BAYPORT MANAGEMENT LTD

(Registration number 54787 C1/GBL)

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022




BAYPORT
MANAGEMENT LTD

Index

The reports and statements set out below comprise the consolidated financial statements presented to the shareholders:

Secretary's Certificate in accordance with section 166(d) of the Mauritius Companies Act 2001

In accordance with section 166 (d) of the Mauritius Companies Act 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required for a company under the Mauritius Companies Act 2001, for the year ended 31 December 2022.

Bellerive Corporate Management Services (Mauritius) Ltd
Company Secretary

19 April 2023

General Information

Country of incorporation and domicile	Mauritius
Nature of business and principal activities	Holding company to businesses involved in provision of retail financial services
Registered office	Bellerive Corporate Management Services (Mauritius) Ltd 3rd Floor Ebene Skies Rue de L'Institut Ebene Mauritius
Business address	3rd Floor Ebene Skies Rue de L'Institut Ebene Mauritius
Main bankers	Standard Bank (Mauritius) Ltd
Auditor	BDO & Co 10, Frere Felix de Valois Street, Port Louis, Mauritius
Company registration number	54787 C1/GBL

Directors' Responsibilities and Approval

The directors are required in terms of the Mauritius Companies Act 2001 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS"). The external auditor is engaged to express an independent opinion on the consolidated financial statements.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year to 31 December 2023 and, in light of this review and the current financial position, they are satisfied that the Group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Group's consolidated financial statements. The consolidated financial statements have been examined by the Group's external auditor and their report is presented on pages 7 to 11.

The consolidated financial statements set out on pages 12 to 93, which have been prepared on the going concern basis, were approved by the Board of Directors on 19 April 2023 and were signed on its behalf by:

Mr Edward Vaughan Heberden
Director

Mr Alastair Andrew Graham Nairn
Director

Directors' Report

The directors have the pleasure in submitting their report on the consolidated financial statements of Bayport Management Ltd and its subsidiaries (referred to as the "Group") for the year ended 31 December 2022.

1. Review of financial results and activities

Main business and operations

Bayport Management Ltd ("the Company") is a holding company to businesses involved in provision of retail financial services. The shares of the Company are listed on the Stock Exchange of Mauritius. The Company holds a Global Business Licence issued by the Financial Services Commission ("FSC").

Bayport Group performed well, continuing to grow the loan book as the strategic realignment of the Group's operations in key markets yields positive results. The overall quality of the loan book improved, evidenced by lower credit impairments and a lower non-performing loan ratio. Difficult market conditions resulted in the cost of funding increasing across the Group while foreign exchange volatility impacted the Group earnings and equity as the Dollar strengthened against major African currencies. The Group continues to de-risk the impact of foreign exchange movements by focussing on raising local currency funding and reducing operating entities' reliance on US dollar debt. Cost remains well controlled across operating and corporate entities despite the continued investment in the digitisation strategy of the Group to improve client service levels and engagement. While the Group continues to monitor the lasting impact of COVID-19 on markets and the business, 2022 saw less severe impact and disruption on markets compared to 2020 and 2021. Lockdown measures eased and disappeared across the world with no stringent lockdown measures in the markets in which we operate during the year. Where relevant, the impact of COVID-19 is further discussed in the respective accounting policies and notes within the consolidated financial statements.

The operating results and statement of affairs of the Group are fully set out in the attached consolidated financial statements and do not in our opinion require any further comment.

2. Share capital

Refer to note 22 of the consolidated financial statements for details of the movement in issued share capital.

3. Dividends

No dividends were declared or paid to the ordinary shareholders and Limited-Voting B shares of the Company during the current or prior year.

4. Directors

The directors of the Company during the year and up to the date of this report are as follows:

Directors	Changes
Mr Christopher Blandford Newson	
Mr Edward Vaughan Heberden	
Mr Franco Danesi	
Mr Grant Kurland	
Mr Justin Chola	Resigned on 07 July 2022
Mr Mervin Muller	Resigned on 24 June 2022
Mr Nicholas Haag	
Mr Roberto Rossi	
Mr Simon Poole (Alternate to Mr Souleymane Ba)	Resigned on 08 December 2022
Mr Souleymane Ba	Resigned on 01 April 2022
Mr Stuart Stone	
Mrs Victoria Bejarano	
Mr Sibusiso Madondo	Appointed on 24 June 2022
Mr Gregory Richard Davis	Appointed on 30 September 2022
Mr Alastair Andrew Graham Nairn	Appointed on 11 October 2022
Mr Mathew Joseph Ananthanam	Appointed on 03 December 2021
Mr Jamie Robert Hollins	Appointed on 01 April 2022
Mr Santosh Lalloo (Alternate to Madondo Sibusiso)	Appointed on 24 June 2022
Mr Junaid Muhamud Udhin	Resigned on 11 October 2022
Mr Junaid Muhamud Udhin (Alternate to Edward Vaughan Heberden and Alastair Andrew Graham Nairn)	Appointed on 11 October 2022

5. Contract of significance

During the year under review, there was no contract of significance to which the Company, or one of its subsidiaries, was a party and in which a Director of the Company was materially interested either directly or indirectly.

Directors' Report (continued)

6. Directors' service contracts

None of the Directors of the Company and of the subsidiaries has service contracts that need to be disclosed under Section 221 of the Mauritius Companies Act 2001.

7. Going concern

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. The directors consider the going concern basis of accounting appropriate and confirm that there is no foreseeable material uncertainties that would cast doubt upon that assertion for the coming 12 months.

8. Litigation statement

At the date of this report, no material incidences of litigation existed against the Group.

9. Auditor

BDO & Co will continue in office in accordance with Section 200 of the Mauritius Companies Act, 2001.

