smartadvance Proprietary Limited and its subsidiaries

(Registration number 2010/015748/07)

Consolidated Annual Financial statements for the year ended 31 December 2020

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Private holding company that operates in and has investments in entities, operating in the micro finance industry and insurance
Directors	**Executive** **Non-independent** Mark Rodney Young **Non-Executive** **Independent** Matshidiso Bonolo Modise (Chair) Manuel René Koser Tamuka Mpofu Nicky Swartz
Registered office	The Wedge, 1st Floor 43 Garsfontein Rd Waterkloof Gauteng 451
Business address	The Wedge, 1st Floor 43 Garsfontein Rd Waterkloof Gauteng 451
Postal address	PO Box 39660 Garsfontein East Pretoria Gauteng 0040
Holding company	FAH South Africa (Pty) Ltd incorporated in South Africa
Ultimate holding company	Finclusion Africa Holdings Limited incorporated in Mauritius
Auditor	Mazars Registered Auditor
Company registration number	2010/015748/07
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 of South Africa.
Preparer	The annual financial statements were compiled by: Charl Janeke Head of Group Finance
Approved	1 April 2021

TABLE OF CONTENTS

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

Directors' responsibilities

The directors are required in terms of the Companies Act 71 of 2008 of South Africa 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 state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

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

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

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

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

The external auditors are responsible for independently auditing and reporting on the 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 9 to 11.

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 12 to 89, which have been prepared on the going concern basis, were approved by the board of directors on 1 April 2021. and were signed on their behalf by:

Modise.
BM MODISE (Apr 4, 2021 08:38 GMT+2)

Matshidiso Bonolo Modise
Board Chair

Jaco Coetzee
Jaco Coetzee (Apr 3, 2021 07:43 GMT+2)

Jaco Coetzee
Executive Director

Directors' report

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

Nature of the business

smartadvance Proprietary Limited is an entity incorporated in South Africa with operations in the financial services industry in South Africa, Eswatini and Namibia. smartadvance focuses on lending and insurance products offered through the smartadvance and niftycover brands, respectively. The Group provides unsecured loans (and related financial services) to its customers in three jurisdictions being South Africa, Eswatini and Namibia. Product term and values differ, in South Africa products range in value from ZAR 500 to ZAR 20 000 with a 3 month to 24 month term. In Eswatini from SZL 500 to SZL 350 000 with terms ranging from 1 month to 72 months, whilst in Namibia products are offered NAD 100 to NAD 20 000 with terms ranging between 1 and 60 months.

smartadvance follows a robust approach towards risk modelling and an innovative approach towards credit scoring. With our custom developed systems allowing for an effective and accurate mitigation of risk by understanding and managing each customer at individual level using non-traditional data to manage a borrower's credit risk.

The products offered enable customers to manage their financial affairs easily and conveniently. We continuously aim to ensure that our products are accessible, simple and trustworthy in comparison to traditional, non-technological methods, ultimately, working towards enhancing benefits to the customer.

The group also provide credit rehabilitation to assist clients with over-indebtedness, backlisting and judgements through tailored financial products. This in addition to financial tools provided to educate clients on financial basics, enabling them to make better financial decisions for the future.

Name change

The group changed its name from Get Bucks (Pty) Ltd to smartadvance Proprietary Limited during the year under review. Further, the Group launched an additional brand, nifty primarily catering for the online market. This enables the differentiation of marketing strategies between the employer/payroll proposition and the direct-to-consumer proposition.

Reporting period

Year-end change

The group changed its year end from June to December during the 2019 financial year. The change in year-end allowed the smartadvance group to better align with the South African market and industry peers. As a result the amounts presented in the financial statements are not entirely comparable as the 2019 results shown were for the six months ended 31 December 2019.

Strategic overview

Overview

The Group used 2020 to reposition its product offering in the market and strengthen its asset quality. This included terminating the traditional pay-day loan product line in South Africa and the development of the smartadvance wage streaming solution which will reduce the overall cost of credit to clients. Wage streaming is a service that allows employees to access a portion of their salary owed to them for the month but that has not yet been paid. Wage-streaming is expected to launch in Q1 2021.

In addition, the maximum loan amounts in the direct-to-consumer channel were increased within the existing risk framework enabling the business to grow its presence into the higher income segments of the market. Individual loan amounts increased to ZAR12,000, which though below the prevailing market average of ZAR32,000 is within the credit risk management framework of the company.

In response to the Covid-19 pandemic, the company implemented the following steps to avoid any disruption to its clients,

i) Voice Contracting – allowing contactless onboarding of clients
ii) Adapted lending criteria (in response to the changing consumer behaviours during the pandemic
iii) Introducing a broad range of non-physical payment channels, including Ozow instant ETF payments and virtual collections
iv) Implementation of new mobile applications for the Online as well as Payroll portfolios

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

Staff were also provided with an independent and confidential support service to provide assistance for the transition to the remote working environment.

The Group remains confident in the quality of its loan portfolio as evidenced by collection rates that remain in the high 80% for most of the year. (YTD: 89%). When compared to the prevailing average of 78% in the industry. Collection rates are measured as the received repayments as a percentage of the expected repayments. This coupled with early adoption of Debi-check (debit order payment system), resulted in consistently improved collection performance with Non-Performing Loan (NPL) ratio closing the year at 7.5%.

Directors' report (continued)

Corporate Actions

In harmony with its objective to run a streamlined operating structure with improved governance, minimal overhead and reduced reporting complexity the group sought to unbundle investments in associates and subsidiaries during the 2020 financial year.

On 30 June 2020 the board approved a share sale agreement that saw smartadvance Proprietary Limited dispose of its stake in Get Bucks (Namibia) Pty Limited an associate (49% shareholding) to its holding company FAH South Africa (Pty) Ltd. Purchase consideration was based on Net Asset Value at date of sale.

On 30 June 2020, smartadvance entered negotiations to dispose of its 100% interest in GetBucks Proprietary Ltd (Eswatini) to FAH South Africa (Pty) Ltd as part of the smartadvance group restructure. Although all terms and conditions of disposal to FAH South Africa (Pty) Ltd have been met, the transaction is still awaiting regulatory approval from the Financial Services Regulatory Authority (FSRA) in Eswatini before it can be finalised. As a result GetBucks Proprietary Ltd (Eswatini) has been classified as an asset held for sale per IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations in these financial statements. See note 13 for details.

Technology

The group has continued to improve on existing systems. Credit scoring, fraud detection and AI computing back-ends have undergone significant development changes to make them faster, more accurate and scalable.

Review of financial results and activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') in accordance with International Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Our people

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

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

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.

Financial performance

The group posted a net loss after tax of ZAR36,363,079 for the year ended 31 December 2020 (6 months ended 31 December 2019: ZAR41,523,161). Though healthy profits were earned in its Eswatini subsidiary (c. ZAR4m) the Company is still coming off a historically loss-making year as it ran a below par size loan portfolio for the year with growth stifled during the pandemic.

The benefit off the Debt Restructuring Agreement concluded in November 2019 were realised in the current year with a 66% reduction in interest expense to ZAR13,285,798 from ZAR38,920,903 (6months to 31 December 2019).

During the year, several initiatives were carried out to position the group for a return to profitability, including rationalizing OPEX which achieved a 36% year-on-year (YOY) reduction when compared to annualised OPEX for Dec 19. The benefits of optimizing levels of OPEX during 2020 will be further realised in 2021 with cost-to-income projected to improve as the business scales up its operations and achieves better economies of scale.

Yields on earning assets remained healthy in 2020 underpinned by growth in interest income for the year to date to close at ZAR45,013,139 (6 months to December 2019: ZAR28,332,570). This despite the decrease in loan portfolio size during the pandemic.

In 2021 the group looks to grow its loan portfolio with a focus on high earning, high-quality assets while keeping a streamlined cost base and thus achieve a return to profitability. The groups financial position remains healthy underpinned by loans and advances to customers. Total gross loans and advances (including the held for sale company GetBucks Proprietary Limited (Eswatini)) closed at ZAR135,878,152 (31 Dec 2019: ZAR140,483,672). The marginal decline in total gross loans was due to reduced sales volume during the pandemic in 2020, coupled with an increased focus on capital preservation and improved credit quality.

Asset quality remained healthy with a credit loss ratio of 11.3% (Dec 19: 11,0%) – compliant with IFRS9 Expected Credit Loss methodology. This ahead of prevailing industry averages after the pandemic year.

Directors' report (continued)

The group looks to grow its balance sheet in 2021 on the back of debt capital based on several debt tickets that are at varying stages of completion.

Share capital

There were no changes in authorised share capital during the year under review for the group and the company.

Board of Directors

The composition of the board changed as follows:

Name	Date appointed	Date resigned
Executive Non-independent		
Mark Rodney Young	11 September 2018	
Dean Alexander Crocker	29 July 2019	7 December 2020
Non-Executive Non-independent		
Tamuka Mpofu	1 April 2020	
Independent		
Matshidiso Bonolo Modise	1 April 2020	
Manuel René Koser	1 April 2020	
Nicky Swartz	1 September 2020	

The Group has sought to strengthen its governance practices with the Board setting up the Audit and Risk Committee and Remuneration Committee to assist in the discharge of its duties and responsibilities. The Board has also appointed management committees to assist in the execution of its mandate including the Executive Committee:

<u>Audit and risk committee</u>

The Committee oversees the Group's financial reporting process, monitoring the integrity and appropriateness of the Group's financial statements, evaluating the adequacy of the Group's financial and operational processes, compliance, internal controls and risk management. The Committee further overseas the selection, compensation, independence and performance of the Group's external and internal auditors. The Committee meets at least four times a year. The Committee meets regularly with the Group's internal and external auditors and both have unrestricted access to the committee for their independence and objectivity.

As at 31 December 2020 members of the committee were:

Manuel René Koser (Chair)
Matshidiso Bonolo Modise
Nicky Swartz

<u>Remuneration Committee</u>

The Committee is responsible for setting the Group's remuneration philosophy and reviews the overall remuneration structures of the Group, including all material remuneration proposals and packages for all staff including senior personnel and Executive Directors.

As at 31 December 2020 members of the committee were:

Manuel René Koser (Chair)
Tamuka Mpofu
Matshidiso Bonolo Modise

General description of internal control and operational procedures

Internal control is a process applied by the board of directors, management and all levels of personnel in the group to ensure that management has reasonable assurance that:

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

Internal controls over financial reporting

<u>Organisational structure</u>

The financial management team is responsible for the daily financial operations of the group as well as the internal and external reporting to the board and respective stakeholders.

The tasks of the group´s financial management team consist of, inter alia, monthly consolidation of group entities, and annual consolidated financial statements, management of liabilities, protection against exchange risk, and transfer pricing. The finance function of the group implements operative supervision under the Head of finance who reports any supervisory findings to the Board.

Directors' report (continued)

Financial reporting systems

The consolidated financial statements are prepared by consolidating the accounting information as reported by the various entities in the group. The accounting of the group's subsidiaries 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.

Internal controls

The group's internal control mechanisms are based on policies, financial reporting review meetings, and segregation of key accounting duties.

Software development and IT solutions

The company has retained ownership and control of its core technology platform (Fincloud) but has pursued an outsourced development approach for its mobile applications. This decision was based on the total cost of ownership (TCO) for the development of this platform as well as providing the ability to enter the market more quickly.

We will continue to strike the appropriate strategic and commercial balance between in-house and outsourced development to ensure we deliver best of breed technology solutions to our clients and partners.

The company sourced the credit decisioning platform from Fractal Labs, a company that is part of the broader Finclusion Group. While Fractal will provide the platform, the credit decision IP, monitoring and performance resides within smartadvance and decisions in relation to credit assessment are taken by the smartadvance credit committee.

Future plans

We continue to develop and test new technologies, with a strong focus on empowering our customers to better understand their personal financial data and make more informed financial decisions, while at the same time looking to strengthen our own predictive models to be able to deliver a more holistic and inclusive financial services offering to our markets. We have successfully piloted psychometric scoring in the South African market and launched this in early 2020 as part of our commitment to broaden our customer reach. We will continue to seek yield enhancing partnerships whilst ensuring a robust yet profitable balance sheet with greater focus on capital preservation.

We believe that wage-streaming and credit rehabilitation present significant opportunities to transform the lending proposition for consumers in South Africa, coupled with strong employer and partner relationships to support growth.

Events after the reporting period

Refer to note 42 in the consolidated financial statements for the subsequent event note.

Directors' interests in contracts

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

Holding company

The group is a wholly owned subsidiary of FAH South Africa Pty Ltd (Finclusion).

Ultimate holding company

The group's ultimate holding company is Finclusion Africa Holdings Limited incorporated in Mauritius

Date of Authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on 1 April 2021. No authority was given to anyone to amend the financial statements after the date of issue.

Going concern

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

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

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

- whether the Group and Company has sufficient cash resources to pay its creditors and maturing liabilities as and when they fall due and meet its operating costs for the ensuing twelve months; 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 Company.

Directors' report (continued)

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

The Group has for the greater part remained largely unaffected by these events; management implemented a successful "work from home" policy enabled by the companies fintech platform allowing all business functions to operate effectively remotely. Management is working closely with payroll portfolio clients to ensure their needs are met during these trying times, whilst ensuring collectability.

In an effort to reduce irresponsible borrowing during the COVID-19 pandemic and over indebting consumers, criteria to apply for a personal loan was tightened to deal with the shift in data points available and to make effective credit decisions, including introducing psychometric scores.

This has reduced the quantity of applications but has, however, maintained the quality of clients that are able to uphold their credit agreements on a monthly basis.

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

Auditors

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

Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008 of South Africa.

Annual financial statements preparation

The annual financial statements were compiled by:
Charl Janeke
Head of Finance

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Independent Auditor's Report

31 December 2020

To the Shareholders of smartadvance Proprietary Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of smartadvance Proprietary Limited (the group and company) set out on pages 12 to 89, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of smartadvance Proprietary Limited as at 31 December 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – impact of COVID-19 on the financial statements

In forming our opinion on the financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as set out in the directors' report, the application of the going concern basis of preparation in note 1.3 to the financial statements and the continuing subsequent event in note 42 to the financial statements.

