

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 2024

Looking back on the past year we can again be full of pride of the Group's achievements amid major political and economic headwinds, in the various markets in which we operate. Our performance is testimony to Finbond's resilience, perseverance and the quality of our business model. Also pivotal to our success is the calibre and dedication of our employees and their capability to execute and deliver value for our stakeholders. During this year, we have continued to make important progress towards achieving our strategic objectives and to recover fully from the impact of COVID enforced regulations and stimulus (which elevated consumer savings levels in the United States ("US") and significantly dampened demand for our credit products) and regulatory changes in North America ("NA").

Our team has worked tirelessly and we are pleased to report that we have returned to profitability and remain on the path to a full recovery. We accept that market conditions will continue to change and that we will need to remain flexible, but we are committed to maintaining a persistent focus on delivering exceptional products and services to our customers.

Our businesses in South Africa ("SA") have continued their recovery and have achieved excellent results. We have also made good progress in terms of our recovery in the US, despite the prolonged effects of unprecedented US consumer stimulus (implemented by the US government in response to COVID). The impact of these stimulus programmes is finally phasing out. We have also continued with the replacement of Illinois sales volumes and products due to regulatory changes in this US state in March 2021. In Canada, we have continued with the repositioning of our Usolve business after management restructuring. The business continued to increase its operational and marketing practices, which resulted in significantly increased sales volumes during the past year.

Our shared services office in Malta continues to deliver high-quality business intelligence and electronic collections services, increasing risk management and data support for our subsidiaries in SA and NA.

For the financial year ended 29 February 2024:

- Profit for the year attributable to owners of the Company increased by 100.2% to R0.6 million (February 2023: loss of R274.8 million*).
- Net asset value per share increased by 82.6% to 182.2 cents per share (February 2023: 99.8 cents per share*)

- Earnings per share (“EPS”) improved by 100.2% to 0.1 cents per share (February 2023: loss of 32.8 cents per share*).
- Turnover increased by 22.8% to R1.58 billion (February 2023: R1.28 billion*).
- Operating costs were contained and increased by only 8.2% to R950.9 million (February 2023: R878.9 million*). Accordingly, the cost-to-income ratio improved by 11.9% to 60.4%.
- Total assets increased by 6.4% to R4.28 billion (February 2023: R4.02 billion*).
- Gross consumer loans and advances increased by 10.4% to R1.06 billion (February 2023: R962.0 million*).
- Total tangible equity increased by 7.8% to R526.6 million (February 2023: R488.6 million*).

*Results for the 2023 financial year have been restated. Please see additional information in the notes to the financial statements below.

RECOVERY TO PROFITABILITY

After three years of losses, Finbond has returned to profitability. This is an improvement of more than R275 million compared to the year ending February 2023. We have made significant progress with our strategic recovery and growth initiatives to improve loan volumes affected by COVID and regulatory changes in the US state of Illinois. Finbond and its subsidiaries, however, remain conservative in granting credit despite available capital.

Sales volumes increased in both SA and NA and are ahead of the corresponding reporting period, as well as significantly ahead of pre-COVID and Illinois regulatory change volumes. This is due to our Illinois SAIL product, additional volumes outside of Illinois, and the investment we made in C1 Holdings in May 2021 (which has produced outstanding results).

In SA, Finbond Mutual Bank (“FMB”) and Supreme Finance (“SF”) have again exceeded their base pre-COVID 2020 comparative year and have set themselves up well to continue to improve.

Group profits have however taken more time to recover. This is due to two factors. Firstly, the slower COVID recovery in our traditional US business, as already discussed. Secondly, a profitability and margin lag effect created by our Illinois SAIL product as its book grows and matures. Most SAIL loans are 18 to 24-month products, with interest earned over this period. It will therefore take time for this product to mature. Additionally, we are required by IFRS9 to account for the expected credit loss (“ECL”) on the full 24-month loan product balance in month one. Although the Probability of Default is low at this point, a low percentage of a larger 24-month loan balance quickly outweighs interest earned in one month. New products are characterised by necessary upfront infrastructure costs. SAIL is no exception and although variable costs are added as volumes grow, fixed costs such as the branch network and infrastructure, IT systems, head office and support staff, etc. are already in place. Finally, the margin on Illinois loan products is lower due to the regulatory changes, which necessitates larger volumes. SAIL will need to continue to grow to produce good profits, which also takes more time.

FINANCIAL RESULTS

Despite the adverse conditions described above, Finbond increased gross consumer loans by 10.4% to R1.06 billion from R962.0 million* at the end of the previous financial year.

The majority of revenue for the year continues to be derived from short-term consumer loans. EPS recovered significantly by 100.2% to 0.1 cents from a loss of 32.8 cents* last year. HEPS followed suit and increased by 97.7% to a loss of 0.4 cents from a loss of 19.1 cents* last year.

Following continued smart cost savings and efficiency initiatives and restructures, operating expenses were restricted to an increase of 8.2% to R950.9 million from R878.9 million* last year (in contrast to increased revenues of 22.8%). Accordingly, the cost-to-income ratio improved by 11.9% to 60.4%.

Headline Earnings before Interest, Taxation, Depreciation and Amortisation (“H-EBITDA”) amounted to R175.2 million in NA, versus R269.7 million in SA. Total H-EBITDA amounted to R475.1 million (including corporate).

R530.3 million (February 2023: R330.4 million*) or 34% (February 2023: 26%*) of total revenue was generated in NA, while R970.5 million (February 2023: R881.6 million*) or 62% (February 2023: 69%*) was generated in SA.

CAPITAL AND LIQUIDITY MANAGEMENT

The approach to liquidity risk remains conservative. The management of liquidity takes preference over the optimisation of profits.

Finbond Group’s liquidity position at the end of February 2024 in terms of cash, cash equivalents and liquid assets decreased by 7.7% to R850.3 million, from R921.0 million* a year ago. The decrease was due to the specific repurchase of shares, as well as recovering sales volumes which led to cash outflows as the loan portfolio recovers and grows. Gross consumer loans and advances accordingly increased by 10.4% to R1.06 billion (February 2023: R961.9 million*). This was offset by funds raised by the Finbond Group Limited Commercial Paper program in SA (somewhat offset by cash outflows as FMB reduced surplus retail deposits in SA) which led to cash inflows.

Payments received as a percentage of capital granted during the reporting period was 123.0% despite the loan book recovery and growth, versus 122.2% in the corresponding period last year.

By the end of February 2024, FGL commercial paper (SA) amounted to R2.55 billion (February 2023: R2.30 billion) and FMB retail deposits (SA) amounted to R590.8 million (February 2023: R627.4 million). The average FGL commercial paper investment size was R1.35 million for the reporting period, the weighted average outstanding note term was 33.9 months and the weighted average interest rate was 10.6%. The average FMB deposit size was R372 529, the weighted average outstanding deposit term was 27.8 months and the weighted average interest rate 9.3%.

