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")

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2022

During the six months under review, Finbond's results continued to be influenced by the impact of the COVID-19 pandemic and regulatory changes in the US state of Illinois. Our recovery continues, and although loans advanced volumes have fully recovered, profits will take more time to recover, as is evident from the key indicators and commentary which follows.

During the period under review:

- The value of loans advanced increased by 67.4% to R3.36 billion (August 2021: R2.01 billion);
- Cash payments received increased by 48.9% to R4.13 billion (August 2021: R2.77 billion);
- Net consumer loans and advances increased by 115.2% to R1.20 billion (August 2021: R558.0 million);
- Total assets increased by 12.0% to R4.91 billion (August 2021: R4.38 billion);
- Total equity (NAV) increased by 2.8% to R1.16 billion (August 2021: R1.13 billion);
- Total revenue (turnover) increased by 18.7% to R954.9 million (August 2021: R804.7 million);
- Headline earnings per share ("HEPS") decreased by 35.9% to a loss of 8.2 cents per share (August 2021: loss of 6.0 cents per share).

ONGOING COVID-19 & ILLINOIS REGULATORY CHANGE RECOVERY

The strategic recovery and growth initiatives to improve loan sales 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 $50 million (R854 million) in external funding for our exciting new Illinois product ("SAIL"), with potential access to a further $50 million (R854 million) to support the significant growth of this new 36% rate cap business in Illinois. At the end of the reporting period the SAIL net loan book amounted to $29.3 million (R500 million).

Sales volumes increased in both South Africa ("SA") and North America and are significantly ahead of the corresponding six-month 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 C1 Holdings in May 2021 (which continues to produce outstanding results). However, United States ("US") consumer stimulus continues to delay the COVID recovery in our traditional US business, as temporarily fewer loans are required by our US customer base. This government sponsored stimulus is dissipating, 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 may deplete consumer savings, leading to anticipated higher demand for our credit products.

In SA, Finbond Mutual Bank and Supreme Finance have exceeded their base pre-COVID 2020 comparative year volumes and are well ahead of budget.

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 already discussed. Secondly, a profitability lag effect created by SAIL as its book grows. Most SAIL loans are 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. This is in contrast to last year’s revenue number, which included interest revenue from a full cycle of Illinois’ old six-month portfolio (predominantly from our Americash subsidiary). Americash results were also only partially affected by the regulatory change in March 2021 (as revenue was still earned as this book began to run down over the following six months). 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. 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.

Accordingly, EBITDA amounted to a loss of R7.3 million (August 2021: profit of R85.9 million) in North America versus a profit of R125.6 million (August 2021: profit of R83.5 million) in SA.

R509.0 million (August 2021: R401.1 million) or 54.3% (August 2021: 52.3.%) of total revenue was generated in North America, while R427.8 million (August 2021: R365.8 million) or 45.7% (August 2021: 47.7%) was generated in SA, noting that the disclosure for the SA geographical segment as previously presented has been further enhanced by separating SA operating from corporate information.

GOODWILL ADJUSTMENT

The further decrease in Basic Earnings per Share (“BEPS") was as result of a goodwill impairment at our Illinois business, Americash. Management’s required assessment at the end of the interim reporting period was that an indicator of impairment existed. The required quantified impairment testing performed on Americash resulted in a R22.2 million goodwill impairment. There were no indicators of impairment at any of FGL’s other Cash Generating Units at the end of the current six-month reporting period.

SOLID LIQUIDITY POSITION

Finbond Group’s liquidity position at the end of August 2022 in terms of cash, cash equivalents and liquid assets decreased by 23.0% to R1.06 billion from R1.38 billion a year ago. The decrease was due to recovering sales volumes (driven significantly by our new Illinois SAIL product, as well as by our SA business) which lead to cash outflows as the loan portfolio recovers and grows. Net consumer loans and advances accordingly increased by 115.2% to R1.20 billion (August 2021: R558.0 million). These outflows were offset by funds raised by the Finbond Group Limited commercial paper program in SA and SAIL debt finance in the US (somewhat offset by cash outflows as Finbond Mutual Bank reduced surplus retail deposits in SA) which led to cash inflows.

Cash received as a percentage of capital granted during the reporting period was 123.1% despite the loan books recovery and growth, versus 138.0% 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 August 2022, FGL commercial paper (SA) amounted to R2.21 billion (August 2021: R1.83 billion), Finbond Mutual Bank retail deposits (SA) amounted to R695.5 million (August 2021: R900.0 million), and SAIL debt finance (US) amounted to R347.9 million (August 2021: R17.5 million). The average FGL commercial paper investment size was R1.29 million, the weighted average outstanding note term was 38 months and the weighted average interest rate was 10.5% at the end of the reporting period. The average Finbond Mutual Bank deposit size was R350 000, the weighted average outstanding deposit term was 28.4 months and the weighted average interest rate 9.3% at the end of the reporting period. As already discussed, SAIL recently secured a $50 million (R854 million) debt finance facility, repayable in 3 years at a fixed average effective interest rate of 11.3%. 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, six- 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 3.53 months in SA and 3.33 months in North America), Finbond possesses a low-risk liquidity structure.

