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 28 FEBRUARY 2022

During the financial year under review, Finbond's results continued to be influenced by the COVID-19 pandemic and the impact of regulatory changes in Illinois in 2021. It is however becoming clearer that our business operations' recovery is underway, albeit slower than expected, as is evident from the various key indicators which follow.

During the period under review:

- The value of loans advanced increased by 25.9% to R5.02 billion (February 2021: R3.99 billion);
- Gross consumer loans and advances accordingly increased by 32.6% to R1.13 billion from R849.1 million last year;
- Total assets increased by 5.8% to R4.62 billion (February 2021: R4.37 billion);
- In contrast to increased sales volumes, total turnover decreased by 13.7% to R1.64 billion (February 2021: R1.90 billion). This was due to two factors. Firstly, a revenue lag effect relating to our new Illinois Savings Account Instalment Loan ("SAIL") product. The most popular SAIL product is a 24-month product, with interest earned over this period. With longer-term products, interest is spread out over a longer period. It will therefore take some time for the portfolio to mature. Secondly, a year-on-year revenue mismatch exists as we bring in our 17% equity profit from C1 Holdings on one line (at 17%), compared to last year when we brought in 100% of the old Illinois product revenue and then eliminated applicable minority interest "below the line";
- Headline Earnings per Share ("HEPS") recovered by 25.3% to a loss of 17.9 cents from a loss of 23.9 cents last year;
- EBITDA decreased by 4.2% to R184.3 million (February 2021: R192.4 million); and
- Following several cost savings initiatives and restructurings, operational expenses decreased by 12.8% to R1.33 billion (February 2021: R1.52 billion).

COVID-19 PANDEMIC AND RELATED STIMULUS

COVID-19 has turned the corporate world on its head, presenting complex problems, forcing many companies across the globe to adjust, ameliorate and in some cases, cancel their strategic plans and reconsider how to operate at a fundamental level. Government-ordered lockdowns attempting to combat the COVID-19 pandemic had a significant impact on business and this is expected to continue in the short to medium term. It is the view of management that current conditions represent the "new normal" and that these will persist for the foreseeable future. Even though the current reporting period results represent the start to our recovery, and an improvement over the prior period, Finbond will need to continue to innovate and adjust to operate profitably in this new environment.

We have continued to experience a slower COVID-19 recovery in the majority of our business operations. The recovery has been particularly slow in North America due to unprecedented US consumer stimulus that directly targets our lower income earning (LSM) customers. Anticipation is however growing that normalisation will come in the months ahead as this consumer stimulus phases out. The timing of this phase-out however remains uncertain, but the lag between the end of US consumer stimulus and the resumption of consumer lending will almost certainly be shortened as inflationary pressure drives consumers to increase their borrowing.

Finbond's leadership team has remained in constant communication with its businesses to manage the impact of COVID-19 on operations and profits. The magnitude of the impact on operations will naturally vary from country to country, but it is here that Finbond's exposure to both South Africa and North America helps to diversify risk.

Finbond will continue to invest in its businesses to position them for future recovery and growth.

REGULATORY CHANGES AND RESPONSE

Regulatory changes in the state of Illinois (US) caused loan volumes to drop during the reporting period as the roll out of new products and initiatives to replace lost volumes is taking longer to implement than initially thought.

The new SAIL product was successfully launched in Illinois in the last week of August 2021 and the gross loan book grew to $24.3 million at the end of February 2022. This growth is ahead of expectation and the concept has been proven, but SAIL will require significant funding at a reasonable cost in order to sufficiently grow the book and achieve healthy profits. This funding will be imperative to SAIL's success.

Additionally, the acquisition of Instant Cash Advance Corporation ("ICA") – a premier provider of cash advances and short-term loans, operating through 15 branches in Michigan (US) – was concluded and became effective on 1 August 2021.

FINANCIAL RESULTS

Finbond's results for the period under review continued to be affected by the slower than expected COVID-19 recovery (predominantly due to US consumer directed stimulus), and the continued replacement of Illinois volumes and products (due to regulatory changes). For context, for the year ended February 2021, 40.0% (2020: 40.0%) of Finbond Group North America's and 26.9% (2020: 26.4%) of Finbond Group Limited's revenue was generated in the State of Illinois. We are however encouraged that the restructuring of affected Illinois subsidiaries has progressed in line with expectations, and expansion of operations outside of Illinois have commenced.

Despite these adverse developments, Finbond increased its gross loans and advances by 32.6% to R1.13 billion from R849.1 million at the end of the previous financial year.

The vast majority of revenue for the year was derived from short-term consumer loans. HEPS recovered by 25.3% to a loss of 17.9 cents from a loss of 23.9 cents last year. Basic Earnings per Share ("BEPS") recovered by 16.2% to a loss of 28.6 cents from a loss of 34.1 cents last year.

Following various cost savings initiatives and restructures, operating expenses were reduced by 12.8% to R1.33 billion from R1.52 billion last year. It is noteworthy that last year's R1.52 billion had already been reduced by 7.7% from R1.65 billion for the year ended February 2020.

An EBITDA loss of R25.1 million was generated in North America and an EBITDA profit of R209.5 million was generated in South Africa.

R820 million or 50% of total revenue was generated in North America, while R815 million or 50% was generated in South Africa.

SOLID LIQUIDITY POSITION

Finbond Group's liquidity position at the end of February 2022 in terms of cash, cash equivalents and liquid assets decreased by 27.3% to R1.16 billion from R1.60 billion. The decrease was due to the acquisition of C1 Holdings in May amounting to a $28 million (R403 million) cash outflow, recovering sales volumes (driven significantly from September by our new Illinois SAIL product) have led to cash outflows as the loan portfolio recovers and grows significantly, offset by funds raised by the Finbond Group Limited commercial paper program in South Africa and SAIL debt finance in the US (somewhat offset by cash outflows as Finbond Mutual Bank reduced surplus retail deposits) which have led to cash inflows.

Cash received as a percentage of capital granted ended the year at 119.3% as the loan book grows (driven significantly by SAIL), versus the 145.5% of February 2021 when the book remained more or less stagnant at the height of the pandemic.