Since the balance sheet date, the company has continued to assess the impact of COVID-19 on the financial statements and the potential impact on the business. The notes referred to elaborate on the directors' assessment of the expected impact of COVID-19 on the business and their conclusion that adopting the going concern basis of preparation is appropriate and that COVID-19 is considered a continuing subsequent event at year end.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "smartadvance proprietary limited and its subsidiaries annual financial statements for the 12 months ended 31 December 2020", which includes the Directors' Report, which we obtained prior to the date of this report and the annual report which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate 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 Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 consolidated and separate 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 / or the company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars

Mazars
Partner: Nafeesahmed Mayat
Registered Auditor
01/04/2020
Johannesburg

smartadvance Proprietary Limited and its subsidiaries

(Registration number 2010/015748/07)

Consolidated and separate annual financial statements for the 12 months ended 31 December 2020

Consolidated statement of financial position

		Group		Company	
Figures in ZAR	**Note**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Assets					
Cash and cash equivalents	6	5,407,393	11,438,583	3,562,582	5,582,897
Other receivables	7	3,841,239	11,114,819	2,729,373	2,739,364
Loans and advances to customers	9	75,633,282	140,483,672	75,633,282	91,201,107
Investment in insurance contracts	12	2,535,085	2,293,903	-	-
Loans to group companies and related parties	11	-	-	6,008,293	65,842,443
Other financial assets	8	48,077	192,308	48,077	192,308
Current tax receivable	24	335,802	536,472	335,802	335,802
Right of use Asset	21	2,815,358	1,499,634	2,815,358	210,243
Property and equipment	14	280,999	993,432	270,970	653,244
Intangible assets	15	6,691,104	6,734,373	5,491,104	6,734,373
Investments in subsidiaries	16	-	-	53,858,744	1,300
Investment in associates	17	-	1,881,796	-	1,725,820
Deferred tax	18	14,782,311	18,871,742	14,364,672	14,434,747
Goodwill	19	11,578,790	11,578,790	7,973,131	7,973,131
		123,949,440	**207,619,524**	**173,091,388**	**197,626,779**
Assets held for sale and assets of disposal groups	13	60,492,609	1,282,670	-	-
Total assets		**184,442,049**	**208,902,194**	**173,091,388**	**197,626,779**

Consolidated statement of financial position

		Group		Company	
Figures in ZAR	**Note**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Liabilities					
Bank overdraft	6	45,984	48,570	45,882	47,420
Trade and other payables	20	23,776,201	27,558,798	16,395,713	24,455,758
Liability in Insurance contract	12	255,118	406,732	-	-
Loans from Shareholder	10	61,759,339	50,000,000	61,759,339	50,000,000
Lease liabilities	21	2,960,277	1,887,680	2,960,277	453,530
Loans from group companies and related parties	11	57,524,587	32,032,201	62,990,241	41,986,978
Borrowings	22	3,272,573	18,691,842	3,272,573	17,700,837
Current tax payable	24	2,996	871,897	-	-
		149,597,075	**131,497,720**	**147,424,025**	**134,644,522**
Liabilities of disposal groups	13	2,052,735	4,884,042	-	-
Total liabilities		**151,649,810**	**136,381,762**	**147,424,025**	**134,644,522**
Equity					
Share capital	23	343,197,400	343,197,400	343,197,400	343,197,400
Other reserves		-	-	-	-
Retained income		(309,909,332)	(270,181,139)	(317,530,037)	(280,215,143)
Total equity attributable to owners of the parent		**33,288,068**	**73,016,261**	**25,667,363**	**62,982,257**
Total equity attributable to non-controlling interest		(495,829)	(495,829)	-	-
Total equity		**32,792,239**	**72,520,432**	**25,667,363**	**62,982,257**
Total equity and liabilities		**184,442,049**	**208,902,194**	**173,091,388**	**197,626,779**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on page 17 to 87 of the financial statements.

Consolidated statement of profit or loss and other comprehensive income

Figures in ZAR		**Group**		**Company**	
Continuing operations	**Note**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Interest revenue	25	45,013,139	28,332,570	31,933,777	20,100,385
Other interest and similar income	25	980,533	93,989	1,770,740	12,512
Interest expense	26	(13,285,798)	(38,920,903)	(13,758,578)	(21,510,480)
Net interest income		**32,707,874**	**(10,494,345)**	**19,945,939**	**(1,397,583)**
Fee and commission income	27	18,686,199	12,977,078	6,923,334	4,750,298
Fee and commission expense	27	(4,854,032)	(3,127,820)	(3,061,647)	(1,933,581)
Net fee and commission income		**13,832,167**	**9,849,258**	**3,861,686**	**2,816,716**
Net trading income		**46,540,041**	**(645,086)**	**23,807,626**	**1,419,133**
Credit loss expense on customer loan book	28	(17,190,717)	(4,168,005)	(11,695,556)	(1,781,007)
Credit loss expense on other financial assets	2	(448,435)	(1,679,465)	(437,135)	(1,651,443)
Other Income	30	1,827,032	20,182,290	10,421,645	22,937,762
Profit from share of associate	17	**60,479**	**155,977**	**-**	**-**
Net operating income		30,788,400	**13,845,711**	**22,096,580**	**20,924,445**
Other operating expenses	31	(68,900,551)	**(54,377,806)**	**(59,341,399)**	**(50,162,207)**
(Loss) before taxation		(38,112,151)	**(40,532,095)**	**(37,244,819)**	**(29,237,762)**
Taxation	35	(1,575,643)	(991,066)	(70,077)	(2,819,489)
(Loss) profit from continuing operations		**(39,687,794)**	**(41,523,161)**	**(37,314,896)**	**(32,057,251)**
Discontinued operations					
Profit (loss) from discontinued operations	13	(40,399)	-	-	-
(Loss) for the year		**(39,728,193)**	**(41,523,161)**	**(37,314,896)**	**(32,057,251)**
Total comprehensive (loss) for the year		**(39,728,193)**	**(41,523,161)**	**(37,314,896)**	**(32,057,251)**
Other comprehensive income:					
Items that may not be reclassified to profit or loss:					
Revaluation surpluses		-	(238,810)	-	-
Other comprehensive (loss) for the year net of income taxation		**-**	**(238,810)**	**-**	**-**
Loss attributable to:					
Owners of the parent		**(39,728,193)**	**(41,636,803)**	**(37,314,896)**	**(32,057,251)**
From continuing operations		(39,687,794)	(41,636,803)	(37,314,896)	(32,057,251)
From discontinued operations		(40,399)	-	-	-
Non-controlling interest		**-**	**113,642**	**-**	**-**
From continuing operations		-	113,642	-	-
From discontinued operations		-	-	-	-
Total comprehensive loss attributable to:		**(39,728,193)**	**(41,523,161)**	**(37,314,896)**	**(32,057,251)**
Owners of the parent		(39,728,193)	(41,636,803)	(37,314,896)	(32,057,251)
Non-controlling interest		-	113,642	-	-

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on page 17 to 87 of the financial statements.

smartadvance Proprietary Limited and its subsidiaries

(Registration number 2010/015748/07)

Consolidated and separate annual financial statements for the 12 months ended 31 December 2020

Consolidated statement of changes in equity – Group

Figures in ZAR	Share capital	Revaluation reserve	Share based payment reserve	Total reserves	Accumulated loss	Total attributable to owners of the parent	Non-controlling interest	Total equity
Balance as at 30 June 2019	**65,199,625**	**13,074,842**	**266,285**	**13,341,127**	**(228,477,018)**	**(149,936,266)**	**(1,025,190)**	**(150,961,456)**
IFRS 16 adjustment 1 July 2019	**-**	**-**	**-**	**-**	**(67,318)**	**(67,318)**	**-**	**(67,318)**
Balance as at 1 July 2019	**65,199,625**	**13,074,842**	**266,285**	**13,341,127**	**(228,544,336)**	**(150,003,584)**	**(1,025,190)**	**(151,028,774)**
Other comprehensive income	-	(238,810)	-	(238,810)	-	(238,810)	-	(238,810)
(loss) for the 6 months	-	-	-	-	(41,636,803)	(41,636,803)	113,642	(41,523,161)
Total comprehensive income / (loss) for the year	**-**	**(238,810)**	**-**	**(238,810)**	**(41,636,803)**	**(41,875,613)**	**113,642**	**(41,761,971)**
Issue of shares	277,997,775	-	-	-	-	277,997,775	-	277,997,775
Share based payment expense	-	-	(266,285)	(266,285)	-	(266,285)	-	(266,285)
Disposal of subsidiary	-	(12,836,032)	-	(12,836,032)	-	(12,836,132)	415,719	(12,420,413)
	277,997,675	**(12,836,032)**	**(266,285)**	**(13,102,317)**	**-**	**264,895,358**	**415,719**	**265,311,077**
Balance as at 31 December 2019	**343,197,400**	**-**	**-**	**-**	**(270,181,139)**	**73,016,261**	**(495,829)**	**72,520,432**
Balance as at 1 Jan 2020	**343,197,400**	**-**	**-**	**-**	**(270,181,139)**	**73,016,261**	**(495,829)**	**72,520,432**
Other comprehensive income				-	-	-	-	-
(Loss) for the 12 months				-	(39,728,193)	(39,728,193)	-	(39,728,193)
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**-**	**(39,728,193)**	**(39,728,193)**	**-**	**(39,728,193)**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance as at 31 December 2020	**343,197,400**	**-**	**-**	**-**	**(309,909,332)**	**33,288,068**	**(495,829)**	**32,792,239**
Note	23	23	23					

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on page 17 to 87 of the financial statements.

smartadvance Proprietary Limited and its subsidiaries

(Registration number 2010/015748/07)

Consolidated and separate annual financial statements for the 12 months ended 31 December 2020

Consolidated statement of changes in equity – Company

Figures in ZAR	Share capital	Revaluation reserve	Share based payment reserve	Total reserves	Accumulated loss	Total
Balance as at 30 June 2019	**65,199,625**	**-**	**266,285**	**266,285**	**(248,157,892)**	**(182,691,982)**
IFRS 16 adjustment 1 July 2019	-	-	-	-	-	-
Balance as at 1 July 2019	**65,199,625**	**-**	**266,285**	**266,285**	**(248,157,892)**	**(182,691,982)**
Other comprehensive income	-	-	-	-	-	-
(loss) for the 6 months	-	-	-	-	(32,057,251)	(32,057,251)
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**-**	**(32,057,251)**	**(32,057,251)**
Issue of shares	277,997,775	-	-	-	-	277,997,775
Share based payment expense	-	-	(266,285)	(266,285)	-	(266,285)
	277,997,775	**-**	**(266,285)**	**(266,285)**	**-**	**277,731,490**
Balance as at 31 December 2019	**343,197,400**	**-**	**-**	**-**	**(280,215,143)**	**62,982,257**
Balance as at 1 Jan 2020	**343,197,400**	**-**	**-**	**-**	**(280,215,143)**	**62,982,257**
Other comprehensive income				-	-	-
(Loss) for the 12 months				-	(37,314,896)	(37,314,896)
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**-**	**(37,314,896)**	**(37,314,896)**
Balance as at 31 December 2020	**343,197,400**	**-**	**-**	**-**	**(317,530,039)**	**25,667,361**
Note	22	23	23			

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on page 17 to 87 of the financial statements.

smartadvance Proprietary Limited and its subsidiaries

(Registration number 2010/015748/07)
Consolidated and separate annual financial statements for the 12 months ended 31 December 2020

Consolidated statement of cash flow

		Group		Company	
Figures in ZAR	**note**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Cash flows from operating activities					
Cash (used in) operations	36	(7,772,635)	(13,662,483)	(15,506,616)	(26,356,510)
Interest revenue		100,048	93,989	-	12,512
Interest expense paid		(8,339,386)	(2,759,267)	(8,152,800)	(613,999)
Tax paid		(484,909)	(289,334)	-	-
Net cash flows used in operating activities		**(16,496,882)**	**(16,617,095)**	**(23,659,416)**	**(26,957,997)**
Cash flows from investing activities					
Purchase of property and equipment	14	(87,525)	(93,634)	-	-
Sale of property and equipment	14	133,421	33,079	120,411	5,305
Disposal of subsidiary	16	-	(1,372,608)	1,000	-
Net cash flows used in investing activities		**45,896**	**(1,433,164)**	**121,411**	**5,305**
Cash flows from financing activities					
Payment received from loans to group companies		-	-	40,127,064	15,940,949
Advances made on loans from group companies		-	-	(13,706,432)	(3,801,791)
Payments received from borrowings		(8,033,057)	-	(7,058,057)	-
Repayments of borrowings		500,000	(605,754)	500,000	-
Payments received on loans from shareholders		(3,490)	-	(3,490)	-
Advances made on loans from shareholders		-	-	-	-
Payment received from related parties		17,307,064	22,450,000	2,610,000	21,475,000
Advances made on loans from related parties		3,966,814	(9,054,189)	-	(6,417,826)
Payment on lease liabilities		(1,726,670)	(363,332)	(949,857)	(78,280)
Net cash flows from financing activities		**12,010,661**	**12,426,725**	**21,519,228**	**27,118,053**
Total cash movement for the year		**(4,440,325)**	**(5,623,534)**	**(2,018,777)**	**165,361**
Cash at the beginning of the year		11,390,013	17,021,638	5,535,477	5,370,116
Held for sale cash		(1,588,279)	(8,091)		
Total cash and cash equivalents at the end of the year	6	**5,361,409**	**11,390,013**	**3,516,700**	**5,535,477**

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes on page 17 to 87 of the financial statements.

Notes to the consolidated and separate financial statements as at 31 December 2020 *

1. Preparation of the consolidated financial statements

1.1 Background and purpose of the consolidated financial statements

Background

smartadvance Proprietary Limited (smartadvance) is a private company incorporated in South Africa. The address of its registered office and principal place of business is The Wedge, 1st Floor, 43 Garsfontein Road, Waterkloof, Pretoria, 0145. Their principle activities is operating in and has investments in entities, operating in the micro finance industry and insurance.

The 100% shareholding in smartadvance by MyBucks (Ultimate Holding Company of smartadvance) was sold to FAH South Africa (Pty) Ltd, a wholly owned subsidiary of Finclusion Pte Ltd on 22 October 2019.

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 consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') on the going concern basis in accordance with, and in compliance with, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and effective at the time of preparing these consolidated annual financial statements and the Companies Act of South Africa, 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 Rands, 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 consolidated annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

1.3 Going concern

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

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

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

- whether the Group and Company has sufficient cash resources to pay its creditors and maturing liabilities as and when they fall due and meet its operating costs for the ensuing twelve months; 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 Company.

The going concern assessment is, however, a matter of judgment. In making this judgment, the board has considered the uncertainties arising from their assessment, both individually and collectively. The board believes the current economic outlook under the national “lockdown” presents near-term challenges, evidenced by increased unemployment, the temporary reduction in employee wages, and subdued economic growth within the South African and global economy. The South African economy has entered into a recession with the full impact of the extended “lockdowns” yet to be seen.

The company has for the greater part remained largely unaffected by these events; management implemented a successful “work from home” policy enabled by the companies fintech platform allowing all business functions to operate effectively remotely. Management has worked closely with payroll clients to ensure their needs are met during these trying times, whilst ensuring collectability.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

COVID-19 has tested the robustness of the company's business model, resulting in the board implementing the necessary measures to protect employees and clients whilst bolstering reserves to take advantage of near-term opportunities as and when they arise.

The sole shareholder (FAH South Africa) has continued to show support of the group and its management, converting a substantial portion of its loan claim to equity prior to year-end.

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

Notes to the consolidated and separate financial statements as at 31 December 2020 (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 recycled 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.

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 the consolidated and separate financial statements as at 31 December 2020 (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 and buildings, which are stated at the revalued amount less accumulated depreciations and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. All assets are depreciated over a straight-line basis over the estimated useful life. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to 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	6 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	3 years
Leasehold improvement	Lease period

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

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

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 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. On disposal the revaluation reserve was transferred to accumulated losses upon derecognition of the investment property.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

2.5 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.

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 five years. Amortisation is provided to write down the intangible assets, on a straight-line basis, as follows:

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

The customer relationship relates to the fair value adjustments of the purchase of a deduction at source lending 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.

2.6 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 fair value.

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)

2.7 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.

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 to / (from) group companies and related parties', 'other financial assets', 'loans and advances to customers', 'other receivables', 'cash and cash equivalents', borrowings. Loans from shareholder', 'finance lease liabilities' and 'trade and other payables' in the consolidated statement of financial position. (Note 6, 7, 8, 9, 10, 20, 21, 22)

2.8 Initial recognition and measurement

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

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

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

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

2.9 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

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

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.

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.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

2.10 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.

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 Statement of Profit and Loss and other comprehensive income. Any recoveries on derecognised financial assets or partially derecognised financial assets is recognised within other income.

<u>The calculation of ECLs</u>

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.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

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.

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

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

2.11 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises amounts due from banks on demand. Cash and cash equivalents are subsequently measured at amortised cost.

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

2.12 Taxation (tax)

<u>Current taxation</u>
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.

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

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

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

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

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

The group only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the group's intention to settle on a net basis.

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.

2.13 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.

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 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.

2.14 Non-current assets held for sale or disposal groups

Non-current assets held for sale

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

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

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

On 30 June 2020 the company entered into an agreement to dispose of its 100% shareholding in GetBucks Proprietary Ltd (Eswatini) to FAH South Africa (Pty) Ltd, subject to FAH obtaining FSRA regulatory approval by 31 December 2020 the regulatory approval was still outstanding and as a result GetBucks Proprietary Ltd (Eswatini) was classified as a Held for Sale. operation

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 statement of profit or loss and other comprehensive income.

