL ASSETS	**197,070**	**254,375**
Other financial liabilities	128	5,732
Non-financial liabilities	954	37,671
TOTAL LIABILITIES	**1,082**	**43,403**
TOTAL NET ASSETS	**195,988**	**210,972**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

SUMMARISED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME IN USD

Figures in USD	Dec 23	Dec 22
Net interest income	84,878	90,488
Net fee and commission expense	33,663	28,017
Net trading income	**118,541**	**118,505**
Credit loss expense on customer loan book	(25,891)	(12,715)
Credit loss expense on other financial assets	-	-
Other income	4,007	-
Sales expenses	-	-
Professional Fees	(5,471)	(6,586)
Employee costs	(46,616)	(50,629)
Depreciation and amortisation	(220)	(203)
Other operating expenses	(51,960)	(36,073)
(Loss) / profit before taxation	**(7,610)**	**12,299**
Taxation	-	(6,217)
(Loss) / profit after taxation	**(7,610)**	**6,082**
Group's share of (loss) / profit @ 49%	**(3,729)**	**2,980**

SUMMARISED STATEMENT OF CASH FLOW IN USD

	Dec 23	Dec 22
Cash flows from operating activities	(9,929)	42,934
Cash flows used in investing activities	-	-
Cash flows from financing activities	-	-
	(9,929)	**42,934**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

16. Deferred taxation

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Deferred taxation assets	**1,340,946**	2,157,150	-	-
Deferred taxation liabilities	**-**	-	-	-
	1,340,946	**2,157,150**	**-**	**-**
Reconciliation of movement in deferred taxation				
Balance at beginning of year	2,157,150	936,389	-	-
Originating and reversing temporary differences on Loans and advances to customers ECL	230,146	435,882	-	-
Temporary differences due to provisions	(47,717)	(45,726)	-	-
Deferred tax asset not recognised	199,355	882,203	-	-
Foreign currency translation impact	(1,197,988)	(51,598)	-	-
	1,340,946	**2,157,150**	**-**	**-**

Deferred tax assets on accumulated losses that have been raised:

A deferred tax asset of USD 4,868,361 (Dec 2022: USD 4,326,025) has not been recognised on accumulated tax losses of USD 16,169,577 (Dec 2022: USD 14,294,259) for the Group.

17. Goodwill

Group

	Dec-23			Dec-22		
Figures in USD	**Cost**	**Impairment**	**Carrying value**	**Cost**	**Impairment**	**Carrying value**
Goodwill	1,738,468	-	1,738,468	1,785,771	-	1,785,771
	1,738,468	**-**	**1,738,468**	**1,785,771**	**-**	**1,785,771**

Reconciliation of goodwill - Group- December 2023

Figures in USD	**Dec-23**
Goodwill	**1,785,771**
Impact of currency translation	(47,303)
	1,738,468

Reconciliation of goodwill - Group- December 2022

Figures in USD	**Dec-22**
Goodwill – Opening balance	**726,900**
Acquisition of GSEA	1,105,582
Impact of currency translation	11)
	85,771

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

Management has determined the values assigned to each of the key assumptions as follows:	
Operating cost to trading income	Average annual cost as a fixed percentage of trading income over a five-year period, based on past performance and management's expectations.
Trading income	Average annual ratio over a five-year period, as a percentage based on past performance and management expectations.
Discount rate:	Is based on the weighted average cost of capital.

The recoverable amounts for the cash generating units (CGU's) have been calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing use of the CGUs assets and their ultimate disposal, as well as the multi-period excess earnings method calculations. The value-in-use calculations have made use of post-tax cash flow projections based on financial budgets approved by management. Disbursement growth used in the budget includes assumptions based on past performance, new product launches and potential future funds raising options that managements concluded in 2023. The long-term growth rate reflects the country specific consumer price index rate for the five-year forecast period. No impairment was recognised during the year ended 31 December 2023 (2022: USD Nil) because the recoverable amounts of these CGUs were determined to be higher than their carrying amounts.

The Key assumptions used in the calculation of value in use were as follows. The values assigned to the key assumptions represent managements assessment of future trends and have been based on historical data from both external and internal sources.

	Dec-23	Dec-22	Dec-23	Dec-22
	Komo Finance Proprietary Limited		Niftycover South Africa Proprietary Limited	
Trading income growth (%)	28	17	10	17
Operating costs (%)	-13	7	5	9
Discount rate (%)	11.1	10.5	11.1	12.2

The discount rate was a post-tax measure based on the rate of 30 year government bonds(R209) issues by the government in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk o f the CGU.

The reduction in komo Finance expenses is as a result of the integration of the SA business that has resulted in the year on year reduction in operating expenses.

Impairment testing for the CGUs containing goodwill

Five years of cashflow projections were included in the discounted cashflow model for the value-in-use calculation. The calculations use cashflow projections that are based on budgets prepared by management and approved by the board of directors. The budgets are updated to reflect the most recent developments as at reporting date. Budgeted profit was based on managements expectations of future outcomes taking into account past experience, adjusted for the anticipated trading income growth. Trading income growth was projected taking into account the average growth levels for the past five years and the estimated growth for the next five years.

The key assumptions described above may change as economic and market conditions change.

