LETSHEGO HOLDINGS (NAMIBIA) LIMITED

Registration number: 2016/0145
ISIN: NA000A2DVV41
SHARE CODE (NSX): LHN

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2020

COMPANY INFORMATION

Registration number:	2016/0145
Registered address:	18 Schwerinsburg Street P. O. Box 11600 Windhoek Namibia
Company Secretary:	Chriszelda Gontes Letshego Holdings Namibia 18 Schwerinsburg Street Windhoek Namibia
Auditor:	PricewaterhouseCoopers P. O. Box 1571 Windhoek, Namibia
Sponsoring Broker:	IJG Securities (Pty) Limited P. O. Box 186 Windhoek, Namibia
Transfer Secretary:	Transfer Secretaries (Pty) Limited P. O. Box 2401 Windhoek, Namibia

CONTENTS **Page**

Directors' responsibility statement	2
Independent auditor's report	3 - 9
Directors' report	10 - 11
Statements of financial position	12
Statements of comprehensive income	13
Statements of changes in equity	14
Statements of cash flows	15
Significant accounting policies and notes to the financial statements	16 - 53

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements and annual financial statements of Letshego Holdings (Namibia) Limited, comprising the statements of financial position at 31 December 2020, the statements of comprehensive income, the statement of changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies , other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Namibian Companies Act.
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and the group to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate annual financial statements are fairly presented in accordance with International Financial Reporting Standards, and in the manner required by the Namibian Companies Act.

Approval of the annual financial statements

The annual financial statements of Letshego Holdings (Namibia) Limited, as identified in the first paragraph, set out on pages 10 to 53, were approved by the directors on 30 March 2021 and signed on their behalf by:

Maryvonne Palanduz
Chairperson

Ester Kali
Chief Executive Officer

Independent auditor's report

To the Members of Letshego Holdings (Namibia) Limited

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Letshego Holdings (Namibia) Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of Namibia.

What we have audited

Letshego Holdings (Namibia) Limited's consolidated and separate financial statements set out on pages 10 to 53 comprise:

- the directors' report for the year ended 31 December 2020;
- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

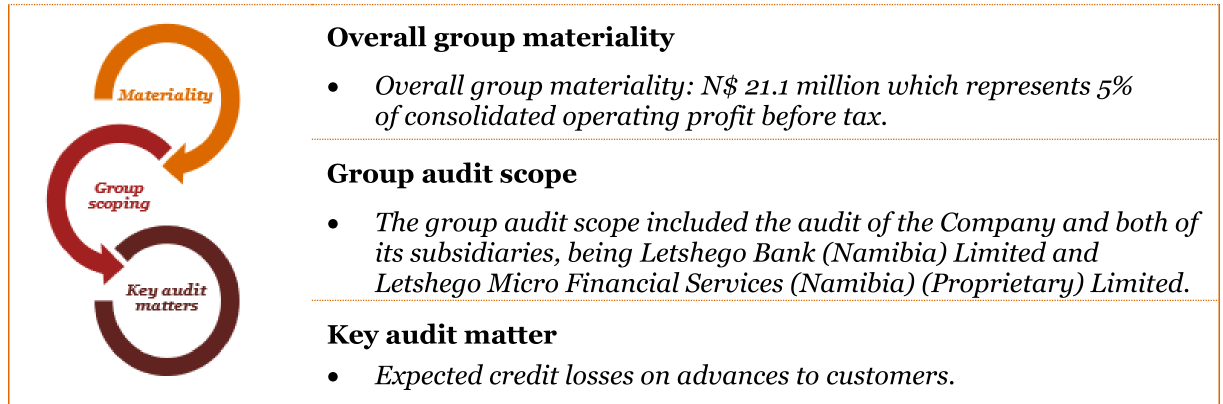
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standard)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

PricewaterhouseCoopers , Registered Auditors, 344 Independence Avenue, Windhoek, P O Box 1571, Windhoek, Namibia
Practice Number 9406, T:+ 264 (61) 284 1000, F: +264 (61) 284 1001, www.pwc.com.na

Country Senior Partner: Chantell N Husselmann
Partners: Louis van der Riet, Anna EJ Rossouw (Partner in charge: Coast), Gerrit Esterhuyse, Samuel N Ndahangwapo, Hans F Hashagen, Johannes P Nel, Hannes van den Berg, Willem A Burger

Our audit approach

Overview



Overall group materiality

- *Overall group materiality: N$ 21.1 million which represents 5% of consolidated operating profit before tax.*

Group audit scope

- *The group audit scope included the audit of the Company and both of its subsidiaries, being Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Proprietary) Limited.*

Key audit matter

- *Expected credit losses on advances to customers.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	*N$ 21.1 million.*
How we determined it	*5% of consolidated operating profit before taxation.*
Rationale for the materiality benchmark applied	*We chose consolidated operating profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of the Company and its two subsidiaries (each a "component") for purposes of our group audit scope. A full scope audit was performed on both of the two subsidiaries, Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Proprietary) Limited.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter below relates to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	*How our audit addressed the key audit matter*
Expected credit losses on advances to customers IFRS 9- Financial Instruments requires the recognition of expected credit losses (ECLs) on all financial assets within the scope of its impairment model. The Group's advances to customers typically comprise of high volume and lower values, therefore a significant portion of the impairment is calculated on a portfolio basis. Management considered the segmentation of the loan book and determined that the loan consists of only one segment, namely Government employees. The non-government segment (which is expected to have a different risk profile), is less than 2% of the total portfolio (which is the threshold used in the model), thus management has not identified that segment as a separate segment for the purpose of the impairment assessment. Management measures the ECLs using a general model for impairment based on	Our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on advances as follows. • We assessed the accounting policies and impairment methodologies applied against the requirements of IFRS 9 and found no material inconsistencies. • Making use of our actuarial expertise, we assessed the reasonability of the transfers between stages by calculating a 12-month transfer ratio which represents the volume of accounts that are expected to move from performing to 30 days past due or worse over the next 12 months for at least 2 consecutive months. This was compared to the transferred performing Stage 2 accounts as a proportion of all performing accounts. No material deviations were noted. • For a sample of Stage 1, 2 and 3 exposures, we evaluated if the exposures are appropriately classified by comparing the aging of the exposures to the staging criteria. No material exceptions were noted.

changes in credit quality since initial recognition.

Stage 1 is not credit-impaired on initial recognition but is monitored by the Group. If there is an increase in credit risk, financial assets move to Stage 2 and a lifetime credit risk model is applied. Advances in Stage 3 are credit impaired if it meets one or more of certain quantitative and qualitative criteria as disclosed in the consolidated financial statements.

For staging purposes, the Group uses the IFRS 9 backstop indicator of 30 days past due (DPD) on contractual payments as well as other information available to the business, such as historical performance. Loans that had rolled out of Stage 1 cannot return to Stage 1 before displaying 6 consecutive months of being less than 30 days past due.

The inputs into the model process requiring significant management estimation and judgement include:

- The probability of default (PD), which is developed by applying a maturity profile of how defaults develop from initiation through the lifetime of the loan, represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the loan.
- The loss given default (LGD) which is determined using judgement around estimation of timing and amount of forecasted cash flows.
- Exposure at default (EAD), based on expected payment profile, considering contractual repayment terms and expected drawdowns with a credit conversion factor.
- Forward looking information is incorporated into the determination of the 12-month and lifetime PD, EAD and LGD. A behavioural scorecard is used to incorporate deterioration in

- Making use of our actuarial expertise, we assessed the reasonableness of the input assumptions applied within the PD, EAD and LGD models for compliance with the requirements of IFRS 9, by performing the following procedures:
    - We independently calculated a PD term structure, using a transition matrix approach, to capture the PD over the entire life of the account. We back-tested our independent PDs versus the actual default experience on the book and also compared this to a balance-weighted estimate of management's account-level PDs by product and stage. We compared our results against management's assessment and noted no material differences.
    - We assessed the EAD by independently estimating an amortisation schedule to outstanding balances for the full behavioural lifetime. We compared our results against management's assessment and noted no material differences.
    - We tested the process and timing of recoveries and developed an independent range of recoveries based on historical data. For insured advances, we assessed the inclusion of insurance recoveries in the LGD assessment. We identified a misstatement relating to the application of insurance coverage, which was corrected by management in the consolidated financial statements.
- Making use of our actuarial expertise, we challenged the forward looking information applied by management by independently assessing a macroeconomic impact based on the Namibian government's credit rating. We compared the impact of our independent assessment of forward looking information to the variables considered by management, and found that it did not materially change the ECL assessment.
- We assessed the appropriateness of the loan segmentation and the need for including any additional segments. Through inspection of a sample of loan agreements, we tested the accuracy

credit quality, taking into account days past due and other forward looking macroeconomic variables for purposes of coming up with Lifetime ECLs.

To mitigate credit risk, loans are covered under a cell captive insurance arrangement between the Company and the cell insurer, and between Letshego Micro Financial Services (Namibia) (Proprietary) Limited and the cell insurer. This arrangement was reviewed during the period October 2019 to April 2020 and as a result, new loans issued during this period were not covered by insurance.

We considered this area to be a matter of most significance in our audit of the current year due to the magnitude of the advances to customers account balance, and the degree of judgement applied by management in determining the ECLs.

The disclosures associated with ECLs on advances to customers are set out in the consolidated financial statements in the following notes:

•Note 6.1.1 — Financial Risk Factors, Credit Risk (page 28); and

•Note 10 — Advances to Customers (page 45).

of the data supporting the segmentation, and based on the data, we noted that the Government is listed as the employer in more than 98% of loans granted, and that inclusion of another segment would not materially change the ECLs.

- We tested whether Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Proprietary) Limited loans are covered under cell captive insurance arrangement between the Company and the cell insurer, and between Letshego Micro Financial Services (Namibia) (Proprietary) Limited, by agreeing loan agreements to insurance cover, on a sample basis, and found that loans were covered by insurance, where stated.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Letshego Holdings (Namibia) Limited Annual Financial Statements for the year ended 31 December 2020" which we obtained prior to the date of this auditor's report, and the document titled "Letshego Holdings (Namibia) Limited Integrated Annual Report 2020", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: Louis van der Riet
Partner

Windhoek
Date: 30 March 2021

The directors present their report to the members, together with the audited annual financial statements of Letshego Holdings (Namibia) Limited ("the company") and the audited consolidated annual financial statements of the company and its subsidiaries ("the group") for the financial year ended 31 December 2020.

1. Reporting entity

Letshego Holdings (Namibia) Limited ('LHN') was incorporated in the Republic of Namibia on 24 February 2016.

2. Nature of business

Letshego Holdings (Namibia) Limited is a listed public company, which operates within the Republic of Namibia. Its main business is holding its investment subsidiaries, namely Letshego Bank Namibia Limited ("LBN") and Letshego Micro Financial Services Namibia (Pty) Ltd ("LMFSN"). LHN holds 99.99% of the issued share capital in LBN and 100% of the issued share capital in LMFSN. The Group provides banking and other financial services to Namibian residents.

3. Share capital

There was no change in the authorised and issued share capital of the company during the year under review.

4. Dividends

Ordinary dividend of 22.5 cents was declared and paid during the year under review (2019: 23.5 cents).

5. Directors and secretary

The following persons were directors during the period under review:

Maryvonne Palanduz**	Independent Non-executive; Chairperson
Ester Kali**	Executive
Rairirira Mbakutua Mbetjiha**	Non-executive
Sven von Blottnitz^*	Independent Non-executive
Rosalia Martins-Hausiku**	Independent Non-Executive
Mythri Sambasivan-George^^	Non-executive (resigned 24 April 2020)

** Namibian ^^ Indian ^* German

The secretary of the company is Chriszelda Gontes.

Business address:	**Postal address:**
18 Schwerinsburg Street	P O Box 11600
Windhoek	Windhoek
Namibia	Namibia

6. Holding company

As at year-end, Letshego Holdings Limited (incorporated in the Republic of Botswana) holds 78.46% of the issued share capital, while Kumwe Investment Holdings Limited holds 12% of the issued share capital. The rest of the issued share capital is held by members of the public (retail investors) as well as corporate entities.

7. Financial results

The financial results of the Company and the Group are set out in these financial statements.

8. Borrowing powers

In terms of the Memorandum and Articles of Incorporation, the company has limited borrowing powers.

The total borrowings of the Group at 31 December 2020 are N$1 430 million (2019 restated: N$908 million). Full details of the borrowings are shown in notes 15 and 16 of the consolidated annual financial statements.

9. Major capital expenditures

The Group made additions to its capital assets of N$3 million (2019: N$17.1 million) excluding the right-of-use assets during the financial year.

10. Going concern

The directors have satisfied themselves that the Group and the separate company is in a sound financial position and that sufficient borrowing facilities are accessible in order to enable the company to meet its foreseeable cash requirements. In addition, there has been no material change in the markets in which the Group and the separate company operates and it has the necessary skills to continue operations. On this basis the directors consider that the Group and the separate company has adequate resources to continue operating for the foreseeable future and therefore deem it appropriate to adopt the going concern basis in preparing the company's financial statements for this reporting period.

11. Investment in subsidiaries

Subsidiaries of Letshego Holdings (Namibia) Limited	Number of shares held	Issued ordinary share capital and premium N$'000	Effective holding 2020 %	Effective holding 2019 %
Letshego Bank (Namibia) Limited	999,994	100	99.9	99.9
Letshego Micro Financial Services (Namibia) (Pty) Ltd	1,000,000	140,100	100	100

Financial details of subsidiaries	Aggregate income of subsidiaries before tax 2020 N$'000	Aggregate income of subsidiaries before tax 2019 N$'000	Total investment 2020 N$'000	Total investment 2019 N$'000
Letshego Bank (Namibia) Limited	103,025	84,344	100	100
Letshego Micro Financial Services (Namibia) (Pty) Ltd	262,679	368,096	570,100	570,100

12. Compliance with BID-2

The Group's annual financial statements comply with the Bank of Namibia's Determination On Asset Classification, Suspension of Interest and Provisioning (BID-2).

13. Material post reporting date events

A dividend of 22.5 cents per ordinary share has been declared since the end of the reporting period.

No other matters which are material to the financial affairs of the group and company have occurred between year-end and the date of approval of the consolidated annual financial statements.

14. Auditors

PricewaterhouseCoopers was appointed as external auditor in 2020 with the approval of the shareholders in accordance with the Namibian Companies Act.

LETSHEGO HOLDINGS (NAMIBIA) LIMITED
ANNUAL FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
as at 31 December 2020

		Group			Company	
			Restated	**Restated**		
		31 December	31 December	1 January	**31 December**	31 December
	Notes	**2020**	2019	2019	**2020**	2019
		N$ '000	N$ '000	N$ '000	**N$ '000**	N$ '000
ASSETS						
Cash and cash equivalents	7	**468,253**	147,586	750,860	**59**	180
Government and other securities	8	**-**	13,979	-	**-**	-
Other receivables	9.1	**202,703**	202,409	131,288	**66,197**	50,212
Intercompany receivable	9.2	**-**	-	-	**78,672**	15,316
Advances to customers	10	**3,608,616**	2,935,341	2,555,622	**-**	-
Current taxation[1]	14.4	**80,653**	77,213	52,249	**7,354**	7,204
Investment in subsidiaries	29	**-**	-	-	**1,914,354**	1,914,354
Property, equipment and right-of-use assets	11	**22,244**	31,672	9,644	**-**	-
Deferred tax assets	14.3	**15,572**	17,826	9,713	**-**	-
Total assets		**4,398,041**	3,426,026	3,509,376	**2,066,636**	1,987,266
LIABILITIES AND EQUITY						
Liabilities						
Deposits due to customers	17	**187,893**	43,361	74,749	**-**	-
Trade and other payables	12	**149,440**	51,509	51,381	**31,402**	296
Lease liabilities	13	**11,162**	14,207	-	**-**	-
Borrowings	15	**842,465**	290,772	341,051	**-**	-
Amounts due to parent company[1]	16	**587,411**	617,197	922,929	**111,184**	-
Deferred tax liabilities	14.3	**21,136**	18,959	14,015	**-**	-
Total liabilities		**1,799,507**	1,036,005	1,404,125	**142,586**	296
SHAREHOLDERS' EQUITY						
Share capital	18	**100**	100	100	**100**	100
Retained earnings[1]		**1,680,057**	1,471,668	1,187,970	**579,796**	642,716
Capital reorganisation reserve	28	**701,024**	701,024	701,024	**1,344,154**	1,344,154
Equity settled share based payment reserve	19	**2,268**	2,144	1,072	**-**	-
		2,383,449	2,174,936	1,890,166	**1,924,050**	1,986,970
Non-controlling interest[1]		**215,085**	215,085	215,085	**-**	-
Total equity		**2,598,534**	2,390,021	2,105,251	**1,924,050**	1,986,970
Total liabilities and equity		**4,398,041**	3,426,026	3,509,376	**2,066,636**	1,987,266

1 During the year, the group restated the Preference Shares in LMFSN back to an intercompany borrowing. This is to rectify a loan to preference share conversion transaction done in March 2018 in LMFSN. Refer to Note 3 for more detail.