By the end of February 2022, the combined Finbond Mutual Bank retail deposits and Finbond Group Limited commercial paper in South Africa amounted to R2.79 billion (February 2021: R2.55 billion). The average Finbond Mutual Bank deposit size was R360 560, the average term 25.9 months and the average interest rate 9.0%. The average commercial paper investment size was R1.24 million, the average term 60 months and the average interest rate 10.54%. Finbond is not exposed to the uncertainty that accompanies the use of corporate call deposits as a funding mechanism since Finbond only accepts six- to 72-month fixed-term deposits and 60-month commercial paper investments. Given the long-term nature of Finbond's liabilities (fixed term deposits with a weighted average outstanding term of 25.9 months, and commercial paper with an average term of 60 months) and the short-term nature of its assets (short-term consumer loans with a weighted average outstanding loan term, in terms of number of loans granted, of 3.22 months), Finbond possesses a low-risk liquidity structure**.**

CONSERVATIVE UPFRONT CREDIT SCORING PROCEDURES

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. This is evidenced by our satisfactory impairment numbers. We will rather have cash and cash equivalents unutilised than extend loans to customers who cannot afford to repay their loans.

Finbond continued to apply strict upfront credit scoring and affordability criteria throughout the 2022 financial year. 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.

STABLE COLLECTION RATES

Finbond's collection rates continued to hold firm during the period under review.

In South Africa, first strike collection rates were 88% (3% above the targeted rate of 85%) while first strike collection rates in North America improved by 2% to an average collection rate of 101%, from 99% in the corresponding period.

PRUDENT RISK MANAGEMENT PRACTICES

Finbond's approach to risk management is based on well-established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances strong corporate oversight at executive management level, beginning with proactive participation by the Chief Executive Officer, the Executive Committee and the independent Risk Committee in all significant risk matters, with risk management structures, supporting policies, procedures and processes within all regional and divisional business units enabling risk assessment in a controlled environment. Risk management is seen as the responsibility of each and every employee.

Rigorous focus on the fundamentals of risk management is critical for the success of any financial institution. Those who get it right succeed and those who do not, falter or fail. Risk management is a fundamental strength of Finbond. We have established a deeply embedded risk culture that stresses accountability and includes the full involvement of the Board of Directors and the Senior Executive Officers. The tone comes from the top, but the culture is embedded throughout the organisation.

REGULATION AND COMPLIANCE

Finbond Group Limited and its various subsidiaries have good, transparent and trusting relationships with its regulators which include the Prudential Authority, the National Credit Regulator, the Financial Sector Conduct Authority, the Johannesburg Stock Exchange, the Financial Intelligence Centre, the Consumer Financial Protection Bureau, the various State departments of financial regulation in the US and the Consumer Protection Agency in Canada.

The increasingly stringent regulatory environment impacting the financial services sector constantly challenges companies to comply with regulatory requirements.

Finbond's compliance universe consists of all the statutory and regulatory requirements of all relevant legislation and regulation codes applicable to the business activities of the Group.

During the period under review the Compliance function focused on the following key areas:

- the identification of new regulatory requirements; employee awareness relating to regulatory requirements; and combating unethical behaviour;
- improved compliance risk monitoring;
- compliance training in all areas;
- continued high levels of compliance with the National Credit Act; and
- continued high levels of compliance with the FAIS and FICA Acts.

Compliance risk is managed through internal policies and processes which include legal, regulatory and business-specific requirements. Regular training and advice are provided to ensure that all employees are familiar with their compliance obligations.

The Finbond Contact with Regulators Policy provides a framework that guides *ad hoc* contact with any financial services regulatory authority relevant to the Group, ensuring that communication with regulators is handled promptly and professionally. In terms of the policy, the Compliance division is responsible for providing guidance to business before and during meetings with regulators, for maintaining a log of all commitments made to regulators and for monitoring the progress of commitments.

NORTH AMERICAN OPERATIONS

In Veritec's report titled "Update: COVID-19 Impact Study on Small-Dollar Lending", released in April 2022, Veritec collected real-time information on small-dollar lending activity in the US from all lenders licensed under state regulatory programs that they support. Information contained in the report is based on consolidated data from eight participating states representing over 15 million "single-payment" loans conducted in these jurisdictions between 29 January 2020 and 31 March 2022.

The report indicates the change in weekly loan transaction activity between 29 January 2020 and 31 March 2022 when compared to the corresponding weeks in 2019. It reveals that transaction activity showed significant declines for multiple reasons, including a variety of government stimulus payments and other related factors, resulting in a drop in transaction volume of over 60%. Since their previous report released in June 2021, transaction volumes have recovered slightly, hovering around 50% of 2019's volumes.

JPMorgan Chase's latest consumer data was released in April 2022, indicating that loans in nearly all of their consumer lending categories were on the rise at the end of 2021. However, whether due to surging inflation or the Fed's planned rate hikes, consumer spending seemed to drop off in the first quarter of

2022. Higher rates and more rate hikes to come likely played a big part in this sudden dip. The good news, at least for the time being, is that consumer credit quality is still quite strong, as there was no significant increase in write-offs in any of the consumer lending categories.

Finbond's North American business's main focus is on short-term consumer loans offered through 221 branches operating in the following states: Arizona, California, Illinois, Idaho, Wisconsin, Missouri, South Carolina, Tennessee, Louisiana, Mississippi, Alabama, Oklahoma, Michigan, Utah, Nevada and Indiana. In addition to the US, Finbond also has a presence in Ontario, Canada and in Panama.

Additionally, consumer instalment loans are offered online in Illinois, Wisconsin, New Mexico, Nevada, South Carolina, Tennessee, Utah and Missouri through CreditBox, our online platform.

Gross consumer loans and advances increased significantly by 48.4% to R772.7 million at year-end from R520.7 million, driven predominantly by our new Illinois SAIL product. This growth was driven by loans granted of R3.59 billion, which increased by 30.1% compared to last year's R2.76 billion.

