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 2023

Over the past three years, our team has worked hard to navigate the tremendous challenges presented by COVID-19 and regulatory changes in Illinois. We are pleased to report that we remain on the path to recovery. We have continued to adapt to changing market conditions, while maintaining a persistent focus on delivering exceptional products and services to our customers.

In 20 years, Finbond has grown from a small one office Pretoria based company to a significant global financial services group with 594 branch/store locations, focusing mainly, but not exclusively, on providing unsecured consumer loans to the previously disadvantaged and marginalised. The Finbond Group comprises several mutually interdependent and complementing business entities with 2,165 employees. Apart from South Africa (“SA”), Finbond also has business interests in 15 states in the United States of America (“US”), Canada, Panama and Malta. During the year under review, Finbond’s results continued to be influenced by the impact of COVID-19 (due to ongoing consumer directed COVID stimulus by governments) and regulatory changes in the US state of Illinois.

- In SA, our Finbond Mutual Bank (“FMB”) and Supreme Finance (“SF”) businesses have successfully recovered from the effects of the COVID pandemic as can be seen from the exceptional earnings growth in SA.
- In the US, we have continued to experience a slower COVID-19 recovery. This is due to the continuation of unprecedented US consumer stimulus (implemented by the US government in response to COVID). This stimulus directly targets our lower income earning customers, puts extraordinary amounts of free money into their hands, and thereby suppresses demand for our credit products. However, we expect this to normalise in the months ahead as COVID stimulus finally and fully phases out. The length of time that COVID stimulus has continued in the US is also unprecedented and could not be anticipated and although the precise timing of the final phase-out remains somewhat uncertain, it is nearing an end, and the lag between its end and the resumption of consumer lending in our industry will almost certainly be shortened as inflationary pressure dries up savings that have built up, and drives consumers to borrow once again. In addition, we continue with the replacement of Illinois sales volumes and products due to regulatory changes in this US state in March 2021. The restructuring of affected Illinois subsidiaries is finalised, operations outside of Illinois have been expanded, and the growth of our alternate loan product in Illinois (to replace products that were affected) continues. We are pleased to report that our new Illinois loan product (“Savings Account Instalment Loans” or

"SAIL") continues its progress. However, we will experience a "revenue and profitability lag effect" with positive impacts on revenue and profitability lagging as this longer-term product will take time to mature. With longer-term products, interest revenue is spread out over a longer period, while IFRS 9 requires expected credit loss provisions upfront, and necessary infrastructure and fixed costs must be incurred upfront.

- In Canada, we have made good progress in rationalising, refocusing, and repositioning the business after management restructuring. The Canadian business bolstered its operational and marketing practices, which resulted in significantly increased sales volumes during the past year.

- In Malta, our shared services office delivers high-quality business intelligence and electronic collections services, that fortify risk management and data support for our subsidiaries in SA and North America.

In another difficult year, our management and employees have continued to demonstrate their dedication and commitment to Finbond and a determination to succeed in delivering value to shareholders.

During the period under review:

- Revenue increased by 21.0% to R1.98 billion (February 2022: R1.64 billion).
- Gross consumer loans and advances increased by 25.6% to R1.41 billion (February 2022: R1.13 billion).
- The value of loans advanced increased by 41.0% to R7.13 billion (February 2022: R5.06 billion).
- The number of loans advanced increased by 20.3% to 1.42 million (February 2022: 1.18 million).
- Total assets increased by 7.2% to R4.96 billion (February 2022: R4.62 billion).
- Headline earnings per share ("HEPS") improved by 15.7% to a loss of 15.1 cents per share (February 2022: loss of 17.9 cents per share).
- Basic earnings per share decreased by 10.6% to a loss of 31.6 cents per share (February 2022: loss of 28.6 cents per share) due to higher non-cash goodwill impairments.

COVID-19 RECOVERY

The strategic recovery and growth initiatives to improve loan volumes affected by COVID and regulatory changes in the US state of Illinois (in May 2021) are showing good progress. Finbond and its subsidiaries remain cautious in credit granting despite significant available capital. We secured $30 million (R552 million) in external funding for our exciting new Illinois product (SAIL), with the option to increase the facility to $50 million (R920 million) by 31 December 2023, to support the significant growth of this new 36% rate cap business in Illinois. At the end of the financial year the SAIL gross loan book amounted to R579 million (February 2022: R384 million).

Sales volumes increased in both SA and North America and are significantly ahead of the corresponding reporting period, as well as pre-COVID and Illinois regulatory change volumes. This is due to SAIL, additional new volumes outside of Illinois, and our investment in associate in May 2021 (which has again

produced outstanding results). However, US consumer COVID stimulus has continued to delay the COVID recovery in our traditional US business, as fewer loans were required by our US customer base. This government sponsored stimulus has dissipated, which should restore volumes across the US in the near term. The traditional US volume recovery is expected to be aided by persistent high inflation, which will deplete consumer savings, leading to anticipated higher demand for our credit products.

In SA, FMB and SF have exceeded their base pre-COVID 2020 comparative year and their budgets.