Finbond is not exposed to the uncertainty that accompanies the use of short-term corporate call deposits as a funding mechanism since the Group only accepts 60-month commercial paper investments and 6- to 72-month fixed-term retail deposits. Given the long-term nature of Finbond's liabilities and the short-term nature of its assets (short-term consumer loans with an average outstanding book term of 3.4 months in SA and an average outstanding book term of 8.9 months in NA (weighted by outstanding balance and based on contractual term)), Finbond possesses a low-risk liquidity structure.

CAPITAL ALLOCATION

Capital efficiency ensures suitable levels of capital allocation to our business and reallocation of discretionary capital for investment in new growth prospects.

We approach capital allocation responsibly, as Finbond's long-term sustainability depends on having a resilient balance sheet that can both support our growth initiatives and withstand adverse conditions. This is a safeguard to our customers, workforce, investors and broader society, and has built stakeholder trust in the Finbond group for more than 22 years. Prudence is therefore innate in Finbond's culture and capital allocation methodology.

Capital management is managed centrally, which means businesses must compete for capital. We allocate capital to those areas where we expect a higher return within acceptable risk parameters. In the short to medium term, utilisation of capital remains clearly defined. Our primary goal is to find investment opportunities in existing businesses and/or new companies that will complement our strategy and yield returns in excess of the Group's return hurdle rate of 15%.

UPFRONT CREDIT SCORING

Detailed affordability calculations are performed prior to extending any loans 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 would 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 2024 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.

COLLECTION RATES

Finbond's collection rates improved to 98.9% (from 94.8% last year) during the period under review.

In SA, collection rates averaged 87.4% (0.4% above the targeted rate of 87%) while collection rates in NA improved by 6.7% to an average collection rate of 107.7%, from 101.0% in the corresponding period.

SOUTH AFRICAN OPERATIONS

Finbond's SA business's main focus remains on small short-term consumer loans through its 396 branches. Total revenue from Finbond's SA short-term lending activities increased by 10.1% to R970.5 million (February 2023: R881.6 million*) for the financial year under review. SA has continued to perform well and remains well ahead of "normal" pre-COVID levels.

The gross consumer loan book increased by 14.8% to R835.6 million (February 2023: R727.9 million*). SA operations received payments from customers of R2.70 billion, an increase of 8.4% compared to the last financial year's R2.49 billion, while granting R1.85 billion in new loans, an increase of 6.3% compared to the last financial year's R1.74 billion.

Finbond SA's average consumer loan size was R1,978 (February 2023: R1,951) with an average term of 2.9 months (February 2023: 3.4 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 four times a year.

Net impairment on loans and advances as a percentage of total revenue decreased to 19.5% (February 2023: 22.3%). Provisions to gross consumer loans and advances coverage marginally decreased to 58.9% (February 2023: 59.0%) as our IFRS 9 ECL models ensure that adequate provisions are held. The overall average collection rate achieved for the year improved to 87.4% (February 2023: 86.9%).

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 SA stood at between 76% and 91% for our 12- to 24-month products at the end of February 2024.

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

NORTH AMERICAN OPERATIONS

Finbond's NA business's primary focus remains on short-term consumer loans offered through 185 branches operating in the following states: Arizona, California, Illinois, Indiana, Louisiana, Michigan, Missouri, Mississippi, Nevada, Oregon, South Carolina, Tennessee, Utah and Wisconsin. In addition to the US, Finbond also has a presence in Ontario, Canada and in Panama. Consumer instalment loans are also offered online in Illinois, Indiana, Missouri, South Carolina and Wisconsin through our online platforms.

Consolidated subsidiary gross consumer loans and advances decreased marginally by 3.4% to R226.0 million at February 2024 from R234.0 million* last year. Investments in joint ventures (consisting of the Americash Group, including its Illinois SAIL product, as well as Cashbak) and investments in associates (consisting of C1 Holdings) which all focus also on short-term consumer loans increased by 15.9% (from R845.7 million to R979.9 million) and 20.3% (from R623.1 million to R749.9 million) respectively. NA operations received payments from customers of R5.93 billion, an increase of 17.2% compared to the last financial year's R5.06 billion*, while granting R5.17 billion in new loans, an increase of 16.5% compared to the last financial year's R4.44 billion*. Sales and operating metrics include 100% of subsidiary results

where ownership equals or exceeds 75%. For subsidiaries where ownership is below 75%, joint ventures and associates, results include only Finbond's specific ownership percentage. Branch numbers quoted above, however, include 100% of all investments i.e., the Group's full network.

Total revenue from Finbond's NA short-term lending activities (including subsidiaries, joint ventures and associates) increased significantly by 60.5% to R530.3 million (February 2023: R330.4 million*) for the period under review.

Collection rates in NA improved by 6.7% to an average collection rate of 107.7%, from 101.0% in the corresponding period. Total net impairment as a percentage of total revenue strengthened to 13.8% from 20.5%. Provisions to gross consumer loans coverage strengthened to 22.7% (February 2023: 24.1%*). The ratios above are indicative again of Finbond's conservative credit granting policies, swift response to the COVID pandemic, Illinois regulatory change, and continued rigorous collections efforts.

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

RISK MANAGEMENT

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.

STRATEGIC INITIATIVES

The world in general and specifically the markets in which we operate continue to face extraordinary challenges. Notwithstanding the prevailing challenges, we remain committed to building on our accomplishments and setting new standards of excellence.

Our prospects for sustainable growth stand on three pillars: our operations in South Africa, North America and Europe. We are capitalising on the relative strength of our balance sheet and the resilience and perseverance we have built over the past 20 years to consolidate and grow our business.

A prudent and innovative strategy remains required to reposition Finbond in the current business environment. Strategic initiatives, in line with the Board approved five-year strategic plan, in the short and medium term include:

- Growing our SA operations through increased business volumes and expansion of our branch network;
- Stabilising and then growing our international operations through expansion of our store network in NA and Latin America;
- Expanding our business to other parts of southern Africa through equity and/or debt investments;
- Diversifying our business operations through key strategic partnerships that can add additional distribution channels; and
- Increasing our net profits through organic growth and strategic acquisitions.

LOOKING AHEAD

We are encouraged by our strong recovery in the recent financial year and excited about the year ahead. The environment remains challenging, and we do expect some volatility going forward, but remain optimistic about the opportunities in front of us.

We are proud of our accomplishment to return to profitability, and we are confident that we can continue this trend, with shareholder value top of mind and a strong management team committed to our continued success.

We 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 396 branches in SA and 185 branches in NA (including joint ventures and investments in associates), good asset quality, access to funding and conservative risk management practices.

Finbond has stood firm for the past 22 years and, as we look towards 2025, the Group's first principles remain in place. This signifies that we can continue to execute our strategy and gear ourselves to be stronger and better positioned for future growth – now and for the next 20 years.