10. Company Secretary

The Company secretary is Bellerive Corporate Management Services (Mauritius) Ltd of:

3rd Floor
Ebene Skies
Rue de L'Institut
Ebene
Mauritius

11. Separate financial statements

These financial statements represent the consolidated financial statements of the Group in accordance with IFRS 10 Consolidated Financial Statements. The separate financial statements have been prepared and presented separately.

12. Events after the reporting period

In 2017, the Group issued a convertible subordinated zero coupon note of USD 60,560,000. Mandatory conversion of the note occurred on 24 November 2022 into 3,431,411 ordinary shares of the Group representing a shareholding of 9.97% (31 December 2021: 9.86%) and were issued subsequent to year end on the 31st of January 2023. A shortfall guarantee associated with the instrument issued to the GEPF was settled on 9 February 2023 by existing representative shareholders of the Group through an agreement to transfer 3,963,219 of their existing ordinary shares (“Settlement shares”) to GEPF for a consideration of $1. The settlement shares also support a shortfall guarantee emanating from the 51% sale of Bayport Financial Services 2010 Proprietary Limited, which also occurred in 2017. As disclosed in Note 22 (v) of the 2021 financial statements, management assumed that any potential shortfall would be delivered through the issuance of new equity in the Group. This was not the case as negotiations between the GEPF, the Group and representative shareholders which started during the course of 2022 was concluded in December 2022 resulting in the transfer of shares as opposed to the issuance of new equity, and therefore has not been accounted for as new equity but a share transfer between existing shareholders. As such there is no liability at year end. The transfer of shares is still in process at the date of these financial statements.

The ongoing Russian invasion of Ukraine is leading to multiple jurisdictions imposing economic sanctions on Russia and Belarus. In addition, a growing number of public and private companies have announced voluntary actions to curtail business activities with Russia and Belarus. The war combined with the resultant sanctions may lead to disruption in pricing and supply of energy and other commodities and exacerbate ongoing economic challenges, including issues such as rising inflation and global supply-chain disruptions. The Group has no direct exposure to the Ukraine or Russia and will continue to monitor developments and the impact on operations. Refer to note 37 for further details of events after the reporting period.

BDO

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P.O. Box 799

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bayport Management Ltd

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bayport Management Ltd and its subsidiaries (the Group) on pages 12 to 93 which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 12 to 93 give a true and fair view of the financial position of the Group as at December 31, 2022, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

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 Financial Statements* section of our report. 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 Standards) (the "IESBA Code")*. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

KEY AUDIT MATTER	OUR AUDIT RESPONSE
Shortfall Guarantee	
A Shortfall Guarantee Agreement (the Agreement) was entered into between the Company (BML), Bayport Financial Services 2010 Proprietary Limited (BFSA) and the Government Employees Pension Fund (GEPF) (the parties) on 24 November 2017 which came to maturity on 24 November 2022. On the basis of the calculations required by the Agreement, a shortfall amount payable by BML and BFSA to the GEPF was identified. The parties started negotiations prior to 24 November 2022 and a verbal agreement was reached between the GEPF, represented by its duly authorised agent, the Public Investment Corporation SOC Limited (PIC) and the BML Representative Shareholders prior to 31 December 2022 in terms of which: • the BML Representative Shareholders undertook to transfer 3,963,219 ordinary shares that they hold in BML to the GEPF (Share Transfer), and in consideration for such undertaking, the GEPF agreed to immediately discharge BML and BFSA from any and all obligations and/or liabilities that BML and/or BFSA owed to the GEPF under the Agreement; and • in the event that the Share Transfer does not take place, the GEPF will have a claim against the BML Representative Shareholders for specific performance.	▶ We obtained and reviewed the terms of the Shortfall Guarantee Agreement entered between BML, BFSA and GEPF as well as the legal opinion prepared by management legal expert. ▶ We involved our independent legal expert to assess the terms of the Agreement and the legal opinion received from management legal expert. ▶ We involved our accounting technical specialists to assess the accounting treatment in light of the characteristics of the Agreement and the legal opinions. ▶ We obtained confirmation from BML Representative Shareholders that an oral agreement had been reached prior to 31 December 2022 in terms of which BML and BFSA had been discharged from their liability in terms of the Shortfall Guarantee, by the GEPF. ▶ We obtained independent confirmation from the GEPF, represented by its duly authorised agent, the PIC, that based on their assessment the amount receivable from the Shortfall Guarantee was valued at NIL as at 31 December 2022. ▶ We assessed the appropriateness of the fair value used in the capital contribution calculation. ▶ We assessed whether appropriate disclosures were made by management in the financial statements in accordance with IFRS.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Bayport Management Ltd