LETSHEGO HOLDINGS (NAMIBIA) LIMITED
ANNUAL FINANCIAL STATEMENTS
STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

		Group		Company	
			Restated[1]		
	Notes	**31 December 2020 N$ '000**	31 December 2019 N$ '000	**31 December 2020 N$ '000**	31 December 2019 N$ '000
Interest income calculated using the effective interest income method	23	**625,704**	625,198	**6**	85
Interest expense [1]	23	(98,750)	(110,011)	**-**	-
Net interest income	23	**526,954**	515,187	**6**	85
Credit impairment charge	10, 22	**(43,652)**	(9,236)	**-**	-
Net interest income after impairment		**483,302**	505,951	**6**	85
Dividend income	25	**-**	-	-	120,883
Fee income	24	**6,797**	2,102	**-**	-
Other operating income	25	**167,744**	229,999	**59,662**	73,695
Employee benefits	21, 22	**(70,429)**	(63,889)	**(3)**	(40)
Other operating expenses	22	**(164,291)**	(149,954)	**(2,246)**	(1,971)
Operating profit before taxation		**423,123**	524,209	**57,419**	192,652
Taxation[1]	14	(102,234)	(123,011)	**(7,839)**	(12,358)
Profit for the year		**320,889**	401,198	**49,580**	180,294
Other comprehensive income, net of tax		**-**	-	**-**	-
Total comprehensive income for the period		**320,889**	401,198	**49,580**	180,294
Basic earnings per share (cents)	33	**64**	80	**10**	36
Fully diluted earnings per share (cents)	33	**64**	80	**10**	36

1 During the year, the group restated the Preference Shares in LMFSN back to an intercompany borrowing. This is to rectify a loan to preference share conversion transaction done in March 2018 in LMFSN. Refer to Note 3 for more detail.

LETSHEGO HOLDINGS (NAMIBIA) LIMITED
ANNUAL FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Share capital N$ '000	Equity settled share based payment reserve N$ '000	Retained earnings N$ '000	Capital reorganisation reserve N$ '000	Ordinary shareholders' reserve N$ '000	Non-controlling interest[2] N$ '000	Total equity N$ '000
GROUP							
Restated as at 1st January 2020[1]	**100**	**2,144**	**1,471,668**	**701,024**	**2,174,936**	**215,085**	**2,390,021**
Total comprehensive income for the period							
Profit and total comprehensive income for the year	-	-	**320,889**	-	**320,889**	-	**320,889**
Transactions with equity holders, recorded directly in equity							
			-	-	-		
Ordinary share dividend paid	-	-	**(112,500)**	-	**(112,500)**	-	**(112,500)**
Preference share dividend paid	-	-	-	-	-	-	-
Preference shares redeemed	-	-	-	-	-	-	-
Transfer between reserves[2]							
Share based payment transactions	-	**124**	-	-	**124**	-	**124**
As at 31 December 2020	**100**	**2,268**	**1,680,057**	**701,024**	**2,383,449**	**215,085**	**2,598,534**
As at 1st January 2019	100	1,072	1,162,815	701,024	1,865,011	1,010,343	2,875,354
Correction of error[1]			25,155		25,155	(795,258)	(770,103)
Restated balance at 1st January 2019			1,187,970		1,890,166	215,085	2,105,251
Total comprehensive income for the period							-
Restated profit and total comprehensive income for the period		-	401,198	-	401,198	-	401,198
Transactions with equity holders, recorded directly in equity							
					-		-
Ordinary share dividend paid	-	-	(117,500)	-	(117,500)	-	(117,500)
Preference share dividend paid	-	-		-	-	-	-
Preference shares issued	-	-	-	-	-	-	-
Preference shares redeemed	-	-	-	-	-		-
Share based payment transactions	-	1,072	-	-	1,072	-	1,072
Restated as at 31 December 2019[1]	100	2,144	1,471,668	701,024	2,174,936	215,085	2,390,021

1 During the year, the group restated the Preference Shares in LMFSN back to an intercompany borrowing. This is to rectify a loan to preference share conversion transaction done in March 2018 in LMFSN. Refer to Note 3 for more detail.

2 The Non-controlling interest relates to the preference share holders who do not share in the profit. As at 31 December 2020, the balance is made up of N$215,084,843 irredeemable, non cumulative preference shares (2019: N$215,084,843).

	Share capital N$ '000	Equity settled share based payment reserve N$ '000	Retained earnings N$ '000	Capital reorganisation reserve N$ '000	Ordinary shareholders' reserve N$ '000	Non-controlling interest N$ '000	Total equity N$ '000
COMPANY							
As at 1st January 2020	**100**	-	**642,716**	**1,344,154**	**1,986,970**	-	**1,986,970**
Total comprehensive income for the year							
Profit and total comprehensive income for the period	-	-	**49,580**	-	**49,580**	-	**49,580**
Transactions with equity holders, recorded directly in equity							
Ordinary share dividend paid	-	-	**(112,500)**	-	**(112,500)**	-	**(112,500)**
As at 31 December 2020	**100**	-	**579,796**	**1,344,154**	**1,924,050**	-	**1,924,050**
As at 1st January 2019	100	-	579,922	1,344,154	1,924,176	-	1,924,176
Total comprehensive income for the year							
Profit and total comprehensive income for the period	-	-	180,294	-	180,294	-	180,294
Transactions with equity holders, recorded directly in equity							
Ordinary share dividend paid	-	-	(117,500)	-	(117,500)	-	(117,500)
As at 31 December 2019	100	-	642,716	1,344,154	1,986,970	-	1,986,970

LETSHEGO HOLDINGS (NAMIBIA) LIMITED
ANNUAL FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
for the year ended 31 December 2020

		Group		Company	
	Notes	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES		**N$ '000**	N$ '000	**N$ '000**	N$ '000
Operating profit before taxation[1]		**423,123**	524,209	**57,419**	192,652
Adjusted for:					
- Net interest income[1]	23	**(526,954)**	(515,187)	**(6)**	(85)
- Dividends received		**-**	-	**(59,662)**	(120,883)
- Depreciation [1]	11	**15,108**	12,856	**-**	-
- Impairment allowance on advances	10	**42,926**	5,945	**-**	-
- Equity settled share based payment transactions	19	**124**	1,072	**-**	-
Movement in government and other securities	8	**13,979**	(13,979)	**-**	-
Movement in advances to customers	10	**(716,201)**	(385,665)	**-**	-
Movement in other receivables	9.1	**(294)**	(71,121)	**(15,985)**	(32,008)
Movement in trade and other payables	12	**97,931**	(618)	**31,106**	36
Movement in customer deposits	17	**144,532**	(31,388)	**-**	-
		(505,726)	(473,876)	**12,872**	39,712
Interest received		**625,704**	625,198	**6**	85
Interest paid - customer deposits	23	**(4,766)**	(5,794)	**-**	-
Interest paid - borrowings	23	**(92,281)**	-		
Tax paid	14.4	**(101,244)**	(151,144)	**(7,989)**	(12,329)
Net cash flow from operating activities		**(78,313)**	(5,616)	**4,889**	27,468
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment (excluding to right-of-use assets)	11	**(2,952)**	(17,116)	**-**	-
Dividend received		**-**	-	**59,662**	120,883
Net cash (used in) / from investing activities		**(2,952)**	(17,116)	**59,662**	120,883
CASH FLOWS FROM FINANCING ACTIVITIES					
Ordinary share dividend paid		**(112,500)**	(117,500)	**(112,500)**	(117,500)
Borrowings received		**601,694**	100,000	**-**	-
Borrowings repaid		**(50,000)**	(150,279)	**-**	-
Interest paid - lease liabilities	13, 23	**(1,703)**	(30,823)	**-**	-
Repayment of amounts due to parent company[1]	16	**(29,786)**	(378,379)	**47,828**	**(31,791)**
Principal element of lease payments		**(5,773)**	(3,561)	**-**	-
Net cash generated from financing activities		**401,932**	(580,542)	**(64,672)**	(149,291)
Net movement in cash and cash equivalents		**320,667**	(603,274)	**(121)**	(940)
Movement in cash and cash equivalents					
At the beginning of the year		**147,586**	750,860	**180**	1,120
Movement during the year		**320,667**	(603,274)	**(121)**	(940)
At the end of the period	7	**468,253**	147,586	**59**	180

1 During the year, the group restated the Preference Shares in LMFSN back to an intercompany borrowing. This is to rectify a loan to preference share conversion transaction done in March 2018 in LMFSN. Refer to Note 3 for more detail.

1. Reporting entity

Letshego Holdings (Namibia) Limited is a Company domiciled in Namibia. The address of the Company's registered office is 18 Schwerinsburg Street, Windhoek, Namibia. The consolidated financial statements of Letshego Holdings Namibia Limited as at and for the year ended 31 December 2020 comprise the Company and the interest in its two subsidiaries, namely, Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Pty) Ltd. The Group is primarily engaged in the provision of banking and other financial services to members of the public.

2. Basis of preparation

a) These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented. There is no change and there has also been no new accounting policies adopted in the current year.

b) Functional and presentation currency

These financial statements are presented in Namibia Dollar, which is the Group's functional currency and are rounded to the nearest 1000 Namibia Dollar.

c) Going concern

As stated in the directors' responsibility section, the annual financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

d) Key assumptions and critical judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying amounts of assets and liabilities that are not apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods. Information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Notes 6 and 10.

Impairment of advances to customers

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 6.1.1, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 6.1.1.

Current and deferred taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation in which the Group operates. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Effective Interest Rate (EIR) method

The Group's EIR methodology, as explained in Note 4.f), recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the base rate and other fee income/expense that are integral parts of the instrument.

3. Prior Year Restatement

Letshego Holdings Limited (LHL) is the majority shareholder of LHN, with a shareholding of 78%. LHN in turn has two wholly- owned subsidiaries, Letshego Micro Financial Services Namibia Ltd (LMFSN) and Letshego Bank Namibia Limited (LBN).

In August 2011, LHL granted a shareholder loan to LMFSN of N$600 million, increasing the loan amount over the years. On 1 March 2018, in order to support the growth of the Namibian business, LHL made a decision to convert the outstanding shareholder loan of N$897.1 million into 1000 redeemable non-cumulative preference shares of N$1.00 each, at par value of N$0.10 per share plus a premium.

During 2019, it was determined that the conversion had not been completed in accordance with the Companies Act 2004 and the Listing Requirements of the Namibia Stock Exchange, thereby making the transaction irregular and therefore null and void.

The Group sought external legal counsel to assess the options available and the way forward on this transaction. Two alternatives were given, as follows:
1. regularise and validate the conversion through the court process.
2. maintain the conversion as null and void and therefore reverse the transaction from the date of conversion. This would entail reinstating the shareholder loan retrospectively from 1 March 2018.

Following deliberations and consultation the LHL, LHN and LMFSN Board opted to reverse the transaction and restate the LHN and LHL company financial statements for the years 2018 and 2019.

The restatement entails recalculation of interest on the loan from 1 March 2018 and adjusting for the difference between loan interest and coupon on the preference shares, as well as adjusting for the difference in the tax treatment of the two financial instruments. The effect of the restatement on the LHN consolidated financial statements is shown below:

Statement of financial position - extract	**At 31 December 2018 Audited - (as previously stated)**	**Restatement increase / (decrease)**	**At 31 December 2018 Restated**	**At 31 December 2019 Audited - (as previously stated)**	**Restatement increase / (decrease)**	**At 31 December 2019 Restated**
	N$ '000	**N$ '000**	**N$ '000**	N$ '000	N$ '000	N$ '000
Balance Sheet						
Current taxation	22,347	29,902	52,249	23,826	53,387	77,213
Total assets	**22,347**	**29,902**	**52,249**	**23,826**	**53,387**	**77,213**
Amounts due to parent company	123,399	799,530	922,929	140,952	476,245	617,197
Trade and other payables	50,906	475	51,381	50,288	1,221	51,509
Total liabilities	**174,305**	**800,005**	**974,310**	**191,240**	**477,466**	**668,706**
Retained earnings	1,162,815	25,155	1,187,970	1,430,489	41,179	1,471,668
Non-controlling interests	1,010,343	(795,258)	215,085	680,343	(465,258)	215,085
Total shareholders' equity	**2,173,158**	**(770,103)**	**1,403,055**	**2,110,832**	**(424,079)**	**1,686,753**
Total		-			-	

Statement of profit or loss and other comprehensive income - extract	**At 31 December 2019 Audited - (as previously stated)**	**Restatement increase / (decrease)**	**At 31 December 2019 Restated**
	N$ '000	N$ '000	N$ '000
Interest expense	(36,618)	73,394	(110,012)
Profit before taxation	597,603	(73,394)	524,209
Taxation	(146,497)	(23,486)	(123,011)
Profit for the year	**451,106**	**(96,880)**	**401,198**

	At 31 December 2019 Audited - (as previously stated)	**Restatement increase / (decrease)**	**At 31 December 2019 Restated**
	N$	N$	**N$**
Basic earnings per share (cents)	90	(10)	80
Fully diluted earnings per share (cents)	90	(10)	80

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Basis of consolidation

Interest in subsidiaries
The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:
• has power over the investee;
• is exposed, or has rights, to variable returns from its investment with the investee; and
• has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.
Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The acquisition method of accounting is used to account for all business combinations meeting the definition of a business. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return. It is presumed that a business exists if goodwill is present in the acquired set of assets and activities. Evidence to the contrary would need to overcome this presumption. The consideration transferred for the acquisition comprises the:

• fair values of the assets transferred
• liabilities incurred to or assumed from the former owners of the acquired business
• equity interests issued by the group
• fair value of any asset or liability resulting from a contingent consideration arrangement, and
• fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.
Contingent consideration is classified either as equity, financial asset or a financial liability. Such amounts classified as a financial assets or financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.
If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase (negative goodwill).

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

If the business combination is achieved in stages, the acquisition date carrying amount of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Capital re-organisation reserve accounting
In a capital reorganisation, the new company's consolidated financial statements include the existing entity's full results (including comparatives), even though the reorganisation may have occurred part of the way through the year. This reflects the view that the transaction involves two entities controlled by the same controlling party – the financial statements reflect the numbers from the perspective of that party and they reflect the period over which that party has had control.

b) Foreign currency transactions
Transactions in foreign currencies are translated to Namibia Dollar at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Namibia Dollar at the foreign exchange rate applicable for settlement as at that date. The foreign currency gain or loss on the monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Namibia Dollar at the foreign exchange rate ruling at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Namibian Dollar at foreign exchange rates ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in other comprehensive income.

c) Revenue recognition
Revenue comprises interest income and non-interest income.

i) Interest income
Interest income is recognised in profit or loss at amortised cost using the effective interest method.

Collection fees on loans granted and commission paid to sales agents
Collection fees on loans granted and commission paid to sales agents are charged upfront and capitalised into the loan. These fees are primarily based on the cost of granting the loan to the individual. In accordance with IFRS 9, these collection fees on loans granted and commission paid to sales agents are considered an integral part of the loan agreement and are therefore recognised as an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group and Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and administration charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a collection of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the original effective interest rate to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income from cash and cash equivalents is earned on the effective interest method at the agreed interest rate with the respective financial institution.