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

18. Trade and other payables

Figures in USD	Group Dec-23	Dec-22	Company Dec-23	Dec-22
Financial instruments				
Trade payables	277,540	172,114	-	-
Payroll liabilities	74,838	108,276	-	-
Accruals and sundry payables	536,703	630,095	161,294	233,418
Claims reserve	-	14,335	-	-
	889,081	**924,820**	**161,294**	**233,418**
Non-financial instruments				
VAT payable		208,706	-	-
Withholding taxes	146,823	233,165	-	-
	146,823	**441,871**	**-**	**-**
Total trade and other payables	**1,035,904**	**1,366,691**	**161,294**	**233,418**

19. Leases

The Group leases a number of branches and premises. The lease typically run for a period of 5 years, with an option to renew the lease after that date. The Group also leases some IT equipment with contractual terms of three to five years.

Amounts recognised in the balance sheet:
Right of use asset

Group	Dec-23			Dec-22		
Figures in USD	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Buildings and equipment	**550,073**	**(193,511)**	**356,562**	**1,000,444**	**(439,124)**	**561,320**

Reconciliation of right of use assets Group December 2023

	Opening balance	Additions	Depreciation	Impact of currency translation	Total
Buildings	534,626	-	(134,718)	(44,778)	355,130
Equipment	26,694	-	(23,209)	(2,053)	1,432
Total	**561,320**	-	**(157,927)**	**(46,831)**	**356,562**

Reconciliation of right of use assets Group December 2022

	Opening balance	Additions	Depreciation	Impact of currency translation	Total
Buildings	101,086	316,434	(159,808)	7,881	265,593
Equipment	277,378	20740	(2,391)	-	295,727
Total	**378,464**	**337,174**	**(162,199)**	**7,881**	**561,320**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Right-of-use assets				
Buildings	355,130	265,593	-	-
Equipment	1,432	295,727	-	-
	356,562	**561,320**	**-**	**-**
Lease liabilities maturity				
Current	155,627	105,647	-	-
Non-current	323,556	496,645	-	-
	479,183	**602,292**	**-**	**-**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

20. Borrowings

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Lendable	6,277,000	9,000,000	6,277,000	9,000,000
This loan is secured and bears interest at 13.75% per annum and is repayable by 30 June 2025.				
Mintos Marketplace	3,937,152	2,000,356	29,421	387,758
Secured facility from a peer-to-peer lender with variable interest rates (8.5%-12%) and variable tenures matched to the underlying loan tenure				
Bondster Marketplace	1,212,167	589,852	830,355	468,797
Secured facility from a peer-to-peer lender with variable interest rates (8.5%-12%) and variable tenures matched to the underlying loan tenure				
Public Service Pension Fund	5,503 118	2,967,943	-	-
Secured against the loan book, interest at 2.25% above prime and payable monthly. Capital repayable quarterly from 31 August 2026				
Ecobank				
This loan is secured and bears interest at 18% per annum and is repayable by 31 August 2027.	607,995	-	-	-
Promissory note program	325,901	268,315	-	-
PN Program				
	17,863,333	**14,826,466**	**7,136,776**	**9,856,555**

Non-current liabilities	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
At amortised cost	12,758,824	12,527,428	2,535,776	7,856,555
Current liabilities				
At amortised cost	5,104,509	2,299,038	4,601,000	2,000,000
	17,863,333	**14,826,466**	**7,136,776**	**9,856,555**

21. Share capital

Authorised share capital

	Group		Company	
Number of ordinary shares available	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
10,000 ordinary shares of $ 1 each	10,000	10,000	10,000	10,000
Reconciliation of number of shares issued				
Reconciliation of number of ordinary shares available				
Opening balance	10,000	10,000	10,000	10,000
Issue of shares - ordinary shares	-	-	-	-
	10,000	**10,000**	**10,000**	**10,000**
Issued				
Figures in USD				
Opening balance	10,307,997	10,307,997	10,307,997	10,307,997
Share premium – debt to equity conversion	-	-	-	-
	10,307,997	**10,307,997**	**10,307,997**	**10,307,997**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

22. Taxation receivable / (taxation payable)

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Taxation paid in advance / receivable	85,880	215,999	-	-
Taxation payable	(220,895)	(53,499)	-	(11,996)
	(135,015)	**162,501**	**-**	**(11,996)**
Reconciliation on movement				
Opening balance	162,501	110,277	(11,996)	-
Income taxation charged for the year	(358,068)	(87,493)	-	(11,996)
Acquired through common control transaction	74,227	115,388	-	-
Taxation paid	(25,671)	24,329	-	-
Taxation received	-	-	-	-
Other adjustments	11,996	-	11,996	-
Closing balance	**(135,015)**	**162,501**	**-**	**(11,996)**

23. Interest income

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Interest income calculated using the effective interest method				
Loans and advances to customers	6,949,762	6,675,897	-	-
	6,949,762	**6,675,897**	**-**	**-**
Other interest and similar income				
Bank and other cash	59,566	-	-	-
Other	433,803	275,288	1,410,944	1,832,549
	493,369	**275,288**	**1,410,944**	**1,832,549**
	7,443,131	**6,951,185**	**1,410,944**	**1,832,549**

Other interest income relates to loan to ESW Investment Group Limited promissory note issued in GetBucks Proprietary Limited (Eswatini).