CONSERVATIVE UPFRONT CREDIT SCORING PROCEDURES

Detailed affordability calculations are performed prior to extending any loans in order to determine whether clients can in fact afford the loan repayments. In line with our conservative approach, additional expense buffers were again included in all affordability assessments. This is evidenced by our satisfactory impairment numbers. We will rather have cash 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 reporting period. Credit scores applicable to the various products are monitored on a monthly basis and are continually adjusted to reduce credit risk and further improve the quality of assets held.

STABLE COLLECTION RATES

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

In SA, collection rates averaged 88.7%, 3.7% above the targeted rate of 85% (expected payments received/ instalments). Collection rates in North America averaged 103.2%, 3.2% above the targeted rate of 100% (total payments received/ instalments).

PRUDENT RISK MANAGEMENT PRACTICES

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

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

REGULATION AND COMPLIANCE

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

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

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

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

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

NORTH AMERICAN OPERATIONS

Finbond's North American business's main focus remains on short-term consumer loans offered through 190 branches operating in the following states: Arizona, California, Illinois, Idaho, Wisconsin, Missouri, South Carolina, Tennessee, Louisiana, Mississippi, Alabama, Oklahoma, Michigan, Utah, Nevada and Indiana. In addition to the US, Finbond also has a presence in Ontario, Canada and in Panama.

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

Net consumer loans and advances increased significantly by 173.0% to R860.6 million at August 2022 from R315.2 million a year ago, driven predominantly by our new Illinois SAIL product. North American operations received cash payments from customers of R2.96 billion, an increase of 71.1% compared to the last 6-month period's R1.73 billion, while granting R2.51 billion in new loans, an increase of 93.1% compared to the last 6-month period's R1.30 billion.

Total revenue from Finbond's North American short-term lending activities increased by 26.9% to R509.0 million (August 2021: R401.0 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, due to the revenue and profitability lag effect already discussed (as our new 24-month Illinois SAIL product will take time to mature).

Collection rates in North America improved by 3.2% to an average collection rate of 103.2%, from 100.0% in the corresponding period. Total net impairment as a percentage of total revenue ended the reporting period at 24.1%. Provisions to gross consumer loans coverage strengthened to 11.1% (August 2021: 23.9%). Although this decrease in the consumer loan coverage ratio is greatly influenced by the change in composition of the book (due to our new 24-month Illinois SAIL product) the ratios above are indicative again of Finbond's conservative upfront credit granting policies, swift response to the COVID pandemic and rigorous collections efforts.

As already discussed, the focus remains on high quality, short-term loans. This is supported by the average outstanding book term of 3.33 months and an average loan size (across all loan type sales) of $463.

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

SOUTH AFRICAN ("SA") OPERATIONS

Finbond's SA business's main focus remains on small short-term consumer loans through its 389 branches. Noting again that the disclosure for the SA geographical segment as previously presented has been enhanced by separating SA operating from corporate information. Total revenue from Finbond's SA short-term lending activities increased by 16.9% to R427.8 million (August 2021: R365.8 million) for the interim period under review. SA has recovered well compared to last year and has surpassed "normal" pre-COVID levels.

The net consumer loan book increased by 39.6% to R338.9 million (August 2021: R242.8 million). SA operations received cash payments from customers of R1.17 billion, an increase of 12.6% compared to the last 6-month period's R1.04 billion, while granting R851.8 million in new loans, an increase of 20.8% compared to the last 6-month period's R705.3 million.

Finbond SA's average consumer loan size was R1,977 (August 2021: R1,887) with an average outstanding book term of 3.53 months. 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 3.5 times a year.

Net impairment on loans and advances as a percentage of total revenue remained relatively stable at 20.3% (Aug 2021: 19.4%). Provisions to gross consumer loans and advances coverage strengthened to 19.9% (Aug 2021: 24.0%) as our IFRS 9 ECL models reflect an improved portfolio quality. The overall average collection rate achieved was 88.7% (August 2021: 88.0%).

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 74% and 90% for our 12- to 24-month products at the end of the reporting period.

BUSINESS PHILSOSOPY AND CULTURE

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

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

STRATEGIC INITIATIVES

Following another difficult, volatile and challenging six months ended 31 August 2022, caused by the lingering effects of global COVID lockdown measures and regulatory changes in Illinois (US), 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 SA operations through expansion of our branch network;
- Increasing our SA transactional banking customer base;
- Stabilising and then growing our international operations through expansion of our store network in North America and Latin America;

- Continued growth of SAIL, our innovative contemporary new product based in Chicago, Illinois.
- Diversifying our business operations through key strategic partnerships that can add additional distribution channels;
- Increasing our net profits through organic growth; increased transactional banking revenue in South Africa; and strategic acquisitions.

LOOKING AHEAD

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

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

We remain confident that we have the required resources and depth in management to effectively overcome these challenges and remain optimistic about our prospects for the medium- to long-term future due to Finbond’s management expertise, strong cash flow, solid liquidity and surplus cash position, uniquely positioned 389 branches in South Africa and 190 branches in North America, good asset quality, access to funding and conservative risk management practices.