DIVIDEND

With planned growth in mind, as well as considering the Group's ongoing recovery from COVID-19 and the impact of the Illinois regulatory change, the Board has decided not to declare a dividend for the financial year ended 29 February 2024 (2023: no dividend).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

R'000	29 February 2024	28 February 2023 Restated*	28 February 2022 Restated*	% change
Assets				
Cash and cash equivalents	455,719	585,040	352,604	(22)
Other financial assets at fair value through profit or loss	34,568	66,708	110,311	(48)
Other financial assets at amortised cost	360,002	269,228	435,479	34
Loans and other advances	619,057	600,711	529,039	3
Trade and other receivables	151,294	116,234	173,243	30
Loans to group companies	81,539	72,029	151,160	13
Investments in joint ventures	979,875	845,719	839,404	16
Investments in associates	749,932	623,137	473,997	20
Property, plant and equipment	149,836	142,875	133,123	5
Right of use assets	151,545	160,925	177,955	(6)
Investment property	117,721	122,152	131,299	(4)
Deferred taxation	99,798	95,348	95,533	5
Goodwill	305,345	304,021	359,738	0
Intangible assets	22,100	17,098	12,392	29
Total Assets	4,278,331	4,021,225	3,975,277	6
Equity				
Share capital	865,421	964,747	976,567	(10)
Reserves	489,192	354,831	117,622	38
Retained loss	(522,055)	(522,612)	(247,777)	0
Equity attributable to owners of the Company	832,558	796,966	846,412	4
Non-controlling interest	(600)	(4,341)	36	86
Total Equity	831,958	792,625	846,448	5
Liabilities				
Bank overdraft	-	-	55,892	0
Transactional deposits	36,878	31,456	29,660	17
Current tax payable	11,497	26,273	1,127	(56)
Trade and other payables	85,992	69,279	58,338	24
Lease liabilities	167,659	175,978	194,554	(5)
Fixed and notice deposits	590,759	627,374	803,279	(6)
Commercial paper	2,553,588	2,298,240	1,985,979	11
Total Liabilities	3,446,373	3,228,600	3,128,829	7
Total Equity and Liabilities	4,278,331	4,021,225	3,975,277	6

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	29 February 2024	28 February 2023 Restated*	% change
Interest income	821,526	720,948	14
Interest expense	(330,467)	(308,928)	(7)
Net interest income	491,059	412,020	19
Fee income	198,908	181,999	9
Other operating income	377,360	358,329	5
Income from joint ventures	34,974	(109,883)	132
Income from associates	142,572	131,721	8
Fair value adjustments	(4,760)	(12,467)	62
Foreign exchange (loss)/gain	(154)	1,082	(114)
Net impairment charge	(267,077)	(275,551)	3
Reversal of impairment/(impairment) of investment in joint ventures	12,372	(31,602)	139
Impairment of goodwill	(3,720)	(75,384)	95
Operating expenses	(950,888)	(878,877)	(8)
Profit/(loss) before taxation	30,646	(298,613)	110
Taxation	(32,002)	19,494	(264)
Loss after taxation	(1,356)	(279,119)	100
Foreign currency translation difference for foreign operations	138,443	235,268	(41)
Total comprehensive income/(loss) for the year	137,087	(43,851)	413
Income/(loss) attributable to:	(1,356)	(279,119)	100
Owners of the company	557	(274,835)	100
Non-controlling interest	(1,913)	(4,284)	55
Total comprehensive income/(loss) attributable to:	137,087	(43,851)	413
Owners of the company	133,346	(39,474)	438
Non-controlling interest	3,741	(4,377)	185
Total number of ordinary shares outstanding	456,601	794,125	(43)
Weighted average number of ordinary shares outstanding	736,634	837,577	(12)
Basic earnings/(loss) per share (cents)	0.1	(32.8)	100
Diluted earnings/(loss) per share (cents)	0.1	(32.8)	100
Headline loss per share (cents)	(0.4)	(19.1)	98
Diluted headline loss per share (cents)	(0.4)	(19.1)	98

Profit/(loss) for the period attributable to owners of the company	557	(274,835)	100
Loss on disposal of property, plant and equipment	882	866	2
(Reversal of impairment)/impairment to joint ventures	(12,372)	31,602	(139)
Impairment of goodwill	3,720	75,384	(95)
Fair value changes of investment property	3,920	7,028	(44)
Headline loss	(3,293)	(159,955)	98

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

R'000	29 February 2024	28 February 2023 Restated*	% change
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation	30,646	(298,613)	110
Adjustments for non-cash items	262,975	579,221	(55)
Changes in working capital	(356,409)	(512,506)	30
Taxation (paid)/received	(70,250)	29,451	(339)
Net cash flow from operating activities	(133,038)	(202,447)	34
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(25,266)	(20,210)	(25)
Proceeds from sale of property, plant and equipment	(1,185)	1,884	(163)
Acquisition of intangible assets	(4,674)	(2,734)	(71)
Investment in Investment property	(569)	183	(411)
Acquisition of financial assets	(90,774)	-	(100)
Proceeds from sale of financial assets	33,733	215,468	(84)
Distributions received from associates	49,160	79,302	(38)
Investments in joint ventures	-	(61,784)	100
Distributions received from joint ventures	16,829	19,667	(14)
Net cash flow from investing activities	(22,746)	231,776	(110)
CASH FLOW FROM FINANCING ACTIVITIES			
Buy-back of shares	(99,326)	(11,820)	(740)
Proceeds from commercial paper	600,474	518,172	16
Repayments of commercial paper	(363,694)	(239,893)	(52)
Lease liabilities repaid	(93,440)	(73,616)	(27)
Interest paid on lease liabilities	(17,138)	(14,328)	(20)
Net cash flow from financing activities	26,876	178,515	(85)

NET (DECREASE)/INCREASE IN CASH	(128,908)	207,844	(162)
Cash at the beginning of the year	585,040	296,712	97
Effect of movements in exchange rates	(413)	80,484	(101)
CASH AT THE END OF THE YEAR	455,719	585,040	(22)

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

R'000	Share capital	Reserves	Retained income	Non-controlling interest	Total equity
Balance at 28 February 2022	976,567	117,622	(257,638)	181,440	1,017,991
Restatement *	-	-	9,861	(181,404)	(171,543)
Balance at 1 March 2022 *	976,567	117,622	(247,777)	36	846,448
Total comprehensive (loss)/income for the year *	-	235,361	(274,835)	(4,377)	(43,851)
Shares repurchased	(6,566)	-	-	-	(6,566)
Treasury shares purchased	(5,254)	-	-	-	(5,254)
Equity-settled share-based payment	-	1,848	-	-	1,848
Balance at 1 March 2023 *	964,747	354,831	(522,612)	(4,341)	792,625
Total comprehensive income for the year	-	132,789	557	3,741	137,087
Shares repurchased	(100,218)	-	-	-	(100,218)
Treasury shares sold	892	-	-	-	892
Equity-settled share-based payment	-	1,572	-	-	1,572
Balance at 29 February 2024	865,421	489,192	(522,055)	(600)	831,958

CONDENSED SEGMENTAL INFORMATION

OPERATING SEGMENTS

R'000	Deposit and Debt finance Products	Lending	Property Investment	Transactional Banking	Other ¹	Total
Year ended 29 February 2024						
Interest Income	33,459	779,857	-	94	8,116	821,526
Interest expense	(288,170)	(41,782)	-	(515)	-	(330,467)
Net interest income/(expense)	(254,711)	738,075	-	(421)	8,116	491,059
Fee income	-	172,842	-	26,066	-	198,908