Group profits, however, will take more time to recover. This is due to two factors: Firstly, the slower COVID recovery in our traditional US business, as discussed above. Secondly, a profitability lag effect created by SAIL as its book grows. Most SAIL loans are 18 to 24-month products, with interest earned over this period. It will therefore take 24 months (2 years) before one "cycle" is complete and we reach the point where monthly interest recognised represents a full 24-month cycle of loans advanced. However, we are required by IFRS 9 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. Finally, 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.

FINANCIAL RESULTS

As described above, Finbond's results for the period under review continued to be affected by the slower than expected COVID-19 recovery (due to US consumer directed stimulus), and the continued replacement of Illinois volumes and products (due to regulatory changes). For further context, for the year ended February 2021, 40.0% (February 2020: 40.0%) of Finbond Group North America's and 26.9% (February 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 and introduction of alternate loan products has progressed in line with expectation.

Despite these adverse conditions, Finbond increased its gross consumer loans portfolio by 25.6% to R1.41 billion from R1.13 billion at the end of the previous financial year.

The vast majority of revenue for the year continues to be derived from short-term consumer loans. HEPS recovered by 15.7% to a loss of 15.1 cents from a loss of 17.9 cents last year. Basic earnings per share however decreased by 10.6% to a loss of 31.6 cents from a loss of 28.6 cents last year due to the higher non-cash goodwill impairments necessitated by our slower recovery in the current year.

Following continued cost savings initiatives and restructures, operating expenses were restricted to an increase of 7.2% to R1.42 billion from R1.33 billion last year (in contrast to increased revenues of 21.0%). It is noteworthy that expenses of R1.42 billion represent a decrease of 13.7% from the R1.65 billion for the year ended February 2020 (i.e., pre-COVID).

Headline Earnings before Interest, Taxation, Depreciation and Amortisation ("H-EBITDA") amounted to a profit of R51.4 million (February 2022: profit of R59.2 million) in North America, versus a profit of R252.3 million (February 2022: profit of R170.5 million) in SA. Geographical segment reporting has been enhanced by separating operating and corporate/non-operating information.

R1.03 billion (February 2022: R808.9 million) or 52% (February 2022: 50%) of total revenue was generated in North America, while R893.7 million (February 2022: R747.1 million) or 45% (February 2022: 50%) was generated in SA.

CASH RESERVES

Finbond Group's liquidity position at the end of February 2023 in terms of cash, cash equivalents and liquid assets remained stable, decreasing marginally by 0.2% to R1.161 billion, from R1.163 billion a year ago. The slight decrease was due to recovering sales volumes (driven significantly by our new Illinois SAIL product, as well as by our SA business) which led to cash outflows as the loan portfolio recovers and grows. Gross consumer loans and advances accordingly increased by 25.6% to R1.41 billion (February 2022: R1.13 billion). This was offset by funds raised by the Finbond Group Limited commercial paper programme in SA and SAIL debt finance in the US (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 121.5% despite the loan book recovery and growth, versus 121.1% in the corresponding period last year when the book remained more or less stagnant due to US COVID consumer stimulus and Illinois regulatory change.

By the end of February 2023, FGL commercial paper (SA) amounted to R2.30 billion (February 2022: R1.99 billion), FMB retail deposits (SA) amounted to R627.4 million (February 2022: R803.3 million), and SAIL debt finance (US) amounted to R434.1 million (February 2022: R280.6 million). The average FGL commercial paper investment size was R1.68 million for the reporting period, the weighted average outstanding note term was 36 months and the weighted average interest rate was 10.5%. The average FMB deposit size was R354 000, the weighted average outstanding deposit term was 28.3 months and the weighted average interest rate 9.3%.

SAIL secured a $30 million (R552 million) debt finance facility, with the option to increase the facility to $50 million (R920 million) by 31 December 2023, repayable in three years at a fixed average interest rate of 11.1%. 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, 6- to 72-month fixed-term retail deposits and has negotiated a three-year US debt facility. 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 9 months in North America, weighted by outstanding balance and based on contractual term), Finbond possesses a low-risk liquidity structure.

CAPITAL MANAGEMENT AND UTILISATION

Responsible capital management and allocation are essential components of meeting Finbond's strategic objective of shared value creation for all stakeholders, including maximising shareholder value. The management of the Group's capital base requires a continuous review of optimal capital levels to ensure appropriate solvency levels. Finbond has an integrated capital and risk management approach. The Finbond Group consists of decentralised businesses. These businesses have different risk profiles and appetites. They are capitalised appropriately based on these risk profiles. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Accordingly, risk management is an important component of responsible capital management and allocation.

The efficient utilisation of excess capital, aimed at unlocking and creating value for shareholders, is a priority. We remain committed to optimising the Group's capital structure. We will continue to pursue profitable, strategic local and international growth opportunities as a first priority, while we will continue to repurchase shares in the open market where the share price is below our assessment of true value. Any additional surplus capital will be returned to shareholders within a reasonable time frame.