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

Our business is in a developmental and growth phase and, as with all growing businesses, real risks remain, especially in the current economic environment.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	**Interim unaudited 31 August 2022**	**Interim unaudited 31 August 2021**	**% change**	**Full year audited 28 February 2022**
ASSETS				
Cash and cash equivalents	674,470	761,360	(11)	617,138
Other financial assets at fair value through profit or loss	64,535	9,070	612	110,311
Other financial assets at amortised cost	321,049	607,023	(47)	435,479
Consumer loans and other advances	1,200,527	557,978	115	949,314
Trade and other receivables	200,509	148,931	35	184,439

Non-current assets held for sale	-	130,736	(100)	-
Secured loans and other advances	138,179	152,136	(9)	146,075
Investments in associates	552,676	421,017	31	473,997
Property, plant and equipment	188,456	165,941	14	181,432
Right of use assets	338,840	353,060	(4)	338,292
Investment property	131,117	6,250	1,998	131,299
Deferred taxation	82,705	99,675	(17)	97,922
Goodwill	877,858	854,765	3	838,419
Intangible assets	135,781	112,960	20	120,086
Total Assets	**4,906,702**	**4,380,902**	12	**4,624,203**
EQUITY				
Share capital	976,567	985,407	(1)	976,567
Reserves	264,270	20,643	1,180	117,622
Retained loss	(348,808)	(67,004)	(421)	(257,638)
Equity attributable to ordinary shareholders	**892,029**	**939,046**	(5)	**836,551**
Non-controlling interest	266,971	188,336	42	181,440
Total Equity	**1,159,000**	**1,127,382**	3	**1,017,991**
LIABILITIES				
Bank overdraft	3,457	873	296	55,892
Transactional deposits	27,743	33,465	(17)	29,660
Trade and other payables	96,970	91,368	6	84,742
Other loans	347,912	17,474	1,891	280,622
Lease liabilities	369,963	381,030	(3)	366,038
Fixed and notice deposits	695,542	900,045	(23)	803,279
Commercial paper	2,206,115	1,829,265	21	1,985,979
Total Liabilities	**3,747,702**	**3,253,520**	15	**3,606,212**
Total Equity and Liabilities	**4,906,702**	**4,380,902**	12	**4,624,203**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	**Unaudited Six months 31 August 2022**	**Unaudited Six months 31 August 2021**	**% change**	**Audited Year to 28 February 2022**
Interest income	611,808	507,037	21	1,034,530
Interest expense	(173,648)	(151,221)	(15)	(313,548)
Net interest income	**438,160**	**355,816**	23	**720,982**
Fee income	90,800	95,660	(5)	177,904
Other operating income	188,029	164,154	15	331,793
Income from associate	64,273	37,887	70	90,736
Fair value adjustments other	(3,851)	183	(2,204)	(10,407)
Foreign exchange gain/(loss)	(69)	129	(153)	223

Net impairment charge on loans and advances	(193,303)	(65,694)	(194)	(212,632)
Impairment of goodwill	(22,182)	-	100	(84,302)
Operating expenses	(696,545)	(639,974)	(9)	(1,326,580)
Loss before taxation	**(134,688)**	**(51,839)**	(160)	**(312,283)**
Taxation	8,829	5,755	53	39,206
Loss after taxation	**(125,859)**	**(46,084)**	(173)	**(273,077)**
Foreign currency translation difference for foreign operations	209,823	(47,063)	546	79,296
Total comprehensive income/(loss) for the period	**83,964**	**(93,147)**	190	**(193,781)**
Loss attributable to :	**(125,859)**	**(46,084)**	(173)	**(273,077)**
Owners of the company	(91,170)	(53,511)	(70)	(244,145)
Non-controlling interest	(34,689)	7,427	(567)	(28,932)
Total comprehensive income/(loss) attributable to :	**83,964**	**(93,147)**	190	**(193,781)**
Owners of the company	55,126	(83,316)	166	(177,243)
Non-controlling interest	28,838	(9,831)	393	(16,538)
Total number of ordinary shares outstanding	839,125	854,125	(2)	839,125
Weighted average number of ordinary shares outstanding	839,125	854,125	(2)	853,865
Basic and diluted loss per share (cents)	(10.9)	(6.3)	(73)	(28.6)
Headline and diluted loss per share (cents)	(8.2)	(6.0)	(36)	(17.9)
Loss for the period attributable to owners of the company	**(91,170)**	**(53,511)**	(70)	**(244,145)**
Loss on disposal of property, plant and equipment	450	2,188	(79)	2,807
Impairment of goodwill	22,182	-	100	84,302
Fair value changes of investment property	-	-	100	4,413
Headline loss	**(68,538)**	**(51,323)**	(34)	**(152,623)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

R'000	**Unaudited Six months 31 August 2022**	**Unaudited Six months 31 August 2021**	**Audited Year to 28 February 2022**