Sanceda investments has been classified as a discontinued as the operations as the company was deregistered during the 2020 financial year.

2.15 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.

2.16 Share capital, equity and other reserves

Share capital

Ordinary shares are classified as equity.

Revaluation reserve

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

2.17 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 statement 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.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

2.18 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 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.

In its Interest income/expense calculated using the effective interest method, the group only includes interest on those financial instruments that are set out in note 2.18 above.

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

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

2.19 Fee and commission income

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

When the group provides a service to its customers, such as 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.

2.20 Translation of foreign currencies

Functional and presentational currency
The group's consolidated financial statements are presented in South African Rand, 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 South African Rand ("ZAR") at the spot rate of exchange prevailing at the reporting date and their statement of profit or loss and other comprehensive income are translated at spot exchange rates prevailing at the dates of the transactions.

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.

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.

Finance Cost

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

2.21 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 IFRS 4 'Insurance contracts'. The transfer of the insured risk from the cell captive structure to the entity also exposes the entity to credit losses arising from defaults on the advances to customers.

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

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

The results of the insurance business are determined in accordance with the shareholders agreement. In accordance with IFRS 4, these underwriting activities are determined on an annual basis whereby the earned premiums are recognised as 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 statement 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.

3. New standards and interpretations

3.1 Standards and interpretations not yet effective

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

Amendments to the guidance in IFRS 3

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only, effective from 1 January 2020. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Adds an optional concentration test that permits a simplified assessment of whether an asset or a group of similar assets is not a business

Amendment: Reference to the Conceptual Framework, effective from 1 January 2020:

- update to refer to the 2018 Conceptual Framework;
- adds a requirement that transactions and other events within the scope of IAS 37 or IFRIC 21 must be accounted for per IAS 37 and IFRIC 21 to identify the liabilities assumed in a business combination; and
- adds an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Impact will be assessed for future business combinations.

Interest Rate Benchmark reform

Amendments: provide relief from the potential effects on hedge accounting due to the uncertainties caused by interest rate benchmark reform (the phasing out of interest-rate benchmarks such as the interbank offered rates (IBOR)).

Amendments include exceptions to be applied to all hedging relationships that are directly affected by the interest rate benchmark reform.

The amendments:

- Modify some specific hedge accounting requirements;
- Require companies to provide additional information about hedging relationships directly affected by the uncertainties.

Effective date is 1 January 2020, with no impact expected as the Group does not apply hedge accounting.

Amendments provide temporary relief to address financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR) ('IBOR reform') including:

- Contractual and cash flow changes - to be treated as changes due to a floating rate of interest.
- Changes to hedge designations and documentation - do not result in the discontinuation of the hedge relationship.
- required when a RFR instrument is designated as a hedge of a risk component, the 'separately identifiable' requirement - not.
- Additional disclosures required.

Effective date is 1 January 2021, with no impact expected as there are no instruments linked to IBOR interest rates.

IFRS 9 Financial Instruments

Amendment: Fees in the '10 per cent' test for derecognition of financial liabilities

- Clarifies which fees must be applied in the application of the '10 per cent' test when assessing whether to derecognise a financial liability. Only include fees paid or received between the borrower and the lender, including those paid or received on the other's behalf.

Effective from 1 January 2022, will be applied when assessing derecognition of financial liabilities in future.

New standards and interpretations (Continued)

IFRS 16 leases
Amendment (lessee only) IFRS 16 and Covid-19: to make it easier to account for Covid-19-related rent concessions e.g. rent holidays and temporary rent reductions.

- exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications;
- allows lessees to account for such rent concessions as if they were not lease modifications;
- Applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.
- The amendment does not affect lessors.

Amendment to Illustrative Example 13: Lease incentives

- Removes the lessor's reimbursement of leasehold improvements from the example to resolve any potential confusion regarding the treatment of lease incentives.

Effective 1 June 2020, no impact expected as no rent concessions were granted based on Covid-19.

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 by 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, with no expected impact as the Group is not the insurer of any insurance risk as envisioned by IFRS 17.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
Disclosure Initiative relating to the Definition of Material that:

- Clarifies that materiality will depend on the nature and/or magnitude of information individually or in combination in the context of the financial statements.
- Explains how 'obscured' information is similar to omitting or misstatement.
- Replaces the threshold of 'could influence' with 'could reasonably be expected to influence' in the definition of 'material'. The materiality assessment only considers reasonably expected influence on economic decisions of primary users.

Effective from 1 January 2020, no impact as the principles were already applied

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.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

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;
- 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 estimated were used in the Impairment testing for CGUs containing goodwill. Key assumptions underlying recoverable amounts are disclosed in Note 19.

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

4.4 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 Entities held for sale and discontinued operations

On 1 October 2019, smartadvance entered negotiations to dispose of the remaining assets in OTM Mobile Pty Ltd (holder of Mobile Virtual Network Operator (MVNO) licence) to MVNX Pty Ltd. The sale would have formed part of the Smartadvance group restructure and disposing of non-productive assets., however the sale collapsed during 2020 and as such OTM Mobile is not classified as held for sale in the 2021 annual financial statements.

On 30 June 2020, the board approved the disposal of GetBucks Proprietary Ltd (Eswatini) operations to FAH South Africa (Pty) Ltd for an initial consideration of R51,141,456, being the NAV of the company as at 30 June 2020. The Acquisition is dependant on regulatory approval being obtained from the Financial Services Regulatory Authority in Eswatini ("FSRA").

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

4.6 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.

4.7 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

4.8 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.

4.9 Investment in Associates

The Group has classified the investment in Get Bucks Namibia Proprietary Limited as an associate and equity accounted for it. The Group owned 49% of the shareholding and prior to selling its 49% holding to FAH South Africa (Pty) Ltd did not have control in the entity and as a result had not consolidated.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

5. Maturity analysis of assets and liabilities

The group discloses the financial statements in line with IAS 1 paragraph 60 where it is indicated that financial statements should be disclosed on the current and non-current principle. However, IAS 1 allows for a different method of disclosure 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 Statement 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 have adopted the liquidity-based presentation from the 2020 financial year onward

Maturity analysis - Group

	Dec-20		Dec-19	
	Current	**Non-current**	**Current**	**Non-current**
Cash and cash equivalents	5,407,393	-	11,438,583	-
Other receivables	3,841,239	-	11,114,819	-
Loans and advances to customers	42,413,185	33,220,097	95,287,483	45,196,189
Loans to group companies and related parties	-	-	-	-
Other financial assets	48,077		192,308	
Investment in insurance contracts	2,535,085	-	2,293,903	-
Current tax receivable	335,802	-	536,472	-
Investment in associates	-	-	-	1,881,796
Properties and equipment	-	280,999	-	993,432
Right of use Asset	-	2,815,358	-	1,499,634
Intangible assets	-	6,691,104	-	6,734,373
Deferred taxation	-	14,782,311	-	18,871,742
Goodwill	-	11,578,790	-	11,578,790
Total assets	**54,580,781**	**69,368,659**	**120,863,568**	**86,755,956**
Bank overdraft	45,984	-	48,570	-
Other payables	23,776,201	-	27,558,898	-
Liability in Insurance contract	255,118	-	406,732	-
Loans from shareholders	61,759,339	-	656,912	1,230,768
Lease liabilities	1,128,386	1,831,892	18,323,842	368,000
Loans from related parties	19,037,261	38,487,326	32,032,201	-
Financial borrowings	2,331,567	941,005	50,000,000	-
Current tax payable	2,996	-	871,897	-
Total liabilities	**108,336,852**	**41,260,223**	**129,899,052**	**1,598,768**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Maturity analysis - Company

	Dec-20		Dec-19	
	Current	**Non-current**	**Current**	**Non-current**
Cash and cash equivalents	3,562,582	-	5,582,897	-
Other receivables	2,729,373	-	2,739,364	-
Loans and advances to customers	42,413,185	33,220,097	63,459,403	27,741,704
Loans to group companies and related parties	6,008,293	-	65,842,443	-
Other financial assets	48,077		192,308	
Investment in insurance contracts	-	-	-	-
Current tax receivable	335,802	-	335,802	-
Investments in subsidiaries	-	53,858,744	-	1,300
Investment in associates	-	-	-	1,725,820
Properties and equipment	-	270,970	-	653,244
Right of use Asset	-	2,815,358	-	210,243
Intangible assets	-	5,491,104	-	6,734,373
Deferred taxation	-	14,364,672	-	14,434,747
Goodwill	-	7,973,131	-	7,973,131
Total assets	**61,105,606**	**117,994,076**	**144,160,511**	**59,474,562**
Bank overdraft	45,882	-	47,420	-
Other payables	16,395,713	-	24,455,758	-
Liability in Insurance contract	-	-	-	-
Loans from shareholders	61,759,339	-	168,300	285,230
Lease liabilities	1,128,386	1,831,892	17,332,837	368,000
Loans from related parties	24,502,915	38,487,326	41,986,978	-
Financial borrowings	2,331,567	941,005	50,000,000	-
Current tax payable	-	-	-	-
Total liabilities	**106,163,802**	**41,260,223**	**133,991,292**	**653,230**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

6. Cash and cash equivalents

The maturity of the fixed deposits is presented as follows:

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Bank balances	5,407,393	11,438,583	3,562,582	5,582,897
Bank overdraft	(45,984)	(48,570)	(45,882)	(47,420)
	5,361,409	**11,390,013**	**3,516,700**	**5,535,477**

Assets	5,407,393	11,438,583	3,562,582	5,582,897
Liabilities	(45,984)	(48,570)	(45,882)	(47,420)
	5,361,409	**11,390,013**	**3,516,700**	**5,535,477**

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

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

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Credit rating				
BBB+	1,112	-	1,112	-
BB+	-	10,458,246	-	5,535,477
BB-	5,360,297	-	3,515,588	-
Unrated	-	931,767	-	-
	5,361,409	**11,390,013**	**3,516,700**	**5,535,477**

7. Other receivables

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Financial instruments				
Other receivables	3,357,810	2,964,232	2,264,239	2,678,477
Sundry receivables	9,994	1,032,693	10,000	-
External payroll collection receivables	133,124	1,239,717	133,124	44,187
	3,500,927	**5,236,642**	**2,407,363**	**2,722,664**
Non-financial instruments				
Deposits	-	39,713	-	16,700
Prepayments	321,947	148,731	321,947	-
VAT receivable	18,365	-	63	-
Withholding taxes	-	5,689,733	-	-
	340,312	**5,878,177**	**322,010**	**16,700**
	3,841,239	**11,114,819**	**2,729,373**	**2,739,364**

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

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

8. Other financial assets

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Go Life International Ltd-	5,000,000	5,000,000	5,000,000	5,000,000
192,230,769 shares trading at 26 cents a share. During the fair value appraisal, it was deemed to revalue the investment to 1 cent from the market value of 26 cents due to a lack of buyers in the open- and private markets.				
Impairment shares in Go Life International Ltd	(4,951,923)	(4,807,692)	(4,951,923)	(4,807,692)
Tsepo Finance Proprietary Limited	4,124,908	4,124,908	4,124,908	4,124,908
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.				
Impairment for financial assets -Tsepo finance Proprietary Limited	(4,124,908)	(4,124,908)	(4,124,908)	(4,124,908)
	48,077	**192,308**	**48,077**	**192,308**

Maturity				
Non-current asset	-	-	-	-
Current assets	48,077	192,308	48,077	192,308
	48,077	**192,308**	**48,077**	**192,308**

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

	Group		Company	
Figures in Rand	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	4,124,908	4,124,908	4,124,908	4,124,908
	4,124,908	**4,124,908**	**4,124,908**	**4,124,908**
Loss allowance	(4,124,908)	(4,124,908)	(4,124,908)	(4,124,908)
	-	-	-	-

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

9. Loans and advances to customers

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Loans and advances to customers	85,283,351	157,900,150	85,281,411	100,942,337
ECL of Loans and advances to customers	(9,650,069)	(17,416,478)	(9,650,069)	(9,741,230)
	75,633,282	**140,483,672**	**75,631,342**	**91,201,107**

Maturity split of loans and advances to customers

Current	42,413,185	95,287,483	42,411,245	63,459,403
Non-current	33,220,097	45,196,189	33,220,097	27,741,704
	75,633,282	**140,483,672**	**75,631,342**	**91,201,107**

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
1 month	8,457,989	9,985,064	8,457,989	5,039,262
2 to 6 months	27,623,513	47,844,071	27,623,513	37,796,276
7 to 12 months	25,231,696	28,119,234	25,231,696	26,352,110
> 12 months	23,970,153	71,951,376	23,970,153	31,754,284
	85,283,351	**157,899,745**	**85,283,351**	**100,941,932**

Reconciliation of provision for ECL of Loans and advances to customers

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Opening balance	17,416,478	24,760,159	9,741,230	17,604,698
Amounts written off as uncollectable	5,819,167	4,737,064	882,717	2,849,534
Additional ECL recognised	5,545,692	(1,945,391)	9,923,432	(577,648)
Reclassified as held for sale	(8,233,958)	-	-	-
Sold loans and advances	(10,897,310)	(10,135,354)	(10,897,310)	(10,135,354)
	9,650,069	**17,416,478**	**9,650,069**	**9,741,230**

9.1 Loan and advances to customers ECL split by class:

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
1 month	957,047	1,152,805	957,047	486,343
2 to 6 months	3,125,684	5,001,423	3,125,684	3,647,451
7 to 12 months	2,855,043	2,781,181	2,855,043	2,543,056
> 12 months	2,712,295	8,481,068	2,712,295	3,064,381
	9,650,069	**17,416,478**	**9,650,069**	**9,741,230**

Notes to the consolidated and separate financial statements as at 31 December 2020 (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 are explained in note 39.8 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in note 39.8.