RISK MANAGEMENT

The year was characterised by several key challenges within our operating environment. 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.

NORTH AMERICAN OPERATIONS

Finbond's North American business's primary focus remains on short-term consumer loans offered through 202 branches operating in the following states: Arizona, California, Illinois, 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.

Consumer instalment loans are also offered online in Wisconsin, Illinois, South Carolina, Tennessee, Utah and Missouri through our online platforms.

Gross consumer loans and advances increased significantly by 28.6% to R993.5 million at February 2023 from R772.7 million last year, driven predominantly by the new Illinois SAIL product. North American operations received payments from customers of R6.17 billion, an increase of 51.6% compared to the last financial year's R4.07 billion, while granting R5.39 billion in new loans, an increase of 48.5% compared to the last financial year's R3.63 billion. In North America, Finbond had a weighted average term across new loans originated during the period of 2.16 months and an average loan size across all loan type sales of $479.

Total revenue from Finbond's North American short-term lending activities increased by 26.8% to R1.03 billion (February 2022: R808.9 million) for the period under review. This positive revenue increase over the last reporting period will however not be proportional to the significant increase in loans granted of 48.5%, due to the revenue and profitability lag effect discussed above (as our new 24-month Illinois SAIL product will take time to mature).

Collection rates in North America improved by 6.8% to an average collection rate of 108.1%, from 101.3% in the corresponding period. Total net impairment as a percentage of total revenue ended the reporting period at 22.3%. Provisions to gross consumer loans coverage strengthened to 7.9% (February 2022: 12.8%). Although this decrease in the consumer loan coverage ratio is greatly influenced by the change in composition of the book (due to our new 18- to 24-month Illinois SAIL product) the ratios above are indicative of Finbond's conservative credit granting policies, swift response to the COVID pandemic, Illinois regulatory change, and 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.

SOUTH AFRICAN OPERATIONS

Finbond's SA business's main focus remains on small short-term consumer loans through its 392 branches. The disclosure for the SA geographical segment as previously presented has been enhanced by separating the operating and the corporate information. Total revenue from Finbond's SA short-term lending activities increased by 19.6% to R893.7 million (February 2022: R747.1 million) for the financial year under review. SA has recovered well compared to last year and has surpassed “normal” pre-COVID levels.

The gross consumer loan book increased by 19.0% to R420.8 million (February 2022: R353.6 million). SA operations received payments from customers of R2.49 billion, an increase of 18.5% compared to the last financial year's R2.10 billion, while granting R1.74 billion in new loans, an increase of 21.8% compared to the last financial year's R1.43 billion.

Finbond SA's average consumer loan size was R1,951 (February 2022: R1,881) with an average term of 3.4 months (February 2022: 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 four times a year.

Net impairment on loans and advances as a percentage of total revenue increased to 23.0% (February 2022: 20.0%). Provisions to gross consumer loans and advances coverage accordingly increased to 24.8% (February 2022: 22.2%) as our IFRS 9 ECL models ensure that adequate provisions are held. The overall average collection rate achieved for the year was 86.9% (February 2022: 87.5%).

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 77% and 91% for our 12- to 24-month products at the end of February 2023.

STRATEGIC INITIATIVES

Following another difficult and challenging financial year ended 28 February 2023, caused by the lingering effects of COVID-19 lockdown measures (and COVID consumer stimulus in the US) and regulatory changes in Illinois, 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 increased business volumes and expansion of our branch network;
- Stabilising and then growing our international operations through expansion of our store network in North America 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;
- Increasing our net profits through organic growth and strategic acquisitions; and
- Growing SAIL, our innovative contemporary operation based in Chicago, Illinois.

CORPORATE GOVERNANCE

The Board promotes and supports high and ethical standards of corporate governance and, in doing so, also endorses the principles of King IV and ISO 37 000. The Board remains satisfied that Finbond complies with King IV in all material aspects.

Effective corporate governance is of vital importance to a sustainable business and is therefore critical in ensuring Finbond conducts its affairs in a manner that protects the interests of all stakeholders. For this reason, effective corporate governance remains one of the top priorities of the Finbond Board and Executive Management.

Finbond's corporate governance principles and practices remain of the highest standards and exceed all regulatory and statutory requirements. We continuously enhance our corporate governance measures in line with best practice corporate governance recommendations.

INCLUSIVE FINANCIAL SERVICES

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

A significant portion of the adult population in North America, South America and Southern Africa is still actively seeking credit solutions but remain largely unattended and underserviced. These unbanked and underserved do not fall outside the banking sector by choice. An important reason for their predicament is that the formal banking sectors do not offer products tailored to their needs. Demand for these products is also expected to increase, especially in North America, due to high levels of inflation and the depletion of excess savings.

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

MAKING A DIFFERENCE IN THE LIVES OF THE MOST VULNARABLE

We are proud to have been able to continue to support various charitable institutions, even during these challenging times. These include children's NGOs Tshwane House of Safety, Tshwane Place of Safety and Ligstraal School for LSEN as well as institutions caring for the frail and elderly Harmonie Hof, Margaretha Ackerman, Silversig and Silwerkoon.