CASH FLOW FROM OPERATING ACTIVITIES

Loss before taxation	(134,688)	(51,838)	(160)	(312,283)
Adjustments for non-cash items	381,644	284,239	34	641,311
Changes in working capital	(590,972)	(280,418)	(111)	(972,743)
Cash utilised in operations	**(344,016)**	**(48,017)**	(616)	**(643,715)**
Taxation refunded	7,044	16,980	(59)	14,210
Net cash flow from operating activities	**(336,972)**	**(31,037)**	(986)	**(629,505)**
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(5,934)	(14,378)	59	(44,669)
Proceeds from sale of property, plant and equipment	-	823	(100)	19,832
Proceeds from sale of investment property	182	-	100	-
Acquisition of other intangible assets	(13,934)	(8,316)	(68)	(19,704)
Proceeds from sale of financial assets	156,355	52,169	200	123,113
Investments in associates	-	(421,017)	100	(385,457)
Distributions received from associates	37,679	-	100	50,488
Equity contributions from minority partners	69,923	42,146	66	55,686
Acquisition of businesses, net of cash acquired	-	(11,338)	100	(63,363)
Net cash flow from investing activities	**244,271**	**(359,911)**	168	**(264,074)**
CASH FLOW FROM FINANCING ACTIVITIES				
Buy-back of shares	-	-	100	(8,840)
Proceeds from other loans	35,883	17,474	105	267,291
Proceeds from commercial paper	261,568	434,002	(40)	684,697
Repayments of commercial paper	(71,549)	(72,229)	1	(210,475)
Lease liabilities repaid	(57,573)	(63,856)	10	(119,932)
Interest paid on lease liabilities	(12,342)	(13,704)	10	(27,524)
Dividends paid	(13,230)	(49,053)	73	(62,782)
Net cash flow from financing activities	**142,757**	**252,634**	(43)	**522,435**
NET INCREASE/(DECREASE) IN CASH	**50,056**	**(138,314)**	136	**(371,144)**
Cash at the beginning of the period	**561,246**	913,218	(39)	913,218
Effect of movements in exchange rates on cash held	59,710	(14,417)	514	19,172
CASH AT THE END OF THE PERIOD	**671,013**	**760,487**	(12)	**561,246**

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

R'000	**Unaudited 31 August 2022**	**Unaudited 31 August 2021**	**Audited 28 February 2022**
Total equity at the beginning of the period	1,017,991	1,227,005	1,227,005
Change in share capital and premium			
Treasury shares purchased	-	-	(8,840)

Change in reserves			
Equity-settled share-based payment	352	431	703
Total comprehensive income/(loss) for the period	55,126	(83,316)	(177,243)
Change in non-controlling interest			
Total comprehensive income/(loss) for the period	28,838	(9,831)	(16,538)
Equity contributions	69,923	42,146	55,686
Dividends paid	(13,230)	(49,053)	(62,782)
Total equity at the end of the period	**1,159,000**	**1,127,382**	**1,017,991**

CONDENSED SEGMENTAL INFORMATION

OPERATING SEGMENTS

R'000	**Deposit and Debt finance Products**	**Lending**	**Property Investment**	**Transactio nal Banking**	**Other #**	**Total**
Six months ended 31 August 2022						
Interest Income	10,970	599,341	-	16	1,481	611,808
Interest expense	(148,457)	(24,156)	-	(220)	(815)	(173,648)
Net interest income/(expense)	**(137,487)**	**575,185**	**-**	**(204)**	**666**	**438,160**
Fee income	-	77,380	-	13,420	-	90,800
Other operating income	-	185,463	375	104	2,087	188,029
Income from associates	-	64,273	-	-	-	64,273
Fair value adjustments	(3,851)	-	-	-	-	(3,851)
Foreign exchange gain	-	-	-	-	(69)	(69)
Net impairment charge on loans and advances	-	(193,303)	-	-	-	(193,303)
Impairment of goodwill	-	(22,182)	-	-	-	(22,182)
Depreciation	-	(73,925)	-	(120)	(4,409)	(78,454)
Amortisation	-	(11,031)	-	-	-	(11,031)
Operating expenses	(5,820)	(490,862)	(1,820)	(18,857)	(89,701)	(607,060)
Operating profit/(loss)	**(147,158)**	**110,998**	**(1,445)**	**(5,657)**	**(91,426)**	**(134,688)**
Taxation	9,646	(7,276)	95	371	5,993	8,829
Profit/(loss) after taxation	**(137,512)**	**103,722**	**(1,350)**	**(5,286)**	**(85,433)**	**(125,859)**
Significant segment assets						
Cash and cash equivalents	376,261	280,518	-	10,676	7,015	674,470
Other financial assets at fair value through profit or loss	64,535	-	-	-	-	64,535