24. Interest expense

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Interest expense calculated using effective interest method				
Borrowings	2,164,372	1,864,719	1,178,280	1,408,507
Related parties and group companies	1,446,916	1,178,205	925,531	556,908
Shareholder loans	72,717	119,880	-	-
	3,684,005	**3,162,804**	**2,103,811**	**1,965,415**
Other interest and similar expense				
Related parties and group companies	59,806	68,013	-	-
	59,806	**68,013**	**-**	**-**
	3,743,811	**3,230,817**	**2,103,811**	**1,965,415**

Other interest consists of additional fees.

Notes to the consolidated and separate financial statements as at 31 December 2023 (continued)

25. Fee and commission income and expense

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Fee and commission income				
Income resultant from loans and advances to customers	1,834,664	2,772,125	-	-
Income resultant from insurance products	359,823	312,965	-	-
	2,194,487	3,085,090	-	-
Fee and commission expense				
Expense resultant from loans and advances to customers	(468,193)	(712,279)	-	(45,266)
	(468,193)	(712,279)	-	(45,266)
	1,726,294	**2,372,811**	**-**	**(45,266)**

26. Impairment losses on loans and advances to customers

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Impairment losses on loans and advances to customers	2,009,459	2,491,669	-	-
	2,009,459	**2,491,669**	**-**	**-**

27. Impairment losses on other financial assets

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Impairment losses expense on other financial assets	(423,652)	-	(143,400)	-
Credit loss on other financial assets	**(423,652)**	**-**	**(143,400)**	**-**

28. Other income

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Other Income				
Bad debts recovered	-	155,376	-	-
Dividend income	171,703	4,497	-	-
Management fee	19,512	3,054	-	-
Other income	264,025	1,291,438	251,201	62,500
Profit on disposal of Property, plant and equipment	-	202	-	-
Recovery – operating costs	-	33,208	-	-
	455,240	**1,487,775**	**251,201**	**62,500**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

29. Other operating expenses

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Advertising and marketing	86,207	111,990	-	-
Bank charges	34,138	35,971	3,744	7,156
Computer expenses	44,031	24,518	-	-
Collection costs	167,155	276,426	-	-
Directors fees	-	70,069	-	-
Hosting and connectivity costs	568,799	490,352	-	-
Insurance	26,961	26,145	-	-
Lease rentals on operating lease	253,421	173,362	-	-
Legal expenses	63,462	-	-	-
Motor vehicle expenses	15,267	22,038	-	-
Municipal expenses	24,251	57,708	-	-
Placement fees	24,234	38,011	-	-
General office expenses	88,028	41,435	-	-
Repairs and maintenance	7,673	13,327	-	-
Security	1,195	2,176	-	-
Staff welfare	119,522	95,953	-	-
Subscriptions	193,703	123,459	5,030	-
Travel - local	28,577	88,599	-	-
Travel - overseas - deductible	52,327	28,944	-	-
Other expenses	2,657,434	1,492,246	685,861	1,166,505
VAT expense	4,531	76,525	-	-
	4,460,916	**3,289,254**	**694,635**	**1,173,661**

30. Employee costs

Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Basic	2,120,235	2,515,163	-	-
Incentives	62,493	80,588	-	-
Company contributions	26,845	42,423	-	-
Leave pay and bonus accrual charge	76,051	69,766	-	-
	2,285,624	**2,707,940**	**-**	**-**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

31. Depreciation and amortisation

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Depreciation	111,997	87,299	-	-
Depreciation right of use asset	157,927	162,199	-	-
Amortisation	74,207	210,116	-	-
	344,131	**459,614**	**-**	**-**

32. Consulting and professional fees

Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Audit fees	186,809	241,693	8,281	14,625
Consulting fees	245,055	325,061	35,616	36,850
Legal expenses	-	66,854	-	10,164
	431,864	**633,608**	**43,897**	**61,639**

33. Taxation

Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Income taxation				
Local income tax	351,556	(87,493)	(11,996)	-
	351,556	**(87,493)**	**(11,996)**	**-**
Deferred taxation				
Originating and reversing temporary differences	6,512	(183,485)	-	-
	6,512	**(183,485)**	**-**	**-**
	358,068	**(270,978)**	**(11,996)**	**-**

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Reconciliation of the taxation expense				
Accounting loss	(4,436,589)	1,738,383	(1,311,602)	(1,350,932)
Taxation expense at the respective country rates	(780,022)	(347,751)	(196,740)	(202,640)
Different tax rates of other countries	33,075	35,547	-	-
Non-deductible expenses	322,109	(289,222)	530,237	141,349
Exempt income	(147,748)	(122,536)	-	-
Assessed loss for which no deferred tax raised	101,326	452,984	(321,501)	61,291
Different tax asset transferred to ecl	839,787	-	-	-
Other	(10,459)	-	-	-
	358,068	**(270,978)**	**11,996**	**-**