Our children's NGOs' much needed interventions address the most vulnerable children's unique needs, giving them a healthy start in life, placement with a loving family and protection from harm. In South Africa their work creates lasting change for children, their new families and the broader community – ultimately transforming the future we all share. This work is only made possible by the ongoing generosity of their donors.

In a just and moral society, the frail elderly are entitled to a basic level of compassion, dignity and care. In many countries around the globe, we are witnessing an unprecedented reduction in the proportion of society that is of working age, a development that has the potential to increase the misfortunes of the elderly dramatically. But it also has the potential to serve as a call to action. As a society, we can and must do more to assist those caring for our elders and to give the older members of society the care, respect and commitment they deserve.

LOOKING AHEAD

We are continuously thinking ahead and adapting to a challenging and changing environment. As we look ahead to the coming year, we are optimistic about the opportunities that lie ahead. Our team remains committed to building a sustainable and profitable business that creates value for all our stakeholders. The slower COVID-19 recovery in our industry (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) have continued to impact results, but we believe the end is in sight.

Although the past year has in many ways been a difficult one for alternative financial services businesses worldwide, Finbond faces the future with considerable confidence. Since our report to shareholders last year, we have undoubtedly further developed the Group in ways that will assist in creating value in the future. In an uncertain environment, shareholders can take much comfort from the fundamental soundness of our business and the strength of our management. 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 due to Finbond's management expertise, strong cash flow, solid liquidity, surplus cash position, uniquely positioned 392 branches in South Africa and 202 branches in North America, good asset quality, access to funding and conservative risk management practices.

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 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 28 February 2023 (2022: no dividend).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at

R'000	**28 February 2023**	**28 February 2022**	**% change**
Assets			
Cash and cash equivalents	825,021	617,138	34
Other financial assets at fair value through profit or loss	66,708	110,311	(40)
Other financial assets at amortised cost	269,228	435,479	(38)
Loans and other advances	1,351,835	1,095,389	23
Trade and other receivables	157,857	184,439	(14)
Investments in associates	623,137	473,997	31
Property, plant and equipment	179,733	181,432	(1)
Right of use assets	300,075	338,292	(11)
Investment property	122,152	131,299	(7)
Deferred taxation	100,699	97,922	3
Goodwill	813,785	838,419	(3)
Intangible assets	147,186	120,086	23
Total Assets	**4,957,416**	**4,624,203**	7

Equity			
Share capital	964,747	976,567	(1)
Reserves	352,051	117,622	199
Retained loss	(522,676)	(257,638)	(103)
Equity attributable to owners of the Company	**794,122**	**836,551**	(5)
Non-controlling interest	302,012	181,440	66
Total Equity	**1,096,134**	**1,017,991**	8
Liabilities			
Bank overdraft	-	55,892	(100)
Transactional deposits	31,456	29,660	6
Current tax payable	27,030	-	100
Trade and other payables	115,236	84,742	36
Other loans	434,097	280,622	55
Lease liabilities	327,849	366,038	(10)
Fixed and notice deposits	627,374	803,279	(22)
Commercial paper	2,298,240	1,985,979	16
Total Liabilities	**3,861,282**	**3,606,212**	7
Total Equity and Liabilities	**4,957,416**	**4,624,203**	7

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended

R'000	**28 February 2023**	**28 February 2022**	**% change**
Interest income	1,287,730	1,034,530	24
Interest expense	(352,991)	(313,548)	(13)
Net interest income	**934,739**	**720,982**	30
Fee income	190,047	177,904	7
Other operating income	368,936	331,793	11
Income from associate	131,721	90,736	45
Fair value adjustments	(12,467)	(10,407)	(20)
Foreign exchange gain	1,082	223	385
Net impairment charge	(410,991)	(212,632)	(93)
Impairment of goodwill	(130,344)	(84,302)	(55)
Operating expenses	(1,422,717)	(1,326,580)	(7)
Loss before taxation	**(349,994)**	**(312,283)**	(12)
Taxation	19,408	39,206	(50)
Loss after taxation	**(330,586)**	**(273,077)**	(21)
Foreign currency translation difference for foreign operations	359,141	79,296	353

Total comprehensive income/(loss) for the year	**28,555**	**(193,781)**	115
Loss attributable to:	**(330,586)**	**(273,077)**	(21)
Owners of the company	(265,038)	(244,145)	(9)
Non-controlling interest	(65,548)	(28,932)	(127)
			-
Total comprehensive income/(loss) attributable to:	**28,555**	**(193,781)**	115
Owners of the company	(32,457)	(177,243)	82
Non-controlling interest	61,012	(16,538)	469
Total number of ordinary shares outstanding	794,125	839,125	(5)
Weighted average number of ordinary shares outstanding	837,577	853,865	(2)
Basic loss per share (cents)	(31.6)	(28.6)	(11)
Diluted loss per share (cents)	(31.6)	(28.6)	(11)
Headline loss per share (cents)	(15.1)	(17.9)	16
Diluted headline loss per share (cents)	(15.1)	(17.9)	16
Loss for the period attributable to owners of the company	**(265,038)**	**(244,145)**	(9)
Loss on disposal of property, plant and equipment	1,534	2,807	(45)
Impairment of goodwill	130,344	84,302	55
Fair value changes of investment property	7,028	4,413	59
Headline loss	**(126,132)**	**(152,623)**	17