Payroll lending

Group – December 2020

Gross loans and advances to customers in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding balance as at 1 January 2020	**99,128,354**	**7,235,391**	**1,533,489**	**107,897,234**
Loans and advances derecognised during the period	(67,936,739)	(5,473,513)	(779,207)	(74,189,459)
Transfers:				
Transfers from stage 1 to stage 2	(1,473,402)	810,709	-	(662,693)
Transfers from stage 2 to stage 1	51,688	(153,088)	-	(101,399)
Transfers from stage 1 to stage 3	(534,508)	-	387,775	(146,732)
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(220,195)	109,426	(110,769)
Transfers from stage 3 to stage 2	-	-	-	
Changes in static loans	(14,064,040)	(729,928)	(223,629)	(15,017,597)
New loans and advances originated	84,321,654	2,490,300	386,970	87,198,924
Write offs	(9,667)	(19,691)	(263,835)	(293,192)
Classified as Held for Sale (GetBucks Proprietary Limited (Eswatini)	(35,520,444)	(989,525)	(470,241)	(36,980,211)
Outstanding balance as at 31 December 2020	**63,962,897**	**2,950,460**	**680,747**	**67,594,105**

Expected credit loss allowance in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2020	**5,436,864**	**2,112,094**	**1,252,078**	**8,801,036**
Loans and advances derecognised during the period	(3,686,124)	(1,597,831)	(604,375)	(5,888,330)
Transfers:	-	-	-	
Transfers from stage 1 to stage 2	(95,071)	137,421	-	42,350
Transfers from stage 2 to stage 1	354	(42,117)	-	(41,763)
Transfers from stage 1 to stage 3	(24,076)	-	303,594	279,518
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(79,665)	87,649	7,983
Transfers from stage 3 to stage 2	-	-	-	
Changes in PDs/LGDs/EADs	(1,515,943)	(300,871)	(150,071)	(1,966,886)
New loans and advances originated	1,028,411	885,529	266,635	2,180,575
Write offs	(268)	(9,215)	(224,331)	(233,814)
Classified as Held for Sale (GetBucks Proprietary Limited (Eswatini)	(367,216)	(167,632)	(416,034)	(950,881)
Loss allowance as at 31 December 2020	**776,930**	**937,715**	**515,144**	**2,229,789**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Group – December 2019

Gross loans and advances to customers in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding balance as at 1 July 2019	**101,172,514**	**8,383,581**	**2,603,733**	**112,159,828**
Loans and advances derecognised during the period	(47,210,134)	(4,667,881)	(857,591)	(52,735,606)
Transfers:				
Transfers from stage 1 to stage 2	(2,956,429)	2,306,920	-	(649,509)
Transfers from stage 2 to stage 1	251,062	(375,358)	-	(124,296)
Transfers from stage 1 to stage 3	(528,385)	-	354,632	(173,753)
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(433,764)	364,786	(68,978)
Transfers from stage 3 to stage 2	-	11,982	(25,418)	
Changes in static loans	(14,727,355)	(857,880)	(306,058)	(15,891,293)
New loans and advances originated	63,129,707	2,902,964	53,232	66,085,903
Write offs	(2,627)	(35,173)	(653,827)	(691,627)
Outstanding balance as at 31 December 2019	**99,128,354**	**7,235,391**	**1,533,489**	**107,897,234**

Expected credit loss allowance in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 July 2019	**8,758,653**	**3,029,569**	**2,518,803**	**14,307,025**
Loans and advances derecognised during the period	(4,299,865)	(1,727,077)	(822,712)	(6,849,654)
Transfers:	-	-	-	
Transfers from stage 1 to stage 2	(313,038)	717,451	-	404,413
Transfers from stage 2 to stage 1	8,873	(94,009)	-	(85,136)
Transfers from stage 1 to stage 3	(57,039)	-	233,364	176,324
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(199,154)	274,803	75,650
Transfers from stage 3 to stage 2	-	4,464	(23,393)	
Changes in PDs/LGDs/EADs	(2,604,650)	(457,498)	(304,028)	(3,366,177)
New loans and advances originated	3,944,091	842,619	15,316	4,802,025
Write offs	(160)	(4,271)	(640,075)	(644,507)
Loss allowance as at 31 December 2019	**5,436,864**	**2,112,094**	**1,252,078**	**8,801,036**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Company – December 2020

Gross loans and advances to customers in ZAR	Stage 1	Stage 2	Stage 3	Total
Outstanding balance as at 1 January 2020	**75,685,018**	**6,045,571**	**945,053**	**82,675,643**
Loans and advances derecognised during the period	(52,450,833)	(4,776,938)	(708,034)	(57,935,805)
Transfers:				
Transfers from stage 1 to stage 2	(1,422,840)	762,416	-	(660,424)
Transfers from stage 2 to stage 1	30,548	(118,557)	-	(88,009)
Transfers from stage 1 to stage 3	(306,029)	-	180,248	(125,781)
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(180,768)	83,068	(97,700)
Transfers from stage 3 to stage 2	-	-	-	
Changes in static loans	(12,272,160)	(596,910)	(173,185)	(13,042,255)
New loans and advances originated	54,708,861	1,825,784	353,597	56,888,242
Write offs	(9,667)	(10,139)	-	(19,806)
Outstanding balance as at 31 December 2020	**63,962,897**	**2,950,460**	**680,747**	**67,594,105**

Expected credit loss allowance in ZAR	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2020	**4,914,323**	**1,824,943**	**734,991**	**7,474,258**
Loans and advances derecognised during the period	(3,342,869)	(1,423,016)	(539,743)	(5,305,628)
Transfers:	-	-	-	
Transfers from stage 1 to stage 2	(94,039)	123,552	-	29,513
Transfers from stage 2 to stage 1	194	(34,863)	-	(34,669)
Transfers from stage 1 to stage 3	(19,137)	-	131,407	112,270
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(68,584)	64,964	(3,620)
Transfers from stage 3 to stage 2	-	-	-	
Changes in PDs/LGDs/EADs	(1,398,312)	(243,760)	(115,863)	(1,757,935)
New loans and advances originated	717,038	764,414	239,389	1,720,841
Write offs	(268)	(4,972)	-	(5,240)
Loss allowance as at 31 December 2020	**776,930**	**937,715**	**515,144**	**2,229,789**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Company – December 2019

Gross loans and advances to customers in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding balance as at 1 July 2019	**78,306,756**	**7,168,991**	**1,953,659**	**87,429,406**
Loans and advances derecognised during the period	(39,111,600)	(4,308,562)	(830,154)	(44,250,316)
Transfers:				
Transfers from stage 1 to stage 2	(2,806,954)	2,163,905	-	(643,049)
Transfers from stage 2 to stage 1	135,927	(242,674)	-	(106,747)
Transfers from stage 1 to stage 3	(460,355)	-	288,546	(171,809)
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(291,809)	216,253	(75,556)
Transfers from stage 3 to stage 2	-	11,982	(25,418)	
Changes in static loans	(12,811,623)	(793,268)	(271,263)	(13,876,153)
New loans and advances originated	52,435,495	2,337,006	53,232	54,825,733
Write offs	(2,627)	-	(439,803)	(442,430)
Outstanding balance as at 31 December 2019	**75,685,018**	**6,045,571**	**945,053**	**82,675,643**

Expected credit loss allowance in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 July 2019	**8,423,665**	**2,797,200**	**1,868,245**	**13,089,110**
Loans and advances derecognised during the period	(4,183,709)	(1,670,744)	(793,357)	(6,647,810)
Transfers:	-	-	-	
Transfers from stage 1 to stage 2	(310,700)	683,514	-	372,813
Transfers from stage 2 to stage 1	6,394	(76,023)	-	(69,629)
Transfers from stage 1 to stage 3	(55,959)	-	183,491	127,532
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(132,962)	152,926	19,964
Transfers from stage 3 to stage 2	-	4,464	(23,393)	
Changes in PDs/LGDs/EADs	(2,666,630)	(481,205)	(241,845)	(3,389,680)
New loans and advances originated	3,701,424	700,700	15,316	4,417,440
Write offs	(160)	-	(426,391)	(426,552)
Loss allowance as at 31 December 2019	**4,914,323**	**1,824,943**	**734,991**	**7,474,258**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Online

Group – December 2020

Gross loans and advances to customers in ZAR	Stage 1	Stage 2	Stage 3	Total
Outstanding balance as at 1 January 2020	30,356,094	12,510,160	5,718,911	48,585,165
Loans and advances derecognised during the period	(26,292,573)	(7,509,453)	(1,102,995)	(34,905,022)
Transfers:				
Transfers from stage 1 to stage 2	(642,113)	116,078	-	(526,035)
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 1 to stage 3	(2,842,361)	-	2,041,780	(800,581)
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(3,970,899)	2,775,307	(1,195,592)
Transfers from stage 3 to stage 2	-	-	-	
Changes in static loans	(21,792)	(34,440)	(469,773)	(526,006)
New loans and advances originated	16,894,005	3,311,437	4,112,729	24,318,171
Write offs	(557,102)	(989,013)	(2,676,583)	(4,222,698)
Classified as Held for Sale (GetBucks Proprietary Limited (Eswatini)	(4,352,813)	(1,630,829)	(6,848,465)	(12,832,107)
Outstanding balance as at 31 December 2020	**12,541,344**	**1,803,040**	**3,550,910**	**17,895,295**

Expected credit loss allowance in ZAR	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2020	**1,158,236**	**2,783,281**	**4,673,925**	**8,615,442**
Loans and advances derecognised during the period	(992,264)	(1,889,452)	(823,472)	(3,705,187)
Transfers:	-	-	-	
Transfers from stage 1 to stage 2	(21,495)	31,198	-	9,703
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 1 to stage 3	(113,933)	-	1,965,848	1,851,914
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(670,202)	2,719,412	2,049,210
Transfers from stage 3 to stage 2	-	-	-	
Changes in PDs/LGDs/EADs	(637)	(3,012)	(92,703)	(96,353)
New loans and advances originated	1,540,297	1,297,823	3,909,257	6,747,377
Write offs	(29,907)	(218,991)	(2,291,191)	(2,540,090)
Classified as Held for Sale (GetBucks Proprietary Limited (Eswatini)	(230,227)	(414,093)	(6,638,757)	(7,283,077)
Loss allowance as at 31 December 2020	**1,310,070**	**916,551**	**3,422,318**	**5,648,939**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Group – December 2019

Gross loans and advances to customers in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding balance as at 1 July 2019	**31,496,605**	**10,505,019**	**7,403,938**	**49,405,562**
Loans and advances derecognised during the period	(25,340,222)	(7,403,418)	(2,428,144)	(35,171,784)
Transfers:				
Transfers from stage 1 to stage 2	(2,442,815)	1,606,764	-	(836,051)
Transfers from stage 2 to stage 1	14,926	(49,177)	-	(34,251)
Transfers from stage 1 to stage 3	(547,603)	-	576,280	28,677
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(1,950,565)	1,578,105	(372,460)
Transfers from stage 3 to stage 2	-	-	-	
Changes in static loans	(1,889,942)	(578,076)	(252,191)	(2,720,209)
New loans and advances originated	29,065,144	10,420,064	259,623	39,744,830
Write offs	-	(40,449)	(1,418,700)	(1,459,149)
Outstanding balance as at 31 December 2019	**30,356,094**	**12,510,160**	**5,718,911**	**48,585,165**

Expected credit loss allowance in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 July 2019	**1,431,380**	**3,206,801**	**5,596,705**	**10,234,885**
Loans and advances derecognised during the period	(1,115,456)	(2,512,145)	(1,761,510)	(5,389,111)
Transfers:	-	-	-	
Transfers from stage 1 to stage 2	(119,413)	270,015	-	150,601
Transfers from stage 2 to stage 1	80	(9,990)	-	(9,910)
Transfers from stage 1 to stage 3	(23,686)	-	327,227	303,541
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(485,515)	1,135,969	650,454
Transfers from stage 3 to stage 2	-	-	-	
Changes in PDs/LGDs/EADs	(160,622)	(118,052)	505,889	227,215
New loans and advances originated	1,145,953	2,441,351	134,036	3,721,341
Write offs	-	(9,184)	(1,264,391)	(1,273,574)
Loss allowance as at 31 December 2019	**1,158,236**	**2,783,281**	**4,673,925**	**8,615,442**

Dec-20

Group - Reconciliation:	**Payroll**	**Online**	**Other**	**Total**
Gross Book	67,594,105	17,895,295	(206,048)	85,283,351
ECL	(2,229,789)	(5,648,939)	-	(7,878,728)
Additional COVID-19 ECL	(1,771,341)	-	-	(1,771,341)
	63,592,974	**12,246,356**	**(206,048)**	**75,633,282**

Dec-19

Group - Reconciliation:	**Payroll**	**Online**	**Other**	**Total**
Gross Book	107,897,234	49,405,562	597,355	157,900,150
ECL	(8,801,036)	(8,615,442)	-	(17,416,478)
	99,096,198	**40,790,120**	**597,355**	**140,483,672**

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

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Company -December 2020

Gross loans and advances to customers in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding balance as at 1 January 2020	14,899,739	3,312,605	17,878	18,230,222
Loans and advances derecognised during the period	(13,549,648)	(3,016,617)	(12,148)	(16,578,413)
Transfers:				
Transfers from stage 1 to stage 2	(30,710)	5,831	-	(24,879)
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 1 to stage 3	(909,243)	-	685,700	(223,543)
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(200,734)	142,573	(58,161)
Transfers from stage 3 to stage 2	-	-	-	-
Changes in static loans	-	-	(35)	(35)
New loans and advances originated	12,541,344	1,797,209	2,720,104	17,058,657
Write offs	(410,139)	(95,254)	(3,162)	(508,555)
Outstanding balance as at 31 December 2020	**12,541,344**	**1,803,040**	**3,550,910**	**17,895,295**

Expected credit loss allowance in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2020	**816,531**	**1,439,340**	**11,101**	**2,266,972**
Loans and advances derecognised during the period	(722,905)	(1,324,170)	(8,170)	(2,055,246)
Transfers:				
Transfers from stage 1 to stage 2	(3,607)	1,544	-	(2,063)
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 1 to stage 3	(64,080)	-	671,760	607,680
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(80,268)	140,003	59,735
Transfers from stage 3 to stage 2	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	2,483	2,483
New loans and advances originated	1,310,070	915,007	2,608,054	4,833,131
Write offs	(25,939)	(34,902)	(2,913)	(63,753)
Loss allowance as at 31 December 2020	**1,310,070**	**916,551**	**3,422,318**	**5,648,939**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Company -December 2019

Gross loans and advances to customers in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding balance as at 1 July 2018	15,715,344	4,885,884	1,959,357	22,560,585
Loans and advances derecognised during the period	(15,466,794)	(4,825,218)	(1,903,661)	(22,195,674)
Transfers:				
Transfers from stage 1 to stage 2	(122,195)	34,627	-	(87,568)
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 1 to stage 3	(9,748)	-	4,745	(5,003)
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(14,823)	6,140	(8,684)
Transfers from stage 3 to stage 2	-	-	-	-
Changes in static loans	(65,743)	(2,785)	-	(68,528)
New loans and advances originated	14,848,875	3,275,370	6,993	18,131,238
Write offs	-	(40,449)	(55,696)	(96,145)
Outstanding balance as at 31 December 2019	**14,899,739**	**3,312,605**	**17,878**	**18,230,222**

Expected credit loss allowance in ZAR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 July 2019	**798,264**	**2,095,279**	**1,622,038**	**4,515,580**
Loans and advances derecognised during the period	(764,548)	(2,077,132)	(1,575,123)	(4,416,803)
Transfers:				
Transfers from stage 1 to stage 2	(11,153)	12,925	-	1,771
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 1 to stage 3	(661)	-	4,046	3,385
Transfers from stage 3 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(6,744)	5,445	(1,299)
Transfers from stage 3 to stage 2	-	-	-	-
Changes in PDs/LGDs/EADs	(18,374)	(1,179)	-	(19,552)
New loans and advances originated	813,002	1,425,375	1,611	2,239,989
Write offs	-	(9,184)	(46,914)	(56,098)
Loss allowance as at 31 December 2019	**816,531**	**1,439,340**	**11,101**	**2,266,972**

Dec-20

Company - Reconciliation:	**Payroll**	**Online**	**Other**	**Total**
Gross Book	67,594,105	17,895,295	(206,048)	85,283,351
ECL	(2,229,789)	(5,648,939)	-	(7,878,728)
Additional COVID-19 ECL	(1,771,341)	-	-	(1,771,341)
	63,592,974	**12,246,356**	**(206,048)**	**75,633,282**

Dec-19

Company - Reconciliation:	Payroll	Online	Other	Total
Gross Book	82,675,643	18,230,222	36,472	100,942,337
ECL	(7,474,258)	(2,266,972)	-	(9,741,230)
	75,201,385	**15,963,250**	**36,472**	**91,201,107**

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

10. Loans from shareholder

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
FAH South Africa (Pty) Ltd	61,759,339	50,000,000	61,759,339	50,000,000
The loan is unsecured and incurs interest at prime plus 2% per annum and is repayable by 31 March 2021.				
	61,759,339	**50,000,000**	**61,759,339**	**50,000,000**

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

11.1 Fellow subsidiaries

Fellow subsidiaries	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
niftycover Proprietary Limited	-	-	(5,465,653)	(9,954,777)
The loan is unsecured and incurred interest at 10.5% per annum and has no fixed term of repayment.				
GetBucks Proprietary Ltd (Eswatini)	-	-	6,008,293	65,842,443
The loan is unsecured, bears interest at prime less 2% per annum and is repayable in whole and parts from time to time as and when it is called upon to do so.				
	-	**-**	**542,640**	**55,887,666**

11.2 Loans to / (from) other related parties

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
VFI Limited	(54,884,909)	(32,032,201)	(54,884,909)	(32,032,201)
The loan is a revolving unsecured facility that, consists of various drawdowns and bears interest at prime plus 5% per annum. There is no fixed term of repayment, each drawdown is repayable in 24 months from draw down date with option to early settle in part or full.				
Majulah Investments (Pty) Ltd	(1,639,678)	-	(1,639,678)	-
This is an unsecured promissory note that, bears interest at 18% and is repayable on 31 December 2021.				
K2017457016 (South Africa) (Pty) Ltd	(1,000,000)	-	(1,000,000)	-
This is a promissory note secured over shares in FAH South Africa (Pty) Ltd and bears interest at 18% and is repayable on 28 February 2021 if a formal repayment request is received. Should no formal repayment request be received the loan will be extended in tranches of 90 days.				
	(57,524,587)	**(32,032,201)**	**(57,524,587)**	**(32,032,201)**

11.3 Loans to / (from) other related parties

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Assets	-	-	6,008,293	65,842,443
Liabilities	(57,524,587)	(32,032,201)	(62,990,241)	(41,986,978)
	(57,524,587)	**(32,032,201)**	**(56,981,947)**	**23,855,465**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Maturity analysis split of loans to/(from) group companies and related parties	Group Dec-20	Dec-19	Company Dec-20	Dec-19
Non-current assets	-	-	-	-
Current assets	-	-	6,008,293	65,842,443
Non-current liabilities	(38,487,326)		(38,487,326)	-
Current liabilities	(19,037,261)	(32,032,201)	(24,502,915)	(41,986,978)
	(57,524,587)	**(32,032,201)**	**(56,981,947)**	**23,855,465**

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 37.