Total revenue from Finbond's North American short-term lending activities however decreased by 38.0% to R713.6 million (February 2021: R1.15 billion) for the year under review. This contrasts with the increasing sales volumes above, due to two factors:

1. The SAIL revenue lag effect. With longer-term products, interest is spread out over a longer period. The most popular SAIL product is a 24-month product, with interest earned over this period. It will therefore take some time for the portfolio to mature.
2. A year-on-year revenue mismatch exists as we bring in our 17% equity profit from C1 Holdings on one line (at 17%), compared to last year when we brought in 100% of the old Illinois product revenue and then eliminated applicable minority interest "below the line".

First strike collection rates in North America improved by 2% to an average collection rate of 101%, from 99% in the corresponding period. This is indicative again of Finbond's conservative credit granting, rigorous underwriting policies and swift response to the COVID pandemic. Net impairment as a percentage of revenue strengthened by 54.8% to 6.6% (February 2021: 14.6%), based on strong underlying fundamentals in the North American economy, as well as significant government subsidies and consumer stimulus in response to lower economic activity, allowing our customers to settle their loans. This however led to lower sales volumes, as customers also required less credit as a result. Provisions to gross loans and advances coverage accordingly decreased to 12.8% (February 2021: 30.7%).

North American operations received cash payments from customers of R3.89 billion, a decrease of 1.7% compared to last year's R3.96 billion, while granting R3.59 billion in new loans, an increase of 30.1% compared to last year's R2.76 billion.

As at February 2022, the largest contributors to sales were the 0-1 month loan types. The focus remains on high quality, small, short-term loans. This is supported with an average loan term of 2.16 months in North America by number of loans originated, and an average loan size across all loan type sales in North America of $466.

One of the key value drivers is the quality of new business. Without quality, new business growth is meaningless and not sustainable.

SOUTH AFRICAN OPERATIONS

The most recent Altron FinTech Short-Term Credit Impact (“AFSCI”) Index, which tracks the impact of short-term credit extension on the South African economy on a quarterly basis, was released in April 2022, indicating that short-term lending for the third quarter of 2021 was still heavily impacted by COVID-19, even though the book value of total consumer credit extended increased by 1.2% to R2.08 trillion (from R2.05 trillion in the second quarter of 2021), the short-term lending segment of this market shrank by 5.5%.

Finbond’s South African business’s main focus remains on small short-term consumer loans through its 371 branches. Total revenue from Finbond’s South African short-term lending activities increased by 17.2% to R744.9 million (February 2021: R635.6 million) for the year under review. Although we continue to feel the effects of a slower COVID recovery, South Africa has recovered well compared to last year and is starting to approach more normalised i.e., pre-COVID levels. The current year’s results were of course also impacted by political unrest and riots.

The gross short-term loan book increased by 7.7% to R353.6 million (February 2021: R328.4 million). South African operations received cash payments from customers of R2.10 billion, an increase of 14.4% compared to last year’s R1.84 billion, while granting R1.43 billion in new loans, an increase of 16.6% compared to last year’s R1.23 billion.

Finbond South Africa’s average consumer loan size was R1,881 with an average tenure of 2.8 months based on the total number of loans granted. Given the short-term nature of products, the loan portfolio is cash flow generative and a good source of internally generated liquidity. The loan portfolio turns over approximately 4 times a year. The overall average collection rate achieved was 88%.

Finbond’s lending practices have been consistently conservative over the past number of years and our rejection or decline rates remain higher than those of our major competitors. Rejection rates in South Africa stood at between 71% and 91% for our 12- to 24-month products at the end February 2022.

Capital Weighted Scores (“CWS”) remain relatively high, which suggests that the quality of loans being originated is satisfactory.

The capital distribution of new loans compared to historic loans shows a shift in distribution when considering the exposure that each approved application presents. It illustrates the credit risk management methodology, where Finbond aims to offset the increased probability of default posed by a lower quality applicant through the managemen*t* of the exposure at risk. It clearly shows that higher scoring customers qualify for larger loans.

SOCIAL RESPONSIBILITY

The past year has again demonstrated the vital, positive role that banks and consumer lenders play across society. Indeed, without strong financial services institutions, and community-focused banks such as Finbond Mutual Bank, you cannot have a strong society. The COVID-19 pandemic has unquestionably reinforced the role that Finbond plays as an enabler of personal financial stability, an advocate for positive social change and a partner in development across our American footprint - from Canada in the North, through the United States and Central America, down to the southern-most tip of South Africa.

We are committed to transformation and sustainable progress, to creating a world worth living in. We invest in our communities and will continue to empower people to live their best possible lives.

In response to the COVID-19 pandemic, we deliberately focused our philanthropic investments on community-based donations that supported those most impacted. During the year under review, Finbond contributed to its main charitable cause, the Tshwane Place of Safety Association ("TPOSA") which focuses on providing orphaned and abandoned babies and babies infected with HIV with good homes, frail care and shelter. Finbond also made charitable contributions numerous other charitable institutions such as Harmonie Park, Ligstraal School for LSEN, Household of Christ, Thuthukisa and Cupcakes of Hope.

BUSINESS PHILSOSOPY AND CULTURE

As disruptive as the COVID-19 pandemic has been, it is likely that there will be long-term and lasting effects from the various policies implemented over the past two years as well as future turbulences, whether it be an economic downturn, natural disaster, social upheaval or another public health crisis. We endeavour to equip Finbond Management with the tools and knowhow to weather these kinds of storms and create strategies to guide us through both growth and decline.

There's rarely a simple, one-size-fits-all solution to the types of challenges faced by business operations. In many cases, business leaders need to approach the problem from different angles to find the right solution — or combination of solutions — to minimise risk, protect revenue streams and capitalise on opportunities that might emerge. During a crisis, it's not helpful to be locked into a particular way of thinking. Finbond's culture, which embraces diversity and welcomes different ideas, allowing for more voices to be heard and more views to be expressed, inevitably leads to innovative solutions.

STRATEGIC INITIATIVES

Following a very difficult, turbulent and challenging 12 months ended 28 February 2022, caused by the lingering effects of global COVID lockdown measures, political unrest in South Africa and regulatory changes in Illinois (USA), now more than ever, a prudent and innovative strategy is required to reposition Finbond in a post-COVID business environment.