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended

R'000	**28 February 2023**	**28 February 2022 * restated**	**% change**
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation	(349,994)	(312,283)	(12)
Adjustments for non-cash items	904,236	692,086	31
Changes in working capital	(914,571)	(972,743)	6
Taxation received	29,460	14,210	107
Net cash flow from operating activities	**(330,869)**	**(578,730)**	43

CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(25,769)	(44,669)	42
Proceeds from sale of property, plant and equipment	11,287	19,832	(43)
Acquisition of other intangible assets	(27,478)	(19,704)	(39)
Proceeds from sale of Investment property	183	-	100
Proceeds from sale of financial assets	215,468	123,113	75
Investments in associate	-	(385,457)	100
Distributions received from associates	79,302	50,488	57
Investments in businesses			
Acquisition of businesses, net of cash acquired	-	(63,363)	100
Establishment of businesses, net of cash received	23,483	55,686	(58)
Net cash flow from investing activities	**276,476**	**(264,074)**	205
CASH FLOW FROM FINANCING ACTIVITIES			
Buy-back of shares	(11,820)	(8,840)	(34)
Proceeds from other loans	384,477	267,291	44
Repayment of other loans	(250,746)	-	100
Proceeds from commercial paper	518,172	684,697	(24)
Repayments of commercial paper	(239,893)	(210,475)	(14)
Lease liabilities repaid	(126,555)	(119,932)	(6)
Interest paid on lease liabilities	(22,905)	(27,524)	17
Dividends paid	(14,072)	(62,782)	78
Net cash flow from financing activities	**236,658**	**522,435**	(55)
NET INCREASE/(DECREASE) IN CASH	**182,265**	**(320,369)**	157
Cash at the beginning of the year	561,246	913,218	(39)
Effect of movements in exchange rates *	81,510	(31,603)	358
CASH AT THE END OF THE YEAR	**825,021**	**561,246**	47

* The Group has changed its disclosure of the effect of foreign exchange differences on foreign cash flows, from cash flows from operations to instead report this as a part of the exchange rate differences in foreign currency cash and cash equivalents as per the statement of Cash flows “effect of movements in exchange rates”. As these foreign exchange differences are unrealised at year end they do not have an impact on cash flows and as such required by IAS 7.28 this was an error and has been restated by presenting these foreign exchange differences separately from the cash flows from operating, investing and financing activities. This change in disclosure has no impact on the statement of financial position or the statement of comprehensive income.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended

R'000	**28 February 2023**	**28 February 2022**
Total equity at the beginning of the year	1,017,991	1,227,005
Change in share capital and premium		
Purchase of treasury shares	(5,254)	(8,840)
Shares repurchased	(6,566)	-
Change in reserves		
Equity-settled share-based payment	1,848	703
Total comprehensive loss for the period	(32,457)	(177,243)
Change in non-controlling interest		
Total comprehensive (loss)/income for the period	61,012	(16,538)
Equity contribution	73,632	55,686
Dividends paid	(14,072)	(62,782)
Total equity at the end of the year	**1,096,134**	**1,017,991**

CONDENSED SEGMENTAL INFORMATION

OPERATING SEGMENTS

R'000	**Deposit and Debt finance Products**	**Lending**	**Property Investment**	**Transactional Banking**	**Other #**	**Total**
Year ended 28 February 2023						
Interest Income	23,085	1,259,961	-	55	4,629	1,287,730
Interest expense	(293,790)	(58,143)	-	(438)	(620)	(352,991)
Net interest income/(expense)	**(270,705)**	**1,201,818**	**-**	**(383)**	**4,009**	**934,739**
Fee income	-	164,468	-	25,579	-	190,047
Other operating income	-	363,461	3,404	225	1,846	368,936
Income from associates	-	131,721	-	-	-	131,721
Fair value adjustments	(3,503)	-	(8,964)	-	-	(12,467)
Foreign exchange gain	-	-	-	-	1,082	1,082
Net impairment charge	-	(410,991)	-	-	-	(410,991)
Impairment of goodwill	-	(130,344)	-	-	-	(130,344)
Operating expenses ^	(3,915)	(1,204,515)	(3,902)	(36,397)	(173,988)	(1,422,717)
Operating profit/(loss)	**(278,123)**	**115,618**	**(9,462)**	**(10,976)**	**(167,051)**	**(349,994)**
Taxation	15,423	(6,411)	525	609	9,263	19,408
Profit/(loss) after taxation	**(262,700)**	**109,207**	**(8,937)**	**(10,367)**	**(157,788)**	**(330,586)**

