FINBOND GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2001/015761/06)

Share code: "FGL" ISIN: ZAE000138095

("Finbond" or "the Company" or "the Group")

CONSOLIDATED RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020

The weakening South African economy presented challenges to consumers of all income levels, and no one was immune to these difficult conditions. Given the difficult macroeconomic environment, Finbond is pleased to have delivered acceptable results with Operating profit before tax (PBT) increasing by 78.0% and EBITDA increasing by 78.8%.

During the 12 months under review:

- Operating profit before tax (PBT) increased by 78.0% to R260.0 million (Feb 2019: R146.1* million).
- Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 78.8% to R722.3 million (Feb 2019: R404.0* million).
- Basic earnings per share increased by 258.0% to 10.6 cents (Feb 2019: 3.0* cents).
- Net profit after tax (NPAT) attributable to owners increased by 268.1% to R97.6 million (Feb 2019: R26.5* million).
- Revenue from continuing operations increased by 1.7% to R2.62 billion (Feb 2019: R2.58 billion).
- Value of loans advanced increased by 13.5% to R5.92 billion (Feb 2019: R5.21 billion).
- Cash received from customers increased by 9.8% to R7.89 billion (Feb 2019: R7.18 billion).
- Total assets increased by 41.6% to R4.67 billion from R3.30* billion.
- Cash, cash equivalents and liquid assets increased by 78.2% to R1.36 billion from R765.5 million.
- Gross unsecured loans and advances increased by 19.5% to R1.36 billion from R1.14* billion.
- 56.9% or R411.1 million of EBITDA was generated in North America and 43.1% or R311.2 million in South Africa.

* Results for the 2019 financial year have been restated. Please see additional information in the notes to the condensed consolidated financial statements below.

Finbond continues to manage for the long term and to invest in people, training, information technology, banking systems, compliance systems as well as in enhanced collection strategies and systems, in order to build a sustainable business that creates long term economic value.

We remain focused on executing the Group's strategy and top business priorities namely, optimal capital utilisation, earnings growth, strict upfront credit scoring, good quality sales, effective collections, cost containment and training and development of staff members.

GROUP PROFIT AND PROFITABILITY

Finbond's profits for the period under review remained adversely affected by the transition of SASSA customers to the South African Post Office card.

Despite these adverse developments in South Africa, Finbond achieved a turnover of R2.62 billion, an increase of 1.7% over 2019. Finbond's profit margin increased from 5.7%* of turnover in 2019 to 9.9% in 2020.

The vast majority of profit for the year was derived from unsecured personal loans. Finbond's net profit after tax (NPAT) attributable to owners increased by 268.1% to R97.6 million (Feb 2019: R26.5* million). Our operating Cost to Income ratio increased to 62.9% (Feb 2019: 58.2%) as we continue to invest in people and infrastructure to enable future growth.

56.9% or R411.1 million of EBITDA was generated in North America and 43.1% or R311.2 million in South Africa.

82.5% or R80.6 million of basic earnings was generated in North America while 17.5% or R17.0 million was generated in South Africa.

ASSET QUALITY

Net loan impairment expense to loan revenue strengthened by 24.7% to 17.8% for the year from 23.7% last year. This ratio demonstrates that our actual loss experience has decreased, due to strengthening portfolio quality.

Improvement can be seen across the board but significantly the improvement relates to the old South African SASSA book transition that has now been worked out of the system. The past due coverage ratio (provisions held/ loans past due) strengthened by 1.9% to 133.7% at year end from 131.2% last year. This ratio demonstrates that adequate provisions are held by the Group to absorb expected credit losses.

One of the key value drivers is the quality of new business. Without quality, new business growth is meaningless and not sustainable. An impressive average overall collection experience for the year of 94.6% (North America 97.7%, South Africa 87.8%) and a minimum average individual business line/

subsidiary collection experience of 78.0% reaffirms that high quality loans are added to the portfolio and furthermore that no individual business line is dragging on performance.

PROUDLY PROVIDING INCLUSIVE FINANCIAL SERVICES

Over the past 25 years, unsecured lending has become a permanent feature of the North American and South African credit landscape providing credit solutions and access to funding to the previously under-banked and unbanked.

A significant portion of the adult population in North America and South Africa are still actively seeking credit solutions but remain largely unattended and underserviced. These unbanked and underserviced do not fall outside the banking sector by choice. An important reason for their predicament is that the formal bank sector does not offer products tailored to their specific needs.

Responsible unsecured lending fulfills an important role of including the marginalised and previously excluded and giving them access to credit and will continue to grow rather than diminish in importance. Finbond is proud to be part of this important sector.

FOCUS ON SHORT TERM LOANS VS LONGER TERM LOANS

Total segment revenue from Finbond's micro finance activities in both South Africa and North America, made up of interest, fee and commission income (portfolio yield) increased by 1.5% to R2.59 billion (Feb 2019: R2.55 billion).

Despite continued strong competition in the short term loan market over the past 12 months our share of the 1 to 6 month short term unsecured market [loans below R8,000 with a tenure of between 30 days and 180 days] remains above 22%.

As at February 2020, 69% of sales were 0 to 1 month loans. The focus remains on high quality, small, short-term loans. This is supported with an average loan term of 3.2 months in South Africa and 1.68 months in North America by number of loans originated, and an average loan size across all loan type sales in North America being $362 and R1,932 in South Africa.

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SOUTH AFRICAN (SA) OPERATIONS

The South African economy faced a difficult year and a much slower recovery process than predicted following the election of President Cyril Ramaphosa. Coupled with higher unemployment and low growth in household disposable income, South African market conditions severely limited new business growth potential.

In South Africa, Finbond has 430 branches of which 166 are located in Gauteng, North West, Limpopo and Mpumalanga, 66 in Kwa-Zulu Natal, 75 in the Western Cape, 60 in the Eastern Cape and 63 in the Free State and Northern Cape

During the period under review, Finbond SA's average loan size was R1,932 with an average tenure of 3.2 months based on the total number of loans granted. Given the short term nature of our SA products, Finbond's loan portfolio is cash flow generative and a good source of internally generated liquidity. For the twelve months ended February 2020 Finbond SA granted R1.55 billion worth of loans and received cash payments of R2.31 billion from customers. The whole loan portfolio turns over 3.5 times a year.

CONSERVATIVE UPFRONT CREDIT SCORING PRACTICES

Detailed affordability calculations are performed prior to extending any loans in order to determine whether clients can in fact afford the loan repayments. In line with our conservative approach, additional expense buffers were again included in all affordability assessments.

Finbond continued to apply strict upfront credit scoring and affordability criteria. The credit scores on the various products are monitored on a monthly basis and are continually adjusted to reduce credit risk and further improve the quality of assets held.

Finbond's lending practices have been consistently conservative over the past number of years and our rejection or decline rates remain higher than that of our major competitors. Rejection rates in South Africa stood at between 77% and 91% for our 12-24 month product at the end February 2020.

High and stable Capital Weighted Scores ("CWS") in our South African loan book data support the notion that Finbond is extending loans to clients of higher credit quality.