Other financial assets at amortised cost	321,049	-	-	-	-	321,049
Consumer loans and other advances	-	1,200,527	-	-	-	1,200,527
Trade and other receivables	-	162,453	-	2,697	35,359	200,509
Secured loans and other advances	-	138,179	-	-	-	138,179
Investments in associates	-	552,676	-	-	-	552,676
Property, plant and equipment	-	148,033	-	294	40,129	188,456
Right of use assets	-	329,600	-	116	9,124	338,840
Investment property	-	-	-	131,117	-	131,117
Goodwill	-	877,858	-	-	-	877,858
Intangible assets	-	135,781	-	-	-	135,781
Significant segment liabilities						
Bank overdraft	-	-	-	-	3,457	3,457
Transactional deposits	-	-	-	27,743	-	27,743
Trade and other payables	4,487	56,799	-	1,891	33,793	96,970
Other loans	-	347,912	-	-	-	347,912
Lease liabilities	-	359,329	-	-	10,634	369,963
Fixed and notice deposits	695,542	-	-	-	-	695,542
Commercial paper	2,206,115	-	-	-	-	2,206,115
Six months ended 31 August 2021						
Interest Income	14,145	491,647	-	-	1,245	507,037
Interest expense	(136,530)	(14,158)	-	(372)	(161)	(151,221)
Net interest income/(expense)	**(122,385)**	**477,489**	**-**	**(372)**	**1,084**	**355,816**
Fee income	-	75,577	-	20,083	-	95,660
Other operating income	-	161,101	527	124	2,402	164,154
Income from associates	-	37,887	-	-	-	37,887
Fair value adjustments	50	-	-	-	133	183
Foreign exchange gain	-	-	-	-	129	129
Net impairment charge on loans and advances	-	(64,936)	-	(758)	-	(65,694)
Depreciation	-	(76,421)	-	(560)	(4,958)	(81,939)
Amortisation	-	(11,333)	-	-	-	(11,333)
Operating expenses	(1,219)	(430,543)	(1,254)	(28,435)	(85,251)	(546,702)
Operating profit/(loss)	**(123,554)**	**168,821**	**(727)**	**(9,918)**	**(86,461)**	**(51,839)**
Taxation	13,717	(18,743)	80	1,101	9,600	5,755
Profit/(loss) after taxation	**(109,837)**	**150,078**	**(647)**	**(8,817)**	**(76,861)**	**(46,084)**

Significant segment assets						
Cash and cash equivalents	339,267	354,328	-	6,413	61,352	761,360
Other financial assets at fair value through profit or loss	9,070	-	-	-	-	9,070
Other financial assets at amortised cost	607,023	-	-	-	-	607,023
Consumer loans and other advances	-	557,978	-	-	-	557,978
Trade and other receivables	-	80,917	-	1,453	66,561	148,931
Non-current assets held for sale	-	-	130,736	-	-	130,736
Secured loans and other advances	-	152,136	-	-	-	152,136
Investments in associates	-	421,017	-	-	-	421,017
Property, plant and equipment	-	87,300	-	1,152	77,489	165,941
Right of use assets	-	337,934	-	2,474	12,652	353,060
Investment property	-	-	6,250	-	-	6,250
Goodwill	-	854,765	-	-	-	854,765
Intangible assets	-	112,413	-	547	-	112,960
Significant segment liabilities						
Bank overdraft	-	-	-	-	873	873
Transactional deposits	-	-	-	33,465	-	33,465
Trade and other payables	2,894	58,279	-	5,865	24,330	91,368
Other loans	-	-	-	-	17,474	17,474
Lease liabilities	-	365,357	-	2,604	13,069	381,030
Fixed and notice deposits	900,045	-	-	-	-	900,045
Commercial paper	1,829,265	-	-	-	-	1,829,265
Year ended 28 February 2022						
Interest Income	26,808	1,004,538	-	1,150	2,034	1,034,530
Interest expense	(276,197)	(35,626)	-	(755)	(970)	(313,548)
Net interest income/(expense)	**(249,389)**	**968,912**	**-**	**395**	**1,064**	**720,982**
Fee income	-	140,069	-	37,835	-	177,904
Other operating income	2,522	320,810	1,321	238	6,902	331,793
Income from associates	-	90,736	-	-	-	90,736
Fair value adjustments	85	-	(5,687)	-	(4,805)	(10,407)
Foreign exchange gain	-	-	-	-	223	223
Net impairment charge on loans and advances	-	(211,455)	-	(1,177)	-	(212,632)
Impairment of goodwill	-	(84,302)	-	-	-	(84,302)