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

KEY AUDIT MATTER	OUR AUDIT RESPONSE
Shortfall Guarantee (Continued)	
Management engaged with their legal expert and obtained a legal opinion confirming that a binding oral agreement came into existence before 31 December 2022 which was enforceable in its terms by the parties thereto. Based on the oral agreement reached at 31 December 2022, the obligation to pay the shortfall amount to the GEPF by BML and BFSA has been settled through a capital contribution of USD 16.8m representing the fair value of the 3,963,219 ordinary shares transferred by the Representative Shareholders of BML. Due to the significant level of judgement and legal complexity around the existence of an oral agreement as at 31 December 2022, we determined this to be a key audit matter in our audit of the consolidated financial statements. Refer to notes 1.2.2, 11, 22, 33.7 and 37 of the accompanying financial statements.	
Expected credit losses on loans and advances	
Management's measurement of expected credit losses ("ECL") take into account the probability-weighted outcomes and reasonable and supportable information available without undue cost or effort. ECL is measured as follows: (i) Financial assets that are not credit impaired at reporting date – as the present value of all cash shortfalls. (ii) Financial assets that are credit impaired at reporting date – as the difference between the gross carrying amount and the present value of estimated future cash flows. The ECL model takes into consideration internal and external data and require the application of significant estimates and judgements including: ▶ Determination of the probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD'). ▶ Incorporation of forward-looking information into the ECL measurement. ▶ Assessment of the increase in credit risk and the staging of the exposures. ▶ Impact of the COVID-19 pandemic on the ECL model including the application of management overlays. We consider this to be a key audit matter because of the estimates and judgement involved in determining the assumptions and management overlays. Refer to notes 1.2, 8 and 34.1 of the accompanying financial statements.	Our audit procedures included: ▶ Understanding and testing the effectiveness of the control environment surrounding recording of loans and advances and estimation of impairment allowances. ▶ Undertaking data reconciliation procedures. ▶ Testing the completeness and accuracy of data used for the ECL computation. ▶ Involving our IFRS 9 and credit modelling specialist to review and test: o The overall modelling methodology. o The reasonableness of key policy choices in relation to the model methodology and definitions including the probability of default, exposure at default, loss given default, significant increase in credit risk and discount factor. o Rebuttal of definition of default per IFRS 9. o The reasonableness of the segmentation of the credit portfolio. o The reasonableness of forward-looking information and any potential overlays. ▶ Our credit modelling specialist also independently: o Reperformed the ECL calculation through an independent IFRS 9 challenger model based on the results extracted from the ECL schedules provided by management. The results obtained from the Challenger model were then compared with the results as provided by management. o Carried out detailed analytics to assist the audit team in identifying unusual trends or movements. o Ensure the appropriateness and accuracy of mathematical calculations through reperformance. o Evaluating the adequacy of the financial statement disclosures in accordance with IFRS.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Bayport Management Ltd

Report on the audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

KEY AUDIT MATTER	OUR AUDIT RESPONSE
Investment in associates	
The Group carries its investment in associates using equity method of accounting. As at 31 December 2022, the carrying value of the investment in associates amounted to USD 95.3 million, including goodwill of USD 53.2 million. In line with the requirements of IAS 36, Management has carried out an impairment test of the investment in associates. Significant estimates and judgements are required in assessing the impairment in associate annually. The impairment assessment is based on expected future cash flows, discount rates and forecast loan book growth rates. Due to the significant level of judgement and level of estimation exercised by management in the impairment assessment process, we considered this to be a key audit matter. Refer to notes 1.6 and 11 of the accompanying financial statements.	Our audit procedures included: ▶ Evaluating the design and implementation of the process in place for the impairment assessment exercise. ▶ Assessing the reliability of management's forecasts and growth rates used by comparing prior year forecasts against actual performance in the current year. ▶ Discussing the forecast results of the associate with management and comparing the data used to budgets. ▶ Involving our Corporate Finance specialists to evaluate the appropriateness of the valuation methodology, discount rate and other key assumptions used for the impairment test. ▶ Evaluating the adequacy of the financial statement disclosures in accordance with the requirements of IFRS.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Secretary's Certificate, General Information, Directors' Responsibilities and Approval and Directors' Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Bayport Management Ltd

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
To the Shareholders of Bayport Management Ltd

Report on the Audit of the Consolidated Financial Statements (Continued)

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- We have no relationship with, or interests in, Bayport Management Ltd (the Company) or any of its subsidiaries, other than in our capacity as auditor and dealings in the ordinary course of business.
- We have obtained all information and explanations we have required.
- In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Other Matter

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

BDO & Co

BDO & CO
Chartered Accountants

Ameenah Ramdin, FCCA, FCA
Licensed by FRC

Port Louis,
Mauritius.

19th April 2023

Consolidated Statement of Financial Position as at 31 December 2022

Figures in US Dollar	Note(s)	2022	2021
Assets			
Cash and cash equivalents	3	144,894,220	146,811,956
Reinsurance asset	4	-	1,567,037
Other receivables	5	57,154,791	62,373,693
Derivative financial assets	6	13,307,996	6,727,809
Current tax assets	7	17,560,988	16,360,496
Loans and advances	8	1,120,847,024	1,053,142,831
Other investments	9	40,194,473	34,033,545
Investments in associates	11	95,366,916	109,576,621
Goodwill	12	4,260,416	4,275,171
Property and equipment	13	6,107,391	7,835,818
Right-of-use assets	14	6,694,440	6,262,535
Intangible assets	15	43,146,170	48,359,254
Deferred tax assets	7	24,202,179	26,055,792
Total Assets		**1,573,737,004**	**1,523,382,558**
Liabilities			
Bank overdraft	3	4,153,005	21,012,425
Deposit from customers	16	112,462,088	104,466,846
Other payables	17	49,381,996	46,576,295
Provisions	18	5,279,051	6,345,729
Current tax liabilities	7	9,625,046	8,635,385
Other financial liabilities	19	-	1,543,823
Derivative financial liabilities	6	6,886,334	-
Reinsurance Liabilities	4	1,479,924	-
Lease liabilities	20	7,526,218	6,685,464
Borrowings	21	1,205,189,859	1,128,772,353
Deferred tax liabilities	7	4,821,315	2,795,960
Total Liabilities		**1,406,804,836**	**1,326,834,280**
Equity			
Share capital and treasury shares	22	416,099,023	399,543,505
Reserves	23	(321,693,574)	(275,845,399)
Retained earnings		69,564,007	67,782,223
Equity attributable to owners of the Company		163,969,456	191,480,329
Non-controlling interests		2,962,712	5,067,949
Total Equity		**166,932,168**	**196,548,278**
Total Liabilities and Equity		**1,573,737,004**	**1,523,382,558**

The consolidated financial statements and the notes on pages 12 to 93 which have been prepared on the going concern basis, were approved and authorised for issue by the Board Of Directors on 19 April 2023 and were signed on its behalf by:

Mr Edward Vaughan Heberden
Director

Mr Alastair Andrew Graham Nairn
Director

Consolidated Statement of Profit or Loss

Figures in US Dollar	Note(s)	2022			2021
		Operating activities excluding settlement of shortfall guarantee	**Settlement of shortfall guarantee**	**Total**	
Interest and other similar income	25	332,666,960	-	332,666,960	326,648,920
Interest and other similar expense	26	(191,001,926)	-	(191,001,926)	(171,718,509)
Net interest income		**141,665,034**	**-**	**141,665,034**	**154,930,411**
Lending related income	27.1	24,947,837	-	24,947,837	19,022,582
Income from insurance activities		2,219,311	-	2,219,311	3,152,308
Investment income	27.2	14,209,147	-	14,209,147	8,542,008
Other income	27.3	15,002,494	-	15,002,494	9,070,176
Non-interest income		**56,378,789**	**-**	**56,378,789**	**39,787,074**
Operating profit		**198,043,823**	**-**	**198,043,823**	**194,717,485**
Operating expenses	28	(127,543,150)	-	(127,543,150)	(129,152,876)
Foreign exchange losses		(267,322)	-	(267,322)	(2,312,462)
Operating profit before impairment on financial assets and settlement of shortfall guarantee		**70,233,351**	**-**	**70,233,351**	**63,252,147**
Impairment on financial assets	5&8	(16,198,931)	-	(16,198,931)	(18,565,577)
Settlement of shortfall guarantee	1, 33.7	-	(2,571,999)	(2,571,999)	-
Operating profit before share of post-tax results of associates		**54,034,420**	**(2,571,999)**	**51,462,421**	**44,686,570**
Share of post-tax results of associates	11	**(222,286)**	**(14,271,681)**	**(14,493,967)**	**(336,246)**
Net gain on measurement of associates		-	-	-	163,424
Share of post-tax results of associates (excluding settlement of shortfall guarantee)		(222,286)	-	(222,286)	(499,670)
Share of settlement of shortfall guarantee of associate		-	(14,271,681)	(14,271,681)	-
Operating profit before taxation		**53,812,134**	**(16,843,680)**	**36,968,454**	**44,350,324**
Taxation	7	(33,629,766)	-	(33,629,766)	(28,093,503)
Profit for the year		**20,182,368**	**(16,843,680)**	**3,338,688**	**16,256,821**
Attributable to:					
Owners of the Company		18,235,814	(16,843,680)	1,392,134	12,628,758
Non-controlling interests		1,946,554	-	1,946,554	3,628,063
Profit for the year		**20,182,368**	**(16,843,680)**	**3,338,688**	**16,256,821**
Earnings per share:					
Basic earnings per share	29	0.53	-	0.04	0.37
Diluted earnings per share	29	0.53	-	0.04	0.36

Consolidated Statement of Comprehensive Income

Figures in US Dollar	Note(s)	2022			2021
		Operating activities excluding settlement of shortfall guarantee	**Settlement of of shortfall guarantee**	**Total**	
Profit for the year		**20,182,368**	**(16,843,680)**	**3,338,688**	**16,256,821**
Other comprehensive income, net of taxation:					
Items that will not be reclassified subsequently to profit or loss:					
Fair value gain on investments in equity instruments designated as at fair value through other comprehensive income	9	6,160,997	-	6,160,997	12,332,583
Share of other comprehensive income of associates	11	673,008	-	673,008	3,930,246
Total items that will not be reclassified subsequently to profit or loss		**6,834,005**	**-**	**6,834,005**	**16,262,829**
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange differences	23.1	(43,529,995)	-	(43,529,995)	6,936,973
Recycling of foreign exchange reserve from other comprehensive income to profit or loss	23.1	(1,179,774)	-	(1,179,774)	-
Fair value (losses)/gains arising on hedging instruments	34.9	(10,027,460)	-	(10,027,460)	2,517,994
Total items that may be reclassified subsequently to profit or loss		**(54,737,229)**	**-**	**(54,737,229)**	**9,454,967**
Other comprehensive (loss)/income for the year net of taxation		**(47,903,224)**	**-**	**(47,903,224)**	**25,717,796**
Total comprehensive (loss)/income for the year		**(27,720,856)**	**(16,843,680)**	**(44,564,536)**	**41,974,617**
Attributable to:					
Owners of the Company		(29,318,671)	(16,843,680)	(46,162,351)	35,175,697
Non-controlling interests		1,597,815	-	1,597,815	6,798,920
Total comprehensive (loss)/income for the year		**(27,720,856)**	**(16,843,680)**	**(44,564,536)**	**41,974,617**