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

Figures in ZAR	Group Dec-20	Dec-19	Company Dec-20	Dec-19
Stage 1	-	-	-	-
Fellow subsidiaries	-	-	6,008,293	65,842,443
Loans to other related parties	-	-	-	-
Stage 2	-	-	-	-
Stage 3				
	-	-	6,008,293	65,842,443
Loss allowance	**-**	**-**	**-**	**-**
	-	**-**	**6,008,293**	**65,842,443**

11.4 Related party transactions

Figures in ZAR	Group Dec-20	Dec-19	Company Dec-20	Dec-19
Interest paid to (received from)				
Getbucks Proprietary Limited (Eswatini)	-	-	(1,740,400)	129,088
niftycover South Africa Proprietary Limited	-	-	864,286	387,328
Majulah Investments (Pty) Ltd	24,732	-	24,732	-
K2017457016 (South Africa) (Pty) Ltd	10,500	-	10,500	-
VFI Limited	5,230,120	1,469,027	5,230,120	1,469,027
Management fees received from related parties				
niftycover South Africa Proprietary Limited	-	-	900,000	-
Amounts included in Trade receivable (Trade Payable) regarding related parties				
Getbucks Proprietary Limited (Eswatini)	-	-	8,742	-
Other expenses paid to related parties				
VFI Limited	3,680,439	2,342,492	3,680,439	2,342,492
Fractal Labs (Pty) Ltd	869,000	-	869,000	-
Dividend received from related parties				
niftycover South Africa Proprietary Limited	-	-	8,100,000	-

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

11.5 Related party relationships

Relationship	
Ultimate holding company	Finclusion Africa Holdings Limited incorporated in Mauritius
Holding Company	FAH South Africa (Pty) Ltd
Subsidiaries	niftycover Proprietary Limited
	Sanceda Recoveries Properties Limited (Deregistered in 2020)
	OTM Mobile (Pty) Ltd
	Lyngreen Properties Proprietary Limited
	Getsure Life Proprietary Limited
	GS Insurance Limited
	GetBucks Proprietary Ltd (Eswatini)
	GetSure Proprietary Limited (Eswatini)
	Ligagu Investments (Proprietary) Limited (Eswatini)
	TogetherWeGrow Proprietary Limited
	Click2Own Proprietary Limited
Associates	
	Get Bucks (Namibia) Pty Ltd
Related parties	
Subsidiaries of common directorship directors	
	Majulah Investments (Pty) Ltd
	K2017457016 (South Africa) (Pty) Ltd
Fellow subsidiaries of ultimate holding company	
	Virtual Financial Inclusion (VFI)
	Finclusion Africa Holdings Limited
	Fractal Labs (Pty) Ltd
	Click2Pay Proprietary Limited
Directors and members of key management	
	Mark Rodney Young
	Jaco Coetzee
	Dean Alexander Crocker (Resigned 7 December 2020)

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

12. Investment in insurance contracts

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Guardrisk Life Limited Cell No. 00143				
Initial investment	600,000	600,000	-	-
Re-measurement of investment in insurance contracts	1,679,967	1,287,171	-	-
Carrying value of investment insurance contracts	**2,279,967**	**1,887,171**	**-**	**-**

Investment in insurance contract	2,535,085	2,293,903
Liability in insurance contract	(255,118)	(406,732)
	2,279,967	**1,887,171**

Re-measurement of investment in insurance contracts		
Net premiums earned	**1,287,171**	**2,713,142**
Premiums earned	6,635,814	4,418,820
Claims costs	(1,504,621)	(471,235)
Investment income	119,716	100,145
Fees and commission paid	(1,342,310)	(947,686)
Actuarial movements	(1,311)	(2,115)
Taxation	(1,103,742)	(852,900)
Transfer to reserves	(19,751)	-
Distributions paid to cell shareholders	(2,391,000)	(3,671,000)
	1,679,967	**1,287,171**

The company 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 IFRS 4. Guardrisk is the principal to the insurance contract, although the business is underwritten on behalf of the company as cell shareholder. Under this arrangement Guardrisk undertakes the professional insurance and financial management of the cell, including functions related to underwriting, reinsurance, management of claims, actuarial and statistical analysis and investment and accounting services.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

13. Held for sale and other discontinued operations

During the financial year the group has classified Get Bucks Swaziland (Pty) Ltd as held for sale:

On 30 June 2020, smartadvance entered negotiations to dispose of 100% interest in Get Bucks Swaziland to FAH South Africa (Pty) Ltd as part of the Smartadvance group restructure. Although al terms and conditions of sale with FAH South Africa (Pty) Ltd have been met, the sale is still awaiting regulatory approval from the FSRA before it can be finalised. See note 42.

On 1 October 2019, GetBucks entered negotiations to dispose of the remaining assets in OTM Mobile (holder of Mobile Virtual Network Operator (MVNO) license) to MVNX Pty Ltd. The sale forms part of the GetBucks group restructure and disposal of non-productive assets. The sale however collapsed in during the 2020 financial and as a result OTM Mobile is not classified as held for sale at 31 December 2020.

During 2020 smartadvance deregistered the Sanceda recoveries operations, which has been dormant for a number of years.

Summary of financial information for the held for sale entities and discontinued operations

SUMMARISED STATEMENT OF FINANCIAL POSITION

Figures in ZAR	Sanceda Recoveries	Get Bucks Swaziland	Dec-20	OTM Mobile (Pty) Ltd	Dec-19
Cash and cash equivalents	-	2,004,805	2,004,805	8,092	8,092
Deferred tax	-	2,644,103	2,644,103	71,264	71,264
Other financial assets	-	42,360,843	42,360,843	-	-
Investment property and Intangible assets	-	422,891	422,891	1,200,000	1,200,000
Non-financial assets	-	13,059,966	13,059,966	3,314	3,314
TOTAL ASSETS	**-**	**60,492,609**	**60,492,609**	**1,282,670**	**1,282,670**
Bank Overdraft	-	(408,435)	(408,435)	-	-
Finance lease obligation	-	(1,105,995)	(1,105,995)	-	-
Non-financial liabilities	-	(538,305)	(538,305)	(4,884,042)	(4,884,042)
TOTAL LIABILITIES	**-**	**(2,052,735)**	**(2,052,735)**	**(4,884,042)**	**(4,884,042)**
TOTAL NET ASSETS	**-**	**58,439,874**	**58,439,874**	**(3,601,372)**	**(3,601,372)**

SUMMARISED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in ZAR	Sanceda Recoveries	Get Bucks Swaziland	Dec-20	OTM Mobile (Pty) Ltd	Dec-19
Net interest income	-	13,591,581	13,591,581	-	-
Net fee and commission expense	(16)	6,435,886	6,435,886	-	-
Net trading income	**(16)**	**20,027,467**	**20,027,467**	**-**	**-**
Credit loss expense on customer loan book	-	(4,945,861)	(4,945,861)	-	-
Other Income	-	13,000	13,000	-	-
Credit loss expense on other financial assets	-	(11,300)	(11,300)	-	-
Operating expenses	158,969	(9,457,975)	(9,457,975)	-	-
Loss before taxation	**158,953**	**5,625,331**	**5,625,331**	**-**	**-**
Taxation	(118,554)	(1,505,567)	(1,505,567)	-	-
Loss after taxation	**40,399**	**4,119,764**	**4,119,764**	**-**	**-**

SUMMARISED STATEMENT OF CASH FLOW IN ZAR

Figures in ZAR	Sanceda Recoveries	Get Bucks Swaziland	Dec-20	OTM Mobile (Pty) Ltd	Dec-19
Cash flows from operating activities	(41,399)	14,434,428	14,434,428	-	-
Cash flows from investing activities	-	(5,869,618)	(5,869,618)	-	-
Cash flows from financing activities	-	(9,124,079)	(9,124,079)	-	-
	(41,399)	**(559,269)**	**(559,269)**	**-**	**-**

14. Property and equipment

Group		**Dec-20**			**Dec-19**	
Figures in ZAR	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	-	-	-	374,242	(214,510)	159,733
Motor vehicles	-	-	-	563,974	(380,027)	183,947
Office equipment	-	-	-	11,428	(5,320)	6,108
IT equipment	681,332	(400,334)	280,999	1,102,722	(488,291)	614,431
Leasehold improvements	-	-	-	134,831	(105,617)	29,214
Total	**681,332**	**(400,334)**	**280,999**	**2,187,197**	**(1,193,765)**	**993,432**

Company		**Dec-20**			**Dec-19**	
Figures in ZAR	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	-	-	-	-	-	-
Motor vehicles	-	-	-	563,975	(380,030)	183,945
Office equipment	-	-	-	-	-	-
IT equipment	619,950	(348,980)	270,970	619,950	(150,651)	469,299
Leasehold improvements	-	-	-	-	-	-
Total	**619,950**	**(348,980)**	**270,970**	**1,183,925**	**(530,681)**	**653,244**

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

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

14.1 Reconciliation of property and equipment Group December 2020

Figures in ZAR	Opening balance	Depreciation	Additions	Additions through business combinations	Disposals	Classified as held for sale	Total
Furniture and fixtures	159,733	(58,385)	1,797	-	-	(103,145)	-
Motor vehicles	183,947	(142,800)	291,017	-	(99,350)	(232,814)	-
Office equipment	6,107	(2,602)	1,729	-	-	(5,234)	-
IT equipment	614,431	(291,302)	17,499	-	-	(59,629)	280,999.05
Leasehold improvements	29,214	(10,362)	3,217	-	-	(22,069)	-
Total	**993,432**	**(505,451)**	**315,259**	**-**	**(99,350)**	**(422,891)**	**280,999**

14.2 Reconciliation of property and equipment Group December 2019

Figures in ZAR	Opening balance	Depreciation	Additions	Additions through business combinations	Disposals	Classified as held for sale	Total
Furniture and fixtures	2,836,775	(177,977)	17,940		(2,517,005)	-	159,733
Motor vehicles	440,687	(75,905)	-	-	(180,835)	-	183,947
Office equipment	28,205	(2,655)	800		(20,243)	-	6,107
IT equipment	1,175,740	(208,753)	44,238		(396,794)	-	614,431
Leasehold improvements	340,146	(116,893)	30,656	88,596	(313,291)	-	29,214
Total	**4,821,553**	**(582,183)**	**93,634**	**88,596**	**(3,428,168)**	**-**	**993,432**

14.3 Reconciliation of property and equipment - Company December 2020

Figures in ZAR	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	-	-	-	-	-
Motor vehicles	183,945	-	(99,350.00)	(84,595)	(0)
Office equipment	-	-	-	-	-
IT equipment	469,299	-	-	(198,329)	270,970
Leasehold improvements	-	-	-	-	-
Total	**653,244**	**-**	**(99,350)**	**(282,924)**	**270,970**

14.4 Reconciliation of property and equipment - Company December 2019

Figures in ZAR	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2,663,948	-	(2,514,318)	(149,630)	-
Motor vehicles	429,437	-	(173,337)	(72,155)	183,945
Office equipment	24,366	-	(22,929)	(1,437)	-
IT equipment	994,237	-	(376,521)	(148,417)	469,299
Leasehold improvements	337,347	-	(313,291)	(24,056)	-
Total	**4,449,335**	**-**	**(3,400,396)**	**(395,695)**	**653,244**

15. Intangible assets

15.1 Group

	Dec-20			Dec-19		
Figures in ZAR	**Cost**	**Accumulated Amortisation**	**Carrying value**	**Cost**	**Accumulated Amortisation**	**Carrying value**
Computer software,	4,836,382	(3,636,383)	1,199,999	599,429	(599,429)	-
Customer relationships	12,432,690	(6,941,586)	5,491,104	12,432,690	(5,698,317)	6,734,373
Total	**17,269,072**	**(10,577,969)**	**6,691,104**	**13,032,119**	**(6,297,746)**	**6,734,373**

Reconciliation of intangible assets - Group – December 2020

Figures in ZAR	**Opening balance**	**Additions**	**Transfer - Non-current asset held for sale**	**Impairment loss**	**Amortisation**	**Total**
Computer software,	-	-	1,199,999		-	1,199,999
Customer relationships	6,734,373	-	-	-	(1,243,269)	5,491,104
Total	**6,734,373**	**-**	**1,199,999**	**-**	**(1,243,269)**	**6,691,103**

Reconciliation of intangible assets - Group – December 2019

Figures in ZAR	**Opening balance**	**Additions**	**Transfer - Non-current asset held for sale**	**Disposal of subsidiary**	**Amortisation**	**Total**
Computer software, other	1,199,999	-	(1,199,999)		-	-
Customer relationships	7,356,008	-	-	-	(621,635)	6,734,373
Total	**8,556,007**	**-**	**(1,199,999)**	**-**	**(621,635)**	**6,734,373**

15.2 Company

			Dec-20
Figures in ZAR	**Cost**	**Accumulated Amortisation**	**Carrying value**
Computer software, other	599,429	(599,429)	-
Customer relationships	12,432,690	(6,941,586)	5,491,104
	13,032,119	**(7,541,015)**	**5,491,104**

			Dec-19
Figures in ZAR	**Cost**	**Accumulated Amortisation**	**Carrying value**
Computer software, other	599,429	(599,429)	-
Customer relationships	12,432,690	(5,698,317)	6,734,373
	13,032,119	**(6,297,746)**	**6,734,373**

Reconciliation of intangible assets Company December 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	-	-	-	-	-
Customer relationships	6,734,373	-	-	(1,243,269)	5,491,104
	6,734,373	-	-	**(1,243,269)**	**5,491,104**

Reconciliation of intangible assets Company December 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	-	-	-	-	-
Customer relationships	7,356,008	-	-	(621,635)	6,734,373
	7,356,008	-	-	**(621,635)**	**6,734,373**

16. Interests in subsidiaries including consolidated structured entities

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

Name of company	Acquisition date	% holding Dec 2020	% holding Dec 2019	Carrying amount Dec 2020	Carrying amount Dec 2019
GetSure SA Proprietary Limited	1 July 2014	100%	100%	100	100
Sanceda Recoveries Proprietary Limited (deregistered in 2020)	30 June 2015	0%	100%	-	-
OTM Mobile (Pty) Ltd	31 March 2017	75%	75%	75	75
GS Insurance Limited	27 November 2015	96%	96%	-	-
GetSure Life SA Proprietary Limited	1 February 2016	100%	100%	100	100
*GetBucks Proprietary Ltd (Eswatini)	2 July 2017	100%	100%	53,858,544	100
Ligagu Investment Proprietary Limited	1 July 2018	100%	100%	-	-
Getsure Proprietary Limited (Eswatini)	1 July 2018	100%	100%	-	-
				53,858,819	**1,375**
Impairment raised on investment in subsidiaries:					
OTM Mobile Proprietary Limited				(75)	(75)
				53,858,744	**1,300**

*Classified as held for sale as at 31 December 2020

All mentioned subsidiaries are incorporated in South Africa, except for GetBucks Proprietary Ltd (Eswatini) and its subsidiaries Ligagu Investment Proprietary Limited and Getsure Proprietary Limited (Eswatini), all of which are incorporated in Eswatini.