^ Operating expenses include, *inter alia*:						
Depreciation	-	(152,073)	-	(216)	(8,781)	(161,070)
Amortisation	-	(23,304)	-	-	-	(23,304)
Advertising	-	(33,635)	-	-	(7,325)	(40,960)
Bank charges	(2,017)	(99,456)	-	(9,210)	(68)	(110,751)
Collection charges	-	(85,596)	-	-	-	(85,596)
Employee costs	(1,055)	(505,968)	(464)	(2,190)	(112,936)	(622,613)
Property related costs	-	(55,106)	(1,226)	(52)	(2,032)	(58,416)
Telephone and communication expenses	(14)	(40,979)	(7)	(21)	(2,770)	(43,791)
Significant segment assets						
Cash and cash equivalents	468,199	342,784	-	11,906	2,132	825,021
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	-	1,351,835	-	-	-	1,351,835
Trade and other receivables	-	143,125	-	2,076	12,656	157,857
Investments in associates	-	623,137	-	-	-	623,137
Property, plant and equipment	-	136,376	-	196	43,161	179,733
Right of use assets	-	290,958	-	550	8,567	300,075
Investment property	-	-	122,152	-	-	122,152
Goodwill	-	813,785	-	-	-	813,785
Intangible assets	-	147,186	-	-	-	147,186
Significant segment liabilities						
Transactional deposits	-	-	-	31,456	-	31,456
Trade and other payables	1,461	87,667	-	2,295	23,813	115,236
Other loans	-	434,097	-	-	-	434,097
Lease liabilities	-	317,068	-	-	10,781	327,849
Fixed and notice deposits	627,374	-	-	-	-	627,374
Commercial paper	2,298,240	-	-	-	-	2,298,240

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 associate	-	90,736	-	-	-	90,736
Fair value adjustments	85	-	(5,687)	-	(4,805)	(10,407)
Foreign exchange loss	-	-	-	-	223	223
Net impairment charge	-	(211,455)	-	(1,177)	-	(212,632)
Impairment of goodwill	-	(84,302)	-	-	-	(84,302)
Operating expenses ^	(2,456)	(1,177,895)	(2,723)	(61,424)	(82,082)	(1,326,580)
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)**
^ Operating expenses include, *inter alia*:						
Depreciation	-	(149,184)	-	(1,448)	(9,944)	(160,576)
Amortisation	-	(22,508)	-	-	-	(22,508)
Advertising	(6,513)	(39,095)	-	-	-	(45,608)
Bank charges	(1,396)	(82,911)	-	(13,019)	(1,476)	(98,802)
Collection charges	-	(77,118)	-	(113)	-	(77,231)
Computer expenses	(45)	(26,382)	-	(1,069)	(1,615)	(29,111)
Employee costs	(944)	(489,537)	(415)	(13,761)	(63,749)	(568,406)
Telephone and communication expenses	(32)	(40,786)	(22)	(296)	(2,074)	(43,210)
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
Loans and other advances	-	1,095,389	-	-	-	1,095,389
Trade and other receivables	-	82,948	-	931	100,560	184,439

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

[#]The Other operating segment represents centralised services and functions.

GEOGRAPHICAL SEGMENTS

R’000	**South Africa •**	**North America**	**Corporate •**	**Total**
Year ended 28 February 2023				
Interest Income	424,862	859,001	3,867	1,287,730
Interest expense	(91,370)	(219,503)	(42,118)	(352,991)
Net interest income/(expense)	**333,492**	**639,498**	**(38,251)**	**934,739**
Fee income	177,197	13,283	(433)	190,047
Management fee income	3,450	14,601	(18,051)	-
Other operating income	291,684	22,008	55,244	368,936
Income from associates	-	131,721	-	131,721
Fair value adjustments	(7,473)	(4,994)	-	(12,467)
Foreign exchange gain	(93)	(62)	1,237	1,082
Net impairment charge	(205,852)	(199,626)	(5,513)	(410,991)
Impairment of goodwill	-	(130,344)	-	(130,344)
Operating expenses ^	(516,448)	(892,852)	(13,417)	(1,422,717)
Operating profit/(loss)	**75,957**	**(406,767)**	**(19,184)**	**(349,994)**
Taxation	(21,952)	43,852	(2,492)	19,408
Profit/(loss) after taxation	**54,005**	**(362,915)**	**(21,676)**	**(330,586)**