Consolidated Statement of Changes in Equity

Figures in US Dollar	Share capital	Share premium	Share application monies	Convertible equity instrument	Treasury shares	Limited-Voting B shares	Capital contribution	Total share capital and treasury shares	Translation reserve	Cash flow hedging reserve	Put option on own shares	Equity settled reserves	Other reserves	Total reserves	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
Balance at 01 January 2021	**31,384**	**315,336,346**	**104,937**	**60,560,000**	**(3,893,087)**	**30,000,000**	**-**	**402,139,580**	**(357,911,586)**	**-**	**(2,406,602)**	**4,380,024**	**41,186,658**	**(314,751,506)**	**68,668,593**	**156,056,667**	**15,995,860**	**172,052,527**
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,628,758	12,628,758	3,628,063	16,256,821
Other comprehensive (loss)/income	-	-	-	-	-	-	-	-	3,766,116	2,517,994	-	-	16,262,829	22,546,939	-	22,546,939	3,170,857	25,717,796
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,766,116**	**2,517,994**	**-**	**-**	**16,262,829**	**22,546,939**	**12,628,758**	**35,175,697**	**6,798,920**	**41,974,617**
Issue of shares	10	104,927	-	-	-	-	-	104,937	-	-	-	-	-	-	-	104,937	10,000	114,937
Buy back of ordinary shares	-	-	-	-	(2,596,075)	-	-	(2,596,075)	-	-	2,406,602	-	-	2,406,602	-	(189,473)	-	(189,473)
Share application monies	-	-	(104,937)	-	-	-	-	(104,937)	-	-	-	-	-	-	-	(104,937)	-	(104,937)
Recognition of share-based payment	-	-	-	-	-	-	-	-	-	-	-	441,963	-	441,963	-	441,963	-	441,963
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	-	-	13,515,128	13,515,128	(13,515,128)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(135,270)	(135,270)
Change in ownership interests (note 31.1 & 31.2)	-	-	-	-	-	-	-	-	(4,525)	-	-	-	-	(4,525)	-	(4,525)	(17,601,561)	(17,606,086)
Balance at 01 January 2022	**31,394**	**315,441,273**	**-**	**60,560,000**	**(6,489,162)**	**30,000,000**	**-**	**399,543,505**	**(354,149,995)**	**2,517,994**	**-**	**4,821,987**	**70,964,615**	**(275,845,399)**	**67,782,223**	**191,480,329**	**5,067,949**	**196,548,278**
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,392,134	1,392,134	1,946,554	3,338,688
Other comprehensive income	-	-	-	-	-	-	-	-	(44,361,030)	(10,027,460)	-	-	6,834,005	(47,554,485)	-	(47,554,485)	(348,739)	(47,903,224)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(44,361,030)**	**(10,027,460)**	**-**	**-**	**6,834,005**	**(47,554,485)**	**1,392,134**	**(46,162,351)**	**1,597,815**	**(44,564,536)**
Buy back of ordinary shares	-	-	-	-	(288,162)	-	-	(288,162)	-	-	-	75,369	-	75,369	-	(212,793)	-	(212,793)
Convertible equity instrument	-	-	60,560,000	(60,560,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholder settlement of shortfall guarantee	-	-	-	-	-	-	16,843,680	16,843,680	-	-	-	-	-	-	-	16,843,680	-	16,843,680
Transfer of investment revaluation reserve upon disposal of investments in associates (note 11.2)	-	-	-	-	-	-	-	-	-	-	-	-	(951,974)	(951,974)	951,974	-	-	-
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	-	-	2,582,915	2,582,915	(2,582,915)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(616,297)	(616,297)
Change in ownership interests (note 31.1 & 31.2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,020,591	2,020,591	(3,086,755)	(1,066,164)
Balance at 31 December 2022	**31,394**	**315,441,273**	**60,560,000**	**-**	**(6,777,324)**	**30,000,000**	**16,843,680**	**416,099,023**	**(398,511,025)**	**(7,509,466)**	**-**	**4,897,356**	**79,429,561**	**(321,693,574)**	**69,564,007**	**163,969,456**	**2,962,712**	**166,932,168**
Note	22	22	22	22	22	22	22	22	23.1	23.4		23.2	23.3					

Consolidated Statement of Cash Flows

Figures in US Dollar	Note	2022	2021
Cash flows from operating activities			
Profit before taxation		36,968,454	44,350,324
Adjustments for:			
Net gain on measurement of associate	11	-	(163,424)
Share of post tax results of associate	11	222,286	499,670
Settlement of shortfall guarantee	1, 33.7	2,571,999	-
Share of settlement of shortfall guarantee of associate	11	14,271,681	-
Depreciation and amortisation	28	10,253,135	11,567,900
(Profit)/Loss on disposal of property and equipment and intangible assets		(26,024)	86,624
Unrealised exchange losses		16,463,770	5,066,784
Finance costs	26	191,001,926	171,718,509
Movement in provision for credit impairment		20,582,198	23,503,016
Gain on lease modifications		-	(358,671)
Dividends income	27	(5,017,208)	(6,108,153)
Profit on disposal of associates	11.2	(2,792,350)	-
Movements in provisions and share based payments		474,227	1,496,408
Impairment of tax receivable	7.2	1,251,006	-
Profit before tax adjusted for non-cash items		**286,225,100**	**251,658,987**
Dividend received from equity instrument designated as at FVTOCI		5,017,208	6,108,153
Finance costs paid		(103,363,649)	(124,583,762)
Tax paid	7.2	(32,268,008)	(26,155,807)
Cash generated by operations before changes in working capital		155,610,651	107,027,571
Changes in working capital:			
Increase in other receivables		(9,417,564)	(825,292)
Increase in gross advances		(207,372,441)	(130,805,665)
Increase in deposit from customers		20,156,086	16,243,489
Increase in other payables		10,124,048	29,693,619
Net cash (used in)/generated by operating activities		**(30,899,220)**	**21,333,722**
Cash flows from investing activities			
Proceeds on disposal of property and equipment and intangible assets		145,940	270,644
Purchase of property and equipment and intangible assets	13,15	(3,829,030)	(4,187,487)
Net movement in amount due to associates		18,693	21,937
Cash inflow from associates on repayment of loans		1,227,079	-
Net cash flows from disposal of associate	11	12,266,550	-
Net cash flows generated by/(used in) investing activities		**9,829,232**	**(3,894,906)**

Consolidated Statement of Cash Flows (continued)

Figures in US Dollar	Note(s)	2022	2021
Cash flows from financing activities			
Proceeds from issue of bonds	30	100,821,635	23,360,710
Repayment of bonds	30	(139,721,021)	(55,359,672)
Proceeds from borrowings	30	615,794,641	499,232,694
Repayment of borrowings	30	(526,270,990)	(508,143,401)
Repayment of lease liabilities	14.2	(2,405,620)	(2,718,198)
Cash outflow on buy back of shares	22	(288,162)	-
Dividend paid		(616,297)	(154,424)
Payment on buy back of shares	31.2	(130,636)	(14,163,962)
Net cash flows generated by/(used in) financing activities		**47,183,550**	**(57,946,253)**
Net increase / (decrease) in cash and cash equivalents		**26,113,562**	**(40,507,437)**
Cash and cash equivalents at the beginning of the year		125,799,531	170,683,007
Effect of foreign exchange rate changes		(11,171,878)	2,836,332
Derecognition of subsidiary	31.1.1	-	(7,212,371)
Net cash and cash equivalents at the end of the year	3	**140,741,215**	**125,799,531**

Group Accounting Policies

1 Statement of compliance and presentation of Annual Financial Statements

Basis of preparation

The consolidated financial statements comply with the Mauritius Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, and incorporate the principal accounting policies set out below. The consolidated financial statements are presented in US Dollar.