The Group exercises control over all the subsidiaries. It has power to appoint key management positions in the company. Smartadvance Proprietary Limited also influences and effects the returns generated by the subsidiary companies and is entitled to receive the majority of the subsidiary profits.

Nature of business	
niftycover Proprietary Limited	Brokerage
Sanceda Recoveries Proprietary Limited	Debt collection
OTM Mobile (Pty) Ltd	Mobile services
GS Insurance Limited	Brokerage
GetSure Life SA Proprietary Limited	Non-operating entity
GetBucks Proprietary Ltd (Eswatini)	Micro lending
Ligagu Investment Proprietary Limited	Micro lending
Getsure Proprietary Limited (Eswatini)	Brokerage

16.2 Details of the sale of the subsidiary

Consideration received or receivable:		**Group Dec-19**	**Company Dec-19**
Fair value of contingent consideration		16,705,074	16,705,074
Shares in GoLife		5,000,000	5,000,000
Total disposal consideration		**21,705,074**	**21,705,074**
Carrying amount of net assets sold (Excluding Cash)		(3,081,980)	(3,081,980)
Cash and cash equivalents		(1,372,608)	(1,372,608)
Profit on sale of investments	29	**17,250,486**	**17,250,486**

On 1 October 2019 the Group disposed of its 75% shareholding in Lyngreen Properties Proprietary Limited.
All contingent considerations were met at the sale date of 1 October 2019.

17. Investments accounted for using the equity method

17.1 Profit from equity accounted investments

Group

Figures in ZAR	**Get Bucks Namibia**	**Dec-20**	**Get Bucks Namibia**	**Dec-19**
Profit for the period from associates	60,479	60,479	155,977	155,977
	60,479	**60,479**	**155,977**	**155,977**

17.2 Investment in associates

On 2 October 2019 and effective from 1 October 2019, smartadvance Proprietary Limited acquired Get Bucks Limited (Mauritius)'s 49% shareholding in Get Bucks (Namibia) Pty Limited for a purchase consideration of N$1,725,820, for 49% of the NAV as of the 31 August 2019.

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

Investment in associates - Group

Figures in ZAR	Get Bucks Namibia	Dec 20	Get Bucks Namibia	Dec 19
Opening balance	1,881,796	1,881,796	-	-
Original cost of 49% interest in Namibian operation	-	-	1,725,820	1,725,820
Disposal of 49% interest in Namibia operation	(2,019,426)	(2,019,426)	-	-
Carrying value at acquisition (total deemed consideration)	**(137,630)**	**(137,630)**	**1,725,820**	**1,725,820**
Movement in statement of profit or loss				
Profit for the period	60,479	60,479	155,977	155,977
Profit on disposal of investment	77,151	77,151	-	-
	137,630	**137,630**	**155,977**	**155,977**
Closing balance	**-**	**-**	**1,881,796**	**1,881,796**

Investment in associates - Company

Figures in ZAR	Get Bucks Namibia	Dec 20	Get Bucks Namibia	Dec 19
Opening balance	1,725,820	1,725,820	-	-
Original cost of 49% interest in Namibian operation	-	-	1,725,820	1,725,820
Disposal of 49% interest in Namibia operation	(2,019,426)	(2,019,426)	-	-
Carrying value at acquisition (total deemed consideration)	**(293,606)**	**(293,606)**	**1,725,820**	**1,725,820**
Movement in statement of profit or loss				
Profit for the period	-	-	-	-
Profit on disposal of investment	293,606	293,606	-	-
	293,606	**293,606**	**-**	**-**
Closing balance	**-**	**-**	**1,725,820**	**1,725,820**

SUMMARISED STATEMENT OF FINANCIAL POSITION IN ZAR

	Get Bucks Namibia	Dec 20	Get Bucks Namibia	Dec 19
Cash and cash equivalents	-	-	1,601,434	1,601,434
Loan advances to customers	-	-	1,765,282	1,765,282
Other financial assets	-	-	102,041	102,041
Non-financial assets	-	-	746,965	746,965
TOTAL ASSETS	**-**	**-**	**4,215,721**	**4,215,721**
Other financial liabilities	-	-	74,590	74,590
Non-financial liabilities	-	-	27,083	27,083
TOTAL LIABILITIES	**-**	**-**	**101,672**	**101,672**
TOTAL NET ASSETS	**-**	**-**	**4,114,049**	**4,114,049**

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

Figures in ZAR	Get Bucks Namibia	Dec 20	Get Bucks Namibia	Dec 19
Net interest income	559,205	559,205	515,302	515,302
Net fee and commission expense	411,245	411,245	249,348	249,348
Net trading income	970,450	970,450	764,650	764,650
Credit loss expense on customer loan book	265,696	265,696	12,112	12,112
Credit loss expense on other financial assets	(448,214)	(448,214)	-	-
Other income	-	-	80,674	80,674
Sales expenses	(132,546)	(132,546)	(85,135)	(85,135)
Professional Fees	(25,632)	(25,632)	(19,875)	(19,875)
Employee costs	**(290,670)**	**(290,670)**	**(278,951)**	**(278,951)**
Depreciation and amortisation	(211,654)	(211,654)	(2,002)	(2,002)
Other operating expenses	(4,005)	(4,005)	(153,153)	(153,153)
Loss before taxation	**123,425**	**123,425**	**318,320**	**318,320**
Taxation	-	-	-	-
Loss after taxation	**123,425**	**123,425**	**318,320**	**318,320**
GROUP'S SHARE OF PROFIT @ 49%	**60,478**	**60,478**	**155,977**	**155,977**

SUMMARISED STATEMENT OF CASH FLOW IN ZAR

	Get Bucks Namibia	Dec 20	Get Bucks Namibia	Dec 19
Cash flows from operating activities	703,007	1,114,890	1,114,890	1,114,890
Cash flows from investing activities	-	-	-	-
Cash flows from financing activities	-	(119,730)	(119,730)	(119,730)
	703,007	**995,160**	**995,160**	**995,160**

18. Deferred taxation

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Deferred taxation asset	14,782,311	18,871,742	14,364,674	14,434,747
Deferred taxation liabilities	-	-	-	-
	14,782,311	**18,871,742**	**14,364,674**	**14,434,747**
Reconciliation of movement in deferred taxation				
Balance at beginning of year	18,871,742	19,810,390	14,434,747	17,254,237
Originating and reversing temporary differences on Loans and advances to customers ECL	411,537	(2,417,816)	257,892	(2,491,913)
Disposal through sale of entity	-	(1,327,895)	-	-
Temporary differences due to provisions	1,198,155	(295,294)	1,149,563	256,484
Assessed loss	(3,126,284)	3,173,621	(1,477,528)	(584,061)
Classified as held for sale	(2,572,839)	(71,264)	-	-
	14,782,311	**18,871,742**	**14,364,674**	**14,434,747**
Reconciliation of movement in deferred taxation balances				
Originating and reversing temporary differences on loans and advances to customers ECL	2,062,854	3,915,655	2,062,854	1,804,962
Temporary differences due to provision raised	1,890,581	336,940	1,661,818	512,256
Assessed loss	10,828,876	14,619,147	10,640,000	12,117,528
	14,782,311	**18,871,742**	**14,364,674**	**14,434,747**

Deferred tax assets on accumulated losses that has been raised:

A deferred tax asset of R30,059,505 (Dec 2019: R48,860,796) has not been recognised on accumulated tax losses of R204,562,347 (Dec 2019: R174,502,842) for the Group. A deferred tax asset of R30,059,505 (Dec 2019: R48,860,796) has not been recognised on accumulated tax losses of R204,562,347 (Dec 2019: R174,502,842) for the Company.

19. Goodwill

19.1 Group

	Dec-20	Dec-19	Dec-20	Dec-19
Figures in ZAR	**Cost**	**Carrying value**	**Cost**	**Carrying value**
Goodwill	11,578,790	11,578,790	11,578,790	11,578,790
	11,578,790	**11,578,790**	**11,578,790**	**11,578,790**

19.2 Company

	Dec-20	Dec-19	Dec-20	Dec-19
Figures in ZAR	**Cost**	**Carrying value**	**Cost**	**Carrying value**
Goodwill	7,973,131	7,973,131	7,973,131	7,973,131
	7,973,131	**7,973,131**	**7,973,131**	**7,973,131**

19.3 Reconciliation of goodwill

Figures in ZAR	**Group**		**Company**	
	Dec-20	**Dec-19**	**Dec-20**	**Dec-19**
Opening balance	11,578,790	11,578,790	7,973,131	7,973,131
Total	**11,578,790**	**11,578,790**	**7,973,131**	**7,973,131**

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 cost of equity.

The recoverable amounts for Komo Finance and niftycover 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 management's expects to complete in Q2 of 2021. The long-term growth rate reflects the local South African consumer price index rate for the five-year forecast period. No impairment was recognised during the year ended 31 December 2020 (2019: 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-20	**Dec-19**	**Dec-20**	**Dec-19**
	Komo Finance Proprietary Limited		**niftycover South Africa Proprietary Limited**	
Trading income growth (%)	31	17	17	17
Operating costs (%)	18	4	6	4
Discount rate (%)	12.2	12.1	12.2	12.1

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 cashflows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the CGU.

Impairment testing for the CGUs containing goodwill
Five year of cashflow projections were included in the discounted cashflow model. 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.

20. Trade and other payables

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Financial instruments				
Trade payables	6,898,668	9,874,620	5,247,977	8,201,441
Payroll liabilities	4,872,741	616,787	4,755,013	557,240
Accruals and sundry payables	8,684,772	9,555,914	3,317,633	8,523,556
Claims reserve	244,928	339,329	-	-
	20,701,108	**20,386,650**	**13,320,624**	**17,282,237**

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Non-financial instruments				
VAT payable	11,546	926,040	11,542	927,413
Withholding taxes	3,063,547	6,246,108	3,063,547	6,246,108
	3,075,094	**7,172,148**	**3,075,090**	**7,173,521**
Total trade and other payables	**23,776,201**	**27,558,798**	**16,395,713**	**24,455,758**

The claims reserve relates to products with a different insurer prior to the use of the cell captive with Guardrisk.

21. Leases

The Group leases a number of branches and premises. The lease typically run for a period of 3 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.

21.1 Amounts recognised in the balance sheet:

Group		**Dec-20**			**Dec-19**	
Figures in ZAR	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Buildings	3,435,030	(763,340)	2,671,690	1,447,363	(275,758)	1,171,605
Equipment	197,829	(54,161)	143,668	369,521	(41,492)	328,029
	3,632,859	**(817,501)**	**2,815,358**	**1,816,884**	**(317,250)**	**1,499,634**

Company		**Dec-20**			**Dec-19**	
Figures in ZAR	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Buildings	3,435,030	(763,340)	2,671,690	-	-	-
Equipment	197,829	(54,161)	143,667	225,252	(15,009)	210,243
	3,632,859	**(817,501)**	**2,815,358**	**225,252**	**(15,009)**	**210,243**

Reconciliation of right of use assets Group December 2020

	Opening balance	Classified as held for sale	Additions	Depreciation	Total
Buildings	1,171,605	(620,089)	3,435,030	(1,314,856)	2,671,690
Equipment	328,029	(60,701)	(27,423)	(96,237)	143,668
	1,499,634	**(680,790)**	**3,407,607**	**(1,411,094)**	**2,815,358**

Reconciliation of right of use assets Group December 2019

	Opening balance	IFRS 16 adoption	Additions	Depreciation	Total
Buildings	-	1,447,363	-	(275,758)	1,171,605
Equipment	-	70,160	299,361	(41,492)	328,029
	-	**1,517,523**	**299,361**	**(317,250)**	**1,499,634**

Reconciliation of right of use assets Company December 2020

	Opening balance	Classified as held for sale	Additions	Depreciation	Total
Buildings	-	-	3,435,030	(763,340)	2,671,690
Equipment	210,243	-	(27,423)	(39,153)	143,667
	210,243	-	**3,407,607**	**(802,493)**	**2,815,358**

Reconciliation of right of use assets Company December 2019

	Opening balance	IFRS 16 adoption	Additions	Depreciation	Total
Buildings	-	-	-	-	-
Equipment	-	-	225,252	(15,009)	210,243
	-	-	**225,252**	**15,009)**	**210,243**

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Right-of-use assets				
Buildings	2,671,690	1,171,605	2,671,690	-
Equipment	143,668	328,029	143,667	210,243
	2,815,358	**1,499,634**	**2,815,358**	**210,243**
Lease liabilities maturity				
Current	1,128,386	656,912	1,128,386	168,300
Non-current	1,831,892	1,230,768	1,831,892	285,230
	2,960,277	**1,887,680**	**2,960,277**	**453,530**

21.2 Amounts recognised in the statement of profit or loss

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Depreciation charge of right-of-use assets				
Buildings	(1,314,856)	(291,949)	(763,340)	-
Equipment	(96,237)	(25,301)	(39,153)	(15,009)
	(1,411,094)	**(317,250)**	**(802,493)**	**(15,009)**
Interest expense:				
Buildings	(359,249)	(116,623)	(148,212)	-
Equipment	(28,871)	(18,304)	(17,077)	(18,304)
	(388,120)	**(134,927)**	**(165,289)**	**(18,304)**

22. Borrowings

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
S. Crawforth	342,500	368,000	342,500	368,000
The loan is unsecured, bears interest at 17% per annum. The capital and interest outstanding is payable in full or in part on 31 March 2021.				
Ecsponent Treasury Services Proprietary Limited	1,989,068	16,235,268	1,989,068	16,235,268
The loan is secured and bears interest at 28% and is payable in monthly instalments which contain capital and interest. The maturity date of the loan is 30 September 2021.				
Ecsponent Collective Investment Scheme (CIS)	941,005	2,088,574	941,005	1,097,569
These loans is secured over the loans and advances. These loans accrues interest at 20% and is repayable in full in November 2021.				
	3,272,573	**18,691,842**	**3,272,573**	**17,700,837**

Non-current liabilities	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
At amortised cost	941,005	368,000	941,005	368,000
Current liabilities				
At amortised cost	2,331,567	18,323,842	2,331,567	17,332,837
	3,272,573	18,691,842	3,272,573	17,700,837

23. Share capital

23.1 Authorised share capital

	Group		Company	
Number of ordinary shares available	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Ordinary no par value shares	500,000,000	500,000,000	500,000,000	500,000,000

The authorised share capital was increased to 500,000,000 on 30 December 2019.