Depreciation	-	(149,184)	-	(1,448)	(9,944)	(160,576)
Amortisation	-	(22,508)	-	-	-	(22,508)
Operating expenses	(2,456)	(1,006,203)	(2,723)	(59,976)	(72,138)	(1,143,496)
Operating profit/(loss)	**(249,238)**	**46,875**	**(7,089)**	**(24,133)**	**(78,698)**	**(312,283)**
Taxation	42,530	(25,121)	1,513	4,118	16,166	39,206
Profit/(loss) after taxation	**(206,708)**	**21,754**	**(5,576)**	**(20,015)**	**(62,532)**	**(273,077)**
Significant segment assets						
Cash and cash equivalents	297,387	317,208	(96)	7,945	(5,306)	617,138
Other financial assets at fair value through profit or loss	110,311	-	-	-	-	110,311
Other financial assets at amortised cost	435,479	-	-	-	-	435,479
Consumer loans and other advances	-	949,314	-	-	-	949,314
Trade and other receivables	-	82,948	-	931	100,560	184,439
Secured loans and other advances	-	146,075	-	-	-	146,075
Investments in associates	-	473,997	-	-	-	473,997
Property, plant and equipment	-	102,304	-	468	78,660	181,432
Right of use assets	-	325,404	-	2,001	10,887	338,292
Investment property	-	-	131,299	-	-	131,299
Goodwill	-	838,419	-	-	-	838,419
Intangible assets	-	120,086	-	-	-	120,086
Significant segment liabilities						
Bank overdraft	18,662	-	-	-	37,230	55,892
Transactional deposits	-	-	-	29,660	-	29,660
Trade and other payables	-	61,113	-	2,122	21,507	84,742
Other loans	-	280,622	-	-	-	280,622
Lease liabilities	-	351,751	-	2,123	12,164	366,038
Fixed and notice deposits	803,279	-	-	-	-	803,279
Commercial paper	1,985,979	-	-	-	-	1,985,979

#The Other operating segment represents centralised services and functions.

GEOGRAPHICAL SEGMENTS

R'000	South Africa* (restated)	North America	Corporate*	Total
Six months ended 31 August 2022				
Interest Income	200,549	410,493	766	611,808

Interest expense	(50,314)	(98,583)	(24,751)	(173,648)
Net interest income	**150,235**	**311,910**	**(23,985)**	**438,160**
Fee income	84,163	6,843	(206)	90,800
Management fee income	1,770	6,101	(7,871)	-
Other operating income	141,273	21,277	25,479	188,029
Income from associates	-	64,273	-	64,273
Fair value adjustments other	(84)	(3,767)	-	(3,851)
Foreign exchange gain/(loss)	(40)	26	(55)	(69)
Net impairment charge on loans and advances	(86,572)	(105,617)	(1,114)	(193,303)
Impairment of goodwill	-	(22,182)	-	(22,182)
Depreciation	(37,236)	(41,218)	-	(78,454)
Amortisation	(17)	(11,014)	-	(11,031)
Operating expenses	(215,488)	(384,761)	(6,811)	(607,060)
Operating profit/(loss)	**38,004**	**(158,129)**	**(14,563)**	**(134,688)**
Taxation	(11,370)	21,209	(1,010)	8,829
Profit/(Loss) after taxation	**26,634**	**(136,920)**	**(15,573)**	**(125,859)**
Significant segment assets				
Cash and cash equivalents	129,550	433,703	111,217	674,470
Other financial assets at fair value through profit or loss	41,785	22,750	-	64,535
Other financial assets at amortised cost	320,814	-	235	321,049
Consumer loans and other advances	338,892	860,635	1,000	1,200,527
Trade and other receivables	21,765	119,569	59,175	200,509
Secured loans and other advances	124,601	13,578	-	138,179
Investments in associates	-	552,676	-	552,676
Property, plant and equipment	40,643	147,813	-	188,456
Right of use assets	89,868	248,972	-	338,840
Investment property	131,117	-	-	131,117
Goodwill	197,550	680,308	-	877,858
Intangible assets	2,852	132,929	-	135,781
Significant segment liabilities				
Bank overdraft	-	-	3,457	3,457
Transactional deposits	27,743	-	-	27,743
Trade and other payables	37,600	44,506	14,864	96,970
Other loans	-	347,912	-	347,912
Lease liabilities	103,083	266,880	-	369,963
Fixed and notice deposits	695,542	-	-	695,542
Commercial paper	-	-	2,206,115	2,206,115
Six months ended 31 August 2021				
Interest Income	184,035	321,942	1,060	507,037