The statement of financial position is presented in order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the notes to the statement of financial position and in the analysis of financial liabilities. The accounting policies are consistent with the previous year, except where specifically stated otherwise.

These financial statements have been prepared on the basis of accounting policies applicable to a going concern. The going concern basis presumes that, for 12 months from balance sheet date, funds will be available for the Group to finance future operations and that realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of Bayport Management Ltd ("the Company") and its subsidiaries (collectively referred as "the Group"), including structured entities which are controlled by the Company and its subsidiaries.

Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights which presently are exercisable or convertible are taken into account.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made where necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries are allocated to the non-controlling interest even if this results in a debit balance being recognised.

Transactions which result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction are regarded as equity transaction and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to owners of the Company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Group Accounting Policies (continued)

1.1 Consolidation (continued)

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell and deferred tax assets and liabilities and assets and liabilities related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases, the goodwill is translated to the functional currency of the Company at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Group Accounting Policies (continued)

1.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 estimate is revised if the revision affects only that period, or in the period the revision and future periods if the revision affects both current and future periods.

1.2.1 Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. There has been no significant impact from COVID-19 perspective on the below critical judgements.

(i) Leases under IFRS 16

Critical judgements made on application of IFRS 16 includes identification of lease contracts, reasonableness in determining whether an extension or termination option will be exercised and determination of stand-alone selling prices of lease and non-lease components.

(ii) Significant increase in credit risk

Expected credit losses (ECL) are measured as an allowance equal to 12 month ECL for stage 1 or lifetime ECL for stage 2 or stage 3 financial assets measured at amortised cost. A financial asset measured at amortised cost moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of a financial asset measured at amortised cost has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable information of customer's recent financial performance while on book and assume that recent performance is a strong indicator of future performance.

(iii) Cell captive insurance contracts

Guardrisk International Limited PCC (GIL)

The Group has an investment with Guardrisk International Limited PCC (GIL), a licensed insurance company, in insurance cells within Mauritius. These "cells" issue certain contracts that transfer the insurance of financial risk. The risks and rewards associated with these contracts are transferred to the Group through a cell agreement.

The Group entered into a shareholders' agreement for insurance cells domiciled in Mauritius. On the basis that the Mauritius cells are protected and the substance of the arrangements in Mauritius, these cells meet the definition of a "deemed separate entity" per IFRS 10.

In accordance with IFRS 10 an investor controls a deemed separate entity/investee if and only if the investor has all of the following elements:

- Power over the investee;
- Exposure, or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's return

An investor has power over a deemed separate entity when the investor has existing substantive rights that give it the current ability to direct the relevant activities of the investee and that the party which practically direct the relevant activities is not an agent of the investor.

The Group has made an assessment of whether it controls the investee as follows:

- The Group does not have any existing rights to direct the relevant activities of the cell. The rights to direct the relevant activities of the cell (being the underwriting and managing of insurance of financial risk) vests with the Board of Directors of Guardrisk and their decisions will affect the amount of variable returns that the Group are exposed to as a consequence of the investment;
- GIL does not act as an agent on behalf of the Group in directing the relevant activities of the cell as the Group doesn't have the practical ability to direct the relevant activities of the cell;
- The Group does not have the practical ability or is in any way involved with the appointment of the Guardrisk Board of Directors, any key management or any members of the governing bodies of the cell. None of the Board members, key management or members of the governing bodies of the cell are related parties to the Group;
- The Group has no practical ability to direct the cell to enter into or veto any changes to significant transactions for the benefit of the Group.
- The shareholders agreement provides both parties the right to terminate the cell arrangement without cause.

Group Accounting Policies (continued)

1.2 Critical accounting judgements and key sources of estimation uncertainty (continued)

1.2.1 Criticial judgements in applying the Group's accounting parties (continued)

(iii) Cell captive insurance contracts (continued)

Guardrisk International Limited PCC (GIL) (continued)

On the basis on the above facts and circumstances, the Group has determined that its involvement with the cell does not meet the definition of control per IFRS 10 and consequently the investments in the insurance cell captives are classified as an investment in equity instruments and measured at fair value through other comprehensive income in line with IFRS 9.

Sugaree Insurance Company Ltd

Sugaree Insurance Company Ltd, which is a subsidiary of the Group, offers cell captive arrangements in Bermuda during 2022. Based on the shareholders' agreement in place, the risks and rewards of insurance policies relating to the cell are passed on to the cell owner, and the Group retains no insurance risk relating to these policies on a net basis, such that the cell owner acts as a reinsurer for the business that it brings to the Group. The cells business has been regarded as a reinsurance contract in Sugaree Insurance Company Ltd and then consolidated into the consolidated financial statements. Towards the end of 2022 the business within the lone cell in Sugaree was novated out to another insurer, and no other third party business exist in the cell beyond 31 December 2022.

1.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Deferred tax assets

Future taxable profits are estimated based on budgets which include estimates and assumptions regarding economic growth, interest, inflation, tax rates and competitive forces (refer to note 7 for further details on deferred tax assets).