4. Significant accounting policies (continued)

c) Revenue recognition (continued)

ii) Fee income

Fees are measured based on consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. Fees are recognised on an accrual basis when the service has been rendered / control over a good or service has been transferred to the customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail banking and microlending services	The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities and servicing fees. Where applicable, fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates on an annual basis. Transaction-based fees for interchange and overdrafts are charged to the customer's account when the transaction takes place. Where applicable, servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group. There is no financing component.	Revenue from account service and servicing fees is recognised over time as the service is provided. Revenue related to transactions is recognised at the point in time when the transaction takes place. Non-refundable up-front fees are recognised as revenue over the period for which a customer is expected to continue receiving the service or utilising the facility.

iii) Dividend income

Dividends are recognised in profit in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the subsequent events note.

d) Leases

i) Group and Company acting as a lessee

The Group leases various office buildings. Rental contracts are typically made for fixed periods of 2 years to 5 years but may have extension options as described below.
Contracts may contain both lease and non-lease components. The Group and Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases of property, plant and equipment were classified as either finance leases or operating leases. Where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received/offered by external third parties as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

When the Group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised. On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use buildings held by the Group are not subject to revaluation.

4. Significant accounting policies (continued)

d) Leases (continued)

i) Group and Company acting as a lessee (continued)

The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment, computer equipment and furniture that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

e) Taxation
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income.

i) Current taxation
Current taxation is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Taxable income is determined by adjusting the profit before taxation for items which are non-taxable or disallowed in terms of tax legislation.

Current tax is charged or credited to profit or loss, except to the extent that it relates to items charged or credited directly to the statement of changes in equity, in which case the tax is also dealt with in equity.

ii) Deferred taxation
Deferred taxation is provided using the statement of financial position liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.
The principal temporary differences arise from depreciation on property, equipment and right-of-use assets, allowances provisions for originated loans, deferred fees on borrowings and provisions for the equity settled share based payments scheme. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis and their tax assets and liabilities will be realised simultaneously.

f) Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired (see definition on Note 6.1.1) at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial assetinstead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:
(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

4. Significant accounting policies (continued)

f) Financial assets and liabilities (continued)

Measurement methods (continued)

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in Note 6.1.1, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

i) Financial assets

1. Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:
• Fair value through profit or loss (FVPL);
• Fair value through other comprehensive income (FVOCI); or
• Amortised cost.
The classification requirements for debt and equity instruments are described below:

The classification of financial assets and financial liabilities depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:
(i) the Group's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.
Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 6.1.1. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

4. Significant accounting policies (continued)

f) Financial assets and liabilities

Measurement methods

i) Financial assets (continued)

***1.* Classification and subsequent measurement (continued)**

Debt instruments (continued)

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Group's business model for the advances book is to hold to collect contractual cash flows, with no intention to sell these loans under securitisation or similar arrangements.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement of profit or loss.

***2.* Impairment**
The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 6.1.1 provides more detail of how the expected credit loss allowance is measured.

Write-off
The Group and Company writes off a loan or an investment in debt securities, partially or fully, and any related provision for impairment loss, when it is determined that there is no realistic prospect for recovery. This is generally the case when the Group and Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and Company's procedures for recovery of amounts due.

4. Significant accounting policies (continued)

f) Financial assets and liabilities

Measurement methods

i) Financial assets (continued)

***3.* Modification of loans**

When the Group renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within other operating income (for all other modifications).

***4.* Derecognition other than on a modification**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group may enter into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach.

Under this approach, the Group continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Group. The net carrying amount of the transferred asset and associated liability is: (a) the amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost; or (b) equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

4. Significant accounting policies (continued)

f) Financial assets and liabilities

Measurement methods

ii) Financial liabilities

***1.* Classification and subsequent measurement**

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; when continuing involvement approach applies, see Note 4(f)(i) *4* ; and

- Financial guarantee contracts and loan commitments.

***2.* Derecognition**

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

iii) Offsetting

Financial assets and financial liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group and Company has a legal right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

iv) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value, and are used by the Group and Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

v) Other receivables

Financial instruments

Other receivables comprise dividends receivable and deposits and sundry debtors which arise during the normal course of business. Other receivables are recognised when the Group and Company obtains control of a resource as a result of past events and from which future economic benefits are expected to flow to the Group and Company within the financial year.

Other receivables are initially measured at fair value, which include transaction costs. Subsequent to initial recognition, other receivables are measured at amortised cost using the effective interest method, less accumulated impairment losses.

Non-financial instruments

Non-financial other receivables comprise of prepayments. Non-financial other receivables are recognised at cost.

vi) Trade and other payables

Trade and other payables are initially recognised at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier. Subsequently these are carried at amortised cost. Trade and other payables that are of a short-term nature are not discounted due to the insignificance of the amortisation charge. Trade and other payables are expected to be settled within twelve months.

4. Significant accounting policies (continued)

g) Property, equipment and right-of-use assets

Property and equipment are measured at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of equipment is capitalised as part of equipment.

If the significant parts of an item of property, equipment and right-of-use assets have different useful lives, these items are accounted for as a separate item of property, equipment and right-of-use assets.

Gains and losses on disposal are calculated by the difference between the net disposal proceeds and the carrying amount of the item determined by comparing the revenue obtained with the carrying amount and are recognised within other income in net profit or loss.

Subsequent costs are capitalised only when it is probable that the future economic benefits of expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as they are incurred.

The leasehold improvements are depreciated over the shorter of the lease contract term and their useful lives. The leasehold improvements relate to the improvements that are made in leased properties.

Depreciation is calculated to write-down the cost of items of property, equipment and right-of-use assets, less their estimated residual values, using the straight-line method over the estimated useful life, and it is generally recognised in profit or loss Qualifying leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful life of significant items of property, equipment and right-of-use assets are as follows:

Computer equipment	3 years
Furniture and fittings	4 years
Office equipment	5 years
Leasehold improvements	5 years
Motor vehicles	4 years
Right-of-use assets - Buildings	Shorter of useful life or lease term

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted if appropriate.

h) Impairment of non-financial assets

The carrying amounts of the Group and Company's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If any such indications exist, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

i) Employee benefit costs

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the entity pays fixed contributions into a separately managed and owned pension fund and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss when they are due in respect of service rendered before the end of the reporting period.

Leave days

Employee entitlements to annual leave are recognised when they accrue to employees. A liability is recognised for the estimated obligation for annual leave as a result of services rendered by employees up to the reporting date.

Employee incentives and bonus schemes

The Group and Company also operates an employee incentive and bonus scheme. The provision for employee bonus incentive is based on a predetermined Group and Company policy and is recognised in trade and other payables. The accrual for employee bonus incentive is expected to be settled within twelve months.

Short-term benefits

The employees' short-term benefits are expensed as the related service is provided. A liability is recognised by the expected value to be paid if the Group has a current legal or constructive obligation to pay this amount on the basis of past service provided by the employee and if the obligation can be estimated reliably.

j) Share based payment transactions

The Group and Company operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional share awards are granted to management and key employees. The number of vesting share awards is subject to achievements of certain non-market conditions. The grant date fair value of share awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become conditionally entitled to the share awards.

k) Provisions

Provisions represent liabilities of uncertain timing or amount and are measured at the expenditure or cash outflow required to settle the present obligation.

A provision is recognised if, as a result of a past event, the Group and Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4. Significant accounting policies (continued)

l) Equity

Equity is the residual interest in the assets of the Group after deducting all liabilities of the Group.
All transactions relating to the acquisition and sale or issue of shares in the Group, together with their associated costs, are accounted for in equity.

m) Share capital and reserves

Share capital is recognised at the fair value of the consideration received and any excess amount over the nominal value of shares issued is treated as share premium.

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

n) Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared and are accounted for as a movement in reserves in the statement of changes in equity. Dividends declared after the statement of financial position date are not recognised as a liability in the statement of financial position.

o) Contingent liabilities

The Group and Company recognises a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Group and Company, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

p) Related parties

Related parties comprise directors and key management personnel of the Group and Company and companies with common ownership and/or directors.

q) Investment in subsidiaries

In the company, investments in subsidiaries are accounted for at cost less impairment.

r) Cell accounting

A cell captive structure represents an agreement between an insurance entity and the group to facilitate the writing of insurance business. The Group has entered into an agreement with an insurance company under which the insurance company has set up an insurance cell within its legal entity, and the Group has subscribed for a separate class of share. The arrangement provides that all claims arising from insurance contracts written by cell are paid out of the cell's assets, with any profits after deduction of the insurer's fees, an allocation taxes, and other costs payable to the Group. In this arrangement, the Group is not required to maintain the solvency of the cell. Thus, customers of the Group do not transfer significant insurance risk and thus an insurance contract does not exist. This arrangement is akin to a profit sharing agreement and thus accounted for as an executory contract in terms of IAS 37 . The Group recognises a financial asset in the financial statement line "Other receivables" for the right to receive these vested profits that have not been declared but only to the extent they have performed in terms of the shareholders agreement.
The income is recognised in "Other operating income".

5. New standards and amendments to standards

a) New standards and interpretations and amendments effective for the first time for 31 December 2020 year-end

Standard/Interpretation	Effective date	Executive Summary
IAS 1 and IAS 8 (amendments)	The amendments are effective 1 January 2020	The amendments clarify the definition and application of material and how it should be applied by including in the definition guidance that had previously featured elsewhere in the IFRS Standards. The amendments ensure that the definition of material is consistent across all IFRS Standards.
Amendments to References to the Conceptual Framework in IFRS Standards	Annual periods beginning on or after 1 January 2020	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.
Definition of a Business (Amendments to IFRS 3)	Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020	The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	Annual reporting periods beginning on or after 1 June 2020	The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

b) New standards and interpretations and amendments issued but not effective for 31 December 2020 year-end

Standard/Interpretation	Effective date	Executive Summary
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	Annual reporting periods beginning on or after 1 January 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual reporting periods beginning on or after 1 January 2022	The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
IFRS 17 – Insurance contracts	Annual periods beginning on or after 1 January 2023	IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements.
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Annual reporting periods beginning on or after 1 January 2023	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Impact assessments

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

IFRS 17 - Insurance contracts:
- The Group currently does not hold any insurance contracts that would be subject to IFRS 17. The Group will continue to assess the impact of IFRS 17 going forward.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1):
- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

6. Financial risk management

The Group is exposed to market risks (interest rate risks and currency risks), credit risks and liquidity risks. The Board of Directors is responsible for the overall process of risk management, as well as forming an opinion on the effectiveness of the risk management process. Management is accountable to the Board of Directors for designing, implementing and monitoring the process of risk management.

6.1 Financial risk factors

6.1.1 Credit risk

'Credit risk' is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other Groups, and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk exists due to the fact that advances granted to customers are unsecured. The risk is however mitigated by the direct salary deduction collection mechanism for the bulk of the loans advanced.

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department, reporting to the Board Credit Committee, is responsible for managing the Group's credit risk, including the following:

• Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

• Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Board Credit Committee, or the Board of Directors, as appropriate.
• Reviewing and assessing credit risk: The Credit function assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
• Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).

• Developing and maintaining the Group's risk gradings to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 7 grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by the Risk function.
• Developing and maintaining the Group's processes for measuring incurred credit losses (ICL): This includes processes for:
– initial approval, regular validation and back-testing of the models used; and
– incorporation of forward-looking information.
• Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Group Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
• Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.

The Group holds 200 "Class H" shares, of par value N$0.01 each and 200 "Class L" shares, of par value N$0.01 each, in Hollard Alternative Risk Transfer (Pty) Ltd, a cell captive which provides insurance cover for qualifying credit loss events on the entity's customer advances portfolio. To mitigate credit risk, loans are covered under a cell captive insurance arrangement between Letshego Holdings (Namibia) Ltd and the cell insurer, and between Letshego Micro Financial Services (Namibia) (Pty) Ltd and the cell insurer. Loans originated between 15 October 2019 and 20 April 2020 were not covered under the cell captive insurance arrangement.

Credit risk measurement - Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to the "Expected credit loss" section below for more details.

Credit risk grading

The Group uses an internal CS ("Collectability Status") classification for the purposes of reflecting its assessment of the probability of default of individual counterparties. The CS is defined as the number of days that an account is in arrears. The credit grades are calibrated such that the risk of default increases exponentially as the credit grades deteriorate. After initial recognition, the payment behaviour of the borrower is monitored on a periodic basis in order to derive the CS.

The Group's rating method comprises 7 rating levels. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of actually observed defaults. The Group's internal rating scale is set out below:

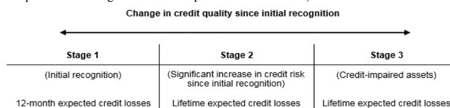
Collectability Status	No of Days overdue	Rating
01	Current	Minimal risk
02	Current	Low risk
03	31 – 60 days	Medium risk
04	61 – 90 days	Medium risk
05	91 – 180 days	Special monitoring
06	181 - 360 days	Doubtful
07	> 360 days	Doubtful

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model also referred to as the 'general model' for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to the "Significant increase in credit risk" section below for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to the "Definition of default and credit-impaired assets" section below for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to the "Measuring ECL – Explanation of inputs, assumptions and estimation techniques" section below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. The "Forward-looking information incorporated in the ECL models" section below includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):



6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Expected credit loss measurement (continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)
Under IFRS 9, each asset must be categorized by level of risk, a process known as staging. The risk levels are indicative of the advanced status of the asset's default status. There are three stages with different implications and treatment under this standard.

For staging purposes, the Group uses the IFRS 9 backstop indicator of 30 days past due (DPD) on contractual payments as well as other information available to the business such as historical performance. Loans that had rolled out of Stage 1 cannot return to Stage 1 before displaying 6 consecutive months of being less than 30 days past due.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:
Quantitative criteria:
The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised if the delinquency position has deteriorated since initial recognition. For example, the migration of a loan from the 30 days past due bucket would indicate a significant increase in credit risk.

Qualitative criteria:
For Retail portfolios, if the borrower meets one or more of the following criteria:
- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last 6 months

For Wholesale and Treasury portfolios, if the borrower is on the Watch-list and/or the instrument meets one or more of the following criteria:
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans

The assessment of SICR incorporates forward-looking information (refer to to the "Forward-looking information incorporated in the ECL models" section below) and is performed on a quarterly basis at a portfolio level for all Retail financial instruments held by the Group. In relation to Wholesale and Treasury financial instruments, where a Watch-list is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop:
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Definition of default and credit-impaired assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:
Quantitative criteria:
The borrower is more than 90 days past due on its contractual payments.
Qualitative criteria:
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Material concessions have been made by the Group relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques
The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD, which is developed by applying a maturity profile of how defaults develop from initiation through the lifetime of the loan, represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The Group's advances to customers typically comprise of high volume and lower values, therefore a significant portion of the impairment is calculated on a portfolio basis. Management considered the segmentation of the loan book and determined that the loan consists of only one segment, namely Government employees. The non-government segment (which is expected to have a different risk profile), is less than 2% of the total portfolio (which is the threshold used in the model), thus management has not identified that segment as a separate segment for the purpose of the impairment assessment.

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Expected credit loss measurement (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.
The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. A behavioural scorecard is used to incorporate deterioration in credit quality, taking into account days past due plus other agreed upon and available forward looking macroeconomic variables for purposes of coming up with Lifetime ECLs. These assumptions vary by product type. Refer to the "Forward-looking information incorporated in the ECL models" section below for an explanation of forward- looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.
There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. There are four macroeconomic variables incorporated as part of the forward-looking information. These are GDP, Unemployment rates, CPI and Inflation (Y-O-Y change). For lifetime PDs, a behavioural scorecard is developed using the four macroeconomic variables as well as payment behaviour. This is then used to convert 12-month PDs to lifetime PDs. A macro-induced regression analysis is used to model a Macro-Induced (MI) LGD for accounts in Stage 2 and 3. This involves identifying how economic conditions influence recovery rates and applying this to forecasted economic outlooks. Macro economic forward looking factors were all stressed to downside heavy for Consumer Price Index (CPI), Inflation, Gross Domestic Product (GDP) and unemployment rate inline with Fitch Solutions' revised outlook for the period ending 31 December 2020. The probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used are 50%, 20% and 30% respectively for Deduction at source portfolio that holds a low credit risk.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, other possible scenarios along with scenario weightings are also provided. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

COVID-19 impact on ECL
The Government Deduction at Source (DAS) portfolio is the largest portfolio and constitutes more than 92% of the total loan portfolio. In general, the macroeconomic environment was on a downturn due to pressure from the Covid-19 pandemic. Although Letshego was operating in a difficult macroeconomic environment, clients continued to honor their financial obligation. Macroeconomic forward-looking factors were all stressed to downside heavy for Consumer Price Index (CPI), Inflation, Gross Domestic Product (GDP) and unemployment rate in line with Fitch Solutions' revised outlook for the period ending 31 December 2020. A probability weighted ECL was then derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used are 50%, 20% and 30%. Refer to stress and sensitivity analysis below.