The capital distribution of new loans compared to historic loans shows a shift in distribution when considering the exposure that each approved application presents. Finbond is granting larger loans to clients with higher credit scores or alternatively smaller loans to clients with lower credit scores. This is a crucial element of Finbond's credit risk management methodology that is designed to increase/decrease the size of the risk (loan) as the probability of default decreases/increases.

SLOWER THAN EXPECTED GROWTH IN TRANSACTIONAL BANKING CUSTOMERS

We continued the evolution to turn Finbond Mutual Bank into a retail bank in South Africa. Although this is taking longer than expected we continue to make progress.

The cost of running Finbond Mutual Bank increased to R343.8 million during the past financial year. Little of this was unexpected, as it is expensive to implement what we're doing. Strategically, we support the cost of building a mass market retail bank on the back of our short term loans business in South Africa. Our transactional banking customer base grew by 27.1% from 224,127 to 284,840 during the year. Our Platinum account has some of the lowest cost and pays the highest interest rates in South Africa. We pay 6% interest on savings accounts with a maximum balance of R50 000. Our debit card is a full MasterCard, giving our customers access to all Saswitch ATM's and can be used for purchases at all linked shops. At Finbond Mutual Bank a debit order costs only R2.50. We have few products, but those we have are the simplest, best and most affordable of their kind in South Africa.

During 2019 we launched our new online 24/7 bank offering "***Finbond Platinum".*** To be a serious player in the market for basic banking, we aim for one million customers. We still have a very long way to go in an extremely competitive market, but remain committed to build something unique: a low-cost, full-service retail bank in South Africa with offerings to the mass market through Finbond Mutual Bank and Finbond Platinum respectively.

WE MANAGE LIQUIDITY CONSERVATIVELY

Finbond Group's liquidity position at the end of February 2020 in terms of cash, cash equivalents and liquid assets increased by 78.2% to R1.36 billion from R765.5 million.

Cash Received as a percentage of Cash Granted at Group level for the period of March 2019 to February 2020 averaged 133% (Feb 2019: 138%). Notable that 133% is more in line with historic averages with last year's higher rate of 138% due to a reduced loans and advances portfolio as result of the SASSA transition in SA.

By the end of February 2020, the deposit portfolio in Finbond Mutual Bank in South Africa amounted to R1.1 billion (Feb 2019 R998.6 million). The average deposit size was R398,830, the average term 20.6 months and the average interest rate 9.8%. The Commercial Paper portfolio in Finbond Group Limited in South Africa amounted to R943.5 million (Feb 2019: R435.5 million). The average investment size was R1.6 million, the average term 60 months and the average interest rate 11.5%. Finbond is not exposed to the uncertainty that accompanies the use of corporate call deposits as a funding mechanism since Finbond only accepts 6 to 72 month fixed term deposit and commercial paper investments. Given the long term nature of Finbond's liabilities (fixed term deposits with a weighted average outstanding term of 20.6 months, and commercial paper with an average term of 60 months) and the short term nature of its assets (short term micro loans with a weighted average outstanding loan term, in terms of number of loans granted, of 2.83 months), Finbond possesses a low risk liquidity structure

FINBOND MUTUAL BANK - HEALTHY CAPITAL POSITION

Finbond follows a conservative approach to capital management and holds a level of capital which supports its business, while also growing its capital base ahead of business requirements.

Finbond Mutual Bank continued to comfortably exceed the minimum regulatory capital requirement in February 2020, reflecting an excess of R50.6 million over and above the R203.8 million (25% of Risk Weighted Assets) required by the Prudential Authority. As at 29 February 2020, Finbond's:

- liquidity coverage ratio was 142% (42% more than required);
- net stable funding ratio was 921% (821% more than required); and
- capital adequacy ratio was 31.2% (21.2% more than required), and 6.2% above the minimum prudential limit required by the Prudential Authority.

Finbond Mutual Bank is a well capitalised bank with excellent liquidity.

INVESTMENT GRADE CREDIT RATING AFFIRMATION

In December 2019, Global Credit Ratings ("GCR") affirmed the Investment Grade long term national scale rating of Finbond Group Limited of BBB(ZA) and the short term national scale rating of A3(ZA); with the outlook accorded as Stable. Furthermore, Global Credit Ratings affirmed the long-term international scale local currency rating assigned to Finbond Group Limited of B+; with the outlook accorded as Stable.

GCR asserted that the ratings accorded to Finbond balance the group's strong capitalisation and sound liquidity, with the group's modest competitive position and weak risk position.

NORTH AMERICAN OPERATIONS

Prior to the COVID-19 pandemic the US economy was at an all-time high and we continue to see promising new business growth potential in the United States of America following the expected post COVID-19 economic recovery.

United States Federal Reserve (the "Fed") chairman Jerome Powell on 15 May 2020 said the central bank would continue to use its policy tools to mitigate the impact of the novel coronavirus on the US economy, but warned that the length of the health crisis raises "longer-term concerns." Powell said that the depth and length of a recession can "leave behind lasting damage" to an economy's productivity, a hint that those inside the Fed see slim chances of a quick, V-shaped recovery. "The recovery may take some time to gather momentum, and the passage of time can turn liquidity problems into solvency problems," Powell said. Powell said household and business insolvencies and the loss of small and medium-sized businesses could "limit the strength of the recovery when it comes," adding that the loss of jobs risks widening the skills gap depending on how long the unemployed remain without work. Powell said fiscal policymakers on Capitol Hill could do more to ensure that the economy is set up for the best possible recovery, arguing that lawmakers with the power to tax and spend should be engineering further relief packages. Powell pointed out that "additional fiscal support could be costly, but worth it if it helps avoid long-term economic damage and leaves us with a stronger recovery," For the Fed's part, Powell said the priority has been the Fed's many liquidity tools aimed at avoiding a financial crisis, pledging to use those tools "to their fullest" until the central bank is confident that the economic recovery is underway.

In the United States of America and Canada Finbond has 245 branches of which 29 are located in California, 44 are located in Louisiana, 61 are located in Illinois, 5 are located in Indiana, 2 are located in Florida, 1 is located in Utah, 15 are located in Missouri, 13 are located in Ontario (Canada), 5 are located in Michigan, 15 are located in Mississippi, 13 are located in Alabama, 9 are located in Wisconsin, 14 are located in Tennessee, 9 are located in Oklahoma, 8 are located in South Carolina, 1 is located in New Mexico and 1 is located in Nevada.

Finbond also has an online offering that offers instalment loans in the states of Illinois, Wisconsin, Missouri, New Mexico, Utah and Nevada via the Creditbox.com website.

57% of Finbond's EBITDA are currently denominated in US$.

Finbond North American sales are well diversified across the various states with limited exposure to concentration risk.

COVID-19 PANDEMIC

We are actively dealing with the COVID-19 crisis and have established a dedicated COVID-19 Special Executive Committee to assess new information on a weekly basis.