(ii) Goodwill impairment testing

Goodwill is tested for impairment on an annual basis or when an impairment indicator exists. Future cash flows expected to be generated by the cash generating units (CGUs) are projected, taking into account market conditions and the expected useful lives of these CGUs. The present value of these cash flows, determined using an appropriate discount rate, is compared to the carrying amount of the goodwill and, if lower, the goodwill impaired to the present value. This exercise requires management to make estimation of the “value in use” of the cash generating units (CGUs) to which goodwill is allocated.

Refer to notes 11 & 12 for further detail on goodwill arising on investment in associates and subsidiaries.

(iii) Impairment of financial assets

The Group measures expected credit losses of a financial instrument in a way that 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.

The expected credit losses for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses its judgement in making these assumptions and selecting the input of the impairment calculation, based on the Group past history and existing market conditions.

Loans and advances are assessed for impairment for each account. Probability of default constitute a key input in measuring ECL. Probability of default is an estimate of likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. During the year ended 31 December 2022, the ongoing impact of COVID-19 has also been taken into consideration when assessing for impairment.

Refer to note 1.7 for the accounting policies relating to the impairment of financial assets and to note 34.1 for credit risk management.

Group Accounting Policies (continued)

1.2 Critical accounting judgements and key sources of estimation uncertainty (continued)

1.2.2 Key sources of estimation uncertainty (continued)

(iv) Share-based payments

Equity-settled share-based payments are recognised as an expense over the vesting period based on their fair value at date of grant. The determination of the fair value of equity-settled share-based payments by management requires estimation through the use of option valuation models, inputs used which are not market observable and estimates derived from available data, such as employee exercise behaviour (refer to note 23.2.1).

Cash-settled share-based payments are recognised as an expense with a corresponding increase in liabilities, over the periods during which the employees become unconditionally entitled to payment. The determination of the fair value of the cash-settled share-based payments by management are based on third party valuations of the Group (refer to note 19 for cash-settled share-based payment).

(v) Shortfall Guarantee

The Group is party to a Shortfall Guarantee Agreement ("the Agreement") in favour of the South African Government Employees Pension Fund ("GEPF"). The GEPF advanced funding to an entity that acquired a convertible subordinated zero coupon note of USD 60,560,000 in the Company and 51% of Bayport Financial Services 2010 Proprietary Limited ("BFSSA") in November 2017. The terms of the Agreement are such that if a minimum hurdle return (six month South African Jibar + 350 basis points) on the convertible note (referenced by the growth in equity value of the Group) is not achieved, and is not offset by any excess growth above the same hurdle rate on the 51% interest acquired in BFSSA, the Company would be required to provide a top-up payment to the GEPF. Based on the calculations required by the contract, a shortfall amount payable by the Group to the GEPF was identified. However, the formula which was included in the contract to calculate the value of the equity shares delivered had been intended to approximate the actual fair value of those equity shares. In practice, the application of the formula resulted in a calculated value which was lower than the actual fair value. Consequently, the Group and the GEPF entered into negotiations in order to arrive at an equitable settlement.

Those negotiations were concluded in late December 2022, with the shortfall amount being agreed at USD 16.8 million by existing representative shareholders of the Group through an agreement to transfer 3,963,219 of their existing ordinary shares (“Settlement shares”) to GEPF for a consideration of $1. The settlement shares also support a shortfall guarantee emanating from the 51% sale of in Bayport Financial Services 2010 Proprietary Limited, which also occurred in 2017. As disclosed in Note 22 of the 2021 BML Group Financial Statements, management assumed that any potential shortfall would be delivered through the issuance of new equity in the Company. This was not the case as negotiations between the GEPF, the Group and representative shareholders, which started during the course of 2022, were concluded late in December 2022 resulting in an agreement to transfer shares as opposed to the issuance of new equity, and therefore has not been accounted for as new equity but a share transfer between existing shareholders. The result of these discussions concluded before the balance sheet date meaning that there would be no outflow of financial resources of the company in the settlement of any obligation. This was confirmed in signed agreements reached between the GEPF and representative shareholders during February 2023, whereby The Group was released from any and all obligations under the Agreement, aligned to discussions and verbal agreement reached between the GEPF and representative shareholders before the balance sheet date.

Management is of the opinion that sufficient evidence existed before year end of a verbal agreement reached relating to the Agreement between the GEPF and representative shareholders, which was confirmed post balance sheet date with the signing of confirmation letters between the relevant parties as well as legal opinions received before the conclusion of the audited financial statements. This was further confirmed by the GEPF confirming that there is no receivable from the Group in their books at 31 December 2022. As such, management considered this, along with all other post balance sheet information as sufficient evidence to conclude a verbal agreement had been reached prior to 31 December 2022 between the GEPF and representative shareholders and no legal liability existed for the Group at 31 December 2022.

The agreement reached between the GEPF and representative shareholders concluded that the Group will have no liability towards the GEPF in exchange for the representative shareholders transferring 3,963,219 of their shares in the Group to the GEPF. The transfer of the shares, in lieu of releasing the Group from any potential liability, is seen as a capital contribution by shareholders to the Group

Consequently, the financial statements include a charge to profit or loss of USD 16.8 million with a corresponding credit to equity arising from the shareholder settlement of the Group’s obligation to pay the shortfall amount to the GEPF. The transfer of shares is still in process at the date of these financial statements.

(vi) Valuation of investments in GIL

The valuation methodology applied is a discounted cash flow of the future expected cash flows i.e. dividends. Dividends are discounted from the point of distribution to the present time at the risk free yield curve plus a constant risk margin. The impact of the ongoing COVID-19 pandemic has also been taken into consideration to arrive at the discount rate used for valuation purposes. Unobservable inputs are used in the determination of future expected cash flows.

Refer to 34.8 for the sensitivity performed on the key unobservable inputs.