Economic variables:
Consumer Price Index (CPI) - CPI is the rate at which the general price level for goods and services is rising and consequently, the purchasing power of money is falling. In periods of high inflation, goods and services often increase in price at a faster pace than wage growth. Borrowers can have a harder time paying back loans as inflation rises. Their living expenses go up during inflationary periods and if wages do not keep pace with inflation they may reach a point where they cannot pay all of their obligations. This scenario may lead to an increase in the probability of loan defaults as individuals experience a decrease in their relative purchasing power. CPI is thus the most significant economic variable affecting the ECL allowance for the retail portfolio.

Gross Domestic Product (GDP) and Interest rates - GDP and interest rates are considered significant for the retail portfolio. These variables also affect the ECL allowance for the wholesale portfolio given the significant impact these have on companies' performance, collateral valuations and companies' likelihood of default.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.
The following table shows the main macroeconomic factor used to estimate the expected credit loss allowance on loans.

Macroeconomic factors	Namibia CPI (%)	Namibia GDP (% p.a)	Namibia Unemployement Rate (%)
2019	3.7%	2.3%	26.8%
2020	4.0%	-3.5%	26.6%

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Stress testing and sensitivity analysis of IFRS 9 ECL

As 92% of advances are Government Deduction at Source (DAS) business, the Group was able to remain resilient to the worst effects of Covid-19. This was mainly due to the fact that governments had chosen to take a countercyclical approach and not retrench, so as not to worsen any downward economic trends.

Model recalibrations were performed in 2020 at two points, in April and October 2020. The period between April and October saw the pinnacle of the economic effects of the pandemic. This was the period that had the most severe lockdowns, curfew measures and border restrictions, affecting the ease of doing business. The Group put in a number of measures to mitigate the impact of these conditions which included repayment holidays and loan restructures on a case by case bases.

Loss Given Default (LGD)
The absolute value shift in LGDs between April and October 2020 was 6.4%. This gave an indication of the sensitivity of our LGDs under economic duress. To be conservative, we set the LGD shocks for upside and downside at 10%.

Probability of default (PD)
Since PD's are modelled using a Point-In-Time (PIT) approach, each account is assigned an individual PD. This creates a distribution of PDs for each portfolio. When creating shocks for a portfolio of PIT PD's, a standard margin of adding and subtracting static numbers would not be suitable for creating scenarios. Therefore an approach using percentiles is used to create a cap and a floor for the distributions. A lower percentile is used as the cap for upside, and a higher percentile is used as a floor for downside.

The following table shows a comparison of the Group's expected credit loss allowance under IFRS 9 as at 31 December 2020 based on the probability weightings (Base: 50%, Upside: 20%, Downside: 30%) of the above-mentioned three scenarios against the expected credit loss allowance resulting from simulations of each scenario being weighted at 100%.

NAD'000	Base case	Upside	Impact	Downside	Impact	Probability Weighted ECL	Weighted Impact
ECL	71,004	42,547	(28,485)	84,182	13,151	78,215	7,183

The total weighted impact of N$7m for the Group based on downside scenarios :

LHN	Base ECL	Probability Weighted ECL	Total Impact
	N$'000	N$'000	N$'000
ECL	71,004	78,215	7,210
Total	**71,004**	**78,215**	**7,210**

LFSS, therefore estimates an additional ECL impact of N$7 million as at December 2020 should the Group not have any mitigation in place. Full ECL disclosures can be read in conjuction with 31 December 2019 financial statements and only where there has been significant changes disclosure were noted above.

Grouping of instruments for losses measured on a collective basis
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The delinquency status is used to determine the groupings.

Credit risk exposure

Maximum exposure to credit risk – Financial instruments subject to impairment
The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Advances to customers				
	2020				2019
	ECL Staging				
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	**Total**
Credit grade	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Low risk (CS01 - CS02)	3,463,728	-	-	3,463,728	2,793,378
Medium risk (CS03 - CS04)	-	90,056	-	90,056	24,986
Special monitoring (CS05)	-	-	-	-	20,319
Doubtful (CS06 - CS07)	-	-	125,837	125,837	124,736
Gross carrying amount	**3,463,728**	**90,056**	**125,837**	**3,679,620**	**2,963,419**
Loss allowance	(24,604)	(1,547)	(44,853)	(71,004)	(28,078)
Carrying amount	**3,439,124**	**88,509**	**80,984**	**3,608,616**	**2,935,341**

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in the 'Expected credit loss measurement' section above.

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period [see Note 4.f)i)].

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Loss allowance (continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
	N$ '000	N$ '000	N$ '000	N$ '000
Loss allowance as at 1 January 2020	**15,753**	**890**	**11,435**	**28,078**
Transfers between stages				
Transfer from Stage 1 to Stage 2	(314)	314	-	-
Transfer from Stage 1 to Stage 3	(11,010)	-	11,010	-
Transfer from Stage 2 to Stage 3	-	(2,223)	2,223	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	(23)	23	-
Transfer from Stage 2 to Stage 1	(10)	10	-	-
Net ECL raised / (released)	20,185	2,579	127,494	150,258
Impaired accounts written off	-	-	(107,332)	(107,332)
Loss allowance as at 31 December 2020	**24,604**	**1,547**	**44,853**	**71,004**
	24,604	1,547	44,853	
Loss allowance as at 1 January 2019	**4,171**	**1,154**	**16,808**	**22,133**
Transfers between stages				
Transfer from Stage 1 to Stage 2	(54)	444		390
Transfer from Stage 1 to Stage 3	(119)		4,604	4,485
Transfer from Stage 2 to Stage 3		(173)	746	573
Transfer from Stage 3 to Stage 1	1		(29)	(28)
Transfer from Stage 3 to Stage 2		11	(51)	(40)
Transfer from Stage 2 to Stage 1	5	(40)		(35)
Net ECL raised / (released)	11,749	(506)	89,084	100,327
Impaired accounts written off			(99,727)	(99,727)
Loss allowance as at 31 December 2019	**15,753**	**890**	**11,435**	**28,078**

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:
- The write-off of loans with a total gross carrying amount of NAD 107.3 million (2019: NAD 99.7 million) which resulted in the reduction of the Stage 3 loss allowance by the same amount.

The following table further explains changes in the gross carrying amount of the advances portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
	N$ '000	N$ '000	N$ '000	N$ '000
Gross carrying amount as at 1 January 2020	**2,793,378**	**45,304**	**124,737**	**2,963,419**
Transfers:				
Transfer from Stage 1 to Stage 2	(25,549)	25,549	-	-
Transfer from Stage 1 to Stage 3	(63,569)	-	63,569	-
Transfer from Stage 2 to Stage 3	-	(12,434)	12,434	-
Transfer from Stage 3 to Stage 1	(9)	-	9	-
Transfer from Stage 3 to Stage 2	-	884	(884)	-
Transfer from Stage 2 to Stage 1	377,341	(377,341)	-	-
Financial assets derecognised during the period other than write-offs	(1,034,729)	(23,323)	5,177	(1,052,875)
New financial assets originated	1,380,336	469,182	26,890	1,876,408
Write-offs			(107,332)	(107,332)
Gross carrying amount as at 31 December 2020	**3,427,199**	**127,821**	**124,600**	**3,679,620**
Gross carrying amount as at 1 January 2019	**2,402,204**	**88,077**	**87,474**	**2,577,755**
Transfers:				
Transfer from Stage 1 to Stage 2	(22,915)	22,915	-	-
Transfer from Stage 1 to Stage 3	(55,495)	-	55,495	-
Transfer from Stage 2 to Stage 3	-	(8,940)	8,940	-
Transfer from Stage 3 to Stage 1	302	-	(302)	-
Transfer from Stage 3 to Stage 2	-	537	(537)	-
Transfer from Stage 2 to Stage 1	2,081	(2,081)	-	-
Financial assets derecognised during the period other than write-offs	(1,687,496)	(188,795)	-	(1,876,291)
New financial assets originated	2,154,697	133,591	73,394	2,361,682
Write-offs			(99,727)	(99,727)
Gross carrying amount as at 31 December 2019	**2,793,378**	**45,304**	**124,737**	**2,963,419**

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Loss allowance (continued)

The Group's exposure to credit risk can be divided into two categories
- Advances
- Financial assets other than advances

Balances with the central bank are not subjected to ECL considerations due to the rigorous regulatory requirements of these transactions and its link to the underlying entities ability to operate as a bank. These amounts represent deposits placed in legal tender as issued by the central bank.

Due to historical experience intercompany receivables measured at amortised cost are regarded as a low probability of default and the ECL in respect of these is considered immaterial.
Due to the short term nature of cash and cash equivalents and other receivables as well as historical experience, these assets measured at amortised cost are regarded as having a low probability of default and the ECL in respect of these is considered immaterial.

Advances

The Group's principle business is to provide loans to individuals in both the formal and informal sector. Customers are assessed in full every time they apply for credit to determine if their credit profile remains acceptable in terms of the credit policies of the Group. All of the Group's business is conducted in the Republic of Namibia. The demographic credit characteristics of the customer base expose the Group to systemic credit risk. The Group mitigates this risk by applying the Group's application scorecard, a set of business rules and affordability assessments.

The nature of the loan book is such that it is made up of smaller sized loans across a spectrum of economic sectors and provinces. Loans granted at origination range from a minimum of N$1,000 to a maximum of N$300,000 and repayment periods ranging from a minimum of 6 months to a maximum of 60 months. By its nature, the carrying amount at year end for unsecured loans represents the Group's maximum exposure to credit risk. The Group does have insurance cover to credit events arising from the death of customers; permanent and temporary disability and retrenchments.

Credit philosophy
The credit philosophy of the Group is to pay primary emphasis of the credit decision on the borrower's ability to service the loan. It is therefore critical to establish the customer's ability to service their loan instalments.

The assessment of the customer affordability is done in two parts, the first ensuring compliance with the regulatory guidelines, and second the Group employs its own credit risk model affordability calculation, based on a repayment to income ratio model. A minimum of the affordability assessment and the credit risk model is used to determine the maximum instalment the customer can be offered, limited to the product maximum limits.

Credit risk assessment
The Group calculates credit scores for applicants and further groups these scores into risk groups (which have similar risk expectations). The credit scoring engine is configured with the credit policy parameters and is embedded in the system, preventing human intervention which can result in breach of policy. The verification and inputs into the credit score system include:
- Physical identification of the customer via their identification document and proof of address;
- The customer's 3 month income, monthly living expense, declaration of financial obligations, wage frequency, employer and bank details are captured;
- Electronic Credit Bureau data obtained;
- The captured details, the customer's bureau record, and the customers' historical performance on existing loans is used by the Application Scorecard to determine the customers' risk;
- The customer is then assessed against the business rules; and
- To mitigate against fraud, compliance and credit risk, the customer's completed application flows to the Quality Control Department.

Credit monitoring
The Group utilises various reporting and monitoring tools to engage in and control ongoing credit risk within the credit life-cycle. These include the following:
- Real time monitoring on application volumes, approval rates and processing quality;
- Credit efficiency reports;
- Vintage collection reports to establish the initial recovery process efficiency;
- Credit aging reports to manage and control loan delinquency and provisioning;
- Active payment, collection and integrity trend analysis to control and manage underlying risks and movement within the day to day operational procedures.

The Group's credit management team reviews exception reports produced by the reporting and monitoring tools on a daily, weekly and monthly basis, depending on the type of exception report produced by the credit monitoring system and acts as early warning indicators which the credit management team actively manages. The respective credit management team members report directly to the senior credit executive. Trends and early warning indicators identified are discussed at Risk Committee meetings and where necessary preventative action is initiated, if not done so already by the senior credit executive.

Collection and restructures
The collections function within the Group relates to the effective collections of any monies due and payable by the customer. Core to the collection function is the monitoring of the payment patterns of accounts and to encourage customers to pay their accounts timeously and pay their arrears in the shortest timeframe as possible. Deduction mandates are obtained from customers in their loan contracts and are made from their primary bank account (where the customer's salary is deposited). Where collection is unsuccessful, arrears follow up is performed initially through the call centre.

The Group operates two types of restructures – namely, informal indulgences and formal restructures. Informal indulgences are where customers request a lower repayment/instalment amount referred to as a promise to pay. Formal restructures relate to debt counselling, administration orders and court orders.

External recovery
The Transfer Policy prescribes when an account will move into the Legal Collections division. Once an account has been transferred into Legal Collections, the account will be allocated to a department either in In-house or Outsourced Collections based on current internal business rules.

Credit quality

	GROUP		***COMPANY***	
Analysis of credit quality	**31 December 2020 Advances N$ '000**	**31 December 2019 Advances N$ '000**	**31 December 2020 Advances N$ '000**	**31 December 2019 Advances N$ '000**
Financial assets that are neither past due nor specifically impaired				
Stage 1	**3,427,199**	2,793,378	-	-
Past due and specifically impaired			-	-
Stage 2	**127,821**	45,304	-	-
Stage 3	**124,600**	124,737	-	-
Total credit exposure	**3,679,620**	2,963,419	-	-
Total impairments				
Stage 1	**(24,604)**	(15,754)	-	-
Stage 2	**(1,547)**	(889)	-	-
Stage 3	**(44,853)**	(11,435)	-	-
Net advances	**3,608,616**	2,935,341	-	-
Impairment as a % of gross advances per respective stage				
Stage 1	**0.72%**	0.56%	-	-
Stage 2	**1.21%**	1.96%	-	-
Stage 3	**36.00%**	9.17%	-	-
Total impairment as a % of total gross advances	**1.93%**	0.95%	-	-
Reconciliation of allowance account				
Balance at the beginning of the year	**28,078**	22,133	-	-
Impairment provision raised	**150,258**	105,672	-	-
Impairment provision released upon write-offs of underlying exposure (note 10)	**(107,332)**	(99,727)	-	-
Balance at the end of the year	**71,004**	28,078	-	-

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Advances (continued)

Credit risk impacts
Credit quality of advances neither past due nor impaired:
For public sector employee loans the only credit risk being faced by loans in the group is default of the Namibian government and termination of employment on a voluntary basis or dismissal that cannot be seen as retrenchment. Insurance would cover losses in the event of death, permanent disability, involuntary retirement or retrenchment. The performing book (i.e. no instalments in arrears) is not further segmented into risk categories.

Concentration Risk
Credit concentration risk is the risk of loss to the Group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, region or maturity. This concentration typically exits when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

Although the Group is exposed to unsecured personal loans, the Group's credit risk portfolio is well diversified across individuals who are geographically spread across the country's regions.

The following table breaks down the Group's credit exposure at carrying amount as categorised by loan size and original loan advanced.

Loans

Average loan value (at inception)	Number of loans	% of total number of loans	Carrying amount (net of impairment) N$ '000	% of total carrying amount
2020 - Group				
< 5 000	**1,917**	**2.38%**	**19,162**	**0.54%**
5 000 - 10 000	**6,939**	**8.60%**	**68,421**	**1.92%**
10 000 -20 000	**13,231**	**16.40%**	**195,726**	**5.50%**
20 000 - 50 000	**24,474**	**30.34%**	**870,001**	**24.43%**
> 50 000	**34,092**	**42.28%**	**2,455,306**	**67.62%**
Total	**80,653**	**100.00%**	**3,608,616**	**100.00%**

Average loan value (at inception)	Number of loans	% of total number of loans	Carrying amount (net of impairment) N$ '000	% of total carrying amount
2019 - Group				
< 5 000	1,661	2.06%	4,098	0.14%
5 000 - 10 000	7,365	9.14%	36,574	1.25%
10 000 -20 000	14,556	18.07%	143,338	4.88%
20 000 - 50 000	45,666	56.68%	1,418,477	48.32%
> 50 000	11,326	14.06%	1,332,853	45.41%
Total	80,574	100.00%	2,935,341	100.00%

The concentration risk per employer is as follows:

- Public sector	97%
- Other employers	3%

No collateral is held for these advances.