Finbond’s leadership team is in constant communication with its businesses to anticipate the impact of COVID-19 on operations and profits. It is still too early to estimate the total scope of any impact on the Group's operations and financial information, particularly in view of evolving government responses to the outbreak. The size of the impact on operations will vary from country to country. Finbond will continue to invest in its businesses to position them for future recovery and growth.

Importantly, Finbond believes that it faces this challenging period from a position of relative financial strength with sufficient liquidity to both navigate the changing environment and seek out new opportunities.

In North America, all of Finbond’s businesses and the territories in which we operate were deemed “essential services” and remained operative throughout the period. In South Africa only banks (and not micro lenders) were designated as “essential services”. Finbond Mutual Bank therefore remained open while Supreme Finance was forced to cease operations during Level 4 and 5.

We have performed both mild and severe stress tests for both Finbond Group Limited and Finbond Mutual Bank. Under mild and severe stress scenarios, Finbond’s liquidity, capital adequacy and cash remain resilient. It is important to note that in scenarios of decreasing sales/new loans, cash balances increase as less capital is granted to customers At Group level, under severe stress, cash and liquid assets drop by 21.48% in October 2020, before recovering back to current levels by January 2021. Noting that under mild stress, surplus funds do not drop below the March 2020 level.

Finbond developed these scenarios to capture downside risks and have used these to assess our capital resilience. While our economic scenarios have been used to capture a range of outcomes, the potential economic impact of COVID-19 on the Group’s operational and financial performance will depend on future developments including the duration and spread of the outbreak, customer behaviour, related travel advisories, restrictions and disruptions to normal business activity (Cash Granted, Payment Received, Cash Generated, Collection, New Contracts, New Clients), all of which are highly uncertain and cannot be predicted with a high degree of certainty currently.

We are monitoring the situation closely and will constantly be refining and updating our stress test assumptions and estimates in line with real time developments. The COVID-19 pandemic is a dynamic crisis that affects all geographical regions that we are doing business in. We will continue to implement any and all recommendations and directives by the CDC and relevant National, Regional and Local Authorities in the various countries of operation.

The COVID-19 pandemic and its impacts on the markets in which we operate may have wide-ranging consequences on every aspect of our business.

CHANGES TO THE BOARD

In 2019 we were able to attract to our Board a very experienced individual, and one who understands our business very well. Mr. Danie Pentz has had more than 45 years' experience as a financial manager, tax consultant and executive director of various JSE listed financial institutions. He participated in the founding and registration of the Community Bank and was the Chief Operating Officer of Fulcrum Bank. At these financial institutions he was responsible for the development and installation of financial and IT systems.

Mr Carel van Heerden and Ms Rosetta Xaba stepped down from our board to assume their roles of Chief Executive Officer and Chair of Finbond Mutual Bank respectively.

FIVE YEAR STRATEGIC PLAN AND STRATEGIC OBJECTIVES

The Finbond board annually reviews and updates the Finbond Five Year Strategic Plan of Action. At Finbond, strategic planning is an organisational management activity that is used to set priorities, focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working toward common goals, establish agreement around intended outcomes/results, and assess and adjust the organisation's direction in response to a changing environment.

Short and medium term strategic objectives include:

- Further Improving efficiencies in our 245 branches in North America
- Further expanding our international operations through selective strategic acquisitions in the North American and European markets.
- Expanding our Americash Loans online lending offering in the USA
- Delisting Finbond Group Limited from the JSE in order to relist the group on a North American stock exchange.
- Selling our South African operations to a group focussed on South Africa in order to focus on North America and Europe, subject to all relevant regulatory approvals.
- Applying for a European Banking License

LOOKING AHEAD

The challenging and difficult macro-economic environment as well as the adverse market conditions in the market within which Finbond operates are not expected to abate. In the short-term, market conditions are expected to significantly deteriorate further. It is expected that the government ordered lockdowns will have a significantly adverse short-term impact on Finbond’s results for the year ending 28 February 2021. For the month of April 2020 business volumes in South Africa were down approximately 70% and in North America business volumes were down approximately 50%. The longer the draconian lockdown regulations remain in place, the more severe the effect will be. Stress tests have shown we remain sufficiently capitalised with appropriate liquidity levels in both mild and severe stress scenario. We remain confident that the benefits of our geographically diversified business, strong balance sheet relative to the size and scope of our operations and cash generating ability will stand us in good stead, in what is anticipated to be a very difficult year ahead. As a leadership team we will not be increasing our salaries in 2020 and continue to put in place a series of management actions to partly mitigate the negative impacts that the lockdowns are expected to have on our business.

We remain confident that we have the required resources and depth in management to overcome these challenges.

Our business is in a development and growth phase and, as with all growing businesses, real risks remain.

DIVIDEND

With planned growth in mind, as well as considering the current COVID-19 crisis, the board has decided not to declare a dividend for the financial year ended 29 February 2020 (2019: 1.55 cents).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

R'000	**29 February 2020**	28 February 2019* (Restated)	Change	28 February 2018* (Restated)
Assets				
Cash and cash equivalents	1,055,871	532,429	98%	422,339
Other financial assets	308,151	233,091	32%	216,856
Unsecured loans and other advances to customers	938,351	775,466	21%	726,246
Trade and other receivables	158,216	131,246	21%	158,177
Other assets	10,602	19,288	(45%)	12,632
Derivative financial instrument	-	4,920	-	-
Secured loans and other advances to customers	201,095	208,903	(4%)	210,977
Property, plant and equipment	213,189	195,184	9%	131,816
Right of use assets	481,834	-	-	-
Investment property	142,071	137,200	4%	266,771
Deferred taxation	53,093	53,914	(2%)	16,130
Goodwill	981,905	891,313	10%	766,050
Intangible assets	129,149	116,838	11%	108,035
Total assets	**4,673,527**	**3,299,792**	42%	**3,036,029**

Equity				
Capital and reserves				
Share capital	1,016,488	1,150,684	(12%)	724,525
Reserves	153,895	2,241	>1,000%	(193,715)
Retained income	281,910	199,530	41%	261,627
Share capital and reserves attributable to ordinary shareholders	**1,452,293**	**1,352,455**	7%	**792,437**
Non-controlling interest	247,471	154,146	61%	122,932
Total equity	**1,699,754**	**1,506,601**	13%	**915,369**
Liabilities				
Bank overdraft	19,307	90,620	(79%)	91,033
Trade and other payables	316,086	155,980	103%	149,503
Other liabilities	34,654	7,753	347%	6,677
Lease liabilities	507,175	2,915	>1,000%	5,080
Current tax payable	7,039	11,071	(36%)	34,527
Derivative financial instrument	-	-	-	47,430
Loans from shareholders	48,251	84,970	(43%)	470,586
Fixed and notice deposits	1,095,116	998,604	10%	1,027,114
Deferred taxation	2,604	5,782	(55%)	9,882
Commercial paper	943,541	435,496	117%	278,828
Total liabilities	**2,973,773**	**1,793,191**	66%	**2,120,660**
Total equity and liabilities	**4,673,527**	**3,299,792**	42%	**3,036,029**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended

R'000	**29 February 2020**	28 February 2019* (Restated)	Change
Interest income	1,903,969	1,809,953	5%
Interest expense	(254,247)	(193,876)	31%
Net interest income	**1,649,722**	**1,616,077**	2%
Fee income	430,856	466,407	(8%)
Management fee income	88	467	(81%)
Other operating income	286,249	301,470	(5%)
Fair value adjustments	8,547	(74,513)	(111%)
Foreign exchange gain/(loss)	(4,750)	(57,902)	(92%)
Net impairment charge on loans and advances	(461,450)	(604,403)	(24%)
Operating expenses	(1,649,294)	(1,501,548)	10%

Profit before taxation	**259,968**	**146,055**	78%
Taxation	(45,368)	(6,100)	644%
Profit after taxation	**214,600**	**139,955**	53%
Other comprehensive income to be reclassified to profit or loss			
Foreign currency translation difference for foreign operations	206,499	255,837	(19%)
Total comprehensive income for the year	**421,099**	**395,792**	6%
Profit attributable to:			
Owners of the company	97,643	26,528	268%
Non-controlling interest	116,957	113,427	3%
Profit for the period	**214,600**	**139,955**	53%
Total comprehensive income attributable to:			
Owners of the company	248,661	216,697	15%
Non-controlling interest	172,438	179,095	(4%)
Total comprehensive income	**421,099**	**395,792**	6%
Earnings per share			
Earnings per share (cents)			
Basic & Diluted	10.6	3.0	258%
Headline earnings per share (cents)			
Basic & Diluted	10.3	14.2	(28%)
Total number of ordinary shares outstanding	877,255	923,727	(5%)
Weighted average number of ordinary shares outstanding	924,411	895,886	3%
Net profit attributable to ordinary equity holders of the parent	97,643	26,528	268%
Adjusted for:			
Loss on disposal of property, plant and equipment	1,123	226	397%
Fair value changes of investment properties	(3,780)	100,575	(104%)
Headline earnings	**94,986**	**127,329**	(25%)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended

R'000	**29 February 2020**	28 February 2019* (Restated)	Change
Cash flows from operating activities			
Cash generated from operations	574,603	341,850	68%
Taxation paid	(63,561)	(67,085)	(5%)
Net cash from operating activities	**511,042**	**274,765**	86%
Cash flows from investing activities			
Purchase of property, plant and equipment	(50,207)	(89,559)	(44%)
Capital expenditure of investment property	-	(36)	-
Purchase of other intangible assets	(23,609)	(12,903)	83%
Purchase of financial assets	(66,464)	(13,469)	394%
Change in control of minority interest	(10,115)	-	-
Acquisition of loan books	(4,930)	-	-
Net cash from investing activities	**(155,325)**	**(115,967)**	34%
Cash flows from financing activities			
Buy back of shares	(1,815)	-	-
Issue of share capital	-	32,708	-
Repayment of shareholders loan	(50,831)	(69,730)	(27%)
Proceeds from commercial paper	508,045	156,668	224%
Finance lease payments	(165,071)	(2,867)	>1,000%
Dividends paid	(79,824)	(197,012)	(59%)
Net cash from financing activities	**210,504**	**(80,233)**	(362%)
Total cash movement for the year	566,221	78,565	621%
Cash at the beginning of the year	441,809	331,306	33%
Effect of movements in exchange rates on cash held	28,534	31,938	(11%)
Total cash at end of the year	**1,036,564**	**441,809**	135%

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended

R'000	**29 February 2020**	28 February 2019* (Restated)
Total equity at the beginning of the year as previously presented	**1,506,601**	**1,043,359**
Correction of error	-	(127,990)
Total restated equity as at the beginning of the year	**1,506,601**	**915,369**
Change in accounting policy – IFRS 9	-	(3,818)
Restated total equity as at 1 March	**1,506,601**	**911,551**
Change in share capital		
Issue of shares	4,447	426,159
Purchase of treasury shares	(1,815)	-
Buy-back of shares	(136,828)	-
Change in reserves		
Total comprehensive income for the year	248,661	216,697
Equity settled share-based payment	636	5,787
Change in control	(945)	15,191
Dividends paid	(14,318)	(93,640)
Change in non-controlling interest		
Total comprehensive income for the year	172,438	179,095
Change in control	(9,170)	(15,191)
Business combination	-	-
Dividends paid	(69,953)	(139,048)
Total equity at the end of the year	**1,699,754**	**1,506,601**

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION
OPERATING SEGMENTS

R'000

29 February 2020	**Investment Products**	**Lending**	**Property Investment**	**Transactional Banking**	**Other**	**Total**
Interest income	23,337	1,870,918	-	-	9,714	1,903,969
Interest expense	(181,599)	(61,281)	-	(794)	(10,573)	(254,247)
Net interest income	**(158,262)**	**1,809,637**	**-**	**(794)**	**(859)**	**1,649,722**
Fee income	-	392,569	-	38,261	26	430,856
Management fee income	-	88	-	-	-	88

Other operating income	359	285,890	-	-	-	286,249
Fair Value adjustments	9,133	(537)	4,871	-	(4,920)	8,547
Foreign exchange gain	-	(132)	-	-	(4,618)	(4,750)
Net impairment charge on loans and advances	-	(461,450)	-	-	-	(461,450)
Operating expenses	(3,839)	(1,541,876)	(2,997)	(48,857)	(51,725)	(1,649,294)
Profit/(loss) before taxation	**(152,609)**	**484,189**	**1,874**	**(11,390)**	**(62,096)**	**259,968**
Taxation	72,734	(152,300)	(895)	5,437	29,656	(45,368)
Profit/(loss) after taxation	**(79,875)**	**331,889**	**979**	**(5,953)**	**(32,440)**	**214,600**
Significant segment assets						
Cash and cash equivalents	168,404	867,941	-	1,782	(1,563)	**1,036,564**
Other financial assets	308,151	-	-	-	-	**308,151**
Unsecured Loans and other advances to customers	-	938,351	-	-	-	**938,351**
Secured Loans and other advances to customers	-	201,095	-	-	-	**201,095**
Trade and other receivables	-	105,409	-	99	52,708	**158,216**
Other assets	-	-	-	10,602	-	**10,602**
Property, plant and equipment	-	212,556	-	633	-	**213,189**
Right of use assets	-	478,508	-	866	2,460	**481,834**
Investment property	-	-	142,071	-	-	**142,071**
Goodwill	-	981,905	-	-	-	**981,905**
Intangible assets	-	129,149	-	-	-	**129,149**
Significant segment liabilities						
Other liabilities	-	-	-	34,654	-	**34,654**
Trade and other payables	999	161,687	-	2,286	151,114	**316,086**

Lease liabilities	-	504,485	-	953	1,737	**507,175**
Fixed and notice deposits	1,095,116	-	-	-	-	**1,095,116**
Commercial paper	943,541	-	-	-	-	**943,541**
Loans from shareholders	-	-	-	-	48,251	**48,251**