Strategic initiatives, in line with the Board approved five-year strategic plan, in the short and medium term include:

- Growing our South African operations through expansion of our branch network;
- Increasing our South African transactional banking customer base;
- Stabilising and then growing our international operations through expansion of our store network in North America and Latin America;
- Diversifying our business operations through key strategic partnerships that can add additional distribution channels;
- Increasing our net profits through organic growth; increased transactional banking revenue in South Africa; and strategic acquisitions; and
- Concept-validating and growing SAIL, our innovative contemporary operation based in Chicago, Illinois.

CHANGES TO THE BOARD

Mr. Sean Riskowitz joined the board on 1 January 2022 in the capacity of non-executive director, with Mr. Tyrone Moodley serving as his alternate. Mr. Riskowitz is the founder of Protea Asset Management LLC and graduated from the University of the Witwatersrand with a Bachelor of Commerce Degree, after which he specialised in private wealth management. He is the managing member of Riskowitz Capital Management LLC.

Mr. Herman Kotzé resigned as non-executive director of Finbond with effect from 2 November 2021. Finbond wishes Mr. Kotzé well with his current and future endeavours.

LOOKING AHEAD

History reveals that during times of recession and depression some companies will emerge stronger, while others will falter. It is our view that our perseverance, adaptability and agility, implemented from the top down, will determine long-term success. Businesses that can adapt quickly to evolving circumstances and take advantage of new opportunities, especially during challenging times, are more likely to survive and thrive in the post-pandemic world.

The slower COVID-19 recovery in our business operations (predominantly due to US consumer directed stimulus – which is only now beginning to phase out) and the continued replacement of Illinois (US) products (due to regulatory changes) will continue to impact results in the short-term.

We remain confident that we have the required resources and depth in management to effectively overcome these challenges and remain optimistic about our prospects for the medium- to long-term future due to Finbond's management expertise, strong cash flow, solid liquidity and surplus cash position, uniquely positioned 371 branches in South Africa and 221 branches in North America, good asset quality, access to funding and conservative risk management practices.

We believe that the evolution from a short-term micro finance institution to a full-service retail bank with strong transactional volumes in South Africa and our continued expansion into the North American consumer lending market in the implementation of our strategic action plan will ensure that we achieve good results in the long-term.

Our business is in a developmental and growth phase and, as with all growing businesses, real risks remain especially during these times of economic turbulence.

DIVIDEND

With planned growth in mind, as well as considering the Group's ongoing and slower recovery from COVID-19 and the impact of Illinois regulatory change, the board has decided not to declare a dividend for the financial year ended 28 February 2022 (2021: no dividend).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at

R'000	**28 February 2022**	**28 February 2021**	**% change**
Assets			
Cash and cash equivalents	617,138	930,701	(34)
Other financial assets at fair value through profit or loss	110,311	9,110	1,111
Other financial assets at amortised cost	435,479	659,708	(34)
Consumer loans and other advances	949,314	621,389	53
Trade and other receivables	184,439	159,311	16
Non-current assets held for sale	-	130,736	(100)
Secured loans and other advances	146,075	168,580	(13)
Investments in associates	473,997	-	100
Property, plant and equipment	181,432	181,700	(0)
Right of use assets	338,292	422,742	(20)
Investment property	131,299	6,250	2,001
Deferred taxation	97,922	94,055	4
Goodwill	838,419	866,803	(3)
Intangible assets	120,086	119,000	1
Total Assets	**4,624,203**	**4,370,085**	6
Equity			
Share capital	976,567	985,407	(1)
Reserves	117,622	50,017	135
Retained loss	(257,638)	(13,493)	(1,809)
Equity attributable to owners of the Company	**836,551**	**1,021,931**	(18)
Non-controlling interest	181,440	205,074	(12)
Total Equity	**1,017,991**	**1,227,005**	(17)

Liabilities			
Bank overdraft	55,892	17,483	220
Transactional deposits	29,660	33,467	(11)
Trade and other payables	84,742	89,939	(6)
Other loans	280,622	-	100
Lease liabilities	366,038	453,163	(19)
Fixed and notice deposits	803,279	1,082,109	(26)
Commercial paper	1,985,979	1,466,919	35
Total Liabilities	**3,606,212**	**3,143,080**	15
Total Equity and Liabilities	**4,624,203**	**4,370,085**	6

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	**28 February 2022**	**28 February 2021**	**% change**
Interest income	1,034,530	1,443,577	(28)
Interest expense	(313,548)	(289,831)	(8)
Net interest income	**720,982**	**1,153,746**	(38)
Fee income	177,904	195,487	(9)
Other operating income	331,793	256,414	29
Income from associate	90,736	-	100
Fair value adjustments non-current assets held for sale	-	(4,635)	100
Fair value adjustments other	(10,407)	(3,310)	(214)
Foreign exchange gain	223	739	(70)
Net impairment charge on loans and advances	(212,632)	(311,420)	32
Impairment of goodwill	(84,302)	(78,482)	(7)
Operating expenses	(1,326,580)	(1,521,947)	13
Loss before taxation	**(312,283)**	**(313,408)**	0
Taxation	39,206	58,025	(32)
Loss after taxation	**(273,077)**	**(255,383)**	(7)
Foreign currency translation difference for foreign operations	79,296	(108,423)	173
Total comprehensive loss for the year	**(193,781)**	**(363,806)**	47
Loss attributable to:	**(273,077)**	**(255,383)**	(7)
Owners of the company	(244,145)	(295,403)	17
Non-controlling interest	(28,932)	40,020	(172)
Total comprehensive loss attributable to:	**(193,781)**	**(363,806)**	47

Owners of the company	(177,243)	(400,605)	56
Non-controlling interest	(16,538)	36,799	(145)
Total number of ordinary shares outstanding	839,125	854,125	(2)
Weighted average number of ordinary shares outstanding	853,865	865,775	(1)
Basic loss per share (cents)	(28.6)	(34.1)	16
Diluted loss per share (cents)	(28.6)	(34.1)	16
Headline loss per share (cents)	(17.9)	(23.9)	25
Diluted headline loss per share (cents)	(17.9)	(23.9)	25
Loss for the period attributable to owners of the company	**(244,145)**	**(295,403)**	17
Loss on disposal of property, plant and equipment	2,807	5,789	(52)
Impairment of goodwill	84,302	78,482	7
Fair value changes of investment property	4,413	3,946	12
Headline loss	**(152,623)**	**(207,186)**	26