^ Operating expenses include, *inter alia*:				
Depreciation	(75,985)	(85,083)	(2)	(161,070)
Amortisation	(35)	(23,269)	-	(23,304)
Advertising	(1,697)	(31,947)	(7,316)	(40,960)
Bank charges	(62,837)	(47,906)	(8)	(110,751)
Collection charges	(14,305)	(71,291)	-	(85,596)
Employee costs	(175,713)	(435,730)	(11,170)	(622,613)
Property related costs	(28,470)	(29,946)	-	(58,416)
Telephone and communication expenses	(25,463)	(18,221)	(107)	(43,791)
Significant segment assets				
Cash and cash equivalents	148,162	563,187	113,672	825,021
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	914,840	1,000	1,351,835
Trade and other receivables	20,675	77,356	59,826	157,857
Investments in associates	-	623,137	-	623,137
Property, plant and equipment	39,918	139,793	22	179,733
Right of use assets	98,314	201,761	-	300,075
Investment property	122,152	-	-	122,152
Deferred taxation	41,916	74,372	(15,589)	100,699
Goodwill	197,550	616,235	-	813,785
Intangible assets	4,647	142,539	-	147,186
Significant segment liabilities				
Transactional deposits	31,456	-	-	31,456
Trade and other payables	34,825	73,782	6,629	115,236
Other loans	-	434,097	-	434,097
Lease liabilities	110,072	217,777	-	327,849
Fixed and notice deposits	627,374	-	-	627,374
Commercial paper	-	-	2,298,240	2,298,240
Year ended 28 February 2022				
Interest Income	364,551	668,127	1,852	1,034,530
Interest expense	(114,544)	(136,944)	(62,060)	(313,548)
Net interest income/(expense)	**250,007**	**531,183**	**(60,208)**	**720,982**
Fee income	163,655	14,579	(330)	177,904
Management fee income	3,790	11,815	(15,605)	-
Other operating income	218,844	35,423	77,526	331,793
Income from associates	-	90,736	-	90,736
Fair value adjustments	(5,602)	(4,805)	-	(10,407)
Foreign exchange gain	-	209	14	223
Net impairment charge	(149,273)	(47,505)	(15,854)	(212,632)

Impairment of goodwill	-	(84,302)	-	(84,302)
Operating expenses ^	(503,424)	(820,862)	(2,294)	(1,326,580)
Operating loss	**(22,003)**	**(273,529)**	**(16,751)**	**(312,283)**
Taxation	2,477	40,984	(4,255)	39,206
Loss after taxation	**(19,526)**	**(232,545)**	**(21,006)**	**(273,077)**
^ Operating expenses include, *inter alia*:				
Depreciation	(71,449)	(88,976)	(151)	(160,576)
Amortisation	-	(22,508)	-	(22,508)
Advertising	(2,000)	(37,095)	(6,513)	(45,608)
Bank charges	(64,506)	(33,819)	(477)	(98,802)
Collection charges	(14,010)	(63,221)	-	(77,231)
Computer expenses	(14,921)	(14,156)	(34)	(29,111)
Employee costs	(170,915)	(379,432)	(18,059)	(568,406)
Telephone and communication expenses	(20,207)	(22,987)	(16)	(43,210)
Significant segment assets				
Cash and cash equivalents	161,488	432,317	23,333	617,138
Other financial assets at fair value through profit or loss	9,104	101,207	-	110,311
Other financial assets at amortised cost	435,249	-	230	435,479
Loans and other advances	409,474	685,915	-	1,095,389
Trade and other receivables	26,703	107,247	50,489	184,439
Investments in associates	-	473,997	-	473,997
Property, plant and equipment	39,822	141,610	-	181,432
Right of use assets	98,565	239,727	-	338,292
Investment property	131,299	-	-	131,299
Deferred taxation	48,054	18,994	30,874	97,922
Goodwill	197,549	640,870	-	838,419
Intangible assets	1,998	118,088	-	120,086
Significant segment liabilities				
Bank overdraft	-	18,662	37,230	55,892
Transactional deposits	29,660	-	-	29,660
Trade and other payables	26,646	50,913	7,183	84,742
Other loans	-	280,622	-	280,622
Lease liabilities	112,021	254,017	-	366,038
Fixed and notice deposits	803,279	-	-	803,279
Commercial paper	-	-	1,985,979	1,985,979

• Disclosure for the SA geographical segment as previously presented has been further enhanced by separating SA operating from 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 28 February 2023 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 28 February 2023.

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 26 May 2023. 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 2022. 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 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.

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 go to great lengths and consider all available information in making this assessment.

Going concern

The directors have reviewed Group 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 targets our lower income earning customers), the continued replacement of Illinois sales volumes, revenue and products due to regulatory changes in this US State in March 2021, and the current inflated global inflationary environment.

It should be noted again 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 by them.

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 excluding interest in suspense**	**Interest in suspense**	**Total**
Consumer loans and advances					
28 February 2023					
Gross carrying amount	1,048,093	190,597	165,765	9,816	1,414,271
Expected credit loss allowance	(38,366)	(81,989)	(55,328)	(7,377)	(183,060)
Net loans and advances	**1,009,727**	**108,608**	**110,437**	**2,439**	**1,231,211**
ECL coverage (%)	4%	43%	33%	75%	13%
28 February 2022					
Gross carrying amount	788,957	203,646	126,020	7,640	1,126,263
Expected credit loss allowance	(30,240)	(89,381)	(51,346)	(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%
Mortgage loans, specialised loans and title loans					
28 February 2023					
Gross carrying amount	60,331	9,209	92,471	23,069	185,080
Expected credit loss allowance	(818)	(919)	(48,945)	(13,774)	(64,456)
Net loans and advances	**59,513**	**8,290**	**43,526**	**9,295**	**120,624**
ECL coverage (%)	1%	10%	53%	60%	35%
28 February 2022					
Gross carrying amount	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%

Goodwill

Goodwill represents the excess of the purchase price over the assets, liabilities and contingent liabilities identified, acquired in a business combination. Goodwill is, from date of acquisition, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination.