28 February 2019* (Restated)	**Investment Products**	**Lending**	**Property Investment**	**Transactional Banking**	**Other**	**Total**
Interest income	21,751	1,784,341	-	-	3,861	1,809,953
Interest expense	(139,713)	(34,603)	-	(437)	(19,123)	(193,876)
Net interest income	**(117,962)**	**1,749,738**	**-**	**(437)**	**(15,262)**	**1,616,077**
Fee income	-	450,521	-	15,883	3	466,407
Management fee income	-	-	-	-	467	467
Other operating income	185	294,711	-	-	6,574	301,470
Fair value adjustment	-	2,744	(129,607)	-	52,350	(74,513)
Foreign exchange gain	-	-	-	-	(57,902)	(57,902)
Net impairment charge on loans and advances	-	(595,969)	-	(310)	(8,124)	(604,403)
Operating expenses	(3,726)	(1,369,816)	(2,251)	(26,901)	(98,854)	(1,501,548)
Profit/(loss) before taxation	**(121,503)**	**531,929**	**(131,858)**	**(11,765)**	**(120,748)**	**146,055**
Taxation	15,252	(54,538)	16,552	1,477	15,157	(6,100)
Profit/(loss) after taxation	**(106,251)**	**477,391**	**(115,306)**	**(10,288)**	**(105,591)**	**139,955**
Significant segment assets						
Cash and cash equivalents	192,027	298,068	-	8,949	33,385	**532,429**
Other financial assets	233,091	-	-	-	-	**233,091**
Unsecured Loans and other advances to customers	-	775,466	-	-	-	**775,466**

Secured Loans and other advances to customers	-	208,903	-	-	-	**208,903**
Trade and other receivables	-	66,985	-	-	64,261	**131,246**
Other assets	-	-	-	19,288	-	**19,288**
Property, plant and equipment	-	177,094	-	751	17,339	**195,184**
Investment property	-	-	137,200	-	-	**137,200**
Goodwill	-	891,313	-	-	-	**891,313**
Intangible assets	-	116,838	-	-	-	**116,838**
Significant segment liabilities						
Other liabilities	-	-	-	7,753	-	**7,753**
Trade and other payables	2,557	123,237	98	5,056	25,032	**155,980**
Lease liabilities	-	2,915	**-**	**-**	**-**	**2,915**
Fixed and notice deposits	998,604	**-**	**-**	**-**	**-**	**998,604**
Commercial paper	435,496	-	-	-	-	**435,496**
Loans from shareholders	-	-	-	-	84,970	**84,970**

GEOGRAPHICAL SEGMENTS

29 February 2020

R'000	South Africa	North America	Total
Interest Income	245,334	1,697,538	1,903,969
Interest expense	(210,751)	(82,400)	(254,247)
Net interest income	**34,583**	**1,615,138**	**1,649,722**
Fee income	367,322	63,534	430,856
Management fee income	894	(806)	88
Other operating income	281,368	4,881	286,249
Fair value adjustment	9,039	(492)	8,547
Foreign exchange gain/(loss)	(4,618)	(132)	(4,750)
Net Impairment charge on loans and advances	(104,993)	(356,457)	(461,450)
Operating expenses	(552,760)	(1,096,534)	(1,649,294)
Profit before taxation	**30,835**	**229,132**	**259,968**
Taxation	(13,785)	(31,583)	(45,368)
Profit for the year	**17,050**	**197,549**	**214,600**

Significant segment assets			
Cash and cash equivalents	707,847	328,717	1,036,564
Other financial assets	308,151	-	308,151
Unsecured loans and other advances to customers	288,994	647,357	938,351
Secured loans and other advances to customers	179,540	21,555	201,095
Trade and other receivables	83,009	75,207	158,216
Other assets	10,602	-	10,602
Property, plant and equipment	53,601	159,588	213,189
Investment property	142,071	-	142,071
Goodwill	196,787	785,118	981,905
Intangible assets	171	128,978	129,149
Significant segment liabilities			
Other liabilities	34,654	-	34,654
Trade and other payables	215,751	100,335	316,086
Lease liabilities	137,021	370,154	507,175
Commercial paper	943,541	-	943,541
Fixed and notice deposits	1,095,116	-	1,095,116
Loans from shareholders	-	48,251	48,251

28 February 2019* (Restated)

R'000	South Africa	North America	Total
Interest Income	236,105	1,573,848	1,809,953
Interest expense	(160,539)	(33,337)	(193,876)
Net interest income	75,566	1,540,511	1,616,077
Fee income	403,761	62,646	466,407
Management fee income	376	91	467
Other operating income	282,957	18,513	301,470
Fair value adjustment	(75,029)	516	(74,513)
Foreign exchange gain/(loss)	(57,443)	(459)	(57,902)
Net Impairment charge on loans and advances	(227,274)	(377,129)	(604,403)
Operating expenses	(493,030)	(1,008,518)	(1,501,548)
Profit before taxation	(90,116)	236,171	**146,055**
Taxation	11,313	(17,413)	(6,100)
Profit for the year	(78,803)	218,758	**139,955**

Significant segment assets			
Cash and cash equivalents	280,489	251,940	532,429
Other financial assets	233,091	-	233,091
Unsecured loans and other advances to customers	267,269	508,197	775,466
Secured loans and other advances to customers	181,633	27,270	208,903
Trade and other receivables	86,476	44,770	131,246
Other assets	19,288	-	19,288
Property, plant and equipment	64,375	130,809	195,184
Investment property	137,200	-	137,200
Goodwill	196,787	694,526	891,313
Intangible assets	171	116,667	116,838
Significant segment liabilities			
Other liabilities	7,753	-	7,753
Trade and other payables	50,632	105,348	155,980
Lease liabilities	2,915	-	2,915
Commercial paper	998,604	-	998,604
Fixed and notice deposits	435,496	-	435,496
Loans from shareholders	84,970	-	84,970

* Results for the 2019 financial year have been restated. Please see additional information in the notes to the condensed consolidated financial statements below.

Notes to the condensed consolidated financial statements

Finbond Group Limited is a company domiciled in South Africa. The condensed consolidated financial statements of the Company as at and for the twelve months ended 29 February 2020 comprise the Company and its subsidiaries (together referred to as the “Group”).

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”) IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and financial pronouncements as issued by the Financial Reporting Standards Council IAS 34 Interim Financial Reporting, the Companies Act and the JSE Listings Requirements. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated annual financial statements of the Group as at and for the year ended 29 February 2020.

The accounting policies applied by the Group in these condensed consolidated financial statements are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements except for the adoption of new and amended standards as set out below.

The consolidated financial statements were prepared under the supervision of Mr GW Labuschagne CA, CPA, in his capacity as chief financial officer.

These condensed consolidated financial statements are not themselves audited but are extracted from the Group's audited financial statements. The directors take full responsibility for the preparation of these condensed consolidated financial statements and the financial information has been correctly extracted from the Group's audited financial statements which is available for inspection at the Company's registered office.