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

R'000	**28 February 2022**	**28 February 2021**	**% change**
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation	(312,283)	(313,408)	0
Adjustments for non-cash items	641,311	831,953	(23)
Changes in working capital	(972,743)	(261,801)	(272)
Cash generated from operations	**(643,715)**	**256,744**	**(351)**
Taxation received	14,210	408	3,385
Net cash flow from operating activities	**(629,505)**	**257,152**	(345)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(44,669)	(33,803)	(32)
Proceeds from sale of property, plant and equipment	19,832	1,721	1,052
Acquisition of other intangible assets	(19,704)	(25,672)	23
Proceeds from disposal of other intangible assets	-	2,759	(100)
Acquisition of financial assets	-	(364,083)	100
Proceeds from sale of financial assets	123,113	-	100
Investments in associates	(385,457)	-	(100)
Distributions received from associates	50,488	-	100
Acquisition of businesses, net of cash acquired	(7,677)	(1,142)	(572)
Net cash flow from investing activities	**(264,074)**	**(420,220)**	37

CASH FLOW FROM FINANCING ACTIVITIES			
Buy-back of shares	(8,840)	(167,908)	95
Proceeds from other loans	267,291	-	100
Repayment of shareholders loan	-	(53,857)	100
Proceeds from commercial paper	684,697	659,415	4
Repayments of commercial paper	(210,475)	(136,037)	(55)
Lease liabilities repaid	(119,932)	(134,798)	11
Interest paid on lease liabilities	(27,524)	(33,351)	18
Dividends paid	(62,782)	(79,186)	21
Net cash flow from financing activities	**522,435**	**54,277**	863
NET DECREASE IN CASH	**(371,144)**	**(108,791)**	(241)
Cash at the beginning of the year	913,218	1,036,564	(12)
Effect of movements in exchange rates on cash held	19,172	(14,555)	232
CASH AT THE END OF THE YEAR	**561,246**	**913,218**	(39)

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

R'000	28 February 2022	28 February 2021
Total equity at the beginning of the year	1,227,005	1,699,754
Change in share capital and premium		
Purchase of treasury shares	(8,840)	(31,081)
Change in reserves		
Equity-settled share-based payment	703	1,324
Total comprehensive loss for the period	(177,243)	(400,605)
Change in non-controlling interest		
Total comprehensive (loss)/income for the period	(16,538)	36,799
Dividends paid	(62,782)	(79,186)
Initial equity contribution	55,686	-
Total equity at the end of the year	**1,017,991**	**1,227,005**

CONDENSED SEGMENTAL INFORMATION

OPERATING SEGMENTS

R'000	Investment Products	Lending	Property Investment	Transactional Banking	Other #	Total
Year ended 28 February 2022						
Interest Income	26,808	1,004,538	-	1,150	2,034	1,034,530

Interest expense	(276,197)	(35,626)	-	(755)	(970)	(313,548)
Net interest income/(expense)	**(249,389)**	**968,912**	**-**	**395**	**1,064**	**720,982**
Fee income	-	140,069	-	37,835	-	177,904
Other operating income	2,522	320,810	1,321	238	6,902	331,793
Income from associates	-	90,736	-	-	-	90,736
Fair value adjustments	85	-	(5,687)	-	(4,805)	(10,407)
Foreign exchange gain	-	-	-	-	223	223
Net impairment charge on loans and advances	-	(211,455)	-	(1,177)	-	(212,632)
Impairment of goodwill	-	(84,302)	-	-	-	(84,302)
Depreciation	-	(149,184)	-	(1,448)	(9,944)	(160,576)
Amortisation	-	(22,508)	-	-	-	(22,508)
Operating expenses	(2,456)	(1,006,203)	(2,723)	(59,976)	(72,138)	(1,143,496)
Operating profit/(loss)	**(249,238)**	**46,875**	**(7,089)**	**(24,133)**	**(78,698)**	**(312,283)**
Taxation	42,530	(25,121)	1,513	4,118	16,166	39,206
Profit/(loss) after taxation	**(206,708)**	**21,754**	**(5,576)**	**(20,015)**	**(62,532)**	**(273,077)**
Significant segment assets						
Cash and cash equivalents	297,387	317,208	(96)	7,945	(5,306)	617,138
Other financial assets at fair value through profit or loss	110,311	-	-	-	-	110,311
Other financial assets at amortised cost	435,479	-	-	-	-	435,479
Consumer loans and other advances	-	949,314	-	-	-	949,314
Trade and other receivables	-	82,948	-	931	100,560	184,439
Secured loans and other advances	-	146,075	-	-	-	146,075
Investments in associates	-	473,997	-	-	-	473,997
Property, plant and equipment	-	102,304	-	468	78,660	181,432
Right of use assets	-	325,404	-	2,001	10,887	338,292
Investment property	-	-	131,299	-	-	131,299
Goodwill	-	838,419	-	-	-	838,419

Intangible assets	-	120,086	-	-	-	120,086
Significant segment liabilities						
Bank overdraft	18,662	-	-	-	37,230	55,892
Transactional deposits	-	-	-	29,660	-	29,660
Trade and other payables	-	61,113	-	2,122	21,507	84,742
Other loans	-	280,622	-	-	-	280,622
Lease liabilities	-	351,751	-	2,123	12,164	366,038
Fixed and notice deposits	803,279	-	-	-	-	803,279
Commercial paper	1,985,979	-	-	-	-	1,985,979
Year ended 28 February 2021						
Interest Income	26,435	1,412,172	-	-	4,970	1,443,577
Interest expense	(215,854)	(62,885)	-	(5,363)	(5,729)	(289,831)
Net interest income/(expense)	**(189,419)**	**1,349,287**	**-**	**(5,363)**	**(759)**	**1,153,746**
Fee income	-	156,067	-	39,203	217	195,487
Other operating income	-	250,530	167	-	5,717	256,414
Fair value adjustments non-current assets held for sale	-	-	(4,635)	-	-	(4,635)
Fair value adjustments other	(2,005)	(45)	(450)	-	(810)	(3,310)
Foreign exchange gain	-	-	-	-	739	739
Net impairment charge on loans and advances	-	(310,409)	-	(1,011)	-	(311,420)
Impairment of goodwill	-	(78,482)	-	-	-	(78,482)
Depreciation	(1,529)	(181,165)	-	(569)	(6,473)	(189,736)
Amortisation	-	(27,627)	-	-	(171)	(27,798)
Operating expenses	(2,570)	(1,048,244)	(2,636)	(58,460)	(192,503)	(1,304,413)
Operating profit/(loss)	**(195,523)**	**109,912**	**(7,554)**	**(26,200)**	**(194,043)**	**(313,408)**
Taxation	25,113	(8,662)	970	3,365	37,239	58,025
Profit/(loss) after taxation	**(170,410)**	**101,250**	**(6,584)**	**(22,835)**	**(156,804)**	**(255,383)**
Significant segment assets						
Cash and cash equivalents	306,760	334,026	-	5,194	284,721	930,701