Financial assets other than advances

All financial assets other than advances are made up of cash and cash equivalents, statutory assets, derivative assets and trade receivables. All financial assets other than advances, excluding trade receivables and loans to affiliate companies are placed with reputable counterparties.
The Group maintains cash and cash equivalents and short term investments with various financial institutions and in this regard it is the Group's policy to limit its exposure to any one financial institution. Cash deposits are placed only with banks which have an approved credit limit, as recommended by the ALCO and approved by the Board Audit and Risk Committee.
Trade receivables are evaluated on an entity by entity basis. The Group limits the tenure and size of the debt to ensure that it does not pose a material risk to the Group. For further information refer to Note 9.1.
At balance sheet date the international long-term credit rating, using Moody's ratings was as follows for cash and cash equivalents:

	Total carrying amount N$ '000	Single largest exposure to a single counter-party N$ '000	Aaa to A3 N$ '000	Baa1 to Baa3 N$ '000	Below Baa3 N$ '000	Not rated N$ '000
2020 - Group						
Cash and cash equivalents	**402,519**	**391,798**	**402,519**	**-**	**-**	**-**
Deposits with Bank of Namibia	**65,734**	**65,734**	**65,734**	**-**	**-**	**-**
Other receivables	**181,720**	**168,498**	**-**	**-**	**-**	**181,720**
Total	**649,973**	**626,030**	**468,253**	**-**	**-**	**181,720**
2019 - Group						
Cash and cash equivalents	99,477	70,752	99,477	-	-	-
Deposits with Bank of Namibia	48,109	48,109	48,109	-	-	-
Government and other securities	13,979	13,979	13,979	-	-	-
Other receivables	188,180	132,767	-	-	-	188,180
Total	349,745	265,607	161,565	-	-	188,180
2020 - Company						
Cash and cash equivalents	59	59	59	-	-	-
Other receivables	66,197	66,197	-	-	-	66,197
Intercompany receivable	78,672	78,672	-	-	-	78,672
Total	144,928	144,928	59	-	-	144,869
2019 - Company						
Cash and cash equivalents	180	180	180	-	-	-
Other receivables	50,212	50,212	-	-	-	50,212
Intercompany receivable	15,316	15,316	-	-	-	15,316
Total	65,708	65,708	180	-	-	65,528

6.1 Financial risk factors (continued)

6.1.2 Market risk

'Market risk' is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Group's income or the value of its holdings of financial instruments. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

6.1.2.1 Interest rate risk management

The Group separates its exposure to market risks between trading and non-trading portfolios. Trading portfolios include positions arising from market making, together with financial assets and financial liabilities that are managed on a fair value basis. Currently, the Group only has a non-trading portfolio.

Interest rate risk for the purposes of IFRS is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest rate risk arising in its financial assets and from its holdings in cash and cash equivalents. However the Group's most significant financial asset is its fixed rate advances portfolio.

For the purposes of IFRS 7, the Group is not exposed to interest rate risk on the fixed rate advance portfolio, since neither the carrying amount nor the future cash flows will fluctuate because of changes in market interest rates. The Group seeks to achieve funding that is at a similarly fixed rate as that of the advances portfolio.

It is not always feasible to raise fixed rate funding and therefore the Group may have a mix of fixed and variable rate funding instruments. Variable rate funding instruments expose the Group to interest rate risk for the purposes of IFRS. Currently, the Group's funding is mainly from the variable interest rate loan from the ultimate holding company.

Risk measurement and management

Overall authority for market risk is vested in the Asset and Liability Committee (ALCO). ALCO sets up limits for each type of risk in aggregate and for portfolios, with market and liquidity risks being primary factors in determining the level of limits set for trading portfolios.

ALCO is the monitoring body for compliance with these limits and is assisted by Management in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Group's interest rate exposures, which include the impact of the Group's outstanding or forecast debt obligations.

ALCO is responsible for setting the overall hedging strategy of the Group. Management is responsible for implementing that strategy by putting in place the individual hedge arrangements.

The ALCO views interest rate in the banking book to comprise of the following:
- Re-pricing risk (mismatch risk), being the timing difference in the maturity (for fixed) and re-pricing (for floating rate) of the Group's assets and liabilities; and
- yield curve risk, which includes the changes in the shape and slope of the yield curve.

ALCO monitors and manages these risks in adherence to the Group's risk appetite and meets on a monthly basis to analyse the impact of interest rate risk on the Group and reports directly to the Board Audit and Risk Committee on a quarterly basis. The techniques used to measure and control interest rate risk by the ALCO includes re-pricing profiles, sensitivity/scenario analysis and stress testing.

In the context of re-pricing profiles, instruments are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. Instruments which have no explicit contractual re-pricing or maturity dates are placed in time buckets based on the most likely re-pricing behaviour.

Sensitivity and stress testing consists of a combination of stress scenarios and historical stress movements.

Given the extent of the risk and the current risk mitigants, a more sophisticated (e.g. value-at-risk) analysis is not considered necessary.

Interest rate sensitivity analysis

Two separate interest rate sensitivity analyses for the Group are set out be in the table below, namely the re- pricing profile and the potential effect of changes in the market interest rate on earnings for floating rate instruments.

i) Re-pricing profile

The tables below summarise the re- pricing exposure to interest rate risk through grouping assets and liabilities into re-pricing categories, determined to be the earlier of the contractual re-pricing or maturity date, using the carrying amount of such assets and liabilities at balance sheet date.

2020 - ***GROUP***	Demand and up to 1 month N$ '000	Greater than 1 month up to 3 months N$ '000	Greater than 3 months up to 12 months N$ '000	Greater than 12 months up to 24 months N$ '000	Greater than 24 months N$ '000	Non-interest sensitive items N$ '000	Non-financial instruments N$ '000	Total N$ '000
Assets								
Cash and cash equivalents	468,253	-	-	-	-	-	-	468,253
Government and other securities	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	181,720	20,983	202,703
Net advances	117,021	227,068	915,545	181,820	2,167,163	-		3,608,616
Current taxation	-	-	-	-	-	-	80,653	80,653
Property, equipment and right-of-use assets	-	-	-	-	-	-	22,244	22,244
Deferred tax assets	-	-	-	-	-	-	15,572	15,572
Total assets	585,274	227,068	915,545	181,820	2,167,163	181,720	139,452	4,398,041
Liabilities and equity								
Deposits due to customers	160,214	6,677	21,002	-	-	-	-	187,893
Trade and other payables	-	-	-		-	131,746	17,694	149,440
Borrowings		501,533	10,000	330,932	-	-	-	842,465
Lease liabilities	-	660	10,387	115	0	-	-	11,162
Intercompany payables	-	-	-	-	585,750	1,661	-	587,411
Deferred tax liabilities	-	-	-	-	-	-	21,136	21,136
Ordinary shareholders' equity	-	-	-	-	-	-	2,598,534	2,598,534
Total liabilities and equity	160,214	508,870	41,389	331,047	585,750	133,407	2,637,364	4,398,041
On balance sheet interest sensitivity	425,060	(281,802)	874,156	(149,227)	1,581,413			

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.2.1 Interest rate risk management (continued)

i) Re-pricing profile (continued)

2019 - *GROUP*	Demand and up to 1 month N$ '000	Greater than 1 month up to 3 months N$ '000	Greater than 3 months up to 12 months N$ '000	Greater than 12 months up to 24 months N$ '000	Greater than 24 months N$ '000	Non-interest sensitive items N$ '000	Non-financial instruments N$ '000	Total N$ '000
Assets								
Cash and cash equivalents	147,586	-	-	-	-	-	-	147,586
Government and other securities	-	-	13,979	-	-	-	-	13,978
Other receivables	-	-	-	-	-	188,180	14,229	202,409
Net advances	4,424	2,810	53,909	159,573	2,714,626	-	-	2,935,342
Current taxation	-	-	-	-	-	-	77,213	77,213
Property, equipment and right-of-use assets	-	-	-	-	-	-	31,672	31,672
Deferred tax assets	-	-	-	-	-	-	17,826	17,826
Total assets	152,010	2,810	67,888	159,573	2,714,626	188,180	140,940	3,426,026
Liabilities and equity								
Deposits due to customers	32,940	11	10,410	-	-	-	-	43,361
Trade and other payables	-	-	-	-	-	33,839	17,670	51,509
Borrowings	5,772	-	275,000	10,000	-	-	-	290,772
Lease liabilities	355	743	3,581	4,556	4,973	-	-	14,207
Amounts due to parent company	-	-	476,245	-	138,050	2,902	-	617,197
Deferred tax liabilities	-	-	-	-	-	-	18,959	18,959
Ordinary shareholders' equity	-	-	-	-	-	-	2,390,021	2,390,021
Total liabilities and equity	39,067	754	765,236	14,556	143,023	36,741	2,426,650	3,426,026
On balance sheet interest sensitivity	112,943	2,056	(697,348)	145,017	2,571,603			

2020 - *COMPANY*	Demand and up to 1 month N$ '000	Greater than 1 month up to 3 months N$ '000	Greater than 3 months up to 12 months N$ '000	Greater than 12 months up to 24 months N$ '000	Greater than 24 months N$ '000	Non-interest sensitive items N$ '000	Non-financial instruments N$ '000	Total N$ '000
Assets								
Cash and cash equivalents	59	-	-	-	-	-	-	59
Other receivables	-	-	-	-	-	66,197	-	66,197
Intercompany receivable	78,672	-	-	-	-	-	-	78,672
Current taxation	-	-	-	-	-	-	7,354	7,354
Investment in subsidiaries	-	-	-	-	-	-	1,914,354	1,914,354
Total assets	78,731	-	-	-	-	66,197	1,921,708	2,066,636
Liabilities and equity								
Trade and other payables	-	-	-	-	-	31,315	87	31,402
Amounts due to parent company	-	-	-	-		111,184	-	111,184
Ordinary shareholders' equity	-	-	-	-	-	-	1,924,050	1,924,050
Total liabilities and equity	-	-	-	-	-	142,499	1,924,137	2,066,636
On balance sheet interest sensitivity	78,731	-	-	-	-	-	-	-

2019 - *COMPANY*	Demand and up to 1 month N$ '000	Greater than 1 month up to 3 months N$ '000	Greater than 3 months up to 12 months N$ '000	Greater than 12 months up to 24 months N$ '000	Greater than 24 months N$ '000	Non-interest sensitive items N$ '000	Non-financial instruments N$ '000	Total N$ '000
Assets								
Cash and cash equivalents	180	-	-	-	-	-	-	180
Other receivables	-	-	-	-	-	50,212	-	50,212
Intercompany receivable	15,316	-	-	-	-	-	-	15,316
Current taxation	-	-	-	-	-	-	7,204	7,204
Investment in subsidiaries	-	-	-	-	-	-	1,914,354	1,914,354
Total assets	15,496	-	-	-	-	50,212	1,921,558	1,987,266
Liabilities and equity								
Trade and other payables	-	-	-	-	-	20	275	295
Ordinary shareholders' equity	-	-	-	-	-	-	1,986,970	1,986,970
Total liabilities and equity	-	-	-	-	-	20	1,987,245	1,987,266
On balance sheet interest sensitivity	15,496	-	-	-	-	-	-	-

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.2.1 Interest rate risk management (continued)

ii) Potential effect of changes in the market interest rate on earnings for floating rate instruments.

Sensitivity analysis based on a 200 basis point increase in interest rates

The sensitivity analyses have been determined based on the exposure to interest rates for financial instruments at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at statement of financial position date was outstanding for the whole year. A 200 basis point movement for NAD exposures is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

The sensitivity analysis below is based on an increase in rates. Given the structure of the Group's portfolio, a 200 basis point increase in interest rates would result in a corresponding decrease of NAD 2.35 million in net income (before tax).

2020 - *GROUP*	Carrying amount at end of year N$ '000	Amount exposed to market risk N$ '000	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$ '000
Financial assets				
Cash and cash equivalents	468,253	468,253	Namibia Prime	9,365
Advances	3,608,616	-	N/A	-
	4,076,869	**468,253**		**9,365**
Financial liabilities				
Amounts due to parent company	587,411	585,750	Namibia Prime	(11,715)
	587,411	**585,750**		**(11,715)**
Net effect on the statement of total comprehensive income				**(2,350)**

2019 - *GROUP*	Carrying amount at end of year N$ '000	Amount exposed to market risk N$ '000	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$ '000
Financial assets				
Cash and cash equivalents	147,586	147,586	Namibia Prime	2,952
Advances	2,935,341	-	N/A	-
	3,082,927	**147,586**		**2,952**
Financial liabilities				
Amounts due to parent company	617,197	614,295	Namibia Prime	(12,286)
	617,197	**614,295**		**(12,286)**
Net effect on the statement of total comprehensive income				**(9,334)**

2020 - COMPANY	Carrying amount at end of year N$	Amount exposed to market risk N$	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$
Financial assets				
Cash and cash equivalents	59	59	Namibia Prime	1
Intercompany receivable	78,672	-	N/A	-
	78,731	**59**		**1**
Financial liabilities				
Trade and other payables	31,402	-	N/A	-
	31,402	**-**		**-**
Net effect on the statement of total comprehensive income				**1**

2019 - COMPANY	Carrying amount at end of year N$	Amount exposed to market risk N$	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$
Financial assets				
Cash and cash equivalents	180	180	Namibia Prime	4
Intercompany receivable	15,316	-	N/A	-
	15,496	**180**		**4**
Financial liabilities				
Trade and other payables	295	-	N/A	-
	295	**-**		**-**
Net effect on the statement of total comprehensive income				**4**

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.2.2 Foreign currency risk management
Foreign currency risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates. Currency risk in the Group arises as a result of holding foreign currency denominated borrowings and foreign currency in cash.

The Group's primary risk objective is to protect the net earnings against the impact of adverse exchange rate movements. ALCO is mandated to manage this risk by application of appropriate foreign currency derivatives, exposure limits and other appropriate strategies to ensure adherence to the Group's risk appetite.

At present, neither the Group's assets, liabilities nor cash flows are denominated in foreign currency, hence the Group is not exposed to foreign currency risk.

6.1.2.3 Other price risk management
The Group has a low market risk appetite. For this reason, the Group does not typically trade in any marketable securities and holds any required marketable securities until maturity and is therefore is not exposed to price risk associated with these marketable securities.

6.1.3 Liquidity risk
The following tables analyse the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The total ties back to the balance sheet.

The matching and controlled mismatching of the maturities and interest rates of financial assets and liabilities are fundamental to the management of risk within the Group. It is unusual for the Group ever to be completely matched since the business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.
The maturities of financial assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates.