Use of judgements and estimates

The preparation of annual financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements as at and for the year ended 28 February 2019 except for the implementation of IFRS 16 as described below, and the following with regard to the effects of COVID-19 on impairment testing:

Impairment losses on financial assets
The Group uses a quantitatively estimated coverage ratio to calculate ECLs for unsecured loans and other advances and secured loans and other advances to customers. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography and product type).

The coverage ratio is initially based on the Group's historical observed default rates. The Group will calibrate the ratio to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Impact of COVID-19 on macro-economic variables
Management concluded that COVID-19 is a non-adjusting post balance sheet event. Accordingly, only information available up to 29 February 2020 was considered in determining the severity of negative economic scenarios applied. Stated another way, although COVID-19 is considered a non-adjusting post balance sheet event, it's potential impact on forward-looking macro-economic variables used in our expected credit loss models was still assessed, based however on information available as at 29 February 2020.

The potential impact was determined by stressing 3 macro-economic input variables in the forward-looking economic model, namely, 1. Unemployment rate, 2. Prime rate and 3. Inflation rate. The relevance of these variables was derived from a non-linear relationship to Finbond's loan books.

The Group utilises the Bureau of Economic Research (BER) and International Monetary Fund (IMF) macro-economic outlook as at October 2019, and stressed these outlooks as reflected in the table below. The stresses were determined by considering that the highest historical South African prime rate was 25%. Additionally, during the global economic crisis of 2008 and 2009, the highest South African inflation rate was 13.7% and the United States unemployment rate was 10.0%.

	BER View (October 2019)		**Stressed View Applied (February 2020)**	
	Negative	**Positive**	**Negative**	**Positive**
Prime rate (Y-O-Y % change)	10.75	9.75	25.0	9.75
CPI (Y-O-Y % change)	5.3	4.2	13.7	4.1

	IMF View (October 2019)		**Stressed View Applied (February 2020)**	
	Negative	**Positive**	**Negative**	**Positive**
Unemployment rate (%)	3.9	3.5	10.0	3.5

Management concluded that the Group held sufficient impairment provisions based on the results of its assessment taking into consideration information available as at 29 February 2020.

Impairment of goodwill and intangible assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may impact estimations and may then require adjustments to the carrying value of goodwill and intangible assets.

The Group reviews and tests the carrying value of goodwill and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill and intangible assets with indefinite useful lives are tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Expected future cash flows used to determine the value-in-use of goodwill and intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including NCR regulations, supply and demand for loans, together with economic factors such as inflation and interest rates.

Impact of COVID-19 on goodwill and intangible assets: goodwill fair value determination

As disclosed in the Notes which follow management concluded that COVID-19 is a non-adjusting post balance sheet event. Accordingly, only information available up to 29 February 2020 can be considered in its assessment.

Management assessed the potential impact of COVID-19 on goodwill impairment assumptions, under various levels of stress (given information available at 29 February 2020). To this end, management's considerations were limited to any potential impact on the budget for the year ahead as follows:

1. The levels of stress applied were probability weighted based on information available on 29 February 2020.
2. The resulting probability weighted stress scenario was overlaid on the Board approved budget for the year ending 28 February 2021, impacting forward-looking growth rates applied in estimating revenue, as well as other cash flows.
3. The related effects on variable operating expenses were projected.
4. Estimated fixed cost savings initiatives that would be implemented by management in response was estimated.
5. Finally, the effect of changes to exchange rates was calculated – significantly the SA Rand to the US dollar, given the Group's significant presence in the US and the upside effect on Group results given an ever weakening SA Rand in increasingly stressed scenarios.

Management concluded that the Board approved budget for the year ending 28 February 2021 appropriately reflected any potential impact of COVID-19 as at 29 February 2020, to the extent that information was available at that date.

It should be noted that it was not possible to formulate the full financial effect for the year ahead as at 29 February 2020, as very little information on COVID-19 was available at the time, together with the fact that the impact was not expected to be significant given that COVID-19 had not yet come to be viewed as a pandemic capable of influencing the global economy. Further to this, no lockdowns/ stay at home orders had yet been issued.

New and amended standards adopted by the Group

The Group has initially adopted IFRS 16 Leases.

IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability of R529,8 million in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 March 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 ranged between 4.5% and 11.25%

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 March 2019

For any new contracts entered into on or after 1 March 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

-the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts entered into before 1 March 2019, the Group determined whether the arrangement was, or contained a lease based on the assessment of whether:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets; and

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

a) the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the input;

b) the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of input; or

c) facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following;

- fixed payments (including in substance fixed);

- amounts expected to be payable under a residual value guarantee;

- variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a systematic basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Fair value measurement

The fair value hierarchy reflects the significance of the inputs used in making fair value measurements. The level within which the fair value measurement is categorised in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The different levels have been defined as follows:

Level 1: Fair value is based on quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.
Level 2: Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as derived from quoted 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 where all significant inputs are directly observable from market data.
Level 3: Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where 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 where significant unobservable adjustments or assumptions are required, to reflect differences between the instruments.

Financial risk management
Fair value hierarchy and classification of financial assets and financial liabilities

	Amortised cost	FVTPL	Total	Fair value	Hierarchy of valuation technique
Financial assets					
Cash and cash equivalents	1,055,871	-	1,055,871	1,055,871	#
Other financial assets	177,737	130,414	308,151	308,151	Level 2
Unsecured loans and advances	938,351	-	938,351	938,351	Level 2
Secured loans and advances	201,095	-	201,095	201,095	Level 2
Trade and other receivables	73,407	-	73,407	73,407	#
Financial liabilities					
Bank Overdraft	19,307	-	19,307	19,307	#
Trade and other payables	311,886	-	311,886	311,886	#
Fixed and notice deposits	1,095,116	-	1,095,116	1,095,116	Level 2
Commercial paper	943,541	-	943,541	943,113	Level 2
Loans from shareholders	48,251	-	48,251	48,251	Level 2
Transactional deposits	34,654	-	34,654	34,654	#
Lease liabilities	-	507,175	507,175	507,175	Level 2

The fair value closely approximates their carrying amount due to their short-term nature or on-demand repayment terms.

Valuation techniques used to derive level 2 and 3 fair values

Level 2 fair values of other financial assets have been derived by using the rate as available in active markets. The IBNR provision is managed from industry data accumulated on the Alexander Forbes Risk and Insurance Services claim system and is classified as a Level 3.

Level 3 fair values of investment properties have been generally derived using the market value, the comparable sales method of valuation, and the residual land valuation method, as applicable to each property.

The fair value is determined by external, independent property valuers, having appropriate, recognised professional qualifications and recent experience in the location and category of the properties being valued. Independent external valuations are performed at a minimum of every 3 years, unless management's annual fair value assessment indicates material changes to the property market and/ or underlying assumptions and inputs into current valuation models.

R'000	**Opening Balance**	**Gains recognized in profit or loss**	**Capitalised expenditure**	**Closing balance**
Assets				
Investment properties	137,200	4,871	-	142,071
Liabilities				
Derivative financial instrument	4,920	(4,920)	-	-

No transfers of assets and liabilities within levels of fair value hierarchy occurred during the current financial year. There were no additions or disposals of investment properties during the year.