Other operating income	-	375,217	1,954	189	-	377,360
Income from joint ventures	-	34,974	-	-	-	34,974
Income from associates	-	142,572	-	-	-	142,572
Fair value adjustments	240	-	(5,000)	-	-	(4,760)
Foreign exchange gain	-	-	-	-	(154)	(154)
Net impairment charge	-	(267,077)	-	-	-	(267,077)
Reversal of impairment of investment in joint ventures	-	12,372	-	-	-	12,372
Impairment of goodwill	-	(3,720)	-	-	-	(3,720)
Operating expenses ^	(2,770)	(888,258)	(5,954)	(29,333)	(24,573)	(950,888)
Operating profit/(loss)	(257,241)	316,997	(9,000)	(3,499)	(16,611)	30,646
Taxation	58,585	(85,589)	2,430	945	(8,373)	(32,002)
Profit/(loss) after taxation	(198,656)	231,408	(6,570)	(2,554)	(24,984)	(1,356)

^ Operating expenses include, *inter alia*:

Depreciation	-	(117,352)	-	(185)	(16)	(117,553)
Amortisation	-	(35)	-	-	-	(35)
Advertising	-	(5,002)	-	-	(7,114)	(12,116)
Bank charges	(1,540)	(78,448)	-	(1,393)	(65)	(81,446)
Collection charges	-	(44,894)	-	-	-	(44,894)
Employee costs	(1,119)	(399,998)	(500)	(2,345)	(15,495)	(419,457)
Property related costs	-	(45,871)	(2,090)	-	-	(47,961)
Transactional banking fees	-	-	-	(23,980)	-	(23,980)
Telephone and communication expenses	(16)	(31,184)	(8)	(17)	(112)	(31,337)

Significant segment assets

Cash and cash equivalents	355,341	85,140	-	13,264	1,974	455,719
Other financial assets at fair value through profit or loss	34,568	-	-	-	-	34,568
Other financial assets at amortised cost	360,002	-	-	-	-	360,002
Loans and other advances	-	619,057	-	-	-	619,057
Trade and other receivables	-	144,247	-	1,586	5,461	151,294
Loans to group companies	-	81,539	-	-	-	81,539
Investments in joint ventures	-	979,875	-	-	-	979,875
Investments in associates	-	749,932	-	-	-	749,932
Property, plant and equipment	-	147,423	1,023	101	1,289	149,836
Right of use assets	-	151,545	-	-	-	151,545
Investment property	-	-	117,721	-	-	117,721
Goodwill	-	305,345	-	-	-	305,345

Intangible assets	-	22,100	-	-	-	22,100
Significant segment liabilities						
Transactional deposits	-	-	-	36,878	-	36,878
Trade and other payables	3,628	77,653	-	1,944	2,767	85,992
Lease liabilities	-	167,659	-	-	-	167,659
Fixed and notice deposits	590,759	-	-	-	-	590,759
Commercial paper	2,553,588	-	-	-	-	2,553,588

Year ended 28 February 2023

Interest Income	23,085	693,941	-	55	3,867	720,948
Interest expense	(293,790)	(14,484)	-	(438)	(216)	(308,928)
Net interest income/(expense)	(270,705)	679,457	-	(383)	3,651	412,020
Fee income	-	156,420	-	25,579	-	181,999
Other operating income	-	354,700	3,404	225	-	358,329
Income from joint ventures	-	(109,883)	-	-	-	(109,883)
Income from associates	-	131,721	-	-	-	131,721
Fair value adjustments	(3,503)	-	(8,964)	-	-	(12,467)
Foreign exchange loss	-	-	-	-	1,082	1,082
Net impairment charge	-	(275,551)	-	-	-	(275,551)
Impairment of investment in joint ventures	-	(31,602)	-	-	-	(31,602)
Impairment of goodwill	-	(75,384)	-	-	-	(75,384)
Operating expenses ^	(3,915)	(802,897)	(3,902)	(36,397)	(31,766)	(878,877)
Operating profit/(loss)	(278,123)	26,981	(9,462)	(10,976)	(27,033)	(298,613)
Taxation	69,479	(7,285)	2,555	2,964	(48,219)	19,494
Profit/(loss) after taxation	(208,644)	19,696	(6,907)	(8,012)	(75,252)	(279,119)

^ Operating expenses include, *inter alia*:

Depreciation	-	(109,422)	-	(216)	(58)	(109,696)
Amortisation	-	(36)	-	-	-	(36)
Advertising	-	(3,801)	-	-	(7,315)	(11,116)
Bank charges	(2,017)	(69,642)	-	(2,210)	(16)	(73,885)
Collection charges	-	(18,055)	-	-	-	(18,055)
Computer expenses	(1,055)	(376,591)	(464)	(2,190)	(14,610)	(394,910)
Employee costs	-	(49,271)	(1,226)	-	-	(50,497)
Transactional banking fees	-	-	-	(23,468)	-	(23,468)
Telephone and communication expenses	(14)	(31,635)	(7)	(21)	(172)	(31,849)

Significant segment assets

Cash and cash equivalents	468,199	103,722	-	11,906	1,213	585,040
Other financial assets at fair value through profit or loss	66,708	-	-	-	-	66,708
Other financial assets at amortised cost	269,228	-	-	-	-	269,228
Loans and other advances	-	600,711	-	-	-	600,711
Trade and other receivables	-	111,502	-	2,076	2,656	116,234
Loans to group companies	-	72,029	-	-	-	72,029
Investment in joint ventures	-	845,719	-	-	-	845,719
Investments in associates	-	623,137	-	-	-	623,137
Property, plant and equipment	-	140,480	-	196	2,199	142,875
Right of use assets	-	160,925	-	-	-	160,925
Investment property	-	-	122,152	-	-	122,152
Goodwill	-	304,021	-	-	-	304,021
Intangible assets	-	17,098	-	-	-	17,098
Significant segment liabilities						
Transactional deposits	-	-	-	31,456	-	31,456
Trade and other payables	1,461	63,821	-	2,295	1,702	69,279
Lease liabilities	-	175,978	-	-	-	175,978
Fixed and notice deposits	627,374	-	-	-	-	627,374
Commercial paper	2,298,240	-	-	-	-	2,298,240

¹ 'Other' represents centralised corporate services, functions and expenses and corporate income tax assets and liabilities.