Assets and liabilities maturities as at 31 December 2020

2020 - *GROUP*	**Demand and up to 1 month N$**	**Greater than 1 month up to 3 months N$**	**Greater than 3 months up to 12 months N$**	**Greater than 12 months up to 24 months N$**	**Greater than 24 months N$**	**Non-financial assets and liabilities N$**	**Total N$**
Assets							
Cash and cash equivalents	468,253	-	-	-	-	-	468,253
Government and other securities	-	-	-	-	-	-	-
Other receivables	-	181,720	-	-	-	20,983	202,703
Net advances	117,021	227,068	915,545	181,820	2,167,163	-	3,608,616
Current taxation	-	-	-	-	-	80,653	80,653
Property, equipment and right-of-use assets	-	-	-	-	-	22,244	22,244
Deferred tax assets	-	-	-	-	-	15,572	15,572
Total assets	585,274	408,788	915,545	181,820	2,167,163	139,452	4,398,041
Liabilities and equity							
Deposits due to customers	160,214	6,677	21,002	-	-	-	187,893
Trade and other payables	131,746	-	-	-	-	17,694	149,440
Borrowings	-	501,533	10,000	330,932	-	-	842,465
Lease liabilities	-	660	10,387	115	-	-	11,162
Amounts due to parent company	-	1,661	-	-	585,750	-	587,411
Deferred tax liability	-	-	-	-	-	21,136	21,136
Ordinary shareholders' equity	-	-	-	-	-	2,598,534	2,598,534
Total liabilities and equity	291,960	510,531	41,389	331,047	585,750	2,637,364	4,398,041
Net liquidity gap	293,314	(101,743)	874,156	(149,227)	1,581,413	-	-

6.1 Financial risk factors (continued)

6.1.2 Liquidity risk (continued)

Assets and liabilities maturities as at 31 December 2019 (continued)

2019 - ***GROUP***	Demand and up to 1 month N$ '000	Greater than 1 month up to 3 months N$ '000	Greater than 3 months up to 12 months N$ '000	Greater than 12 months up to 24 months N$ '000	Greater than 24 months N$ '000	Non-financial assets and liabilities N$ '000	Total N$ '000
Assets							
Cash and cash equivalents	147,586	-	-	-	-	-	147,586
Government and other securities	-	-	13,979	-	-	-	13,979
Other receivables	-	188,180	-	-	-	14,229	202,409
Net advances	74,317	139,140	594,393	60,414	2,067,077	-	2,935,341
Current taxation	-	-	-	-	-	77,213	77,213
Property, equipment and right-of-use assets	-	-	-	-	-	31,672	31,672
Deferred tax assets	-	-	-	-	-	17,826	17,826
Total assets	221,903	327,320	608,372	60,414	2,067,077	140,940	3,426,025
Liabilities and equity							
Deposits due to customers	32,940	11	10,410	-	-	-	43,361
Trade and other payables	33,839	-	-	-	-	17,670	51,509
Borrowings	5,772	-	275,000	10,000	-	-	290,772
Lease liabilities	355	743	3,581	4,556	4,973	-	14,207
Amounts due to parent company	-	2,902	476,245	-	138,049	-	617,196
Deferred tax liability	-	-	-	-	-	18,959	18,959
Ordinary shareholders' equity	-	-	-	-	-	2,390,021	2,390,021
Total liabilities and equity	72,906	3,656	765,236	14,556	143,022	2,426,650	3,426,025
Net liquidity gap	148,997	323,664	(156,864)	45,858	1,924,055	-	-

2020 - ***COMPANY***	Demand and up to 1 month N$ '000	Greater than 1 month up to 3 months N$ '000	Greater than 3 months up to 12 months N$ '000	Greater than 12 months up to 24 months N$ '000	Greater than 24 months N$ '000	Non-financial assets and liabilities N$ '000	Total N$ '000
Assets							
Cash and cash equivalents	59	-	-	-	-	-	59
Other receivables	-	66,197	-	-	-	-	66,197
Intercompany receivable	78,672	-	-	-	-	-	78,672
Current taxation	-	-	-	-	-	7,354	7,354
Investment in subsidiaries	-	-	-	-	-	1,914,354	1,914,354
Total assets	78,731	66,197	-	-	-	1,921,708	2,066,636
Liabilities and equity							
Trade and other payables	31,315	-	-	-	-	87	31,402
Amounts due to parent company	-	-	-	-	111,184	-	111,184
Ordinary shareholders' equity	-	-	-	-	-	1,924,050	1,924,050
Total liabilities and equity	31,315	-	-	-	111,184	1,924,137	2,066,636
On balance sheet interest sensitivity	47,416	66,197	-	-	-	-	-

2019 - ***COMPANY***	Demand and up to 1 month N$ '000	Greater than 1 month up to 3 months N$ '000	Greater than 3 months up to 12 months N$ '000	Greater than 12 months up to 24 months N$ '000	Greater than 24 months N$ '000	Non-financial assets and liabilities N$ '000	Total N$ '000
Assets							
Cash and cash equivalents	180	-	-	-	-	-	180
Other receivables	-	50,212	-	-	-	-	50,212
Intercompany receivable	15,316	-	-	-	-	-	15,316
Current taxation	-	-	-	-	-	7,204	7,204
Investment in subsidiaries	-	-	-	-	-	1,914,354	1,914,354
Total assets	15,496	50,212	-	-	-	1,921,558	1,987,266
Liabilities and equity							
Trade and other payables	20	-	-	-	-	275	295
Ordinary shareholders' equity	-	-	-	-	-	1,986,970	1,986,970
Total liabilities and equity	20	-	-	-	-	1,987,245	1,987,265
On balance sheet interest sensitivity	15,476	50,212	-	-	-	-	-

6.1 Financial risk factors (continued)

6.1.3 Liquidity risk (continued)

The following table represents the Group's undiscounted cash flows of liabilities per remaining maturity and includes all cash flows related to the principal amounts as well as future payments. The analysis is based on the earliest date on which the Group can be required to pay and is not necessarily the date at which the Group is expected to pay.

2020 - GROUP Financial liabilities	Carrying amount	Up to 1 month N$ '000	Greater than 1 month up to 6 months N$ '000	Greater than 6 months up to 12 months N$ '000	Greater than 1 year up to 2 years N$ '000	Greater than 2 years up to 5 years N$ '000	Greater than 5 years N$ '000	Total N$ '000
Lease liabilities	11,162	607	3,202	3,310	3,659	2,749	-	13,527
Borrowings	842,465	231,395	771,658	3,710	474,515	-	-	1,481,278
Amounts due to parent company	587,411	-	250,000	-	367,155	-	-	617,155
Trade and other payables	149,440	55,855	93,585	-	-	-	-	149,440
	1,441,038	232,002	1,024,860	7,020	845,329	2,749	-	2,111,960

2019 - GROUP Financial liabilities	Carrying amount	Up to 1 month N$ '000	Greater than 1 month up to 6 months N$ '000	Greater than 6 months up to 12 months N$ '000	Greater than 1 year up to 2 years N$ '000	Greater than 2 years up to 5 years N$ '000	Greater than 5 years N$ '000	Total N$ '000
Lease liabilities	14,207	497	2,552	3,084	5,457	5,660	-	17,250
Borrowings	290,772	1,965	14,340	289,668	10,983	-	-	316,956
Amounts due to parent company	140,952	1,438	10,092	484,873	17,256	155,306	-	668,965
Trade and other payables	51,509	25,377	26,132	-	-	-	-	51,509
	445,931	3,900	26,984	777,625	33,696	160,966	-	1,003,171

6.1.4 Assets and liabilities measured at fair value or for which fair values are disclosed

6.1.4.1 Valuation models

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the group determines fair values using other valuation techniques.
The Group measures fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other factors used in estimating discounting rates, foreign currency exchange rates, bond and equity prices, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value for disclosure
For instruments measured and presented at amortised cost, in determining the fair value for disclosure purposes, the Group uses its own valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include advances and certain funding loans for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and selection of appropriate discount rate.

Fair value estimates obtained from models include adjustments to take account of the credit risk of the Group and the counterparty where appropriate.

General
Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions and experiences. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair values, and management judgement is required to select the most appropriate point in the range.

Level 3 fair value disclosure – Advances
The fair value of the advances book has been derived using a discounted cash flow technique. The Group has modelled the expected future cash flows by extrapolating the most recent observed cash flows on the advances book.

Amortised cost and fair value are both based upon present value of future cash flow techniques, however the following significant differences exist between the impairment (amortised cost) and fair value methodologies:

- Fair value includes all expected cash flows, whereas impairments under IFRS 9 are determined using the "general model";
- The impairment cash flows are not reduced by the net insurance premiums the Group expects to pay across to insurance providers;
- The impairment cash flows are not reduced by expected cost of collection.

Amortised cost requires the future cash flows to be discounted at the advance's effective interest rate whereas the fair value methodology discounts the expected cash flows at a required rate of return.

6.1 Financial risk factors (continued)

6.1.4 Assets and liabilities measured at fair value or for which fair values are disclosed

6.1.4.2 Assets and liabilities for which fair value is disclosed*

2020 - ***GROUP***	Level 1 N$ '000	Level 2 N$ '000	Level 3 N$ '000	Total N$ '000	Carrying amount N$ '000
Financial assets					
Net advances	-	-	3,608,616	3,608,616	3,608,616
Total	-	-	3,608,616	3,608,616	3,608,616
Financial liabilities					
Borrowings	-	-	842,465	842,465	842,465
Intercompany payables	-	-	587,411	587,411	587,411
Total	-	-	1,429,876	1,429,876	1,429,876

2019 - ***GROUP***	Level 1 N$ '000	Level 2 N$ '000	Level 3 N$ '000	Total N$ '000	Carrying amount N$ '000
Financial assets					
Net advances	-	-	3,059,918	3,059,918	2,935,341
Government and other securities	13,979	-	-	13,979	13,979
Total	-	-	3,059,918	3,059,918	2,935,341
Financial liabilities					
Borrowings	-	-	290,772	290,772	290,772
Amounts due to parent company	-	-	617,197	617,197	617,197
Total	-	-	907,969	907,969	907,969

*The following items' fair value is not disclosed as these assets and liabilities closely approximate their carrying amount due to their short term or on demand repayment terms:
- Cash and cash equivalents;
- Accounts receivables and other assets;
- Deposits due to customers
- Creditors and accruals
- Intercompany receivable

The fair value of the net advances is based on the expected future cash flows, discounted using market related rates.
The fair value of the intercompany payables is based on the expected future cash flows, discounted using variable prime overdraft rate plus 2%.

6.1 Financial risk factors (continued)

6.1.5 Analysis of financial assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies describe how the class of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following tables analyses the financial assets and financial liabilities in the balance sheet per class and category of financial instrument to which they are assigned. An estimate of the fair value per class of the financial instrument is also provided.

2020 - *GROUP*	**Amortised cost N$ '000**	**Total N$ '000**	**Up to 12 months N$ '000**	**Greater than 12 months N$ '000**
Financial assets				
Cash and cash equivalents	468,253	468,253	468,253	-
Government and other securities	-	-	-	-
Other receivables	181,720	181,720	181,720	-
Net advances	3,608,616	3,608,616	1,259,633	2,348,983
Total financial assets	4,258,589	4,258,589	1,909,606	2,348,983
Financial liabilities				
Deposits due to customers	187,893	187,893	187,893	-
Trade and other payables	131,746	131,746	131,746	-
Borrowings	842,465	842,465	511,533	330,932
Lease liabilities	11,162	11,162	6,512	4,650
Amounts due to parent company	587,411	587,411	1,661	585,750
Total financial liabilities	1,760,677	1,760,677	839,345	921,332

2019 - *GROUP*	**Amortised cost N$ '000**	**Total N$ '000**	**Up to 12 months N$ '000**	**Greater than 12 months N$ '000**
Financial assets				
Cash and cash equivalents	147,586	147,586	147,586	-
Government and other securities	13,979	13,979	13,979	
Other receivables	188,180	188,180	188,180	-
Net advances	2,935,341	2,935,341	61,142	2,874,199
Total financial assets	3,285,086	3,285,086	410,887	2,874,199
Financial liabilities				
Deposits due to customers	43,361	43,361	43,361	-
Trade and other payables	51,509	51,509	51,509	-
Borrowings	290,772	290,772	280,772	10,000
Lease liabilities	14,207	14,207	4,679	9,528
Amounts due to parent company	617,197	617,197	479,148	138,049
Total financial liabilities	1,017,046	1,017,046	859,469	157,577

2020 - *COMPANY*	**Amortised cost N$ '000**	**Total N$ '000**	**Up to 12 months N$ '000**	**Greater than 12 months N$ '000**
Financial assets				
Other receivables	66,197	66,197	66,197	-
Intercompany receivable	78,672	78,672	78,672	-
Total financial assets	144,869	144,869	144,869	-
Financial liabilities				
Trade and other payables	31,402	31,402	31,402	-
Borrowings	-	-	-	-
Intercompany payables	111,184	111,184	111,184	-
Total financial liabilities	142,586	142,586	142,586	-

2019 - *COMPANY*	**Amortised cost N$ '000**	**Total N$ '000**	**Up to 12 months N$ '000**	**Greater than 12 months N$ '000**
Financial assets				
Other receivables	50,212	50,212	50,212	-
Intercompany receivable	15,316	15,316	15,316	-
Total financial assets	65,528	65,528	65,528	-
Financial liabilities				
Trade and other payables	295	295	295	-
Borrowings	-	-	-	-
Intercompany payables	-	-	-	-
Total financial liabilities	295	295	295	-

6.1 Financial risk factors (continued)

6.1.6 Capital management

Capital adequacy risk is the risk that the Group will not have sufficient reserves to meet materially adverse market conditions beyond that which has already been assumed within the impairment provisions and reserves.

The Group strives to maintain a strong capital base. Managed capital comprises of share capital, common control reserve, share based payment reserve and retained earnings. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's strategic focus is to maintain an optimal mix of available financial resources, while continuing to generate sufficient capital to support the growth of the Group's operations within the parameters of the risk appetite set by the Board. It is the Group's objective to safeguard the Groups's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

External regulatory capital management - Banking Operations

Regulatory capital adequacy is measured by expressing available qualifying capital as a percentage of risk-weighted assets. The Banking Institutions Act (No 2 of 1998) and supporting regulations, read together with specific requirements for the banking operations, specify the minimum capital required to be held in relation to risk weighted assets. Ancillary regulatory requirements include the Basel II leverage ratio.

The banking operations regulatory capital is divided into two tiers:

- Tier 1 capital: Share capital, share premium, irredeemable preference shares, share based payment reserve, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital and general loan loss provisions.

The Bank of Namibia requires each bank or banking group to maintain the following capital adequacy ratios:

- Tier 1 capital to total assets, at a minimum of 6%, referred to as the leverage capital ratio;
- Tier 1 capital to the risk-weighted assets at the minimum of 7%, referred to as Tier 1 risk-based capital ratio; and
- The total regulatory capital to risk-weighted assets as a minimum of 10%, referred to as total risk-based capital ratio.

In addition to the above minimum capital requirements, the Bank of Namibia requires the bank to perform an internal capital adequacy and assessment process (ICAAP) in terms of Pillar II of Basel II, which has been documented and approved by the board. The process results in:

- The identification of all significant risk exposures to the banking group;
- The quantification of risk appetites for the major risks identified; and
- Control measures to mitigate the major risks.

ALCO is mandated to monitor and manage capital, which includes:

- meeting minimum Basel II regulatory requirements and additional capital add-ons and floors as specified by the Bank of Namibia ("BoN");
- ensure adequate capital buffers above the aforementioned criteria to ensure sustainability in both a systemic and idiosyncratic stress event as set out by the Group's risk appetite;
- test the Group's strategy against risk appetite and required capital levels;
- on an annual basis to review and sign-off the Group's Internal Capital Adequacy Assessment Process, prior to the submission to the Audit and Risk Committee, the Board and BoN; and
- to ensure compliance with other prudential regulatory requirements in respect of non-banking entities within the Group, most notably the capital requirements of these non-banking entities.

The debt covenant requirements attached to the Group's borrowings in note 15 are:

- Bad Debts Ratio does not exceed 10%
- Cash Collection Ratio exceeds 85%
- Capitalisation ratio exceeds 30%

The Group has complied with these covenants throughout the reporting period.

Regulatory capital

	GROUP		*BANK*	
	31 December 2020 N$ '000	**31 December 2019 N$ '000**	**31 December 2020 N$ '000**	**31 December 2019 N$ '000**
Tier 1 capital				
Ordinary share and premium	100	100	59,624	59,624
Irredeemable preference share capital	215,085	215,085	215,085	215,085
Retained earnings	1,680,057	1,471,668	709,952	640,269
Ordinary shareholders' reserves	703,292	703,168	2,451	2,327
Total tier 1 capital	2,598,534	2,390,021	987,112	917,305
Tier 2 capital				
General allowance for credit impairments	24,604	21,051	11,908	13,929
	24,604	21,051	11,908	13,929
Total qualifying capital	2,623,138	2,411,072	999,020	931,234
Risk-weighted assets				
Credit risk	3,011,983	2,364,763	1,581,600	1,113,424
Market risk	-	-	-	-
Operational risk	87,131	83,865	34,791	103,956
Total risk-weighted assets	3,099,114	2,448,628	1,616,391	1,217,380

Capital adequacy ratios

	Minimum regulatory requirement %	**Internal limit %**	**31 December 2020 %**	**31 December 2019 %**
GROUP				
Total capital adeqacy ratio	10%	15%	85%	98%
Tier 1 capital adequacy ratio	7%	9%	84%	98%
Tier 1 leverage ratio	6%	8%	58%	69%
BANK				
Total capital adeqacy ratio	10%	15%	62%	76
Tier 1 capital adequacy ratio	7%	9%	61%	75
Tier 1 leverage ratio	6%	8%	55%	54

		Group		Company	
		31 December 2020 N$'000	31 December 2019 N$'000	**31 December 2020 N$'000**	31 December 2019 N$'000
7.	**Cash and cash equivalents**				
	Cash and balances with banks	**402,518**	77,953	**59**	180
	Money market placements	**1**	21,524	**-**	-
	Balances with the central bank other than mandatory reserve deposits	**58,879**	47,539	**-**	-
	Included in cash and cash equivalents	**461,398**	147,016	**59**	180
	Mandatory reserve deposits with the central bank	**6,855**	570	**-**	-
		468,253	147,586	**59**	180

Money market placements constitute amounts held in money market unit trust with external financial institutions on a short-term basis. These placements are highly liquid, readily convertible and have an insignificant risk of change in value.