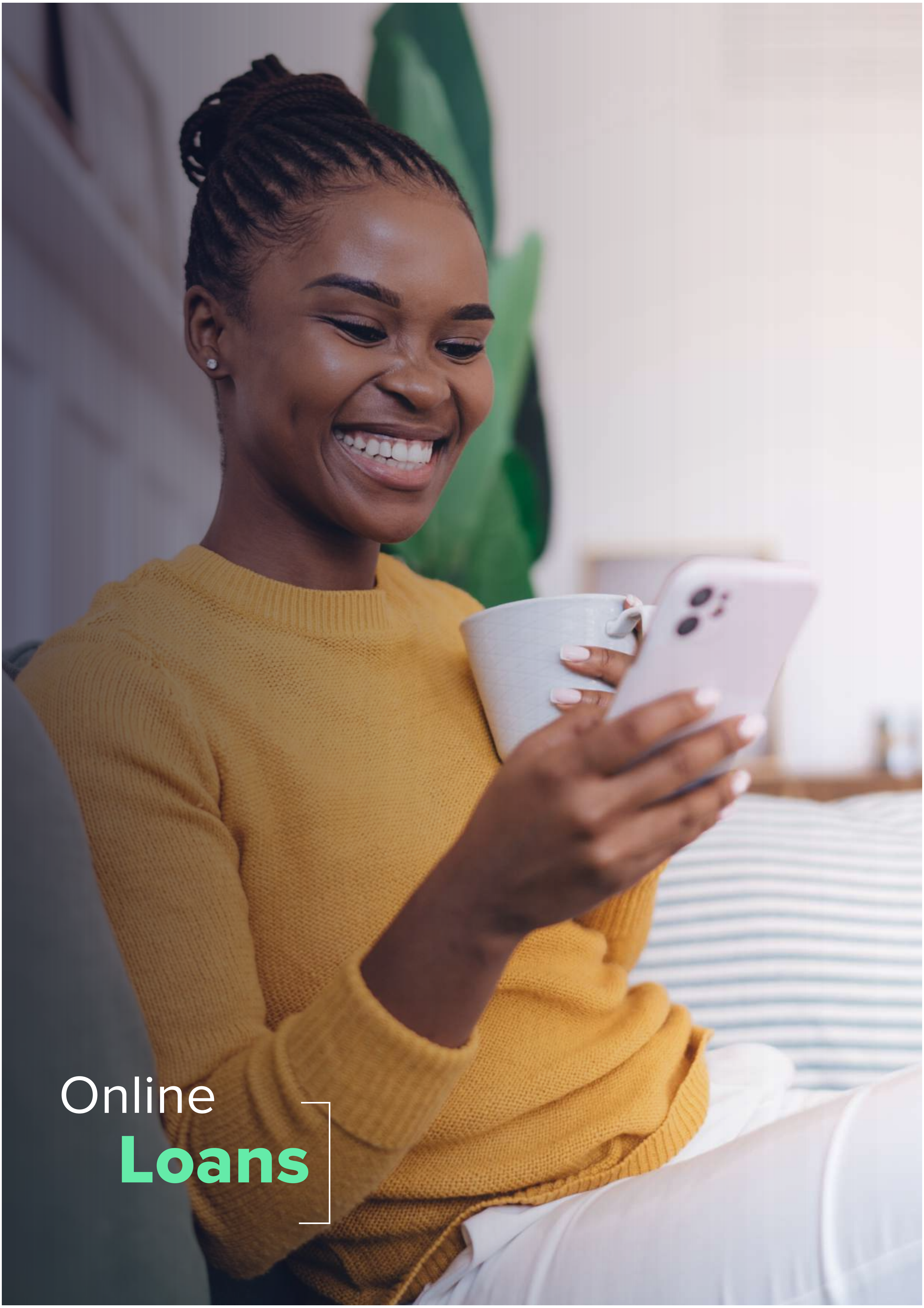
Exempt income consists of insurance income already taxed within the cell captive.

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

34. Cash flow notes

Cash generated from operating activities

	Group		Company	
Figures in USD	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Loss before taxation	**(4,078,521)**	**(2,009,361)**	**(1,323,598)**	**(1,350,932)**
Adjustments for:				
Depreciation and amortisation	344,130	459,614	-	-
FV gains through P&L	47,498	(558,881)	-	499,796
Investment revenue	(6,949,762)	(6,675,897)	-	-
Interest paid	3,743,811	3,230,817	2,103,812	1,965,415
Remeasurement of insurance contracts	(62,954)	10,013	-	-
Loss from associate	11,988	-	-	-
	(6,943,810)	**(5,543,695)**	**780,214**	**1,114,279**
Changes in working capital:				
Other receivables	(1,221,753)	299,790	(274,873)	(213,231)
Loans and advances	2,866,568	(3,325,186)	-	-
Trade and other payables	(330,787)	424,610	(72,125)	(16,666)
	1,314,028	**(2,600,786)**	**(346,998)**	**(229,897)**
Cash (used in)/generated from operations	**(5,629,782)**	**(8,144,481)**	**433,216**	**884,382**


Online
Loans

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

35. Fair value information

Objective

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives such as interest rate swaps.

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1

Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity and debt investments classified as trading securities or available-for-sale.