Other financial assets at fair value through profit or loss	9,110	-	-	-	-	9,110
Other financial assets at amortised cost	659,708	-	-	-	-	659,708
Consumer loans and other advances	-	621,389	-	-	-	621,389
Trade and other receivables	-	40,189	-	215	118,907	159,311
Non-current assets held for sale	-	-	130,736	-	-	130,736
Secured loans and other advances	-	168,580	-	-	-	168,580
Property, plant and equipment	-	112,798	-	499	68,403	181,700
Right of use assets	-	408,227	-	419	14,096	422,742
Investment property	-	-	6,250	-	-	6,250
Goodwill	-	866,803	-	-	-	866,803
Intangible assets	-	119,000	-	-	-	119,000
Significant segment liabilities						
Bank overdraft	-	-	-	-	17,483	17,483
Transactional deposits	-	-	-	33,467	-	33,467
Trade and other payables	4,041	72,415	-	3,696	9,787	89,939
Lease liabilities	-	438,144	-	497	14,522	453,163
Fixed and notice deposits	1,082,109	-	-	-	-	1,082,109
Commercial paper	1,466,919	-	-	-	-	1,466,919

#Other - segment represents centralised services and functions.

GEOGRAPHICAL SEGMENTS

	28 February 2022			**28 February 2021**		
R'000	**South Africa**	**North America**	**Total**	**South Africa**	**North America**	**Total**
Net profit						
Interest Income	480,923	668,127	1,034,530	395,371	1,109,443	1,443,577
Interest expense	(291,124)	(136,944)	(313,548)	(264,982)	(86,086)	(289,831)
Net interest income	**189,799**	**531,183**	**720,982**	**130,389**	**1,023,357**	**1,153,746**
Fee income	163,325	14,579	177,904	158,840	36,647	195,487
Management fee income	(11,815)	11,815	-	(6,217)	6,217	-
Other operating income	296,370	35,423	331,793	230,389	26,025	256,414

Income from associates	-	90,736	90,736	-	-	-
Fair value adjustments non-current assets held for sale	-	-	-	(4,635)	-	(4,635)
Fair value adjustments other	(5,602)	(4,805)	(10,407)	(2,500)	(810)	(3,310)
Foreign exchange gain	14	209	223	593	146	739
Net impairment charge on loans and advances	(165,127)	(47,505)	(212,632)	(140,450)	(170,970)	(311,420)
Impairment of goodwill	-	(84,302)	(84,302)	-	(78,482)	(78,482)
Depreciation	(71,600)	(88,976)	(160,576)	(75,587)	(114,149)	(189,736)
Amortisation	-	(22,508)	(22,508)	-	(27,798)	(27,798)
Operating expenses	(434,118)	(709,378)	(1,143,496)	(442,047)	(862,366)	(1,304,413)
Operating loss	**(38,754)**	**(273,529)**	**(312,283)**	**(151,225)**	**(162,183)**	**(313,408)**
Taxation	(1,778)	40,984	39,206	19,423	38,602	58,025
Loss after taxation	**(40,532)**	**(232,545)**	**(273,077)**	**(131,802)**	**(123,581)**	**(255,383)**
Significant segment assets						
Cash and cash equivalents	203,483	413,655	617,138	358,963	571,738	930,701
Other financial assets at fair value through profit or loss	9,104	101,207	110,311	9,110	-	9,110
Other financial assets at amortised cost	435,479	-	435,479	659,708	-	659,708
Consumer loans and other advances	275,259	674,055	949,314	260,356	361,033	621,389
Trade and other receivables	77,192	107,247	184,439	64,620	94,691	159,311
Non-current assets held for sale	-	-	-	130,736	-	130,736
Secured loans and other advances	134,215	11,860	146,075	155,192	13,388	168,580
Investments in associates	-	473,997	473,997	-	-	-
Property, plant and equipment	39,822	141,610	181,432	34,546	147,154	181,700
Right of use assets	98,565	239,727	338,292	97,609	325,133	422,742
Investment property	131,299	-	131,299	6,250	-	6,250
Goodwill	197,549	640,870	838,419	197,549	669,254	866,803
Intangible assets	1,998	118,088	120,086	-	119,000	119,000
Significant segment liabilities						
Bank overdraft	37,230	18,662	55,892	17,483	-	17,483
Transactional deposits	29,660	-	29,660	33,467	-	33,467
Trade and other payables	33,829	50,913	84,742	45,989	43,950	89,939
Other loans	-	280,622	280,622	-	-	-

Lease liabilities	112,021	254,017	366,038	110,341	342,822	453,163
Fixed and notice deposits	803,279	-	803,279	1,082,109	-	1,082,109
Commercial paper	1,985,979	-	1,985,979	1,466,919	-	1,466,919

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 28 February 2022 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. 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 28 February 2022.

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.

The consolidated financial statements were prepared under the supervision of Mr. GW Labuschagne CPA, CA 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 as well as on the website hosted at https://finbond.com.

Independent auditor's opinion

The auditors, BDO South Africa Inc., expressed an unmodified audit opinion on the Group's audited financial statements in their report dated 27 May 2022. The report also includes communication of key audit matters. Key audit matters are those matters that, in their professional judgement, were of most significance in their audit of the consolidated financial statements of the current period. The full audit report and the Group's audited financial statements are available on the company's website at https://finbondgroup.com/page8.html.