Interest expense	(61,637)	(54,836)	(34,748)	(151,221)
Net interest income	**122,398**	**267,106**	**(33,688)**	**355,816**
Fee income	81,081	14,579	-	95,660
Management fee income	1,989	5,451	(7,440)	-
Other operating income	98,701	21,188	44,265	164,154
Income from associates	-	37,887	-	37,887
Fair value adjustments other	50	133	-	183
Foreign exchange gain/(loss)	-	210	(81)	129
Net impairment charge on loans and advances	(71,209)	19,746	(14,231)	(65,694)
Depreciation	(32,413)	(49,424)	(102)	(81,939)
Amortisation	(3,000)	(8,333)	-	(11,333)
Operating expenses	(211,150)	(335,237)	(315)	(546,702)
Operating profit/(loss)	**(12,969)**	**(26,694)**	**(12,176)**	**(51,839)**
Taxation	2,520	4,320	(1,085)	5,755
Profit/(Loss) after taxation	**(10,449)**	**(22,374)**	**(13,261)**	**(46,084)**
Significant segment assets				
Cash and cash equivalents	142,612	541,808	76,940	761,360
Other financial assets at fair value through profit or loss	9,070	-	-	9,070
Other financial assets at amortised cost	606,798	-	225	607,023
Consumer loans and other advances	242,775	315,203	-	557,978
Trade and other receivables	25,181	73,173	50,577	148,931
Non-current assets held for sale	130,736	-	-	130,736
Secured loans and other advances	140,230	11,906	-	152,136
Investments in associates	-	421,017	-	421,017
Property, plant and equipment	35,292	130,649	-	165,941
Right of use assets	102,319	250,683	58	353,060
Investment property	6,250	-	-	6,250
Goodwill	197,549	657,216	-	854,765
Intangible assets	587	112,373	-	112,960
Significant segment liabilities				
Bank overdraft	-	-	873	873
Transactional deposits	33,465	-	-	33,465
Trade and other payables	39,959	43,558	7,851	91,368
Other loans	-	17,474	-	17,474
Lease liabilities	115,232	265,798	-	381,030
Fixed and notice deposits	900,045	-	-	900,045
Commercial paper	-	-	1,829,265	1,829,265
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	**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 other	(5,602)	(4,805)	-	(10,407)
Foreign exchange gain/(loss)	-	209	14	223
Net impairment charge on loans and advances	(149,273)	(47,505)	(15,854)	(212,632)
Impairment of goodwill	-	(84,302)	-	(84,302)
Depreciation	(71,449)	(88,976)	(151)	(160,576)
Amortisation	-	(22,508)	-	(22,508)
Operating expenses	(431,975)	(709,378)	(2,143)	(1,143,496)
Operating profit/(loss)	**(21,088)**	**(273,529)**	**(17,666)**	**(312,283)**
Taxation	2,477	40,984	(4,255)	39,206
Profit/(Loss) after taxation	**(18,611)**	**(232,545)**	**(21,921)**	**(273,077)**
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
Consumer loans and other advances	275,259	674,055	-	949,314
Trade and other receivables	26,703	107,247	50,489	184,439
Secured loans and other advances	134,215	11,860	-	146,075
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
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 six months ended 31 August 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and financial pronouncements as issued by the Financial Reporting Standards Council. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated annual financial statements of the Group as at and for the year ended 28 February 2022.

The accounting policies applied by the Group in these condensed consolidated financial statements are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

Use of judgements and estimates

The preparation of 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 lingering economic impacts 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 Group's performance during the interim reporting period ended 31 August 2022, and indeed for the full year ending 28 February 2023 may have a knock-on effect on expected future cash flows used to determine the value-in-use of goodwill and intangible assets.

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. A significant amount of judgement is required in this assessment.

The recoverable amounts of cash-generating units and individual assets are 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. 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.

Loans and other advances to customers

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

	Stage 1	Stage 2	Stage 3 excluding interest in suspense	Interest in suspense	Total
Unsecured loans and other advances to customers					
31 August 2022					
Gross loans and advances before impairment	1,003,942	211,317	167,726	9,147	1,392,132
Expected credit loss allowance	(34,897)	(85,888)	(63,972)	(6,848)	(191,605)
Net loans and advances	**969,045**	**125,429**	**103,753**	**2,299**	**1,200,527**
ECL coverage (%)	3.5%	40.6%	38.1%	74.9%	13.8%
31 August 2021					
Gross loans and advances before impairment	444,487	136,403	152,654	-	733,544
Expected credit loss allowance	(34,759)	(64,211)	(70,167)	(6,429)	(175,566)
Net loans and advances	**409,728**	**72,192**	**82,487**	**(6,429)**	**557,978**
ECL coverage (%)	7.8%	47.1%	46.0%		23.9%
28 February 2022					
Gross loans and advances before impairment	788,957	203,646	126,020	7,640	1,126,263
Expected credit loss allowance	(30,240)	(89,381)	(51,346)	(5,982)	(176,949)
Net loans and advances	**758,717**	**114,265**	**74,674**	**1,658**	**949,314**
ECL coverage (%)	3.8%	43.9%	40.7%	78.3%	15.7%
Secured loans and other advances to customers					
31 August 2022					
Gross loans and advances before impairment	60,891	13,590	94,126	21,564	190,171
Expected credit loss allowance	(1,314)	(1,576)	(37,480)	(11,622)	(51,992)
Net loans and advances	**59,577**	**12,014**	**56,646**	**9,942**	**138,179**
ECL coverage (%)	2.2%	11.6%	39.8%	53.9%	27.3%
31 August 2021					

Gross loans and advances before impairment	70,916	8,085	120,173	-	199,174
Expected credit loss allowance	(2,623)	(1,884)	(37,495)	(5,037)	(47,038)
Net loans and advances	**68,293**	**6,201**	**82,679**	**(5,037)**	**152,136**
ECL coverage (%)	3.7%	23.3%	31.2%		23.6%
28 February 2022					
Gross loans and advances before impairment	66,716	9,203	98,916	20,013	194,848
Expected credit loss allowance	(1,369)	(998)	(38,328)	(8,078)	(48,773)
Net loans and advances	**65,347**	**8,205**	**60,588**	**11,935**	**146,075**
ECL coverage (%)	2.1%	10.8%	38.7%	40.4%	25.0%

Goodwill

Goodwill represents the excess of the purchase price over the assets, liabilities and contingent liabilities acquired in a business combination.