Level 2:

Inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Level 3:

Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rate, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The Group and Company did not hold any assets at fair value by hierarchy level as at 31 December 2023 (2022: USD Nil)

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

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

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

Financial instruments by category

Figures in USD		Group Dec-23	Dec-22	Company Dec-23	Dec-22
Financial assets					
Amortised cost					
Other financial assets	8	2,628	2,824	-	-
Loans to group companies and related parties	10	3,397,380	2,974,533	5,867,460	10,982,893
Loans and advances to customers	9	17,176,755	20,043,323	-	-
Other receivables	7	3,205,667	1,983,914	1,130,049	855,176
Cash and cash equivalents	6	1,497,750	2,109,072	18,624	18,600
		25,280,180	**27,113,666**	**7,016,133**	**11,856,669**
Financial liabilities					
Amortised cost					
Loans from group companies and related parties	10	6,257,425	6,417,359	4,986,630	5,711,665
Borrowings	20	17,863,333	14,826,466	7,136,776	9,856,555
Lease liabilities	19	479,183	602,292	-	-
Trade and other payables	18	1,035,904	1,366,691	161,294	233,418
Bank overdraft	6	-	140,420	-	-
		25,635,845	**23,353,228**	**12,284,700**	**15,801,638**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

36. Capital risk management

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

The capital structure of the Group consists of debt, which includes the other financial liabilities disclosed in notes 10, 19 & 20, cash and cash equivalents disclosed in note 6, and equity as disclosed in the statements of financial position.

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

Management determines the capital requirements by analysing cashflow forecasts and projections taking into consideration growth and defined gearing ratios such as debt to equity and financial leverage. Evaluations are performed on an annual basis.

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

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

		Group		Company	
Figures in USD		**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Lease liabilities	19	479,183	602,292	-	-
Borrowings	20	17,863,333	14,826,466	7,136,776	9,856,555
Loans from group companies and related parties	10	6,257,425	6,417,359	4,986,630	5,711,665
		24,599,941	**21,846,117**	**12,123,406**	**15,568,220**
Less: Cash and cash equivalents	6	(1,497,750)	(1,968,652)	(18,624)	(18,600)
Net debt		**23,102,191**	**19,877,465**	**12,104,782**	**15,549,620**
Total equity		3,850,802	10,898,983	7,839,734	9,151,336
Total Capital		**26,952,993**	**30,776,448**	**19,944,516**	**24,700,956**
Gearing ratio		**85.7%**	**64.6%**	**60.7%**	**63.0%**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

37. Financial risk management

Overview Financial

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

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

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

37.1. Liquidity risk

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

Loan disbursements

Although longer loan tenures to customers have a positive impact on the revenue and the financial position, the cash is negatively impacted in the short term. To mitigate such impact, a mix between longer term loan products and shorter-term loan products is managed to balance the net cash flows.

Fin South Africa, Fin Tanzania and the embedded credit portion of Fin Kenya's are strongly weighted towards short- term lending product while Fin Kenya's Payroll portfolio is weighted towards longer term tenors.

Collections on loans and advances to customers

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

Cost containment and budgeting

Costs are managed on a daily basis and any variance from budgets are investigated in order to ensure accuracy of the cash flow simulation models.

External debt repayments

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

Treasury function

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

Debt facilities

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

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

37.1 Liquidity risk (continued)

Group

Figures in USD		Up to 1 month	From 1 to 12 months	Between 1 and 5 years	Total
At 31 December 2023					
Borrowings	20	333,333	4,771,176	12,758,824	17,863,333
Loans from group companies and related parties	10	-	390,609	5,866,816	6,257,425
Lease liabilities	19	12,969	142,659	323,555	479,183
Trade and other payables	18	-	1,035,904	-	1,035,904
Bank overdraft	6	-	-	-	-
		346,302	**6,340,348**	**18,949,195**	**25,635,845**

Figures in USD		Up to 1 month	From 1 to 12 months	Between 1 and 5 years	Total
At 31 December 2022					
Borrowings	20	103,668	3,095,683	11,627,115	14,826,466
Loans from group companies and related parties	10	-	1,322,046	5,095,313	6,417,359
Lease liabilities	19	6,548	107,181	488,563	602,292
Trade and other payables	18	-	1,366,691	-	1,366,691
Bank overdraft	6	140,420	-	-	140,420
		250,636	**5,891,601**	**17,210,991**	**23,353,228**

Company

Figures in USD		Up to 1 month	From 1 to 12 months	Between 1 and 5 years	Total
At 31 December 2023					
Borrowings	20	333,333	4,267,666	2,535,777	7,136,776
Loans from group companies and related parties	10	-	-	4,986,630	4,986,630
Lease liabilities	19	-	-	-	-
Trade and other payables	18	-	161,294	-	161,294
Bank overdraft	6	-	-	-	-
		333,333	**4,428,960**	**7,522,407**	**12,284,700**

Figures in USD		Up to 1 month	From 1 to 12 months	Between 1 and 5 years	Total
At 31 December 2022					
Borrowings	20	-	-	9,856,555	9,856,555
Loans from group companies and related parties	10	-	-	5,711,665	5,711,665
Lease liabilities	19	-	-	-	-
Trade and other payables	18	-	233,418	-	233,418
Bank overdraft	6	-	-	-	-
		-	**233,418**	**15,568,220**	**15,801,638**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

37.1 Liquidity risk (continued)

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

Detail relating to expected unwinding of the Loans and advances to customers	Group		Company	
	Dec-23 USD	Dec-22 USD	Dec-23 USD	Dec-22 USD
1 Month	1,086,595	1,055,863	-	-
2- 6 Months	1,365,216	4,457,028	-	-
7 - 12 Months	2,885,096	4,062,285	-	-
> 12 Months	14,423,829	13,088,980	-	-
	19,760,736	**22,664,156**	**-**	**-**

37.2. Market risk

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

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

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

For loans and receivables not recognised at fair value, the fair values have been disclosed in accordance with the fair value hierarchy which reflects the significance of the inputs used to make the measurements.