GEOGRAPHICAL SEGMENTS

R'000	South Africa	North America ²	Corporate ¹	Total
Year ended 29 February 2024				
Interest Income	454,904	345,316	21,306	821,526
Interest expense	(81,549)	(166,326)	(82,592)	(330,467)
Net interest income/(expense)	373,355	178,990	(61,286)	491,059
Fee income	196,022	3,358	(472)	198,908
Management fee income	4,803	22,596	(27,399)	-
Other operating income	319,577	4,067	53,716	377,360
Income from joint ventures	-	34,974	-	34,974
Income from associates	-	142,572	-	142,572
Fair value adjustments	(4,760)	-	-	(4,760)
Foreign exchange gain	(144)	-	(10)	(154)

Net impairment charge	(189,002)	(72,994)	(5,081)	(267,077)
Reversal of impairment of investment in joint ventures	-	12,372	-	12,372
Impairment of goodwill	-	(3,720)	-	(3,720)
Operating expenses ^	(601,612)	(336,181)	(13,095)	(950,888)
Operating profit/(loss)	98,239	(13,966)	(53,627)	30,646
Taxation	(27,592)	6,516	(10,926)	(32,002)
Profit/(loss) after taxation	70,647	(7,450)	(64,553)	(1,356)

^ Operating expenses include, *inter alia*:

Depreciation	(84,844)	(31,283)	(1,426)	(117,553)
Amortisation	(35)	-	-	(35)
Advertising	(2,942)	(2,060)	(7,114)	(12,116)
Bank charges	(70,417)	(9,963)	(1,066)	(81,446)
Collection charges	(43,950)	(944)	-	(44,894)
Employee costs	(202,002)	(202,341)	(15,114)	(419,457)
Property related costs	(25,113)	(22,657)	(191)	(47,961)
Transactional banking fees	(23,980)	-	-	(23,980)
Telephone and communication expenses	(25,419)	(5,731)	(187)	(31,337)

Significant segment assets

Cash and cash equivalents	124,250	279,970	51,499	455,719
Other financial assets at fair value through profit or loss	2,936	-	31,632	34,568
Other financial assets at amortised cost	360,002	-	-	360,002
Loans and other advances	444,266	174,791	-	619,057
Trade and other receivables	30,960	45,526	74,808	151,294
Loans to group companies	-	-	81,539	81,539
Investments in joint ventures	-	979,875	-	979,875
Investments in associates	-	749,932	-	749,932
Property, plant and equipment	52,195	53,179	44,462	149,836
Right of use assets	104,464	47,081	-	151,545
Investment property	117,721	-	-	117,721
Deferred taxation	52,421	76,825	(29,448)	99,798
Goodwill	197,549	107,796	-	305,345
Intangible assets	8,857	13,243	-	22,100

Significant segment liabilities

Transactional deposits	36,878	-	-	36,878
Current tax payable	11,937	(516)	76	11,497
Trade and other payables	56,439	19,032	10,521	85,992
Lease liabilities	117,647	50,012	-	167,659
Fixed and notice deposits	590,759	-	-	590,759
Commercial paper	-	-	2,553,588	2,553,588

Year ended 28 February 2023

Interest Income	412,665	291,971	16,312	720,948
Interest expense	(91,370)	(134,558)	(83,000)	(308,928)
Net interest income/(expense)	321,295	157,413	(66,688)	412,020
Fee income	177,197	5,235	(433)	181,999
Management fee income	3,450	15,963	(19,413)	-
Other operating income	291,685	11,349	55,295	358,329
Income from joint ventures	-	(109,883)	-	(109,883)
Income from associates	-	131,721	-	131,721
Fair value adjustments	(7,473)	-	(4,994)	(12,467)
Foreign exchange gain	(93)	36	1,139	1,082
Net impairment charge	(196,936)	(67,851)	(10,764)	(275,551)
Impairment of investment in joint ventures	-	(31,602)	-	(31,602)
Impairment of goodwill	-	(75,384)	-	(75,384)
Operating expenses ^	(516,446)	(345,846)	(16,585)	(878,877)
Operating profit/(loss)	72,679	(308,849)	(62,443)	(298,613)
Taxation	(22,217)	43,876	(2,165)	19,494
Profit/(loss) after taxation	50,462	(264,973)	(64,608)	(279,119)

^ Operating expenses include, *inter alia*:

Depreciation	(75,985)	(33,709)	(2)	(109,696)
Amortisation	(35)	(1)	-	(36)
Advertising	(1,697)	(2,103)	(7,316)	(11,116)
Bank charges	(62,837)	(11,040)	(8)	(73,885)
Collection charges	(14,305)	(3,750)	-	(18,055)
Computer expenses	(175,713)	(208,027)	(11,170)	(394,910)
Employee costs	(28,470)	(22,027)	-	(50,497)
Transactional banking fees	(23,468)	-	-	(23,468)
Telephone and communication expenses	(25,463)	(6,279)	(107)	(31,849)

Significant segment assets

Cash and cash equivalents	148,162	316,255	120,623	585,040
Other financial assets at fair value through profit or loss	43,390	23,076	242	66,708
Other financial assets at amortised cost	269,228	-	-	269,228
Loans and other advances	435,995	163,716	1,000	600,711
Trade and other receivables	20,675	34,206	61,353	116,234
Loans to group companies	-	72,029	-	72,029
Investments in joint ventures	-	845,719	-	845,719
Investments in associates	-	623,137	-	623,137

Property, plant and equipment	39,918	59,175	43,782	142,875
Right of use assets	98,314	62,611	-	160,925
Investment property	122,152	-	-	122,152
Deferred taxation	45,482	75,601	(25,735)	95,348
Goodwill	197,550	106,471	-	304,021
Intangible assets	4,647	12,451	-	17,098
Significant segment liabilities				
Transactional deposits	31,456	-	-	31,456
Trade and other payables	34,825	27,825	6,629	69,279
Lease liabilities	110,072	65,906	-	175,978
Fixed and notice deposits	627,374	-	-	627,374
Commercial paper	-	-	2,298,240	2,298,240

¹ 'Corporate' represents centralised corporate and International corporate services, functions and expenses, unallocated corporate debt finance expenses, corporate income tax assets and liabilities, and corporate held debt finance liabilities.

² The disclosure for the NA geographical segment as previously presented has been further enhanced by separating NA operating and corporate information.

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 2024 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, and financial reporting 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 29 February 2024.

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://finbondgroup.com/financialresults.html>

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 31 May 2024. 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/financialresults.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 2023. Significant judgements include:

Impairment losses on loans and advances

The Group uses quantitative and qualitative estimates for calculating expected credit losses (ECL) for loans and advances. 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 the 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 macro-economic outlook, using models that correlate these parameters with macro-economic 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 continued economic impact of COVID-19 (and related higher consumer savings levels in the US due to COVID consumer directed stimulus) on our industry. The current observable data and forward-looking expectations in the models consider the resultant uncertainty surrounding the timing and extent of potential future defaults and recoveries. 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, intangible assets (acquired trademark & brand names), and investments in joint ventures

The recoverable amounts of cash-generating units and net investments in joint ventures 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 assumptions may change which may impact estimations and may then require adjustments to the carrying value of goodwill, intangible assets and/or investments in joint ventures.

The Group reviews and tests the carrying value of goodwill and intangible assets within cash generating units annually, or when events or changes in circumstances suggest that the carrying amount may not be recoverable, by preparing estimates of expected future cash flows.

The Group reviews and tests the carrying value of investments in joint ventures when events or changes in circumstances suggest that the carrying amount may not be recoverable, by preparing estimates of expected future cash flows.