23.2 Reconciliation of number of shares issued

Reconciliation of number of ordinary shares available				
Opening balance	27,813,778	14,000	27,813,778	14,000
Issue of shares - ordinary shares	-	27,799,778	-	27,799,778
	27,813,778	**27,813,778**	**27,813,778**	**27,813,778**

23.3 Issued

Figures in ZAR				
Opening balance	343,197,400	65,199,625	343,197,400	65,199,625
Issue of shares - ordinary shares	-	277,997,775	-	277,997,775
	343,197,400	**343,197,400**	**343,197,400**	**343,197,400**

On 22 October 2019, Finclusion acquired 100% of the shares in Smartadvance from MyBucks S.A.
On 30 December 2019 FAH South Africa (Pty) Ltd converted R 277,997,775 of debt to equity with the issue of 27,799,778 shares.

24. Taxation receivable / (taxation payable)

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Taxation paid in advance / receivable	335,802	536,472	335,802	335,802
Taxation payable	(2,996)	(871,897)	-	-
	332,806	**(335,425)**	**335,802**	**335,802**

Reconciliation on movement				
Opening balance	(335,425)	(501,077)	335,802	335,802
Income taxation charged for the year	(59,050)	(123,682)	-	-
Income taxation charged for the year on discontinued operations	118,552			
Classified as held for sale	123,820	-	-	-
Taxation paid	688,573	289,334	-	-
Taxation received	(203,664)	-	-	-
Closing balance	**332,806**	**(335,425)**	**335,802**	**335,802**

25. Interest revenue

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Interest revenue calculated using the effective interest method				
Loans and advances to customers	45,013,139	28,332,570	31,933,777	20,100,385
	45,013,139	**28,332,570**	**31,933,777**	**20,100,385**
Other interest and similar income				
Bank and other cash	76,857	93,989	30,340	12,512
Other	903,676	-	1,740,400	-
	980,533	**93,989**	**1,770,740**	**12,512**
	45,993,672	**28,426,559**	**33,704,517**	**20,112,897**

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

26. Interest expense

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Interest expense calculated using effective interest method				
Current borrowings	6,570,128	2,239,587	6,418,100	-
Related parties and group companies	818,132	36,681,317	1,442,940	21,510,480
Shareholder	5,891,237	-	5,891,237	-
	13,279,497	**38,920,903**	**13,752,277**	**21,510,480**
Other interest and similar expense				
Related parties and group companies	6,301	-	6,301	-
	6,301	**-**	**6,301**	**-**
	13,285,798	**38,920,903**	**13,758,578**	**21,510,480**

Other interest consists of additional fees

27. Fee and commission income and expense

Figures in ZAR				
Fee and commission income				
Income resultant from loans and advances to customers	14,658,682	10,040,512	6,923,334	4,750,298
Income resultant from insurance products	4,027,517	2,936,566	-	-
	18,686,199	**12,977,078**	**6,923,334**	**4,750,298**
Fee and commission expense				
Expense resultant from loans and advances to customers	(4,854,032)	(3,127,820)	(3,061,647)	(1,933,581)
	(4,854,032)	**(3,127,820)**	**(3,061,647)**	**(1,933,581)**
	13,832,167	**9,849,258**	**3,861,686**	**2,816,716**

28. Credit loss expense on customer loan book

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Credit loss expense on loans and advances to customers	17,190,717	4,168,005	11,695,556	1,781,007
	17,190,717	**4,168,005**	**11,695,556**	**1,781,007**

29. Credit loss expense on other financial assets

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Credit loss expense on other financial assets	(448,435)	(1,679,465)	(437,135)	(1,651,443)
	(448,435)	**(1,679,465)**	**(437,135)**	**(1,651,443)**

30. Other income

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Other Income				
Bad debts recovered	706,821	340,528	157,521	253,789
Dividend income	-	-	8,101,000	-
Management fee	30,000	-	930,000	-
Other income	766,848	327,008	706,306	327,008
Profit on disposal of Property, plant and equipment	246,211	1,694,474	233,211	1,694,474
Profit on Sale of Investments	77,152	17,335,431	293,607	20,177,641
Rental income on investment property	-	484,850	-	484,850
	1,827,032	**20,182,290**	**10,421,645**	**22,937,762**

Other income consists of tech services.

Profit on disposal of investment relates to the disposal of Lyngreen Investments, see note 16.

31. Other operating expenditure

		Group		Company	
Figures in ZAR		**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Advertising and marketing		213,207	456,029	19,319	390,581
Bank charges		134,311	102,191	81,359	49,934
Computer expenses		89,747	185,793	83,003	175,493
Consulting and professional fees	34	7,994,742	2,451,938	7,418,739	2,005,840
Collection costs		4,318,203	2,350,490	2,972,671	1,479,423
Depreciation and amortisation	33	3,159,813	3,373,636	2,328,677	1,032,338
Directors Fees		256,179	-	248,679	-
Employee cost	32	36,810,189	27,743,611	32,246,875	25,197,905
Insurance		5,424,517	3,792,364	4,986,137	3,591,103
Short term lease expense		394,911	195,840	181,326	130,716
Legal expenses		1,462,967	195,986	1,422,339	3,224,777
Motor vehicle expenses		273,898	674,970	228,770	662,655
Municipal expenses		146,559	(37,162)	113,304	(56,160)
Placement fees		489,829	979,301	365,129	995,369
General office expenses		94,355	74,521	94,355	74,521
Repairs and maintenance		173,280	46,741	41,772	29,437
Restructuring costs		40,211	64,647	26,191	46,829
Sale of loan and advances		(154,000)	6,212,746	(154,000)	6,212,746
Security		2,163,802	640,584	2,163,802	640,584
Staff welfare		45,596	288,627	45,596	288,627
Subscriptions		595,683	331,083	348,659	253,893
Telephone and fax		3,315,730	1,758,277	2,812,979	1,547,385
Travel - local		568,219	433,638	560,937	425,694
Travel - overseas - deductible		24,277	210,307	12,888	210,109
Other expenses		280,709	310,520	180,292	83,598
VAT Expense		583,617	1,541,129	511,602	1,468,809
		68,900,551	**54,377,806**	**59,341,399**	**50,162,207**

32. Employee costs

Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Basic	31,371,176	25,391,957	26,891,909	22,856,212
Incentives	1,627,238	338,069	1,627,238	338,069
Company contributions	945,500	637,521	944,979	617,626
Leave pay accrual charge	2,866,274	1,642,349	2,782,749	1,652,283
Share based payment benefit	-	(266,285)	-	(266,285)
	36,810,189	**27,743,611**	**32,246,875**	**25,197,905**

33. Depreciation and amortisation

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Depreciation	505,451	2,481,069	282,915	395,694
Depreciation right of use asset	1,411,094	270,933	802,493	15,009
Amortisation	1,243,269	621,635	1,243,269	621,635
	3,159,813	**3,373,636**	**2,328,677**	**1,032,338**

34. Consulting and professional fees

Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Auditor's remuneration – external:				
Audit fees	4,224,586	1,398,300	3,683,333	956,451
Consulting fees	3,770,156	1,053,639	3,735,406	1,049,389
	7,994,742	**2,451,938**	**7,418,739**	**2,005,840**

35. Taxation

Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Income taxation				
Local income tax	59,050	123,682	-	-
	59,050	**123,682**	**-**	**-**
Deferred taxation				
Originating and reversing temporary differences	1,516,592	867,384	70,077	2,819,488
	1,516,592	**867,384**	**70,077**	**2,819,488**
	1,575,643	**991,066**	**70,077**	**2,819,488**

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Reconciliation of the taxation expense				
Accounting loss	(38,112,151)	(40,532,095)	(37,244,819)	(29,237,762)
Taxation expense at 28%	**(10,671,403)**	**(11,300,712)**	**(10,428,549)**	**(8,186,574)**
Tax effect of adjustments on taxable income				
Different tax rates of other countries	(28,127)	-	-	-
Non-deductible expenses	285,339	292,829	283,758	174,058
Exempt income	(772,894)	(1,586,916)	(2,268,280)	(958,310)
Assessed loss for which no deferred tax raised	12,758,851	12,897,873	12,483,148	11,790,314
Other	3,876	687,992	-	-
	1,575,643	**991,066**	**70,077**	**2,819,488**

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

Other in Dec 2019 consist of a correction related to a prior period

36. Cash flow notes

36.1 Cash generated from operating activities

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Profit/(loss) before taxation	**(38,271,105)**	**(40,532,095)**	**(37,244,822)**	**(29,237,764)**
Adjustments for:				
Depreciation and amortisation	3,159,813	3,373,636	2,356,111	1,032,338
Profit loss from Associate	(60,479)	(155,977)	-	-
Profit/Loss on sale of loans and advances	2,163,802	(84,945)	-	(84,945)
Dividends received (trading)	2,391,000	3,671,000	-	-
Interest income	(980,549)	(93,989)	(1,740,400)	(12,512)
Finance costs paid	13,285,798	38,920,903	13,758,578	21,510,480
Credit loss expense on other financial assets	448,435	1,679,465	437,135	1,651,443
IFRS 2 equity-settled share-based payments	-	(266,285)	-	(266,285)
Credit loss expense on customer loan book	17,190,717	4,168,005	11,538,035	1,527,218
Profit/(Loss) on disposal of property and equipment	(246,211)	(1,694,474)	(233,211)	(1,694,474)
Profit/Loss on disposal of investment	(77,151)	(17,250,487)	(293,607)	(20,092,696)
Remeasurement of insurance contracts	(2,783,798)	(2,245,028)	-	-
Non-cash transactions with group companies	-	-	(13,743)	(93,580)
	(3,779,728)	**(10,510,271)**	**(11,435,923)**	**(25,760,777)**
Changes in working capital:				
Other receivables	1,621,367	(5,123,948)	(282,904)	2,808,425
Loans and advances	3,135,028	(5,878,905)	4,029,790	(3,826,042)
Trade and other payables	(8,749,302)	7,850,641	(7,817,578)	421,883
	(3,992,907)	**(3,152,212)**	**(4,070,692)**	**(595,734)**
Cash (used in)/generated from operations	**(7,772,635)**	**(13,662,483)**	**(15,506,614)**	**(26,356,510)**

37. Fair value information

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.

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.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. The group's valuation methodology for securities uses a discounted cash flow methodology and dividend discount methodology. The methodologies are often used by market participants to price similar securities.

Property valuations

Property valuations are performed by independent valuators which uses market information such as market related rental charges. This information is used to perform a discounted cash flow on future potential income. The sales prices achieved during recent sales of properties in the area is also used as an indication. The group classifies these instruments at Level 3.

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

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

Figures in ZAR		**Group**		**Company**	
Assets		**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Loans to group companies and related parties	11	-	-	6,008,293	65,842,443
Other financial assets	8	48,077	192,308	48,077	192,308
Loans and advances to customers	9	77,997,834	141,819,685	77,997,834	92,267,563
		78,045,911	**142,011,992**	**84,054,204**	**158,302,314**
Liabilities					
Loans from group companies and related parties	11	(57,621,163)	(17,332,837)	(57,621,163)	(17,332,837)
Loans from shareholder	10	(61,341,552)	(50,000,000)	(61,341,552)	(50,000,000)
Other financial borrowings	22	(3,356,883)	(372,040)	(3,356,883)	(372,040)
		(122,319,598)	**(67,704,877)**	**(122,319,598)**	**(67,704,877)**

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the group's financial statements. These fair values were calculated for disclosure purposes only. The below methodologies and assumptions relate only to the instruments in the above tables.

Other financial assets

The fair value for the Go Life shares is based on the quoted market price.

Loans with shareholders and other related parties and borrowings

The fair values of these instruments are estimated by a discounted cash flow model based on contractual cash flows using actual or estimated yields and discounting by yields incorporating the counterparties' credit risk.

38. Financial instruments by category

	Group		Company	
Figures in ZAR	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Financial assets				
Fair value through Profit and loss				
Other financial assets	48,077	192,308	48,077	192,308
Amortised cost				
Loans to group companies and related parties	-	-	6,008,293	65,842,443
Loans and advances to customers	75,633,282	140,483,672	75,633,282	91,201,107
Other receivables	3,841,239	11,114,819	2,729,373	2,739,364
Cash and cash equivalents	5,407,393	11,438,583	3,562,582	5,582,897
	84,929,991	**163,229,382**	**87,981,607**	**165,558,119**
Financial liabilities				
Amortised cost				
Loans from group companies and related parties	57,524,587	32,032,201	62,990,241	41,986,978
Borrowings	3,272,573	18,691,842	3,272,573	17,700,837
Loans from shareholder	61,759,339	50,000,000	61,759,339	50,000,000
Lease liabilities	2,960,277	1,887,680	2,960,277	453,530
Trade and other payables	23,776,201	27,558,798	16,395,713	24,455,758
Bank overdraft	45,984	48,570	45,882	47,420
	149,338,961	**130,219,091**	**147,424,025**	**134,644,522**

39. Risk management

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

smartadvance South Africa is a fintech company that embraces technology as a means to provide financial products and services to our customers. The group and company's current primary activities are micro-lending and related insurance brokerage. smartadvance South Africa provides short-term (1 - 6 months) on the back of a direct debit order collection mechanism and longer-term (6 - 24 months) loans with a deduction at source collection mechanism through payroll deduction agreements with employers.

39.1 Capital risk management

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

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

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.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

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 statement of financial position) less cash and cash equivalents.
- Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

		Group		Company	
		Dec-20	**Dec-19**	**Dec-20**	**Dec-19**
Finance lease liabilities	21	2,960,277	1,887,680	2,960,277	453,530
Borrowings	22	3,272,573	18,691,842	3,272,573	17,700,837
Loans from group companies and related parties	11	57,524,587	32,032,201	62,990,241	41,986,978
		63,757,437	**52,611,723**	**69,223,091**	**60,141,344**
Less: Cash and cash equivalents	6	5,361,409	11,390,013	3,516,700	5,535,477
Net debt		**69,118,846**	**64,001,736**	**72,739,791**	**65,676,822**
Total equity		32,792,239	72,520,432	25,667,362	62,982,257
Total Capital		**101,911,085**	**136,522,168**	**98,407,153**	**128,659,079**
Gearing ratio		67.82%	46.88%	73.92%	51.05%

The gearing ratio deteriorated during the current period as a result of the loss making position of the company.

39.2 Financial risk management

Overview

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

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 and market risk. Market risk includes currency risk and interest rate risk.

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

39.3 Liquidity risk

Liquidity risk is the risk that operations cannot be funded, and financial commitments cannot be met timeously and cost effectively.

Liquidity risk management deals with the overall profile of the consolidated and separate statement of financial position, the funding requirements of the company and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated, and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met.

39.4 Loan disbursements

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

In an effort to reduce irresponsible borrowing during the COVID-19 pandemic and over indebting consumers, credit scoring criteria to apply for a personal loan was tightened to deal with the shift in data points available and to make effective credit decisions, including introducing psychometric scores.

This has reduced the quantity of applications but has, however, maintained the quality of clients that are able to uphold their credit agreements on a monthly basis.

Loans and advances to customers collections
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 will be 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 to budgets are investigated in order to ensure the accuracy of the cash flow simulation models.

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

Treasury function
The group treasury department monitors liquidity 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 group and company is funded by South African Rand's (ZAR) facilities from its licensor and third parties.

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.