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

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

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

Interest rate profile

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

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

		Group		Company	
Figures in USD		**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Fixed rate financial instruments					
Assets					
Loans and advances to customers	9	17,176,755	20,043,323	-	-
Loans to group companies and related parties	10	3,397,380	2,974,533	5,867,460	10,982,893
Bank balance	6	1,497,750	2,109,072	18,624	18,600
		22,071,885	**25,126,928**	**5,886,084**	**11,001,493**
Liabilities					
Loans from group companies and related parties	10	(6,257,425)	(6,417,359)	(4,986,630)	(5,711,665)
Other financial liabilities	20	(17,863,333)	(14,826,466)	(7,136,776)	(9,856,555)
Bank overdraft	6	-	(140,420)	-	-
		(24,120,758)	**(21,384,245)**	**(12,123,406)**	**(15,568,220)**
Net fixed rate financial instruments		**(2,048,873)**	**3,742,683**	**(6,237,322)**	**(4,566,727)**

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

Group	**%**	**Dec-23**	**Dec-22**
Variable rate instruments:			
Liabilities			
Other financial liabilities	1%	-	-
Loans from group companies and related parties	1%	-	-

Company	**%**	**Dec-23**	**Dec-22**
Variable rate instruments:			
Liabilities			
Other financial liabilities	1%	-	-
Loans from group companies and related parties	1%	-	-

External Funding

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

Internal Funding Inter-Company

The Group's funding to subsidiaries are at lending rates, which are aligned with local legislation.

Customer Interest rates

Interest rates on short and long term loans are fixed. While interest rates are not regulated in Kenya and Tanzania, they are regulated in South Africa and hence, the Company has limited ability to change the rates. The Company is therefore exposed to increases in funding rates and will benefit from.

Various scenarios are simulated taking into consideration, refinancing, renewal of existing positions, and alternative financing.

Based on these scenarios, the Company calculates the impact on profit or loss of a defined interest rate shift.

The sensitivity of these interest rate shifts is based on the inter-banking lending rates.

The Group and Company considers there to be no interest rate risk on fixed interest-bearing assets and liabilities.

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

37.3. Credit risk

Micro lending

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

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

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

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

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

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

Credit risk management

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

Credit committees and credit policies

The Group credit products are governed by the credit policy document aligned to the respective countries regulations. The various credit committees meet on a monthly basis. The credit policy is the output document that the various committee reviews and updates on monthly basis. Collections data is reviewed by the committee and analysed.

This information is used to adjust the policy in order to reduce bad debt and maximise acceptable levels of disbursements relative to risks. Legislative requirements on changes such as interest, fees, number of loans and affordability are reviewed on a monthly basis and are sourced via regular communication with relevant authorities.

Credit rating grades are evaluated and adjusted based on the risk appetite of the group to specific tolerance levels to reduce credit losses and maximise acceptable levels of disbursements versus risk.

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

Loan per product mix

Kenya

Payroll	Tenor	2023 Amount KES	Tenor	2022 Amount KES
Maximum	96	1,500,000	96	1,500,000
Minimum	1	5,000	1	5,000

Embedded credit	Tenor	2023 Amount KES	Tenor	2022 Amount KES
Maximum	36	3,500,000	36	3,500,000
Minimum	1	100,000	1	100,000

Tanzania

Embedded credit	Tenor	2023 Amount TZS	Tenor	2022 Amount TZS
Maximum	24	50,000,000	24	50,000,000
Minimum	1	100,000	1	100,000

South Africa

SA Payroll	Tenor	2023 Amount ZAR	Tenor	2022 Amount ZAR
Maximum	36	80,000	36	80,000
Minimum	1	500	1	500

Eswatini

ESW Payroll	Tenor	2023 Amount SZL	Tenor	2022 Amount SZL
Maximum	24	350,000	24	350,000
Minimum	1	500	1	500

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

37.3. Credit risk (continued)

Direct lending

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

Credit philosophy

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

A borrower's ability (or affordability) to pay is dictated by their repayment and total existing financial obligation in relation to their net income. The willingness to repay is primarily based on the client's past payment history.

Credit risk assessment:

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

Micro loans

Checks:

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

Documentation

- Proof of identity
- Bank statement
- Payslip
- Loan agreement with credit life policy

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

Employer risk assessment:

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

Checks

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

Documentation

- Statutory documents
- Directors KYC (know your customer)
- Audited financial statements

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

Checks

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

Documentation

- Loan agreement
- Signed bank account deduction instruction in the event of termination of employment
- Signed credit life agreement
- Copy of identification document
- Payslip

Notes to the consolidated and separate financial statements as at 31 December 2023 (continued)

37.3. Credit risk (continued)

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

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

Collection

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

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

External recovery

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

Sale of loans and advances to customers

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

Credit monitoring

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

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

Deduction at Source Lending

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

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

37.3. Credit risk (continued)

Impairment assessment

Definition of default

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for expected credit loss ("ECL") calculations in all cases when the borrower has missed four consecutive contractual payments, or the loan becomes 90 days past due.

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

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

The group's probability of default estimation process

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

Credit risk measurement

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

Expected credit loss measurement

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

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

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

Change in credit quality since initial recognition

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

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

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

37.3. Credit risk (continued)

Significant increase in credit risk

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

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

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

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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

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

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

Forward-looking information incorporated in the ECL models

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

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

Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

Portfolio ECL is determined by running each scenario through the relevant ECL model weighted by the appropriate scenario weighting.