For the purpose of the statement of cash flows, the period-end cash and cash equivalents comprise the following:

	Group 2020	Group 2019	Company 2020	Company 2019
Bank balances	**457,590**	142,125	**59**	180
Cash on hand	**10,663**	5,461	**-**	-
	468,253	147,586	**59**	180

Due to the short term nature of cash and cash equivalents as well as historical experience, these balances measured at amortised cost are regarded as having a low probability of default and the ECL in respect of these is considered immaterial.

At period-end, the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets. There are no restrictions or pledges on cash and cash equivalents as at the reporting date.

		Group 2020	Group 2019	Company 2020	Company 2019
8.	**Government and other securities**				
	Treasury bills	**-**	13,980	**-**	-
	Gross financial assets at amortised cost	**-**	13,980	**-**	-
	Less expected credit loss allowance	**-**	(1)	**-**	-
	Net financial assets at amortised cost	**-**	13,979	**-**	-
	Current	**-**	13,980	**-**	-
	Non-current	**-**	-	**-**	-
	Gross financial assets at amortised cost	**-**	13,980	**-**	-

Due to the short term nature of these financial assets at amortised cost as well as historical experience, these assets measured at amortised cost are regarded as having a low probability of default and the ECL in respect of these is considered immaterial.

There is no exposure to price risk as the investment will be held to maturity.

		Group 2020	Group 2019	Company 2020	Company 2019
9.	**Receivables**				
9.1	**Other receivables**				
	Financial				
	- Profit share receivable from cell captive	**168,498**	132,767	**66,117**	50,154
	- Deposits	**6,817**	8,588	**80**	58
	- Sundry receivables	**6,405**	46,825	**-**	-
	- Deferred fees	**12,205**	6,830	**-**	
	- Prepayments	**8,778**	7,399	**-**	-
		202,703	202,409	**66,197**	50,212

At year end, the carrying amounts of accounts receivable approximate closely to their fair values due to the short-term maturities of these assets.

Due to the short term nature of other receivables as well as historical experience, these assets measured at amortised cost are regarded as having a low probability of default and the ECL in respect of these is considered immaterial.

		Group 2020	Group 2019	Company 2020	Company 2019
9.2	**Intercompany receivable**				
	Financial				
	- Intercompany current account - Letshego Micro Financial Services (Namibia) Ltd	**-**	-	**-**	1,316
	- Intercompany current account - Letshego Bank (Namibia) Ltd	**-**	-	**78,672**	14,000
		-	-	**78,672**	15,316

The above intercompany receivables are unsecured and currently bear no interest. These loans are of a short-term nature and have no fixed repayment terms.

Due to historical experience intercompany receivables measured at amortised cost are regarded as a low probability of default and the ECL in respect of these is condidered immaterial.

At recognition and at year end, the carrying amounts of accounts receivable approximate closely to their fair values due to the short-term maturities of these assets.

	Group		Company	
	31 December 2020 N$'000	31 December 2019 N$'000	**31 December 2020 N$'000**	31 December 2019 N$
10. Advances to customers				
Gross advances to customers	**3,679,620**	2,963,419	**-**	-
Less: Impairment allowance on advances	**(71,004)**	(28,078)	**-**	-
Net advances to customers	**3,608,616**	2,935,341	**-**	-
Impairment allowance on advances				
Balance at the beginning of the period	**28,078**	22,133	**-**	-
Impairment adjustment - increase for the period	**42,926**	5,945	**-**	-
Balance at the end of the period	**71,004**	28,078	**-**	-
The balance at the end of the period consists of the following:				
Stage 1 impairment	**24,604**	21,051	**-**	-
Stage 2 - 3 impairment	**46,400**	7,027	**-**	-
	71,004	28,078	**-**	-
(Reversals)/Charges in the profit or loss				
Amounts written off	**107,332**	99,728	**-**	-
Impairment adjustment	**42,926**	5,945		
Recoveries during the period	**(106,606)**	(96,437)	**-**	-
	43,652	9,236	**-**	-
Exposure to credit risk				
Net advances to customers	**3,608,616**	2,935,341	**-**	-
Maximum exposure to credit risk	**3,608,616**	2,935,341	**-**	-

Advances are measured at amortised cost using the effective interest method as they are held to collect contractual cash flows which are solely payments of principle and interest.
Refer to note 6.1.1 for more information on credit risk management, credit quality, credit concentration risk and sensitivity of assumptions and estimates.
The Group performed a detailed assessment of the provision of the impairment allowance during the year. Actual historic write-off losses and wider credit risk associated with lending to public sector employees were considered and the credit impairment adjusted accordingly.

The aggregate net advances to customers is held as security on external borrowings by way of a Security Sharing Agreement. See detail of borrowings in Note 15.

11. Property, equipment and right-of-use assets

	Furniture and fittings N$'000	Office equipment N$'000	Computer equipment N$'000	Motor vehicles N$'000	Leasehold Improvements N$'000	Right-of-use assets - Buildings N$'000	Total N$'000
GROUP							
At 31 December 2020							
Cost	**5,125**	**6,900**	**35,251**	**482**	**4,917**	**20,496**	**73,171**
Accumulated depreciation	**(4,296)**	**(5,530)**	**(26,238)**	**(418)**	**(3,255)**	**(11,190)**	**(50,927)**
Carrying amount	**829**	**1,370**	**9,013**	**64**	**1,662**	**9,306**	**22,244**
At 31 December 2020							
Opening net amount at 1 January 2019	**1,203**	**1,612**	**14,009**	**149**	**1,534**	**13,165**	**31,672**
Additions	**40**	**509**	**1,622**	**-**	**781**	**2,728**	**5,680**
Depreciation charge	**(414)**	**(751)**	**(6,618)**	**(85)**	**(653)**	**(6,587)**	**(15,108)**
Carrying amount	**829**	**1,370**	**9,013**	**64**	**1,662**	**9,306**	**22,244**
At 31 December 2019							
Cost	5,085	6,391	33,629	482	4,136	17,768	67,492
Accumulated depreciation	(3,882)	(4,779)	(19,620)	(333)	(2,602)	(4,603)	(35,820)
Carrying amount	1,203	1,612	14,009	149	1,534	13,165	31,672
At 31 December 2019							
Opening net amount at 1 January 2019	747	1,775	5,690	270	1,162	-	9,644
IFRS 16 initial adoption adjustment	-	-	-	-	-	13,921	13,921
Restated net opening amount	747	1,775	5,690	270	1,162	13,921	23,565
Additions	926	922	14,194	-	1,074	3,846	20,963
Depreciation charge	(470)	(1,085)	(5,875)	(121)	(702)	(4,603)	(12,856)
Carrying amount	1,203	1,612	14,009	149	1,534	13,164	31,672

COMPANY

The company does not carry property, equipment and right-of-use assets.

	Group		Company	
	31 December 2020 N$'000	31 December 2019 N$'000	**31 December 2020 N$'000**	31 December 2019 N$'000
12. Trade and other payables				
Financial				
- Trade payables	**55,855**	25,377	**82**	18
- Accruals	**478**	4,903	**-**	-
- Other payables	**4,101**	2,338	**31,233**	3
- Dividend payable	**71,312**	-	**-**	-
Non-financial				
- Audit fee provision	**1,173**	1,150	**87**	275
- Personnel related	**12,738**	12,371	**-**	-
- Value Added Taxation	**113**	3,724	**-**	-
- Withholding Tax *	**3,670**	1,646	**-**	-
	149,440	51,509	**31,402**	296

Trade payables are unsecured and are usually paid within 30 days of recognition.
The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

* During the year, the group restated the Preference Shares in LMFSN back to an intercompany borrowing. This is to rectify a loan to preference share conversion transaction done in March 2018 in LMFSN. Refer to Note 3 for more detail.

13. Lease liabilities

Amounts recognised in the statement of financial position

	Group 2020	Group 2019	Company 2020	Company 2019
Current lease liabilities	**6,512**	4,679	**-**	-
Non-current lease liabilities	**4,650**	9,528	**-**	-
	11,162	14,207	**-**	-

Reconciliation of lease liabilities

	Group 2020	Group 2019	Company 2020	Company 2019
Opening balance	**14,207**	-	**-**	-
IFRS 16 initial adoption adjustment	**-**	13,921	**-**	-
Additions/modification	**2,728**	3,846	**-**	-
Interest expense	**1,703**	1,602	**-**	-
Payments	**(7,476)**	(5,162)	**-**	-
Closing balance	**11,162**	**14,207**	**-**	-

The Group leases various office buildings. Rental contracts are typically made for fixed periods of 2 years to 5 years but may have extension options.
Refer to note 4(d)(i) for more information on the accouting policy for leases.
There were additions of N$2,728 (2019: N$3,846) to right-of-use assets during the 2020 financial year.

The company measures the lease liabilities at the present value of the lease payments discounted by using the incremental borrowing rate of 12% p.a.

Amounts recognised in the statement of comprehensive income

	Group 2020	Group 2019	Company 2020	Company 2019
Depreciation charge on right-of-use assets - Buildings	**6,587**	4,603	**-**	-
Interest expense on lease liabilities	**1,703**	1,602	**-**	-
Expense relating to leases of low value assets	**962**	-		
Expense relating to short-term leases	**80**	-		
	9,332	6,205	**-**	-

14. Taxation

	Group 2020	Group 2019	Company 2020	Company 2019
14.1 Income tax expense				
Current tax expense	**97,804**	149,666	**7,839**	12,358
Restatement*	**-**	(23,486)		
Deferred tax (income)/expense :				
- Origination and reversal of temporary differences	**4,430**	(3,169)	**-**	-
Total Income tax expense	**102,234**	123,011	**7,839**	12,358
14.2 Reconciliation of current taxation				
Profit before taxation	**423,123**	524,209	**57,419**	192,652
Tax calculated at standard rate - 32%	**135,399**	167,747	**18,374**	61,649
Income not subject to tax - dividends	**(36,964)**	(46,519)	**(11,172)**	(49,928)
Non-deductible expenses	**3,799**	1,783	**637**	637
	102,234	123,011	**7,839**	12,358
Effective tax rate	**24.16%**	23.47%	**13.65%**	6.41%

14.3 Deferred taxation

The net of the Group's deferred tax assets and liabilities was previously presented under a single line item. During the year, the Group has disclosed the deferred tax assets and the deferred tax liabilities separately.

	Group		Company	
	31 December 2020 N$'000	31 December 2019 N$'000	**31 December 2020 N$'000**	31 December 2019 N$'000
Deferred tax assets				
The balance comprises:				
- Provisions	**14,166**	15,290	**-**	-
- Share based payments	**784**	686	**-**	-
- Income received in advance	**622**	1,850	**-**	-
	15,572	17,826	**-**	-
Deferred tax assets reconciliation				
Deferred tax assets balance at the beginning of the year	**17,826**	9,713	**-**	-
Originating temporary differences for the year - Provisions	**(1,124)**	6,916	**-**	-
Originating temporary differences for the year - Share based payments	**98**	285	**-**	-
Originating temporary differences for the year - Income received in advance	**(1,228)**	912	**-**	-
Deferred tax assets balance at the end of the year	**15,572**	17,826	**-**	-
Deferred tax liabilities				
The balance comprises:				
- Property, equipment and right-of-use assets	**(4,615)**	(6,192)	**-**	-
- Prepayments and deferred expenses	**(3,715)**	(3,244)	**-**	-
- EIR adjustment	**(12,107)**	(9 524)	**-**	-
- Deferred arrangement fees	**(699)**	-		
	(21,136)	(18,959)	**-**	-
Deferred tax liabilities reconciliation				
Deferred tax liabilities balance at the beginning of the year	**(18,959)**	(14,015)	**-**	-
Originating temporary differences for the year - Property, equipment and right-of-use assets	**1,577**	(4,824)	**-**	-
Originating temporary differences for the year - Prepayments and deferred expenses	**(472)**	(185)	**-**	-
Originating temporary differences for the year - EIR adjustment	**(2,583)**	66	**-**	-
Originating temporary differences for the year - Deferred arrangement fees	**(699)**	-		
Deferred tax liabilities balance at the end of the year	**(21,136)**	(18,959)	**-**	-

Deferred income taxes for the Company and Group are calculated on all the temporary timing differences under the comprehensive method using a tax rate of 32% (2019: 32%) except where the initial recognition exemption applies. The profit or loss debits/credits are the result of timing differences between the accounting and tax treatments of items recognised in the statement of financial position.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. A deferred tax asset is recognised based on the assumption that the company will continue producing a taxable income in the foreseeable future against which it can be set off.

14.4 Current taxation

	Group 2020	Group 2019	Company 2020	Company 2019
Opening balance	**(77,213)**	(22,347)	**(7,204)**	(7,233)
Restatement*		(29,902)		
Restated Balance	**(77,213)**	(52,249)	**(7,204)**	(7,233)
Charge to profit or loss	**97,804**	126,180	**7,839**	12,358
Payments made during the period	**(101,244)**	(151,144)	**(7,989)**	(12,329)
Taxation (asset)/liability	**(80,653)**	(77,213)	**(7,354)**	(7,204)

* During the year, the group restated the Preference Shares in LMFSN back to an intercompany borrowing. This is to rectify a loan to preference share conversion transaction done in March 2018 in LMFSN. Refer to Note 3 for more detail.

	Group		Company	
	31 December 2020 N$'000	31 December 2019 N$'000	**31 December 2020 N$'000**	31 December 2019 N$'000
15. Borrowings				
Commercial loan 1	**10,000**	-	**-**	-
Commercial loan 2	**502,465**	65,772	**-**	-

Commercial loan 1 and 2 are secured term loans guaranteed by Letshego Holdings Limited and bear interest at Namibia Prime repayable in quarterly instalments and mature on 30 June 2021 and 10 March 2021 respectively. The Group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting period, see Note 6.1.6 for details.

	Group 2020	Group 2019	Company 2020	Company 2019
Commercial loan 3	**330,000**	225,000	**-**	-

Commercial loan 3 is a secured revolving credit facility guaranteed by Letshego Holdings Limited and bears interest at Namibia prime less 0.14%. Interest on the loan is repayable quarterly and the loan matures on 31 December 2022. The Company has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting period, see Note 6.1.6 for details.

	Group 2020	Group 2019	Company 2020	Company 2019
Total borrowings	**842,465**	290,772	**-**	-
- Current	**512,465**	280,772	**-**	-
- Non-current	**330,000**	10,000	**-**	-
	842,465	290,772	**-**	-

Risk exposures
Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 6.

16. Amounts due to parent company

	Group 2020	Group 2019	Company 2020	Company 2019
16.1 Amounts due to parent company - Letshego Holdings Limited	**585,750**	614,295	**-**	-

Reconciliation of Amounts due to parent company:

	Group 2020	Group 2019
Opening balance	**614,295**	138,049
Restatement*	**-**	799,530
Restated balance	**614,295**	937,579
Movement in the current year	**(28,545)**	323,284
Closing balance	**585,750**	614,295

The loan from Letshego Holdings Limited is unsecured and interest is calculated monthly in arrears at a variable rate of Namibia prime plus 2%. The loan is repayable in variable instalments and matures on 30 November 2024.

	Group 2020	Group 2019	Company 2020	Company 2019
16.2 Intercompany payable - Erf 8585 (Pty) Ltd	**1,661**	2,902	**-**	-

The intercompany loan with Erf 8585 (Pty) Ltd is unsecured and currently does not bear interest and has no fixed repayment terms. At year end, the carrying amount of the intercompany payable approximates closely to its fair value due to the short-term nature of the balance.

	Group 2020	Group 2019	Company 2020	Company 2019
16.3 Intercompany payable - Letshego Micro Financial Services (Namibia) Ltd	**-**	-	**111,184**	-

The intercompany payable Letshego Micro Financial Services (Namibia) Ltd is unsecured, of a short-term nature and currently does not bear interest and has no fixed repayment terms. At year end, the carrying amount of the intercompany payable approximates closely to its fair value due to the short-term nature of the balance.