Group

Figures in Rand		**Up to 1 month**	**From 1 to 12 months**	**Between 1 and 5 years**	**Total**
At 31 December 2020					
Borrowings	22	-	-	(3,764,535)	(3,764,535)
Loans from group companies and related parties	11	(7,716,603)	(40,040,171)	(11,330,840)	(59,087,614)
Finance lease liabilities	21	(102,342)	(1,192,758)	(1,927,338)	(3,222,437)
Loans from shareholder	10	-	-	(62,840,128)	(62,840,128)
Trade and other payables	20	(20,701,108)	-	-	(20,701,108)
Bank overdraft	6	(45,984)	-	-	(45,984)
		(28,566,037)	**(41,232,928)**	**(79,862,840)**	**(149,661,805)**

Figures in Rand		**Up to 1 month**	**From 1 to 12 months**	**Between 1 and 5 years**	**Total**
At 31 December 2019					
Borrowings	22	-	(20,906,878)	(446,200)	(21,353,078)
Loans from group companies and related parties	11	(9,954,777)	(32,032,201)	-	(41,986,978)
Finance lease liabilities	21	(130,531)	(109,524)	-	(240,055)
Loans from shareholder	10	-	-	(57,500,000)	(57,500,000)
Trade and other payables	20	(18,165,443)	(271,982)	-	(18,437,425)
Bank overdraft	6	(48,570)	-	-	(48,570)
		(28,299,321)	**(53,320,585)**	**(57,946,200)**	**(139,566,106)**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Company

Figures in Rand		**Up to 1 month**	**From 1 to 12 months**	**Between 1 and 5 years**	**Total**
At 30 December 2020					
Borrowings	22	-	-	(3,764,535)	(3,764,535)
Loans from group companies and related parties	11	(24,278,215)	(25,378,431)	(6,977,756)	(56,634,402)
Finance lease liabilities	21	(130,531)	(109,524)	-	(240,055)
Loans from shareholder	10	-	-	(62,840,128)	(62,840,128)
Trade and other payables	20	(13,320,624)	-	-	(13,320,624)
Bank overdraft	6	(45,882)	-	-	(45,882)
		(37,775,252)	**(25,487,955)**	**(73,582,418)**	**(136,845,625)**

Figures in Rand		**Up to 1 month**	**From 1 to 12 months**	**Between 1 and 5 years**	**Total**
At 31 December 2019					
Borrowings	22	-	(20,906,878)	(446,200)	(21,353,078)
Loans from group companies and related parties	11	(9,954,777)	(32,032,201)	-	(41,986,978)
Finance lease liabilities	21	(130,531)	(109,524)	-	(240,055)
Loans from shareholder	10	-	-	(57,500,000)	(57,500,000)
Trade and other payables	20	(16,724,897)	-	-	(16,724,897)
Bank overdraft	6	(47,420)	-	-	(47,420)
		(26,857,625)	**(53,048,603)**	**(57,946,200)**	**(137,852,428)**

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**	**Group**	**Company**	**Company**
	Dec-20	**Dec-19**	**Dec-20**	**Dec-19**
	ZAR	**ZAR**	**ZAR**	**ZAR**
1 Month	8,570,976.24	14,497,813	8,570,976.24	9,544,798
2 - 3 Months	16,236,024.62	23,160,903	16,236,024.62	18,366,757
4 - 6 Months	21,371,339.62	29,458,521	21,371,339.62	19,429,519
7 - 12 Months	32,470,769.86	29,170,913	32,470,769.86	26,352,110
> 12 Months	28,419,032.27	93,264,021	28,419,032.27	31,754,284
	107,068,142.61	**189,552,171**	**107,068,142.61**	**105,447,468**

39.5 Market risk

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

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

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

39.6 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.

39.7 Interest rate profile

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

Group

		Dec-20	Dec-19
Variable rate instruments:			
Liabilities			
Loans from shareholder	10	(61,759,339)	(50,000,000)
Loans from group companies and related parties	11	(54,884,909)	(32,032,201)
		(116,644,248)	**(82,032,201)**
Fixed rate instruments:			
Assets			
Cash and cash equivalents	6	5,407,393	11,438,583
Loans and advances to customers	9	75,633,282	140,483,672
		81,040,675	**151,922,255**
Liabilities			
Loans from group companies and related parties	11	(2,639,678)	(18,323,842)
Borrowings	22	(3,272,573)	(368,000)
Bank overdraft	6	(45,984)	(48,570)
		(5,958,235)	**(68,740,412)**

Company

		Dec-20	Dec-19
Variable rate instruments:			
Liabilities			
Loans from shareholder	10	(61,759,339)	(50,000,000)
Loans from group companies and related parties	11	(54,884,909)	(32,032,201)
		(116,644,248)	**(32,032,201)**
Fixed rate instruments:			
Assets			
Loans to group companies and related parties	11	6,008,293	65,842,443
Loans and advances to customers	9	75,633,282	91,201,107
Cash and cash equivalents	6	3,562,582	5,582,897
		81,641,575	**157,043,550**
Liabilities			
Loans from group companies and related parties	11	(2,639,678)	(18,323,842)
Borrowings	22	(3,272,573)	(368,000)
Bank overdraft	6	(45,882)	(47,420)
		(5,958,133)	**(68,739,262)**

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

Group	%	Dec-20	Dec-19
Variable rate instruments:			
Liabilities			
Loans from shareholder	1%	(617,593)	(500,000)
Loans from group companies and related parties	1%	(548,849)	(320,322)

Company	%	Dec-20	Dec-19
Variable rate instruments:			
Liabilities			
Loans from shareholder	1%	(617,593)	(500,000)
Loans from group companies and related parties	1%	(548,849)	(320,322)

External Funding

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

Internal Funding Inter-Company
The smartadvance S.A. Group's funding to subsidiaries are at lending rates, which are aligned with South African legislation.

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

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

39.8 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 National Credit Act. 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.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

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 – December 2020 (smartadvance Proprietary Limited)

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

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

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

Loan per product mix – December 2020 GetBucks Proprietary Ltd (Eswatini)

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

Loan per product mix – December 2019 GetBucks Proprietary Ltd (Eswatini)

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

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

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.

<u>External Recovery</u>

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.

<u>Sale of Loans and advances to customers</u>

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

<u>Credit monitoring</u>

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.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

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.

39.9 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).

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

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:

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 discounted product of PD, EAD and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. Cumulative lifetime PD curves are developed based on historic payment behaviour together with PIT macro-economic forecasted adjustments. The group defines 3 possible macro-economic scenarios which yields 3 possible lifetime PD curves.;
- EAD is based on the amounts the Group expected to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD is adjusted for prepayment behaviour as well as additional increases in penalty interest in the event of default; 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.

COVID-19 related ECL

The credit committee approved a specific IFRS 9 ECL raised on clients within the tourism/leisure industry as a result of the impact this industry has suffered as a result of COVID-19. These clients and the industry will be monitored going forward by the credit committee and evaluate if the ECL raised is sufficient or needs to be adjusted to reflect the current state of affairs.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

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.

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 four geographical segments.

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

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

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

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

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

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

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

COVID-19 considerations under IFRS 9

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

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Staying with the theme of IFRS 9, the approach with COVID-19 is to anticipate potential future shocks to the economy which can lead to a deterioration of the quality of assets.
The ability of the Credit Team's model to react and prepare for COVID-19 impacts can be characterised by the following four points:

- Each quarter the model recalibrates using the most recent payment behaviour which will incorporate any new trends
- Macro-economic forecasts are refreshed each quarter and any expectation around the impact of COVID-19 is automatically incorporated in the forward-looking information via these forecasts.
- The model is designed to incorporate qualitative feedback from the various credit departments on a monthly basis, specifically where industries and sectors are analysed and the impact on clients are quantified.
- Finally, the model has been extended to accommodate additional overlays to the ECL outputs by allowing for a sector- based risk adjustment as well as adjustments on loan-by-loan basis. This is conducted in the "COVID Tool" which is owned by local management.

Loans with renegotiated terms

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

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

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

Credit risk impacts

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

Group – December 2020	**Neither past due nor impaired**	**Past due but not impaired 1 - 90 days**	**Past due but not impaired 91 - 360 days**	**Past due but not impaired >360 days**	**Impaired**	**Total**
	ZAR	**ZAR**	**ZAR**	**ZAR**	**ZAR**	**ZAR**
Other financial assets	-	-	-	-	4,124,908	4,124,908
Loans to group companies and related parties	-	-	-	-	-	-
Other receivables	3,271,775	229,152	-	-	-	3,500,927
	3,271,775	**229,152**	**-**	**-**	**4,124,908**	**7,625,835**

Group – December 2019	**Neither past due nor impaired**	**Past due but not impaired 1 - 90 days**	**Past due but not impaired 91 - 360 days**	**Past due but not impaired >360 days**	**Impaired**	**Total**
	ZAR	**ZAR**	**ZAR**	**ZAR**	**ZAR**	**ZAR**
Other financial assets	-	-	-	-	4,124,908	4,124,908
Loans to group companies and related parties	-	-	-	-	-	-
Other receivables	787,281	3,489,367	-	-	-	4,276,648
	787,281	**3,489,367**	-	-	**4,124,908**	**8,401,556**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Company – December 2020	Neither past due nor impaired	Past due but not impaired 1 - 90 days	Past due but not impaired 91 - 360 days	Past due but not impaired >360 days	Impaired	Total
	ZAR	ZAR	ZAR	ZAR	ZAR	ZAR
Other financial assets	-	-	-	-	4,124,908	4,124,908
Loans to group companies and related parties	6,008,293	-	-	-	-	6,008,293
Other receivables	2,178,210	229,152		-	-	2,407,363
	8,186,504	**229,152**	**-**	**-**	**4,124,908**	**12,540,564**

Company – December 2019	Neither past due nor impaired	Past due but not impaired 1 - 90 days	Past due but not impaired 91 - 360 days	Past due but not impaired >360 days	Impaired	Total
	ZAR	ZAR	ZAR	ZAR	ZAR	ZAR
Other financial assets	-	-	-	-	4,124,908	4,124,908
Loans to group companies and related parties	65,842,443	-	-	-	-	65,842,443
Other receivables	612,577	2,110,085		-	-	2,722,662
	66,455,020	**2,110,085**	**-**	**-**	**4,124,908**	**72,690,013**

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

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. At this stage, the company has no significant foreign exchange exposure.

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 2020	**Dec 2019**	**Dec 2020**	**Dec 2019**
Loan advances	0.03%	0.13%	0.32%	0.96%

Company	**Single highest customer loans**		**Top 10 highest loans**	
	Dec 2020	**Dec 2019**	**Dec 2020**	**Dec 2019**
Loan advances	0.03%	0.02%	0.32%	0.21%

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.

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

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

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

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

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

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

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

Net debt reconcilation	**Group**		**Company**	
Net debt	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Cash and cash equivalents	5,361,409	11,390,013	3,516,700	5,535,477
Borrowings - repayable within one year (including overdraft)	(84,302,538)	(101,061,525)	(89,768,090)	(109,535,534)
Borrowings - repayable after one year	(41,260,223)	(1,598,768)	(41,260,223)	(653,230)
	(120,201,353)	**(91,270,280)**	**(127,511,613)**	**(104,653,287)**
Cash and liquid investments	5,361,409	11,390,013	3,516,700	5,535,477
Gross debt - fixed interest rates	(125,562,761)	(102,660,293)	(131,028,313)	(110,188,764)
	(120,201,353)	**(91,270,280)**	**(127,511,613)**	**(104,653,287)**

Group December 2020	**Cash / bank overdraft**	**Borrow due within 1 year**	**Borrow due after 1 year**	**Total**
Opening balance as at 01 Jan 2020	11,390,013	(101,061,525)	(1,598,768)	(91,270,280)
Cashflows	(6,028,604)	(20,220,089)	9,158,936	(17,089,757)
Other non-cash movements	-	13,051,545	(25,998,855)	(12,947,310)
Reclassified from held for sale	-	-	1,105,995	1,105,995
Reclassified due to renegotiated terms	-	23,927,532	(23,927,532)	-
	5,361,409	**(84,302,537)**	**(41,260,223)**	**(120,201,351)**

Notes to the consolidated and separate financial statements as at 31 December 2020 (continued)

Group December 2019	**Cash / bank overdraft**	**Borrow due within 1 year**	**Borrow due after 1 year**	**Total**
Opening balance as at 01 July 2019	15,215,090	(403,442,359)	(176,814)	(388,404,083)
Cashflows	(3,825,077)	(63,009,119)	1,242,484	(58,384,261)
Other non-cash movements	-	(36,810,404)	(17,772,201)	(61,790,056)
Disposal of subsidiary (Lyngreen)	-	5,163,190	105,366,104	110,529,294
Reclassified as held for sale	-	(5,387,138)	(90,258,341)	(95,645,479)
Debt to equity conversion	-	402,424,304	-	402,424,304
	11,390,013	**(101,061,525)**	**(1,598,768)**	**(91,270,280)**

Company December 2020	**Cash / bank overdraft**	**Borrow due within 1 year**	**Borrow due after 1 year**	**Total**
Opening balance as at 01 Jan 2020	5,535,477	(109,535,534)	(653,230)	(104,653,287)
Cashflows	(2,018,777)	(14,822,487)	13,319,412	(3,521,852)
Other non-cash movements	-	11,152,061	(30,488,534)	(19,336,473)
Reclassified due to renegotiated terms		23,437,871	(23,437,871)	0
	3,516,700	(89,768,089)	(41,260,223)	(127,511,612)

Company December 2019	**Cash / bank overdraft**	**Borrow due within 1 year**	**Borrow due after 1 year**	**Total**
Opening balance as at 01 July 2019	5,370,116	(352,153,184)	(176,814)	(346,959,882)
Cashflows	165,361	(19,490,333)	(129,161)	(19,454,133)
Other non-cash movements	-	(71,055,597)	(347,256)	(71,402,852)
Debt to equity conversion		333,163,580		333,163,580
	5,535,477	**(109,535,534)**	**(653,230)**	**(104,653,287)**

40. Commitments

	Group		**Company**	
Amounts in ZAR	**Dec 2020**	**Dec 2019**	**Dec 2020**	**Dec 2019**
Minimum lease payments due:	-	-	-	-
Within one year	1,118,683	840,068	1,118,683	130,531
More than one year and less than five years	1,831,809	2,322,295	1,831,809	109,524
More than five years	-	-	-	-
Total	**2,950,492**	**3,162,363**	**2,950,492**	**240,055**

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

41. Directors emoluments and key management

Executive -December 2020

Amounts in ZAR	Emoluments	Bonusses	Total
Mark Young	1,980,000	109,000	2,089,000
Jaco Coetzee	735,000	34,515	769,515
Dean Crocker (resigned 7 December 2020)	935,000	-	935,000
	3,650,000	**143,515**	**3,793,515**

Executive – December 2019

Amounts in ZAR	Emoluments	Bonusses	Total
Mark Young	990,000	165,000	1,155,000
Jaco Coetzee	300,000	50,000	350,000
Dean Crocker	420,000	130,000	550,000
Riaan Paul (Resigned 11 March 2020)	900,000	150,000	1,050,000
	2,610,000	**495,000**	**3,105,000**

42. Subsequent events

42.1 COVID-19

The COVID-19 pandemic developed rapidly in 2020 and continues in 2021 with a significant number of cases. The government took positive measures to contain the virus which impacted the nature of economic activity during the pandemic. We have taken a number of measures to monitor and mitigate the effects of COVID-19 including health and safety measures for our people (such as social distancing and working from home).

The threat of a third wave of infections remains a high probability and the possibility of further lock downs remains which could result in the economy taking significant strain during this period. The possibility remains of further market-wide retrenchments increasing, temporary employee layoffs and reduced employee wages leading to reduced cash flows to employees - materially impacting the livelihood of many households.

This has a continued direct impact on the collectability of loans already in issue as the client's ability to meet monthly instalments is placed under pressure. Management previously implemented the necessary measures to support clients through payment holidays and reduced monthly instalments to ensure the collectability of loans, and this will continue should additional waves occur.

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

In an effort to reduce irresponsible borrowing during the COVID-19 pandemic and over indebting consumers, criteria to apply for a personal loan has been tightened to deal with the shift in data points available and to make effective credit decisions, including introducing psychometric scores.

This has reduced the quantity of applications but has, however, maintained the quality of clients that are able to uphold their credit agreements on a monthly basis.

43. Date of Authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on 1 April 2021. No authority was given to anyone to amend the financial statements after the date of issue.

44. 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.

20210304 Annual Financial Statements December 2020 - smartadvance

Final Audit Report 2021-04-04

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