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

Economic variable assumptions

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

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

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

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

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

Average ECL per product category per stage as at 31 December 2023

Payroll loan advances to customers

	Stage ECL %		
	1	**2**	**3**
South Africa	1.64%	27.28%	82.62%
Eswatini	0.27%	16.64%	23.57%
Kenya	2.27%	38.01%	69.55%

Online loan advances to customers

	Stage ECL %		
	1	**2**	**3**
South Africa	7.44%	50.85%	95.26%
Eswatini	4.32%	21.18%	74.63%
Kenya	1.64%	2.65%	91.74%

Vehicle purchase / logbook loans

	Stage ECL %		
	1	**2**	**3**
Kenya	1.81%	1.82%	0.80%
Tanzania	0.00%	0.00%	1.65%

Average ECL per product category per stage as at 31 December 2022

Payroll loan advances to customers

	Stage ECL %		
	1	**2**	**3**
South Africa	1.51%	26.74%	53.08%
Eswatini	0.00%	0.00%	0.00%
Kenya	2.24%	28.13%	60.28%

Online loan advances to customers

	Stage ECL %		
	1	**2**	**3**
South Africa	62.57%	58.57%	98.15%
Eswatini	0.00%	0.00%	0.00%
Kenya	0.00%	0.00%	0.00%

Vehicle purchase / logbook loans

	Stage ECL %		
	1	**2**	**3**
South Africa	0.00%	0.00%	0.00%
Tanzania	0.00%	0.00%	100.00%
Kenya	0.01%	0.00%	1.97%

Loans with renegotiated terms

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

Write-off policy

Financial assets are written off when the entity has no reasonable expectation of recovery.

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

37.4. Foreign exchange risk

Foreign exchange risk arises when future commercial transaction or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Management has set up a policy to require the company to manage its foreign exchange risk against their functional currency if this risk is realised. The Company mitigates in foreign exchange risk through sourcing for local currency funding and application of effective hedging techniques.

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

37.5. Concentration risk

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

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

Customer concentration

Group	Single highest customer loans		Top 10 highest loans	
	Dec 2023	Dec 2022	Dec 2023	Dec 2022
Loan advances	0.21%	0.47%	1.55%	2.36%

37.6. Insurance Risk

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

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

Similarly, diversification of the portfolio with respect to risk factors reduces insurance risk. Guardrisk is responsible for evaluating all retention of risks in terms of statistical and underwriting disciplines, under mandate set for the cell arrangement.

Factors specifically applicable to the Group that aggravate insurance risk include those arising from a lack of risk diversification in terms of type and amount of risk, geographical area and specific industries covered. The Group sells not only credit life insurance products, but also funeral policies which introduces diversification into the portfolio.

The Group manages this risk through its agreement with Guardrisk. The main risks to which the Group is exposed to include:

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

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

Guardrisk is responsible for evaluating all retention of risks in terms of statistical and underwriting disciplines, under mandate set for the cell arrangement.

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

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

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

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

37.7. Net debt reconcilation

	Group		Company	
Net debt	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Cash and cash equivalents	1,497,750	2,109,072	18,624	18,600
Borrowings - repayable within one year (including overdraft)	(5,598,022)	(2,859,547)	(4,601,000)	(2,121,961)
Borrowings - repayable after one year	(18,522,736)	(18,524,699)	(2,535,776)	(13,446,259)
	(22,623,008)	**(19,275,172)**	**(7,118,152)**	**(15,549,620)**
Cash and liquid investments	1,497,750	2,109,072	18,624	18,600
Gross debt - fixed interest rates	(24,120,758)	(21,384,246)	(7,136,776)	(15,568,220)
	(22,623,008)	**(19,275,174)**	**(7,118,152)**	**(15,549,620)**

Group December 2023	**Cash / bank overdraft**	**Borrow due within 1 year**	**Borrow due after 1 year**	**Total**
Opening balance as at 01 Jan 2023	2,109,072	(2,859,546)	(18,524,699)	(19,275,173)
Cashflows	(611,322)	(2,738,476)	1,963	(3,347,835)
Other non-cash movements	-	-	-	-
Impact of currency translation	-	-	-	-
	1,497,750	**(5,598,022)**	**(18,522,736)**	**(22,623,008)**

Group December 2022	**Cash / bank overdraft**	**Borrow due within 1 year**	**Borrow due after 1 year**	**Total**
Opening balance as at 01 Jan 2022	7,193,377	(2,394,811)	(17,682,526)	(12,883,960)
Cashflows	(4,883,226)	(464,735)	(842,173)	(6,190,134)
Other non-cash movements	-	-	-	-
Impact of currency translation	(201,079)	-	-	(201,079)
	2,109,072	**(2,859,546)**	**(18,524,699)**	**(19,275,173)**

Company December 2023	**Cash / bank overdraft**	**Borrow due within 1 year**	**Borrow due after 1 year**	**Total**
Opening balance as at 01 Jan 2023	18,600	(2,121,961)	(13,446,259)	(15,549,620)
Cashflows	24	(2,479,039)	10,910,483	8,431,468
Other non-cash movements	-	-	-	-
Impact of currency translation	-	-	-	-
	18,624	**(4,601,000)**	**(2,535,776)**	**(7,118,152)**