Goodwill is (from the date of acquisition) allocated to each of the cash-generating units (CGU's) 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**
31 August 2022					
American Cash Advance	79,287	-	-	8,215	87,502
AmeriCash	437,969	(18,692)	(22,182)	44,306	441,401
Cash Back	60,352	-	-	4,955	65,307
Finbond Mutual Bank	97,965	-	-	-	97,965
Midwest Small Entities	63,262	-	-	4,597	67,859
Nice Loans	-	18,692	-	(452)	18,240
Supreme Finance	99,584	-	-	-	99,584
	838,419	**-**	**(22,182)**	**61,621**	**877,858**
31 August 2021					
American Cash Advance	80,323	-	-	(2,025)	78,298
AmeriCash	448,370	-	-	(9,560)	438,810

Cash Back	81,635	-	-	(2,058)	79,577
Finbond Mutual Bank	97,965	-	-	-	97,965
Midwest Small Entities	58,926	4,404	-	(2,799)	60,531
Supreme Finance	99,584	-	-	-	99,584
	866,803	**4,404**	**-**	**(16,442)**	**854,765**
28 February 2022					
American Cash Advance	80,323	-	(3,730)	2,694	79,287
AmeriCash	448,370	26,333	(55,632)	18,898	437,969
Cash Back	81,635	-	(24,021)	2,738	60,352
Finbond Mutual Bank	97,965	-	-	-	97,965
Midwest Small Entities	58,926	4,404	(919)	851	63,262
Supreme Finance	99,584	-	-	-	99,584
	866,803	**30,737**	**(84,302)**	**25,181**	**838,419**

Management's assessment at the end of the current reporting period was that an indicator of impairment existed at our AmeriCash CGU. The indicator-based assessment was primarily due to the fact that AmeriCash were behind their budgets at the end of the reporting period, to the extent that this may have a knock-on effect on expected future cash flows used to determine the recoverable amount of goodwill. The required quantified impairment testing performed on AmeriCash resulted in a R22.2 million impairment in the reporting period. There were no indicators of impairment at any of FGL's other CGU's at the end of the reporting period.

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 CGU's. The recoverable amount is then compared to the carrying value of the respective CGU and an impairment loss is raised if required.

Additionally, 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**
31 August 2022					
Financial assets					
Cash and cash equivalents	674,470	-	674,470	674,470	#
Other financial assets	321,049	64,535	385,584	385,584	Level 2
Unsecured loans and advances	1,200,527	-	1,200,527	1,200,527	Level 2
Trade and other receivables	151,983	-	151,983	151,983	#
Secured loans and advances	138,179	-	138,179	138,179	Level 2
Financial liabilities					
Bank Overdraft	3,457	-	3,457	3,457	#
Transactional deposits	27,743	-	27,743	27,743	#
Trade and other payables	91,715	-	91,715	91,715	#
Other loans	347,912	-	347,912	346,238	Level 2
Lease liabilities	369,963	-	369,963	369,963	Level 2
Fixed and notice deposits	695,542	-	695,542	658,480	Level 2
Commercial paper	2,206,115	-	2,206,115	2,194,675	Level 2
31 August 2021					
Financial assets					
Cash and cash equivalents	761,360	-	761,360	761,360	#
Other financial assets	607,023	9,070	616,093	616,093	Level 2

Consumer loans and advances	621,389	-	621,389	621,389	Level 2
Trade and other receivables	85,631	-	85,631	85,631	#
Secured loans and advances	152,136	-	152,136	152,136	Level 2
Financial liabilities					
Bank Overdraft	873	-	873	873	#
Transactional deposits	33,465	-	33,465	33,465	#
Trade and other payables	88,404	-	88,404	88,404	#
Other loans	17,474	-	17,474	17,474	Level 2
Lease liabilities	381,030	-	381,030	381,030	Level 2
Fixed and notice deposits	900,045	-	900,045	874,500	Level 2
Commercial paper	1,829,265	-	1,829,265	1,813,967	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
Consumer loans and advances	949,314	-	949,314	949,314	Level 2
Trade and other receivables	133,101	-	133,101	133,101	#
Secured loans and advances	146,075	-	146,075	146,075	Level 2
Financial liabilities					
Bank Overdraft	55,892	-	55,892	55,892	#
Transactional deposits	29,660	-	29,660	29,660	#
Trade and other payables	81,343	-	81,343	81,343	#
Other loans	280,622	-	280,622	276,671	Level 2
Lease liabilities	366,038	-	366,038	366,038	Level 2
Fixed and notice deposits	803,279	-	803,279	760,279	Level 2
Commercial paper	1,985,979	-	1,985,979	1,973,682	Level 2

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	Gains recognised in profit or loss	Closing balance
Assets				
Investment property	131,299	(182)	-	131,117

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

Going concern

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

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

28 October 2022