	Group 2020	Group 2019	Company 2020	Company 2019
Total intercompany payables	**587,411**	617,197	**111,184**	-

Banking facilities
There were no overdraft facilities in place at the end of the financial period (2019: N$ Nil).

	Group		Company	
	31 December 2020 N$'000	31 December 2019 N$'000	**31 December 2020 N$'000**	31 December 2019 N$'000
17. Deposits due to customers				
Current accounts	**102,609**	32,824	**-**	-
Term deposits	**85,284**	10,537	**-**	-
Total deposits due to customers	**187,893**	43,361	**-**	-
18. Share capital				
Authorised share capital				
500 000 000 ordinary shares of 0.02 cents each (2019: 500 000 000 ordinary shares of 0.02 cents each)	**100**	100	**100**	100
Issued share capital				
500 000 000 ordinary shares of 0.02 cents each (2019: 500 000 000 ordinary shares of 0.02 cents each)	**100**	100	**100**	100

19. Equity settled share based payment reserve

Under the conditional Long Term Incentive Plan (LTIP), conditional share awards are granted to management and key employees. The number of vesting share awards (currently outstanding) is subject to certain non-market conditions. Shares are issued and settled in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange. The fair value of the shares is valued according to the listed price on the Botswana Stock Exchange at grant date. Letshego Holdings Limited is liable to fulfil the obligation to the employees on the awards granted.

Shares granted in terms of the plan may not exceed 10% of the issued ordinary shares of the holding company, Letshego Holdings Limited. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.

The allocation of share awards under the plan relating to management of Letshego Bank (Namibia) Limited was made on 1 February 2013, 2014 and December 2014 respectively. The vesting period of the share awards from grant date is three periods.

	Company		Group			
	December 2020	**December 2019**	**December 2020**		**December 2019**	
	Number of share awards	Number of share awards	Number of share awards	Exercise price	Number of share awards	Exercise price
Granted during prior periods	**-**	-	**2,653**	NAD 3.40./2.90/2.56	**2,179**	NAD 3.20./2.73/2.42
Granted in current period	**-**	-	**1,979**	NAD 0.97	**1,071**	NAD 2.24
Exercised during the period			**(393)**	NAD 2.90	**-**	NAD 3.40 NAD 3.25
Forfeited during the period	**-**	-	**(321)**	NAD 2.90	**(597)**	
Exercisable and outstanding at the end of the period	**-**	-	**3,918**	NAD 2.56/2.24/0.97	**2,653**	NAD 3.40./2.90/2.56
Fair value of awards exercisable and outstanding at the end of the period	**-**	**-**	**2,268**		2,144	

	Group 2020	Group 2019	Company 2020	Company 2019
20. Profit before taxation				
The following items have been recognised in arriving at profit before taxation:				
Advertising and promotions	**2,130**	848	**98**	312
Auditors' remuneration	**2,279**	2,369	**309**	498
Consultancy costs - professional services	**10,196**	7,569	**1,422**	854
Computer services costs	**3,349**	2,295	**-**	-
Depreciation	**15,108**	12,856	**-**	-
Directors' emoluments				
- for services as director	**1,585**	1,822	**-**	-
- for management services	**4,322**	2,810	**-**	-
Rental - premises, computer and office equipment	**-**	-	**-**	-
Rental - low value and short-term leases	**2,602**	2,358	**-**	-
Employee benefit expense (excluding directors' remuneration - for management services)	**66,107**	61,079	**3**	40
21. Employee benefit expense				
Salaries	**43,783**	37,047	**3**	40
Key management personnel	**9,557**	9,755	**-**	-
Pension fund contributions	**4,788**	4,263	**-**	-
Medical aid contributions	**3,228**	2,585	**-**	-
Social security	**154**	145	**-**	-
Incentive bonuses	**8,913**	10,071	**-**	-
Staff training and welfare	**6**	23	**-**	-
	70,429	63,889	**3**	40

	Group		Company	
	31 December 2020 N$'000	31 December 2019 N$'000	**31 December 2020 N$'000**	31 December 2019 N$'000
22. Operating expenses by nature				
Sales related expense	**10,056**	10,048	**98**	318
Auditors remuneration - audit services	**2,279**	2,369	**309**	498
Collection fees	**29,103**	37,177	**-**	-
Consulting and secretarial	**10,196**	7,569	**1,422**	854
Management fees	**35,263**	34,739	**-**	-
Employee benefit expense (excluding directors' remuneration - for management services)	**66,107**	61,090	**3**	40
Depreciation (note 11)	**15,108**	12,856	**-**	-
Net impairment of bad debts on financial assets	**43,652**	9,236	**-**	-
Directors' remuneration - for services as directors	**1,585**	1,822	**-**	-
Directors' remuneration - for management services	**4,322**	2,810	**-**	-
Computer related expenses	**3,349**	2,295	**-**	-
Office rental	**2,602**	2,358	**-**	-
Travel and accommodation	**1,473**	2,519	**13**	-
Social responsibility projects	**1,347**	1,164	**-**	151
Telephone & Fax	**3,650**	2,918	**-**	-
Guarantee fees	**8,096**	4,670	**-**	-
Subscriptions	**11,057**	7,866	**389**	145
VAT expense	**7,510**	9,652	**-**	-
Security costs	**2,055**	1,348	**-**	-
Insurance	**9,329**	279	**-**	-
Bank charges	**2,380**	1,041	**-**	-
Other operational expenses	**7,328**	7,253	**15**	5
Withholding Tax - Management Fees	**525**	-	**-**	-
	278,372	223,079	**2,249**	2,011
23. Net interest income				
Interest income calculated using the effective interest income method - Advances to customers	**620,240**	599,896	**-**	-
Other interest income:				
- Interest received on short term bank deposits	**5,464**	25,302	**6**	85
Total interest income calculated using the effective interest income method	**625,704**	625,198	**6**	85
Interest paid: *	**(98,750)**	(110,011)	**-**	-
- Borrowings	**(32,556)**	(29,221)	**-**	-
- Deposits due to customers	**(4,766)**	(5,794)	**-**	-
- Lease liabilities	**(1,703)**	(1,602)	**-**	-
- Shareholder's loan - LHL	**(59,725)**	(73,394)	**-**	-
Net interest income	**526,954**	515,187	**6**	85

* During the year, the group restated the Preference Shares in LMFSN back to an intercompany borrowing. This is to rectify a loan to preference share conversion transaction done in March 2018 in LMFSN. Refer to Note 3 for more detail.

24. Fee income				
Postage fees	**145**	361	**-**	-
Fees and commission earned from services to customers	**6,652**	1,742	**-**	-
	6,797	2,102	**-**	-
25. Other operating income				
Dividend income - cell captive	**167,744**	229,999	**59,662**	73,695
Dividend received *	**-**	-	**-**	120,883
	167,744	229,999	**59,662**	194,578

* An ordinary dividend of N$121 million was received from Letshego Micro Financial Services (Namibia) (Pty) Namibia during the current year.

26. Related parties

	Letshego Micro Financial Services (Namibia) (Proprietary) Limited (Subsidiary)
	Letshego Bank (Namibia) Limited (Subsidiary)
Lease agreements:	Erf Eight Five Eight Five (Proprietary) Limited (Subsidiary of Ultimate Parent Company)
Management services agreements:	Letshego Holdings Limited (Ultimate Parent Company)
Key management personnel:	Ester Kali (Chief Executive Officer) Gregory Madhimba (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) James Damon (Head of Credit) Aletta Shifotoka (Chief Risk Officer) Barend Kruger (Head of Consumer Division) Diana Mokhatu (Head of Human Resources) Chriszelda Gontes (Company Secretary)
Directors:	Rairirira Mbakutua Mbetjiha Ester Kali Rosalia Martins-Hausiku Sven von Blottnitz Maryvonne Palanduz

	Group		Company	
	31 December 2020 N$'000	31 December 2019 N$'000	**31 December 2020 N$'000**	31 December 2019 N$'000
26. Related parties (continued)				
26.1 Related party balances				
Loan accounts - Owing to related parties				
Letshego Holdings Limited - loan	**585,750**	614,295	**-**	-
Erf 8585 (Pty) Ltd	**1,661**	2,902	**-**	-
Total related party balances	**587,411**	617,197	**-**	-

The loan from Letshego Holdings Limited is unsecured and interest is calculated monthly in arrears at a variable rate of Namibia prime plus 2%. The loan has no fixed repayment terms.

The intercompany loan with Erf 8585 (Pty) Ltd is unsecured and currently does not bear interest and has no fixed repayment terms.

	Group 2020	Group 2019	Company 2020	Company 2019
Advances				
Advances to key management personnel	**237**	1,134	**-**	-

No impairment has been recognised in respect of loans granted to key management personnel in the current or prior year.

	Group 2020	Group 2019	Company 2020	Company 2019
Deposits				
Deposits from key management personnel and directors	**-**	255	**-**	-

Deposits include current and savings accounts.

26.2 Related party transactions

	Group 2020	Group 2019	Company 2020	Company 2019
Interest paid to related parties				
Letshego Holdings Limited	**59,725**	73,394	**-**	-
Key management personnel and directors	**-**	9	**-**	-
Interest received from related parties				
Key management personnel	**-**	128	**-**	-
Rent paid to related parties				
Erf Eight Five Eight Five (Proprietary) Limited	**2,670**	1,388	**-**	-
Guarantee fees paid to related parties				
Letshego Holdings Limited	**8,096**	4,670	**-**	-
Management fees paid to related parties				
Letshego Holdings Limited	**35,263**	34,739	**-**	-
Dividend received from related parties				
Letshego Micro Financial Services (Namibia) (Pty) Namibia	**-**	-	**-**	120,883

The amount classified as management fees under note 22 is made up as follows:

	Group 2020	Group 2019	Company 2020	Company 2019
Fees payable to Letshego Holdings Limited	**31,737**	31,265	**-**	-
Withholding tax paid on imported management services	**3,526**	3,474	**-**	-
	35,263	34,739	**-**	-

	Group		Company	
	31 December 2020 N$'000	31 December 2019 N$'000	**31 December 2020 N$'000**	31 December 2019 N$'000
26.2 Related party transactions (continued)				
Compensation paid to key management personnel				
Salaries and short-term benefits	**9,557**	13,650	**-**	-
	9,557	13,650	**-**	-
Compensation paid to directors				
Sitting fees paid to non-executive directors	**1,585**	1,822	**-**	-
	1,585	1,822	**-**	-

27. Security

The customer advances portfolio is registered as security to Fedrox (Pty) Ltd who intern issues security to the Group's commercial loans and a Medium Term Note programme floated by the ultimate holding company on the Johannesburg Stock Exchange. The programme in issue is for a combination of fixed and floating rate notes which mature respectively February 2021 (NAD 432 million) and February 2022 (NAD 33 million).

28. Capital reorganisation reserve

The capital reorganisation reserve arose on 5 July 2016 when Letshego Holdings (Namibia) Limited acquired 99,999% of the issued share capital of Letshego Bank Namibia Limited.

This transaction was a capital re-organisation in the form of a common control combination. As a result, for purposes of consolidation, the transaction was treated as if the combination had taken place at the beginning of the earliest comparative period presented at the time, which was 01 January 2015. Details of the purchase consideration, the net assets acquired and negative goodwill are as follows:

	N$'000 **Group** As at 01 January 2015:	N$'000 **Company** As at 01 January 2015:
Carrying value of assets and liabilities acquired:		
Cash	48,033	48,033
Other receivables	63,970	63,970
Intercompany receivable	20,517	20,517
Advances to customers	1,607,218	1,607,218
Deferred taxation	3,343	3,343
Current taxation	(14,819)	(14,819)
Property, plant and equipment	5,904	5,904
Trade and other payables	(53,894)	(53,894)
Intercompany payable	-	-
Borrowings	(764,064)	(764,064)
Non-controlling interest - Preference shares attributable to Ultimate Parent Company	(215,085)	(215,085)
Capital reorganisation reserve	(701,024)	(701,024)
Net assets acquired	100	100

	Group		Company	
	31 December 2020 N$'000	31 December 2019 N$'000	**31 December 2020 N$'000**	31 December 2019 N$'000
Capital reorganisation reserve	**701,024**	701,024	**1,344,154**	1,344,154
29. Investment in subsidiaries			-	
Investment in Letshego Micro Financial Services Namibia (Pty) Ltd at cost	**-**	-	**570,200**	570,100
Investment in Letshego Bank Namibia Limited at cost	**-**	-	**1,344,154**	1,344,254
	-	-	**1,914,354**	1,914,354
30. Capital commitments				
Authorised but not contracted for	**32,956**	17,813	**-**	-

The capital commitments will be funded by the Group's cash resources.

	Group		Company	
	31 December 2020 N$'000	31 December 2019 N$'000	**31 December 2020 N$'000**	31 December 2019 N$'000

31. Segment information

The Group considers its banking and other financial services operations as one operating segment. There are no other components. This is in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the Chief Executive Officer of the Group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

In assessing the performance of the banking and other financial services operation, the Chief Executive Officer reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to the banking activity, which have been disclosed in the various notes to the consolidated financial statements.

31.1 Entity-wide disclosures

31.1. Products and Services

Operating segment
• Banking operations

Brand
• Letshego

Description
• Regulated financial services provider, focusing on the low to middle income earners in Namibia.

Products and services
• Letshego conducts business as a registered bank and provides micro-lending services.

31.1. Geographical segments

There are no segment operations outside Namibia as the group operates within the borders of Namibia.

31.1. Major customers

Segment reporting requires the disclosure of an entity's reliance on its major customers, if revenue from transactions with a single customer is ten percent or more of the entity's revenue. The group does not have customers that contribute ten percent or more to its revenue and is therefore not reliant on a single major customer.

32. Net debt reconciliation

The net debt is made up of cash, borrowings and lease liabilities. Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid. At year-end, net debt is constituted as follows:

	Group 2020	Group 2019	Company 2020	Company 2019
Cash and cash equivalents	**468,253**	147,586	**59**	180
Borrowings repayable within one year (including lease liabilities) *	**(524,241)**	(764,598)	**-**	-
Borrowings repayable after one year (including lease liabilities) *	**(916,797)**	(157,578)	**-**	-
Net debt	**(972,785)**	(774,590)	**59**	180
Cash and cash equivalents	**468,253**	147,586	**59**	180
Gross debt - fixed interest rates	**-**	-	**-**	-
Gross debt - variable interest rates	**(1,441,038)**	(922,176)	**-**	-
Net debt	**(972,785)**	(774,590)	**59**	180

* During the year, the group restated the Preference Shares in LMFSN back to an intercompany borrowing. This is to rectify a loan to preference share conversion transaction done in March 2018 in LMFSN. Refer to Note 3 for more detail.

33. Earnings and headline earnings per share

Basic earnings per share is calculated by dividing the Group's profit for the year/period by the weighted average number of ordinary shares in issue during the year/period, excluding ordinary shares purchased by the company and held as treasury shares.

Headline earnings per share is calculated by dividing the Group's profit for the year/period, after excluding identifiable remeasurements, net of tax, by the weighted average number of ordinary shares in issue during the year/period, excluding ordinary shares purchased by the company and held as treasury shares.

	Group 2020	Group 2019	Company 2020	Company 2019
Earnings				
Profit for the period	**320,889**	401,198	**49,580**	180,294
Headline adjustments	**-**	-	**-**	-
Remeasurement included in equity accounted earnings	**-**	-	**-**	-
Headline earnings	**320,889**	401,198	**49,580**	180,294
Number of ordinary shares in issue at year end (note 18)	**500,000**	500,000	**500,000**	500,000
Weighted average number of ordinary shares in issue during the period	**500,000**	500,000	**500,000**	500,000
Diluted weighted average number of ordinary shares in issue during the period	**500,000**	500,000	**500,000**	500,000
Earnings per ordinary share (cents)				
Basic	**64**	80	**10**	36
Fully diluted	**64**	80	**10**	36

33. Earnings and headline earnings per share (continued)

	Group 2020	Group 2019	Company 2020	Company 2019
Headline earnings per ordinary share (cents)				
Basic	**64**	80	**10**	36
Fully diluted	**64**	80	**10**	36

34. Events occurring after the reporting date

A dividend of 22.5 cents per ordinary share has been declared since the end of the reporting period.

No other matters which are material to the financial affairs of the group and company have occurred between year-end and the date of approval of the consolidated annual financial statements.