Company December 2022	**Cash / bank overdraft**	**Borrow due within 1 year**	**Borrow due after 1 year**	**Total**
Opening balance as at 01 Jan 2022	764,428	(1,902,101)	(1,093,142)	(2,230,815)
Cashflows	(745,828)	(219,860)	(12,353,117)	(13,318,805)
Other non-cash movements	-	-	-	-
Impact of currency translation	-	-	-	-
	18,600	**(2,121,961)**	**(13,446,259)**	**(15,549,620)**

Notes to the consolidated and separate financial statements for the year ended 31 December 2023 (continued)

38. Comparative

The comparative period presented for statements of profit and loss, statements of other comprehensive income, statements of changes in equity and notes to financial statements for the year ended 31 December 2022 have been stated to conform with the figures in the current period as entities must provide comparative information in respect of the preceding period for all amounts reported in the current period's financial statements.

39. Date of Authorisation for issue of financial statements

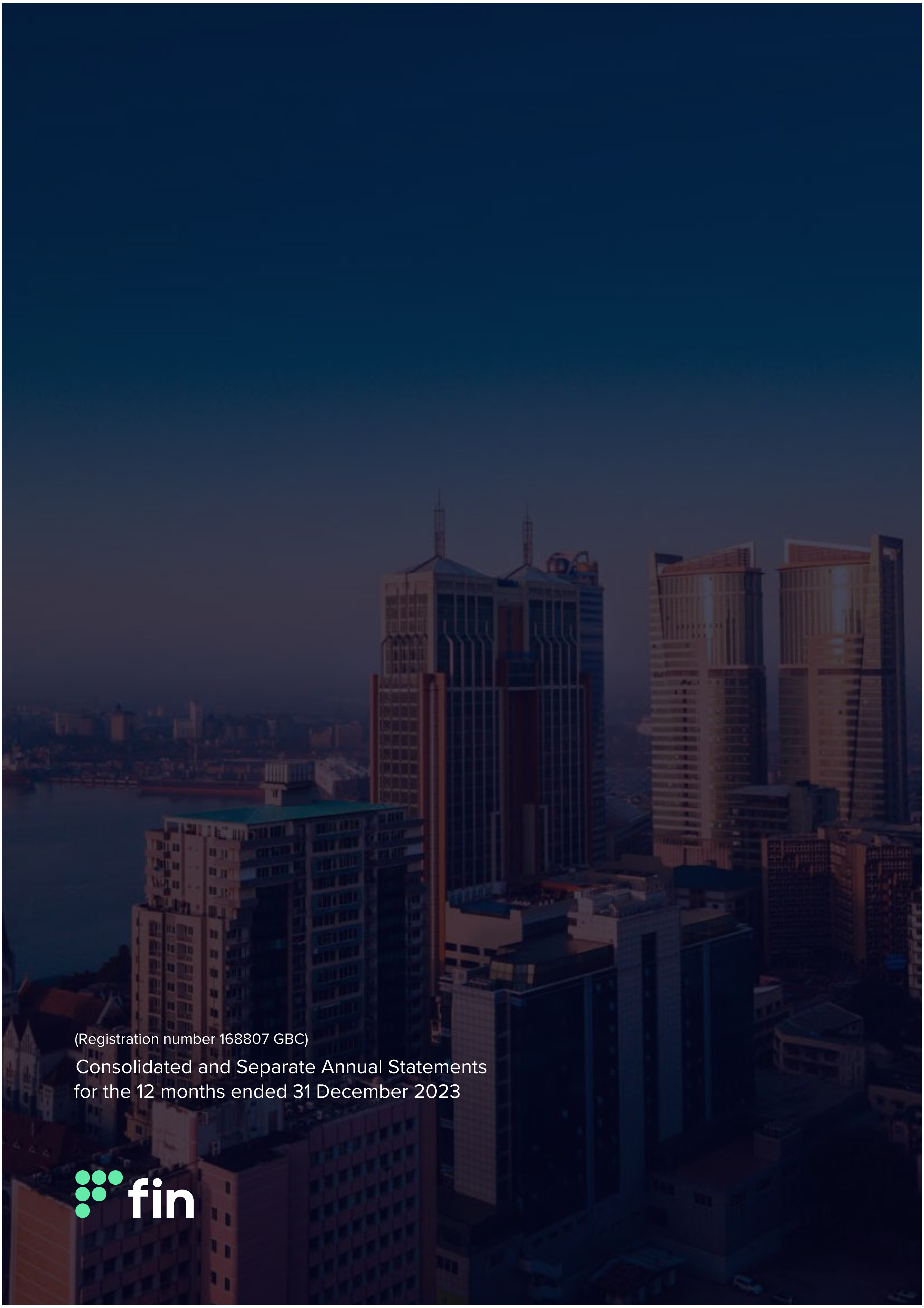
The financial statements have been authorised for issue by the directors on 19 July 2024. No authority was given to anyone to amend the financial statements after the date of issue.

40. Liquidity and solvency.

Management performed a solvency and liquidity test in terms of the Companies Act 71 of 2008 with the business being both liquid and solvent for the coming financial year.

41. Subsequent events

There have been no other material events after the end of the reporting date which would require disclosures of adjustments to the financial statements for the year ended 31 December 2023.



(Registration number 168807 GBC)

Consolidated and Separate Annual Statements
for the 12 months ended 31 December 2023

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