Expected future cash flows used to determine recoverable amounts are inherently uncertain and could materially change over time. They are significantly affected by several factors including regulation, supply and demand for loans, profit margins, impairment rates, growth rates, together with economic factors such as inflation and interest rates.

Fair value adjustments of 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 macroeconomic environment 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.

Deferred tax assets

The Group recognises deferred tax assets for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Management has gone to great lengths and considered all available information in making this assessment.

Going concern

The Directors have reviewed the Group's budgets, cash flow forecasts, as well as capital and liquidity stress testing for the next 5 years and considered the Group's ability to continue as a going concern in context of the current and anticipated economic environment.

Factors considered include the impact of the continued slower COVID recovery in our industry (particularly in North America due to unprecedented US consumer stimulus that directly targeted our lower income earning customers and led to significantly elevated but temporary consumer savings levels, dampening demand for our credit products), the continued replacement of Illinois sales volumes, revenue and products due to regulatory changes in this US state in March 2021, the current inflated global inflationary environment, and potential changes to commercial paper regulations in South Africa which may impact the Group's financing.

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 also 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 accordingly. Management performed robust capital, liquidity and cash flow stress testing based on multiple scenarios and levels of stress. This stress testing (updated and monitored monthly) continues to demonstrate that the Group remains sufficiently capitalised, with appropriate liquidity levels. Based on

this review the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. The going concern basis therefore continues to apply and has been adopted in the preparation of the annual financial statements.

Loans and advances

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

	Stage 1	Stage 2	Stage 3	Total
Consumer loans and advances *				
29 February 2024				
Gross carrying amount	419,044	133,861	508,641	1,061,546
Expected credit loss allowance	(22,259)	(59,517)	(461,312)	(543,088)
Net loans and advances	396,785	74,344	47,329	518,458
ECL coverage (%)	5%	44%	91%	51%
28 February 2023				
Gross carrying amount	387,076	135,119	439,701	961,896
Expected credit loss allowance	(24,475)	(60,825)	(400,609)	(485,909)
Net loans and advances	362,601	74,294	39,092	475,987
ECL coverage (%)	6%	45%	91%	51%
Mortgage loans and specialised loans *				
29 February 2024				
Gross carrying amount	43,338	11,468	100,219	155,025
Expected credit loss allowance	(1,513)	(1,760)	(51,153)	(54,426)
Net loans and advances	41,825	9,708	49,066	100,599
ECL coverage (%)	3%	15%	51%	35%
28 February 2023				
Gross carrying amount	60,331	9,209	106,837	176,377
Expected credit loss allowance	(1,187)	(919)	(49,547)	(51,653)
Net loans and advances	59,144	8,290	57,290	124,724
ECL coverage (%)	2%	10%	46%	29%

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
R'000					
29 February 2024					
Financial assets					
Cash and cash equivalents	456,742	-	456,742	456,742	#
Other financial assets	360,002	34,568	394,570	394,570	#
Loans and advances	619,057	-	619,057	619,057	#
Trade and other receivables	101,343	-	101,343	101,343	#
Loans to group companies	81,539	-	81,539	81,539	#
Financial liabilities					
Bank overdraft	1,023	-	1,023	1,023	#
Transactional deposits	36,878	-	36,878	36,878	#
Trade and other payables	80,168	-	80,168	80,168	#

Lease liabilities	167,659	-	167,659	167,659	#
Fixed and notice deposits	590,759	-	590,759	565,611	Level 2
Commercial paper	2,553,588	-	2,553,588	2,502,103	Level 2

28 February 2023

Financial assets

Cash and cash equivalents	585,040	-	585,040	585,040	#
Other financial assets	269,228	66,708	335,936	335,936	#
Loans and advances	600,711	-	600,711	600,711	#
Trade and other receivables	116,234	-	116,234	116,234	#
Loans to group companies	72,029	-	72,029	72,029	#

Financial liabilities

Transactional deposits	31,456	-	31,456	31,456	#
Trade and other payables	65,166	-	65,166	65,166	#
Lease liabilities	175,978	-	175,978	175,978	#
Fixed and notice deposits	627,374	-	627,374	594,300	Level 2
Commercial paper	2,298,240	-	2,298,240	2,292,200	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 least every 3 years unless management's annual fair value assessment indicates material changes to the property market and/or underlying assumptions, an input into current valuation models.

Reconciliation of assets and liabilities measured at level 3

R'000	Opening balance	Additions /disposals	Losses recognised in profit or loss	Closing balance
29 February 2024				
Assets				
Investment property	122,152	569	(5,000)	117,721
28 February 2023				
Assets				
Investment property	131,299	(183)	(8,964)	122,152

No transfers of assets and liabilities within levels of fair value hierarchy occurred during the current or prior financial year.

Restatement

1. Partial Book restatement

During the year, an error in the method used to derecognise loan books relating to loans and advances in default that had passed 'operational write-off' dates (in terms of internal policy) was identified. The loan books were previously partially written off/derecognised too early in terms of the requirements of IFRS 9 (the 'partial book'). This understated the amounts disclosed as the gross loan and the ECL allowance in prior years. Furthermore, interest income, using the effective interest rate ('EIR') applied to the net carrying value, was not recognised on the partial book. Apart from lower interest revenue, an additional effect of not recognising interest on the partial book was that all cash subsequently recovered on such loans, in excess of the carrying value, was recognised as bad debts recovered.

Management concluded that the partial write-off derecognition criteria was incorrectly applied for the partial book in terms of IFRS 9 in prior years and that a prior period restatement would be required to achieve gross recognition of the partial book and related ECL provision in the statement of financial position, along with an associated prior period restatement/reallocation of interest income, bad debts written off, bad debts recovered and ECL impairment expense in the statement of comprehensive income. The restatement also required applying the EIR to the net carrying amount of the full partial book balance until ultimate IFRS write-off (to record appropriate stage 3 interest), as well as the associated remodelling of recovery forecast data on these updated balances, impacting the calculation of associated LGD's and ultimately the ECL provision recognised as part of the restatement. Finally, reconsideration of the associated impact on tax and deferred tax was required.

The restatement of the partial book therefore required the application of judgement in the following areas:

- Consideration of the full IFRS write off period for loans and advances in terms of remodelled recovery forecast data and LGDs, based still on historic collections and recovery curves and run-off rates.
- The calculation of appropriate and compliant stage 3 interest revenue and related ECL on these stage 3 loans until ultimate IFRS write-off.
- Remodelling and allocation of recovery forecast data to the partial book balance and associated stage 3 interest within the LGD calculation, impacting also on the tax and deferred tax treatment for provisioning and write-offs.

The aggregate of the impact arising from the recognition of the previously derecognised portion of the partial book, along with the associated stage 3 interest and associated ECL amendments (net of tax) is presented below. There was no impact on the statement of cash flows.

2. Investment in subsidiary control reassessment

During the year under review, an equity swap transaction occurred within the Americash Group which resulted in Finbond's shareholding reducing to 41.8% (from 58.3%) in one of the operating entities (S.A.I.L. LLC) forming part of its investment in the Americash Group. This reduction of majority equity shareholding, although only in one operating entity within the Americash Group, triggered a reassessment of control for the Americash Group investment, previously accounted for as an investment in subsidiary.