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 2021. Significant judgements include:

Impairment losses on loans and advances

The Group uses quantitative and qualitative estimates for calculating expected credit losses (ECL) for unsecured loans and other advances and secured loans and other advances to customers. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. The ECL is calculated using statistical models which incorporate observable data to give a best estimate of expected default rates and the loss given default (LGD). The LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the business group expects to receive, considering cash flows from any collateral. Statistical models are tailored for customer segments that have similar credit loss characteristics (i.e., by geography and product type). Where ECL has been raised for individual exposures, management assesses the historical and expected cash flows and the recoverability of collateral at an individual exposure level. Model validation procedures are in place to ensure that the input assumptions applied within the models are a statistically reliable estimate.

In line with the fundamental principles of IFRS 9 Financial Instruments, the group holds a provision against potential future losses resulting from changes in the economic environment. These forward-looking economic expectations are included in the ECL where adjustments are based on the group's macroeconomic outlook, using models that correlate these parameters with macroeconomic variables. In addition to forward-looking macroeconomic information (FLI), other types of FLI, such as specific event risks and industry data, are considered in ECL estimates when required, through the application of management overlays. All model adjustments and management overlays are subject to group governance committee oversight. Continual oversight is provided by management and committees to monitor the reliability of financial reporting under IFRS 9.

The ECL has been calculated using statistical models that incorporate the economic impact of COVID-19. The current observable data and the forward-looking expectations in the models consider the uncertainty surrounding the timing of future defaults related to the pandemic's impact on the economy. Negative, positive, and most likely scenarios have been determined based on independently sourced economic data and these scenarios have been weighted to determine a probabilistic view of the economy going forward.

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.

Fair value adjustments of non-current assets held for sale and investment property

Although property is considered a low-risk asset over the long-term, investors are reminded that significant short- and medium-term risk factors are inherent in the asset class. Investments in property are relatively illiquid and usually more difficult to realise than listed equities or bonds, which restricts the Group's ability to realise value in cash in the short term.

The property valuations in this period have been prepared in a period of market uncertainty. The current turmoil in the world's financial markets has resulted in commercial and residential properties selling in much reduced quantities with virtually little or no market activity in some areas. The lack of market activity and the resulting lack of market evidence means that it is generally not possible to value with as high a degree of certainty as would be the case in a more stable market with a higher, active level of market evidence. The best evidence of fair value is current prices in an active market for similar property investments, which emphasises that fair value reflects the best available use of an asset class (in this case investment property). In obtaining evidence to support fair value, the Group has gone to great lengths to obtain and consider information from a variety of sources.

Loans and other advances to customers

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised.

R'000	Stage 1	Stage 2	Stage 3 excluding interest in suspense	Interest in suspense	Total
Consumer loans and other advances					
28 February 2022					
Gross loans and advances before impairment	788,957	203,646	126,020	7,640	1,126,263
Expected credit loss allowance	(30,240)	(89,381)	(51,364)	(5,982)	(176,949)
Net loans and advances	**758,717**	**114,265**	**74,674**	**1,658**	**949,314**
ECL coverage (%)	4%	44%	41%	78%	16%
28 February 2021					
Gross loans and advances before impairment	489,578	184,892	174,645	-	849,115
Expected credit loss allowance	(52,107)	(97,895)	(72,822)	(4,902)	(227,726)
Net loans and advances	**437,471**	**86,997**	**101,823**	**(4,902)**	**621,389**
ECL coverage (%)	11%	53%	42%		27%
Secured loans and other advances					
28 February 2022					
Gross loans and advances before impairment	66,716	9,203	98,916	20,013	194,848
Expected credit loss allowance	(1,369)	(998)	(38,328)	(8,078)	(48,773)
Net loans and advances	**65,347**	**8,205**	**60,588**	**11,935**	**146,075**
ECL coverage (%)	2%	11%	39%	40%	25%
28 February 2021					
Gross loans and advances before impairment	59,520	65,666	91,195	-	216,381
Expected credit loss allowance	(2,195)	(15,909)	(25,446)	(4,251)	(47,801)
Net loans and advances	**57,325**	**49,757**	**65,749**	**(4,251)**	**168,580**
ECL coverage (%)	4%	24%	28%		22%

Changes in the composition of the Group

Effective 1 May 2021 the Group has included C1 Holdings LLC in the consolidated financial statements using the equity method, after obtaining a 17% membership interest in this fintech lender while holding significant influence through representation on the board and the ability to meaningfully participate in the financial and operating policy decisions of the entity.

The Group has included S.A.I.L. LLC in the consolidated financial statements following the formation of a Delaware limited liability company in which it holds a 58.33% membership interest. Its new Savings Account Instalment Loan product launched in August 2021.

The Group acquired two subsidiaries in the USA as going concerns through business combinations, summarised below:

The rationale for these two North American acquisitions was primarily to replace a portion of volumes lost due to regulatory changes in Illinois (USA) in March 2021, as well as for future growth.

Subsidiary/business acquired	Acquisition date	Currency	Consideration transferred
1. Instant Cash Advance Corporation ('ICA')	1 August 2021	USD'000	1,450
2. Waukegan Loan Management ('WLM')	1 September 2021	USD'000	3,482

1. Instant Cash Advance Corporation

A premier provider of cash advances and short-term loans with cash advances of up to $600, operating via 15 customer facing stores in Michigan, USA.

The salient features of the acquisition were as follows:

- An agreement for America's Financial Choice, LLC to acquire 100% of the membership interest in Instant Cash Advance Corporation for a cash purchase consideration of US$1,450,134.
- The vendors in respect of the acquisition are Steven Leach and Catherine Farr.

2. Waukegan Loan Management

Operating a consumer lending business online and in one location in the State of Illinois, USA.

The salient features of the acquisition were as follows:

- An agreement for SAIL, LLC to acquire certain business assets for a cash purchase consideration of US$3,482,322.
- The vendor in respect of the acquisition Waukegan Loan Management, LLC.