Cash and cash equivalents are not fair valued and the carrying amount is presumed to equal fair value.

Short-term receivables and short-term payables are measured at amortised cost and approximate fair value, due to the short-term nature of these instruments. These instruments are not included in the fair value hierarchy.

Correction of prior year error

During the year the Group discovered the following prior period errors.

Cash Shop (2473614 Ontario Inc.) - Management uncovered a prior period error at one of our North American subsidiaries which resulted in a bad debt write-off of R19.0 million (R9.4 million related to the year ended 28 Feb 2019, and R9.6 million to the year ended, or before, 28 Feb 2018). The error was based on a small reconciling item that we were not comfortable with, and therefore conducted a further detailed review. The root cause was an ageing issue within Cash Shop's proprietary Loan Management System.

Flexicash (CCDF, LLC) and Metro Investors, LLC - In light of what was found at Cash Shop, management undertook a detailed reconciliation of all North American Loan Management Systems. We found everything to be in order, apart from at Flexicash and Metro, where we discovered a legal book that was brought on balance sheet at acquisition, which should have been written off with the previously written off legal book on transition to IFRS9 last year. This resulted in a bad debt write-off of R10.0 million (R4.2 million related to the year ended 28 Feb 2019, and R5.8 million to the year ended, or before, 28 Feb 2018).

Goodwill Impairment (IAS36) - The cumulative effect of the above prior period errors, in turn, resulted in an impairment to goodwill allocated to the Midwest Small Entities Cash Generating Unit (MWSE CGU) of R96.6 million. Intuitively, this goodwill impairment caused by the prior period errors relates to the corresponding prior periods. Further, IAS8 requires that management determine the appropriate prior periods to which this resulting impairment relates, in order to accurately reflect the circumstances that existed when the error occurred. Accordingly, the goodwill assessment for the year ending 28 February 2018 was reperformed and it was found that the full impairment related to the year then ended, or before.

Cashbak (Cashbak, LLC) - Cashbak were the subject of a representative action (pursuant to the Private Attorney's General Act) filed in the State of California on 1 October 2018, alleging labor code violations. The litigation had not been adequately provisioned last year in accordance with IAS 37 and the settlement reached amounted to R21.9 million (R8.8 million related to the year ended 28 Feb 2019, and R13.1 million to the year ended, or before, 28 Feb 2018).

Finbond Group Limited (FGL) - A settlement of R12.4 million (the full amount related to periods ending on or before 28 Feb 2018) was reached with a previous shareholder of Mzansi Property Finance. The settlement related to a dispute over the purchase price paid, and subsequent issue of FGL shares, in terms of the Sale of Share Agreement entered into with Mzansi Property Finance signed in February 2007.

The prior period errors have been corrected by restating each of the affected financial statement line items.

The following tables summarise the impact on the Group's consolidated financial statements for the years ended 28 February 2018 and 28 February 2019:

2018	**Impact of correction of errors**		
	As previously reported	**Adjustments**	**As restated**
R'000			
Condensed consolidated statement of financial position			
Unsecured loans and other advances to customers	741,664	(15,418)	726,246
Deferred taxation	14,215	1,915	16,130
Goodwill	862,609	(96,559)	766,050

Other asset items	1,527,603	-	1,527,603
Total assets	**3,146,091**	**(110,062)**	**3,036,029**
Trade and other payables	124,029	25,474	149,503
Current tax payable	42,073	(7,546)	34,527
Other liability items	1,936,630	-	1,936,630
Total liabilities	**2,102,732**	**17,928**	**2,102,660**
Retained income	383,860	(122,233)	261,627
Reserves	(193,715)	-	(193,715)
Non-controlling interest	128,689	(5,757)	122,932
Other equity items	724,525	-	724,525
Total equity	**1,043,359**	**(127,990)**	**915,369**

2019	**Impact of correction of errors**		
R'000	**As previously reported**	**Adjustments**	**As restated**
Condensed consolidated statement of financial position			
Unsecured loans and other advances to customers	804,533	(29,067)	775,466
Deferred taxation	50,720	3,194	53,914
Goodwill	987,872	(96,559)	891,313
Other asset items	1,579,099	-	1,579,099
Total assets	**3,422,224**	**(122,432)**	**3,299,792**
Trade and other payables	121,744	34,236	155,980
Current tax payable	22,235	(11,164)	11,071
Other liability items	1,626,140	-	1,626,140
Total liabilities	**1,770,119**	**23,072**	**1,793,191**
Retained income	332,144	(132,614)	199,530
Reserves	5,530	(3,289)	2,241
Non-controlling interest	163,747	(9,601)	154,146
Other equity items	1,150,684	-	1,150,684
Total equity	**1,652,105**	**(145,504)**	**1,506,601**
Condensed consolidated statement of comprehensive income			
Net impairment charge on loans and advances	(593,694)	(10,709)	(604,403)
Operating expenses	(1,495,503)	(6,045)	(1,501,548)
Taxation	(9,821)	3,721	(6,100)
Others	2,252,006	-	2,252,006

Profit after taxation	**152,988**	**(13,033)**	**139,955**
Foreign currency translation difference for foreign operations	260,318	(4,481)	255,837
Total comprehensive income for the year	**413,306**	**(17,514)**	**395,792**
Profit attributable to:			
Owners of the company	36,909	(10,381)	26,528
Non-controlling interest	116,079	(2,652)	113,427
	152,988	**(13,033)**	**139,955**
Total comprehensive income attributable to:			
Owners of the company	230,367	(13,670)	216,697
Non-controlling interest	182,939	(3,844)	179,095
	413,306	**(17,514)**	**395,792**

Events after the reporting period

In terms of IAS 10 (Events after the reporting period), non-adjusting post balance sheet events are events after the reporting period that are indicative of a condition that arose after the reporting period ended 29 February 2020. It was concluded that both; a) the lockdowns/stay-at-home-orders imposed (following the declaration of COVID-19 as a pandemic), and b) the declaration of COVID-19 as a pandemic itself, are such events.

It is management's assessment that the event which gives rise to the decrease in economic activity is the lockdown/stay-at-home-order imposed and not the COVID-19 pandemic itself, although both are regarded as non-adjusting post balance sheet events.

Judgement is involved in assessing the point in time when COVID-19 came to be viewed as a pandemic capable of influencing the global economy. In making this assessment, management considered the following:

- On 11 March 2020, the World Health Organisation (WHO) officially declared COVID-19, the disease caused by novel coronavirus, a pandemic.
- On 11 March 2020 President Trump blocked most visitors from continental Europe.
- On 12 March 2020, on the back of this news, the US, South African and various other major international stock markets fell substantially. Collapses that had not been seen in decades.
- On 13 March 2020 President Trump declared a national emergency.
- These events aligned to when the global spread of the virus accelerated beyond all reasonable expectations, leading also to a revision of global economic growth forecasts.
- On 15 March 2020 the C.D.C. recommended no gatherings of 50 or more people in the U.S.
- On 15 March 2020 and 23 March 2020 public announcements were made in South Africa declaring a State of National Disaster.
- On 15 March 2020 President Ramaphosa announced that COVID-19 has become a South African pandemic.