Management regards the useful lives of CGU's to be indefinite, with impairment testing being performed annually, by comparing the net carrying value of the cash-generating units to the estimated recoverable amount. Additionally, a quantified impairment test is performed if, at the end of a reporting period, there is an indication of impairment outside of the annual testing cycle.

R'000	**Opening balance**	**Additions / reorganisation**	**Impairment**	**Forex adjustment**	**Closing balance**
28 February 2023					
American Cash Advance	79,287	-	-	15,113	94,400
AmeriCash	437,969	(18,692)	(23,358)	78,225	474,144
Nice Loans	-	18,692	(6,906)	285	12,071
Cash Back	60,352	-	(31,602)	6,871	35,621
Midwest Small Entities	63,262	-	(68,478)	5,216	-
Supreme Finance	99,584	-	-	-	99,584
Finbond Mutual Bank	97,965	-	-	-	97,965
	838,419	**-**	**(130,344)**	**105,710**	**813,785**
28 February 2022					
American Cash Advance	80,323	-	(3,730)	2,694	79,287
AmeriCash	448,370	26,472	(55,632)	18,759	437,969
Cash Back	81,635	-	(24,021)	2,738	60,352
Midwest Small Entities	58,926	4,265	(919)	990	63,262
Supreme Finance	99,584	-	-	-	99,584
Finbond Mutual Bank	97,965	-	-	-	97,965
	866,803	**30,737**	**(84,302)**	**25,181**	**838,419**

The Group determines the recoverable amount, being the higher of the fair value less cost to sell and the value in use, of individual cash-generating units by discounting the expected future cash flows of each of the identified cash-generating units. The recoverable amount is then compared to the carrying value of the respective cash-generating unit and an impairment loss is raised if required.

A reorganisation of the management, operating processes and reporting of Nice Loans took place during the reporting period. Nice Loans was previously managed, operated, and reported as part of the AmeriCash CGU. After the reorganisation however, AmeriCash retained a much smaller management and operating involvement, with American Cash Advance and Finbond Group North America taking over

management responsibility. As part of this process, it was decided that Nice Loans numbers would be reported separately. Given these changes, FGL management's assessment was that Nice Loans could no longer be allocated to the AmeriCash CGU, as in prior periods, but should be reported as a stand-alone CGU.

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 2023					
Financial assets					
Cash and cash equivalents	825,021	-	825,021	825,021	#
Other financial assets	269,228	66,708	335,936	335,936	Level 2
Loans and advances	1,351,835	-	1,351,835	1,351,835	#
Trade and other receivables	101,901	-	101,901	101,901	#
Financial liabilities					
Transactional deposits	31,456	-	31,456	31,456	#
Trade and other payables	111,123	-	111,123	111,123	#
Other loans	434,097	-	434,097	434,097	#

Lease liabilities	327,849	-	327,849	327,849	#
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
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
Loans and advances	1,095,389	-	1,095,389	1,095,389	#
Trade and other receivables	133,101	-	133,101	133,101	#
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	280,622	#
Lease liabilities	366,038	-	366,038	366,038	#
Fixed and notice deposits	803,279	-	803,279	760,200	Level 2
Commercial paper	1,985,979	-	1,985,979	1,973,682	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	Disposals/ Transfers	Losses recognised in profit or loss	Closing balance
28 February 2023				
Assets				
Investment property	131,299	(183)	(8,964)	122,152
28 February 2022				
Assets				
Non-current assets held for sale	130,736	(130,736)	-	-
Investment property	6,250	130,736	(5,687)	131,299

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

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:

- We have continued to experience a slower COVID recovery in North America due to the unprecedented continuation of the extraordinary United States (US) consumer stimulus (implemented by the US government in response to COVID) that directly targets our lower income earning (LSM) customers. Normalization is anticipated in the months ahead as this consumer stimulus is now finally phased out, or close to phased out in most US states. There is also a lag between the end of COVID consumer stimulus (which is not consistent from one state to the next) and the resumption of consumer lending as savings currently held by US consumers dries up and drives consumers to borrow. Persistently higher inflation is however shortening this lag.
- 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 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. 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 IFRS 9 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 that although the concept has been proven, growth continuing, an energetic management team in place, and initial funding in place – start-up risk remains as it will for any new product and SAIL will require significant further funding at a reasonable cost to sufficiently grow the book and 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 ultimate ability to pay. Higher inflation leads to higher interest rates, which will have a negative impact on the Group's cost of funding.

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 will continue to be influenced by them. Management therefore performed robust 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, significant US dollar-based assets, experienced management team and cash generating ability will continue to stand us in good stead.

Further, the Directors are pleased to convey that the unaudited results reported internally for the two months ending April 2023 finished ahead of budget.

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

26 May 2023