In the process of reassessing control, it was identified that pre-existing Operating Agreements provided joint control, and not unilateral control despite Finbond's majority shareholding in the Americash Group.

In this process, it was noted that a similar Operating Agreement was in existence and in force for another investment in North America, which had also previously been assessed and accounted for as an investment as subsidiary on the basis of Finbond's majority equity shareholding. A reassessment was performed for the Cashbak LLC Group and similarly resulted in a joint control scenario, on account of the terms and conditions of the Operating Agreement.

It was therefore concluded that the reassessments performed resulted in an indication of a prior period error, requiring reclassification of the two investments in subsidiaries (control) to investments in joint ventures (joint control), to be equity accounted for in terms of IAS 28: *Investments in Associates and Joint Ventures*.

The following tables summarise the impact on the Group's consolidated financial statements for the years ended 28 February 2022 and 28 February 2023:

2022**Impact of correction of errors**

R'000	As previously reported	Partial Book Adjustments	Control Adjustments	As restated
Consolidated statement of financial position				
Cash and cash equivalents	617,138	-	(264,534)	352,604
Other financial assets at fair value through profit or loss	110,311	-	-	110,311
Other financial assets at amortised cost	435,479	-	-	435,479
Loans and advances	1,095,389	30,409	(596,759)	529,039
Trade and other receivables	184,439	-	(11,196)	173,243
Loans to group companies	-	-	151,160	151,160
Investments in joint ventures	-	-	839,404	839,404
Investments in associates	473,997	-	-	473,997
Property, plant and equipment	181,432	-	(48,309)	133,123
Right of use assets	338,292	-	(160,337)	177,955
Investment property	131,299	-	-	131,299
Deferred taxation	97,922	(2,389)	-	95,533
Goodwill	838,419	-	(478,681)	359,738
Intangible assets	120,086	-	(107,694)	12,392
Total assets	4,624,203	28,020	(676,946)	3,975,277
Bank overdraft	55,892	-	-	55,892
Transactional deposits	29,660	-	-	29,660
Current tax payable	-	1,127	-	1,127
Trade and other payables	84,742	-	(26,404)	58,338
Other loans	280,622	-	(280,622)	-
Lease liabilities	366,038	-	(171,484)	194,554
Fixed and notice deposits	803,279	-	-	803,279
Commercial paper	1,985,979	-	-	1,985,979
Total liabilities	3,606,212	1,127	(478,510)	3,128,829
Share capital	976,567	-	-	976,567
Reserves	117,622	-	-	117,622
Retained loss	(257,638)	9,861	-	(247,777)
	836,551	9,861	-	846,412
Non-controlling interest	181,440	17,032	(198,436)	36
Total equity	1,017,991	26,893	(198,436)	846,448
Total equity and liabilities	4,624,203	28,020	(676,946)	3,975,277

2023**Impact of correction of errors**

R'000	As previously reported	Partial Book Adjustments	Control Adjustments	As restated
Consolidated statement of financial position				
Cash and cash equivalents	825,021	-	(239,981)	585,040
Other financial assets at fair value through profit or loss	66,708	-	-	66,708
Other financial assets at amortised cost	269,228	-	-	269,228
Loans and advances	1,351,835	32,654	(783,778)	600,711
Trade and other receivables	157,857	-	(41,623)	116,234
Loans to group companies	-	-	72,029	72,029
Investments in joint ventures	-	-	845,719	845,719
Investments in associates	623,137	-	-	623,137
Property, plant and equipment	179,733	-	(36,858)	142,875
Right of use assets	300,075	-	(139,150)	160,925
Investment property	122,152	-	-	122,152
Deferred taxation	100,699	(5,351)	-	95,348
Goodwill	813,785	-	(509,764)	304,021
Intangible assets	147,186	-	(130,088)	17,098
Total assets	4,957,416	27,303	(963,494)	4,021,225
Transactional deposits	31,456	-	-	31,456
Current tax payable	27,030	(757)	-	26,273
Trade and other payables	115,236	-	(45,957)	69,279
Other loans	434,097	-	(434,097)	-
Lease liabilities	327,849	-	(151,871)	175,978
Fixed and notice deposits	627,374	-	-	627,374
Commercial paper	2,298,240	-	-	2,298,240
Total liabilities	3,861,282	(757)	(631,925)	3,228,600
Share capital	964,747	-	-	964,747
Reserves	352,051	3,313	(533)	354,831
Retained loss	(522,676)	5,314	(5,250)	(522,612)
	794,122	8,627	(5,783)	796,966
Non-controlling interest	302,012	19,433	(325,786)	(4,341)
Total equity	1,096,134	28,060	(331,569)	792,625
Total equity and liabilities	4,957,416	27,303	(963,494)	4,021,225
Consolidated statement of comprehensive income				
Interest income	1,287,730	13,750	(580,532)	720,948

Interest expense	(352,991)	-	44,063	(308,928)
Net interest income/(expense)	934,739	13,750	(536,469)	412,020
Fee income	190,047	-	(8,048)	181,999
Other operating income	368,936	-	(10,607)	358,329
Income from joint ventures	-	-	(109,883)	(109,883)
Income from associate	131,721	-	-	131,721
Fair value adjustments	(12,467)	-	-	(12,467)
Foreign exchange gain	1,082	-	-	1,082
Net impairment charge	(410,991)	(19,185)	154,625	(275,551)
Impairment of investments in JVs	-	-	(31,602)	(31,602)
Impairment of goodwill	(130,344)	-	54,960	(75,384)
Operating expenses	(1,422,717)	-	543,840	(878,877)
(Loss)/profit before taxation	(349,994)	(5,435)	56,816	(298,613)
Taxation	19,408	86	-	19,494
(Loss)/profit after taxation	(330,586)	(5,349)	56,816	(279,119)
Foreign currency translation difference for foreign operations	359,141	(21,601)	(102,272)	235,268
Total comprehensive income/(loss) for the year	28,555	(26,950)	(45,456)	(43,851)
Income/(loss) attributable to:	(330,586)	(5,349)	56,816	(279,119)
Owners of the company	(265,038)	(4,547)	(5,250)	(274,835)
Non-controlling interest	(65,548)	(802)	62,066	(4,284)
Total comprehensive income/(loss) attributable to:	28,555	(26,950)	(45,456)	(43,851)
Owners of the company	(32,457)	(1,234)	(5,783)	(39,474)
Non-controlling interest	61,012	(25,716)	(39,673)	(4,377)
(Loss)/earnings per share				
Basic (loss)/earnings per share (cents)	(31.6)	(0.6)	(0.6)	(32.8)
Diluted (loss)/earnings per share (cents)	(31.6)	(0.6)	(0.6)	(32.8)
Consolidated statement of cash flows				
Cash flows from operating activities				
Cash generated from/(utilised in) operations	(360,329)	-	128,431	(231,898)
Taxation (paid)/received	29,460	-	(9)	29,451
Net cash from operating activities	(330,869)	-	128,422	(202,447)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(25,769)	-	5,559	(20,210)
Proceeds from sale of property, plant and equipment	11,287	-	(9,403)	1,884
Acquisition of intangible assets	(27,478)	-	24,744	(2,734)