- On 17 March 2020 the E.U. barred most travelers from outside the bloc for 30 days. This marks the beginning of widespread travel restrictions, as opposed to regional bans.
- On 23 March 2020 Prime Minister Boris Johnson locks Britain down.
- On 27 March 2020 President Ramaphosa locks South Africa down.
- Consideration was given to the number of confirmed COVID-19 cases globally on 29 February 2020. According to the WHO, 85,403 confirmed cases existed at that date, 79,394 of which were in China (93%) and only 6,009 (7%) outside of China. Consideration was given to the fact that no infections had been reported in South Africa at 29 February 2020 and that the first isolated cases were being reported in the U.S. At that time, the likelihood of this outbreak effecting the global economy in the way that now appears to be the case, was considered remote given the geographic distance from China and the fact that previous coronavirus outbreaks (such as SARS and MERS) were contained regionally and had little, to no, impact on the rest of the world.
- Consideration was given to the fact that Finbond's closest Banking competitor in South Africa, with the same reporting date of 29 February 2020, concluded that COVID-19 is a non-adjusting post balance sheet event at reporting date. This was confirmed by their auditors.
- Finally, consideration was given to SAICA guidance "Application of IFRS standards in light of the coronavirus disease (COVID-19), Events after the Reporting Period" issued April 2020 and specifically to the fact that the Group is not exposed to China (or Europe for that matter) from both a supply chain or sales perspective.

However, no judgement is involved in assessing the point in time that lockdowns/stay-at-home-orders were imposed by various States in the US or South Africa. Lockdowns/stay-at-home-orders were issued by the State of California on 19 March 2020, the State of Illinois on 21 March 2020, the State of Louisiana on 23 March 2020 and in South Africa on 27 March 2020. It is management's assessment that the event which gives rise to the decrease in economic activity is the lockdown/stay-at-home-order imposed and not the COVID-19 pandemic itself.

As such, it was concluded that the lockdowns/stay-at-home orders caused by COVID-19, as well as COVID-19 itself are non-adjusting post balance sheet events at reporting date.

The impact of COVID-19 on accounting standards that require the use of forward-looking information (IFRS9 - expected credit losses and IAS36 - goodwill valuation) was accordingly assessed based on information available as at 29 February 2020.

Given information available after 29 February 2020, management estimate that the COVID-19 pandemic, and resultant lockdowns/stay-at-home orders, will result in a global economic downturn that will have an adverse impact on sales volumes and revenue, and potentially collections rates and asset valuations. The decrease in global economic activity and reduced trade brought on by measures to control the spread of the virus is estimated to lead to higher unemployment, lower GDP numbers in the US, Canada and South Africa. This will be partly offset by the significant stimulus, support packages and adjustments to fiscal and monetary policies that governments around the world have implemented in response to the crisis.

It is expected that COVID-19 will impact the Group's profitability for the year ending 28 February 2021 as more fully described below. It is however not possible to accurately estimate the full financial effect for the year ahead as the virus's infection and mortality rate, the duration of the various lockdowns/stay-at-home orders and resulting impact on the Global economy is highly fluid and uncertain.

Loans and advances, Interest & non-interest revenue, and Net impairments

Credit extension is estimated to be impacted negatively in the following ways:

1. Lockdowns will prevent customers from spending on non-essential items. A general decrease in consumer spending due to sheltering in place out of fear is also expected. This will lead to lower sales volumes/credit extension and hence revenue.
2. This will be accompanied by higher unemployment as businesses put measures in place to survive, as well as by actual businesses failures. This will in turn impact customer affordability, resulting in client's qualifying for smaller loans, or not qualifying at all. This again leads to lower sales volumes/credit extension and hence revenue.
3. Noting that this will also have the effect of decreasing gross loans and advances balances and increasing surplus cash balances as cash received from customers exceeds capital granted due to declining sales volumes.

Collections rates, default rates and recovery rates used in the measurement of expected credit loss provisions, which will affect the net impairment charge, may also be impacted. There is no comparable historic credit risk data to rely on in either North America or South Africa. The extent of the estimated stress varies widely and cannot be quantified at present.

Commercial paper, Deposits, Interest expense and Investment income

Due to the lower credit extension (as described above) surplus cash balances will increase. This may however be offset given that lower GDP and higher unemployment rates could impact growth rates and reinvestment rates in both commercial paper and deposits. The Group may therefore experience fluctuations in surplus cash balances, which in turn may impact investment income. Investment income may also be affected by fluctuating interest rates. Interest paid to customers may accordingly be affected by the change in savings behaviour described above and may potentially also be affected by fluctuating interest rates.

Going concern

The Financial Statements have been prepared on the going concern basis. The basis presumes that management neither intends to cease trading nor has reason to believe that the foreseeable future of the Company is in doubt.

Given the uncertain effect that COVID-19 (and the resulting lockdowns/stay- at-home orders imposed) will have on the Global economy and the Group's profitability for the year ending 28 February 2021, we performed additional liquidity and cash flow stress testing based on multiple levels of stress applied. The Group's liquidity and cash flow position remained resilient under the stress scenarios and assumptions presented in the table below.

Applicable stresses were applied for the duration of the assumed lockdown periods, before performance is projected to return to normal levels over the various estimated recovery periods. The expenditure savings relates to the effects on variable operating expenses given the stress applied, as well as estimated fixed cost savings initiatives that would be implemented by management in response. Customer growth is assumed in SA as we emerge from this crisis given that all non-bank competitors will be closed for all or part of the assumed lockdown periods.

It should however be noted again that it is not possible to accurately estimate the full financial effect for the year ahead as the virus's infection and mortality rate, the duration of the various lockdowns/ stay-at-home orders and resulting impact on macroeconomic conditions is highly fluid and uncertain.

Stress applied	Lockdown end date	Recovery period to normal levels (from lockdown end date)	SA Rand: US Dollar exchange rate	Unsecured lending: Capital granted & collections stress	Secured lending: Collections stress	New deposits & re-investment stress	Expenditure stress (positive i.e. savings initiatives)	Subsequent customer growth (positive. SA only)
Mild	31 May 2020	3 months	18:1	20%	20%	5%	(15%)	(10%) over 3 months after recovery period
Severe	31 July 2020	4 months	19:1	40%	40%	10%	(25%)	(4%) over 3 months after recovery period
Extreme	31 July 2020	6 months	21:1	60%	60%	20%	(50%)	None

Independent auditor's opinion

The Group's consolidated financial statements have been audited by the Company's auditors, BDO Inc., who have expressed an unmodified opinion. The audited Group consolidated financial statements, as well as unmodified audit opinion, are available for inspection at the Company's registered office.

References to future financial performance included anywhere in this announcement have not been reviewed or reported on by the Group's external auditors.

For and on behalf of the Board

Dr Malesela Motlatla **Dr Willem van Aardt**

29 May 2020