Identifiable assets acquired and liabilities assumed and purchase consideration at acquisition:

R'000	ICA	WLM	Total
Cash and cash equivalents	9,730	2	9,732
Loans and other advances	12,484	20,201	32,685
Property, plant and equipment	50	2,191	2,241
Other assets	504	1,335	1,839

Total liabilities	(6,061)	-	(6,061)
Total identifiable net assets at fair value	16,707	23,729	40,436
Goodwill arising on acquisition	4,265	26,472	30,737
Purchase consideration transferred	20,972	50,201	71,173
For the period since acquisition			
Revenue	1,980	7,627	9,607
Total comprehensive profit/(loss)	(229)	2,867	2,638
Net cash flow from business combinations			
Cash and cash equivalents acquired	9,730	2	9,732
Consideration paid in cash	(20,972)	(50,201)	(71,173)
Net cash outflow on acquisition	(11,242)	(50,199)	(61,441)

To determine the goodwill associated with the purchase, management followed a systematic approach to determine the fair value associated with identifiable assets and liabilities at acquisition. Some key considerations include:

- current and future business performance, including discounted future cash flows of the entity being acquired;
- past history of synergies obtained from previous acquisitions; and
- synergies expected in the future.

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:

R'000	Amortised cost	FVTPL	Total	Fair value	Hierarchy of valuation technique
28 February 2022					
Financial assets					
Cash and cash equivalents	617,138	-	617,138	617,138	#
Other financial assets	435,479	110,311	545,790	545,790	Level 2
Consumer loans and advances	949,314	-	949,314	949,314	Level 2
Trade and other receivables	133,101	-	133,101	133,101	#
Secured loans and advances	146,075	-	146,075	160,500	Level 2
Financial liabilities					
Bank Overdraft	55,892	-	55,892	55,892	#
Transactional deposits	29,660	-	29,660	29,660	#
Trade and other payables	81,343	-	81,343	81,343	#
Other loans	280,622	-	280,622	276,671	Level 2
Lease liabilities	366,038	-	366,038	366,038	Level 2
Fixed and notice deposits	803,279	-	803,279	760,279	Level 2
Commercial paper	1,985,979	-	1,985,979	1,973,682	Level 2
28 February 2021					
Financial assets					
Cash and cash equivalents	930,701	-	930,701	930,701	#
Other financial assets	659,708	9,110	668,818	668,818	Level 2
Consumer loans and advances	621,389	-	621,389	621,389	Level 2
Trade and other receivables	79,792	-	79,792	79,792	#
Secured loans and advances	168,580	-	168,580	182,500	Level 2
Financial liabilities					
Bank Overdraft	17,483	-	17,483	17,483	#
Transactional deposits	33,467	-	33,467	33,467	#
Trade and other payables	85,039	-	85,039	85,039	#
Lease liabilities	453,163	-	453,163	453,163	Level 2
Fixed and notice deposits	1,082,109	-	1,082,109	953,109	Level 2
Commercial paper	1,466,919	-	1,466,919	1,465,768	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.

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.

Reconciliation of assets and liabilities measured at level 3

R'000	**Opening balance**	**Transfer at fair value**	**Losses recognised in profit or loss**	**Closing balance**
28 February 2022				
Assets				
Non-current assets held for sale	130,736	(130,736)	-	-
Investment property	6,250	130,736	(5,687)	131,299
28 February 2021				
Assets				
Non-current assets held for sale	-	135,371	(4,635)	130,736
Investment property	142,071	(135,371	(450)	6,250

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.

Investment property and non-current assets held for sale

Transfers from non-current assets held for sale are made when after one year of the asset not being disposed of, the requirements of IFRS 5.B are not met despite Management's intention to sell, the investment property being available for immediate sale in its present condition and the investment property being marketed actively at a price that is reasonable in relation to its current fair value.

Going concern

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

In the current environment, the following factors were considered in detail in the assessment:

- We have continued to experience a slower COVID recovery. The recovery has been particularly slow in North America due to unprecedented United States (US) consumer stimulus that directly targets our lower income earning (LSM) customers. Anticipation is growing that normalization will come in the months ahead as this consumer stimulus phases out, due to; 1. inflationary pressure, 2. a shift toward infrastructure stimulus, and 3. a return to pre-pandemic US employment levels. The timing of this phase-out however remains uncertain, but the lag between the end of consumer stimulus and the resumption of consumer lending will almost certainly be shortened as inflationary pressure dries up savings currently held by US consumers and drives consumers to borrow.
- The continued replacement of Illinois sales volumes, revenue and products due to regulatory changes in this US State in March 2021. The restructuring of affected Illinois subsidiaries has progressed as planned, with operations outside of Illinois expanded, added focus on online offerings, and the introduction of an alternate loan product in Illinois (to replace products that were affected). As further context and as previously reported, for the year ended February 2021, 26.9% (February 2020: 26.4%) of Group revenue was generated in the State of Illinois. We are pleased to report that the new Illinois loan product ("Savings Account Instalment Loans" or "SAIL") is progressing well, with volumes ahead of expectation. However, we expect to see a "profitability lag effect", with positive impacts on profitability lagging as this longer-term product will take time to mature. With longer-term products, interest is spread out over a longer period, while IFRS9 requires expected credit loss provisions upfront, coupled with the fact that new products are characterised by necessary infrastructure costs that must be incurred upfront. Noting also that although this growth is ahead of expectation and that the concept has been proven, SAIL will require significant funding at a reasonable cost to sufficiently grow the book and achieve healthy profits. This funding will be imperative to SAIL's success.
- The current inflated global inflationary environment (that will be further strained given the Russia Ukraine conflict).

It should be noted that a high degree of judgement is required to estimate the full financial effect for the year ahead, and beyond. The above factors again serve to confirm that uncertainties lie ahead, and that the timing and magnitude of our various recovery and growth initiatives will continue to be influenced by them. Management therefore performed additional capital, liquidity and cash flow stress testing based on multiple scenarios and levels of stress applied. The stress testing (updated and monitored monthly) continues to demonstrate that the Group remains sufficiently capitalised, with appropriate liquidity levels. We remain confident that the benefits of our geographically diversified business, strong balance sheet, experienced management team and cash generating ability will continue to stand us in good stead.

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

27 May 2022