Proceeds from sale of Investment property	183	-	-	183
Proceeds from sale of financial assets	215,468	-	-	215,468
Distributions received from associates	79,302	-	-	79,302
Establishment of businesses, net of cash received	23,483	-	(23,483)	-
Investments in joint ventures	-	-	(61,784)	(61,784)
Distributions received from joint ventures	-	-	19,667	19,667
Net cash from investing activities	276,476	-	(44,700)	231,776
Cash flows from financing activities				
Buy-back of shares	(11,820)	-	-	(11,820)
Proceeds from other loans	384,477	-	(384,477)	-
Repayments of other loans	(250,746)	-	250,746	-
Proceeds from commercial paper	518,172	-	-	518,172
Repayments of commercial paper	(239,893)	-	-	(239,893)
Lease liabilities repaid	(126,555)	-	52,939	(73,616)
Interest paid on lease liabilities	(22,905)	-	8,577	(14,328)
Dividends paid	(14,072)	-	14,072	-
Net cash from financing activities	236,658	-	(58,143)	178,515
Net increase in cash and cash equivalents	182,265	-	25,579	207,844
Cash at the beginning of the year	561,246	-	(264,534)	296,712
Effect of movements in exchange rates	81,510	-	(1,026)	80,484
Total cash at end of the year	825,021	-	(239,981)	585,040

The following table summarises the impact on the material notes to the Group's consolidated financial statements for the year ended 28 February 2023:

2023 R'000 GROUP	Impact of correction of error			As restated
	As previously reported	Partial Book Adjustments	Control Adjustments	
Loans and advances				
Consumer loans and advances	1,231,211	28,554	(783,778)	475,987
Mortgage loans	82,680	4,006	-	86,686
Specialised finance loans	37,944	94	-	38,038
	1,351,835	32,654	(783,778)	600,711
CONSUMER LOANS AND ADVANCES				
Analysis of net loans and advances by region - 28 February 2023				
Gross loans and advances	1,414,271	903,697	(1,356,072)	961,896
- South Africa	420,825	307,050	-	727,875
- North America	993,446	596,647	(1,356,072)	234,021
Expected credit loss allowance	(183,060)	(875,143)	572,294	(485,909)

- South Africa	(104,454)	(324,980)	-	(429,434)
- North America	(78,606)	(550,163)	572,294	(56,475)
Net loans and advances	1,231,211	28,554	(783,778)	475,987
- South Africa	316,371	(17,930)	-	298,441
- North America	914,840	46,484	(783,778)	177,546
ECL coverage (%)	13%	97%	42%	51%

MORTGAGE AND SPECIALISED FINANCE LOANS

Analysis of net loans and advances by region -
28 February 2023

Gross loans and advances	185,080	(8,703)	-	176,377
Mortgage loans	118,117	(5,778)	-	112,339
Specialised finance loans	66,963	(2,925)	-	64,038
Expected credit loss allowance	(64,456)	12,803	-	(51,653)
Mortgage loans	(35,437)	9,784	-	(25,653)
Specialised finance loans	(29,019)	3,019	-	(26,000)
Net loans and advances	120,624	4,100	-	124,724
ECL coverage (%)	35%	147%		29%

Net impairment charge

Loans and advances

Movement in expected credit loss allowance	8,243	58,760	10,182	77,185
Bad debts written off	613,761	(115,142)	(278,962)	219,657
Bad debts recovered	(217,932)	75,567	108,905	(33,460)
	404,072	19,185	(159,875)	263,382
Other financial assets	1,406	-	-	1,406
Trade and other receivables	5,513	-	-	5,513
Loans to group companies	-	-	5,250	5,250
	410,991	19,185	(154,625)	275,551

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 Company or Group is in doubt.

In the current environment, the following factors were considered in management's assessment:

- Slower COVID recovery in North America. We continue to experience a slower COVID recovery in North America due to extraordinary United States (US) consumer stimulus (implemented by the US government in response to COVID) that directly targeted our lower income earning (LSM) customers. This stimulus has phased out, but led to significantly elevated but temporary consumer savings levels, dampening demand for our credit products. Normalisation/resumption of pre-COVID consumer lending levels is anticipated in the new financial year, as consumer savings are depleted. Persistently higher inflation is aiding this process.
- 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 progressed well, 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. The progress of the new Illinois loan product ("Savings Account Instalment Loans" or "SAIL") continues, however we expect to see a profitability lag effect as this longer-term product (up to 24 month loans) will take time to mature. Noting also that; although the concept has been proven, an energetic management team in place, and initial funding in place – start-up risk remains (as it will for any new product). SAIL's growth must continue and will require further funding at a reasonable cost to sufficiently grow the book to achieve healthy profits.
- The current inflated global inflationary environment. Higher inflation may impact our lending business positively by driving up demand for our credit products but may also negatively impact our customers' affordability and ability to pay. Higher inflation also leads to higher interest rates, which will have a negative impact on the Group's cost of funding.
- Potential changes to Commercial Paper ('CP') regulations in South Africa, which may impact the Group's financing. Draft amendments to CP regulations were issued by the South African Reserve Bank ('SARB') on 13 July 2023, with a proposed effective date of January 2025. The draft amendments were opened for industry comment until 15 August 2023. No further communication has however been received since.

Feedback received by Finbond from industry experts is that it is unlikely that the proposed changes in the current form will (or can) be enacted without further amendment, changes and reconsideration, and that an effective date of January 2025 is unlikely.

Finbond have however continued with a proactive approach which includes; 1. Early redemption and renewal of existing CP under the current rules until January 2025 (this has the effect of delaying maturity dates of existing paper without increasing the CP portfolio), 2. Issue of new commercial paper under the current rules until January 2025 (this provides a surplus cash buffer given the uncertainty as to the ultimate effect of proposed changes to Finbond), 3. Investigate alternate debt instruments and sources of funding to diversify funding risk, 4. Engaging with external Senior Council and IFRS experts to establish and confirm the full impact of the current

draft amendments on Finbond (it has already been established that Finbond would still qualify for CP under the proposed regulation changes in the current form, it is a matter of determining what CP funds may be used for under the proposed amendments, and to what extent this may limit the amount of CP Finbond can issue. This analysis is being performed despite the fact that it is unlikely that the proposed changes in the current form will be enacted, and therefore the analysis will be updated as more information becomes available), 5. Produce a second liquidity stress testing model assuming that the amendments go through in the current form (to illustrate potential timing and quantum of alternate funding requirements in this scenario).

It should be noted, as always, 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 are uncertain. Management therefore performed robust capital, liquidity and cash flow stress testing based on multiple scenarios and levels of stress. The stress testing (updated and monitored monthly) demonstrates that the Group remains sufficiently capitalised, with appropriate liquidity levels. We remain confident that the benefits of our geographically diversified business, strong balance sheet, significant US dollar-based assets, 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

31 May 2024