Group Accounting Policies (continued)

1.2 Critical accounting judgements and key sources of estimation uncertainty (continued)

1.2.2 Key sources of estimation uncertainty (continued)

(vii) Impairment of reinsurance contract rights

Reinsurance contract rights is tested for impairment on an annual basis or more frequently if an impairment indicator exists. Future cash flows expected to be generated by the cash generating units (CGUs) are projected, taking into account market conditions and the expected useful lives of these CGUs. The present value of these cash flows, determined using an appropriate discount rate, is compared to the carrying amount of the reinsurance contract rights and, if lower, the reinsurance contract rights impaired to the present value. This exercise requires management to make estimation of the "value in use" of the cash generating units (CGUs) to which reinsurance contract rights are allocated.

Please refer to note 15 for further detail on reinsurance contract rights.

1.3 Property and equipment

Property and equipment are tangible assets which the Group holds for its own use and which are expected to be used for more than one year.

An item of property and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Property and equipment are initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognised.

Property and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Property and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property and equipment have been assessed as follows:

Item	Average useful life
Buildings	50 years
Furniture and fittings	3 - 10 years
Motor vehicles	3 - 5 years
Office Equipment	3 - 6 years
IT equipment	3 - 6 years
Leasehold improvements	over the expected term of the lease

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

Group Accounting Policies (continued)

1.4 Leases (continued)

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

COVID-19 rental concession

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets the conditions below is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.

The practical expedient above applies only to rent concessions occuring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

1. the change in lease payments results is revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
2. any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increase leased payments that extent beyond 30 June 2021); and
3. there is no substantive change to other terms and conditions of the lease.

Group Accounting Policies (continued)

1.4 Leases (continued)

Management has elected to recognise all rent concessions occuring as a direct consequence of the COVID-19 pandemic as lease modifications.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost, less any accumulated amortisation and any impairment losses.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are carried at cost less any accumulated amortisation and any impairment losses, on the same basis as intangible assets that are acquired separately.

Reinsurance contract rights arising on acquisition of a business are carried at cost less any impairment losses. The reinsurance contract rights have an indefinite useful life and are tested for impairment annually.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight line basis over the estimated useful lives and assessed for impairment whenever there is an indication that the tangible assets may be impaired. The estimated useful life and amortisation method for an intangible assets with a finite life are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis:

Item	Average useful life
Computer software	2 - 10 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at cash-generated unit level. Such intangibles are not amortised.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Group Accounting Policies (continued)

1.6 Investment in associates

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated annual financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of profit or loss and other comprehensive income of the associate. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which include any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable asset and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

The requirements of IAS 28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying value amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposal of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if the gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Group transacts with an associate, profits and losses resulting from the transaction with the associate are recognised in the Group’s consolidated financial statement only to the extent of interests in the associate that are not related to the Group.

Refer to note 11.2 for details relating to disposal of associates.

Group Accounting Policies (continued)

1.7 Financial instruments

The Group initially recognises financial assets and liabilities on the date the Group becomes a party to the contractual provisions of the instruments. This is on the date that these financial instruments are originated.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

1.7.1 Financial assets

Classification of financial assets

The Group classifies financial assets into the following categories:
- (i) Financial assets at amortised cost
- (ii) Financial assets at fair value through profit or loss (FVTPL)
- (iii) Equity instruments designated at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if:
- The financial asset is held in order to collect contractual cash flows and to be sold; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

The Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in the fair value through other comprehensive income.

The Group may at initial recognition irrevocably designate a financial asset as measured at fair value through profit or loss if doing so significantly reduces a measurement or recognition inconsistency (sometimes referred to as an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities or recognising the gains and losses on them on different bases.

Recognition and measurement

(i) Financial assets at amortised cost

Financial assets at amortised cost are measured using the effective interest method, less any expected credit losses which are recognised in profit or loss. Amortised cost is calculated by taking into account any transaction costs on acquisition as well as fees and costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired assets, a credit-adjusted effective interest rate is calculated using estimated cash flows including expected credit losses.

Origination fees are regarded as integral part of the effective interest rate and are accounted for as interest and other similar income.

Group Accounting Policies (continued)

1.7 Financial instruments (continued)

1.7.1 Financial assets (continued)

Recognition and measurement (continued)

(i) Financial assets at amortised cost (continued)

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, matching the duration of financial assets to the liabilities that are funding those assets or realising cash flows through the sales of the assets;
- how the performance of the portfolio is evaluated and reported to Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Information about sales activity is considered as part of the overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example, liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payment of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual clause that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- interest rate charged to customers;
- origination fee and service fee charged to customers;
- any other amounts charged to customers (if any);
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (for example, non-recourse asset arrangements); and
- features that modify consideration of time value of money (for example, periodical reset of interest rates).

Financial assets which have been classified as measured at amortised cost include cash and cash equivalents, other receivables, and loans and advances.

Financial assets are reclassified only if the Group changes its business model for managing financial assets.

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Group Accounting Policies (continued)

1.7 Financial instruments (continued)

1.7.1Financial assets (continued)

Recognition and measurement (continued)

(iii) Equity instruments designated at FVTOCI

The Group may make an irrevocable election at initial recognition for particular investments that would otherwise be measured at fair value through profit and loss to present subsequent changes in fair value through other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by a Company in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserves. Amounts recognised in other comprehensive income are not reclassified to profit or loss under any circumstances, instead, they will be transferred to retained earnings in case of disposal. The Group has designated Other investments at FVTOCI. Please refer to note 9.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount can be measured reliably). Dividend income is included in the 'lending related income' line item in the consolidated statement of profit or loss.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses based on the general approach on the following financial assets:

- Loans and advances,
- Other receivables; and
- Cash and bank balances

Impairment are measured as 12-month expected credit losses when credit risk has not increased significantly since initial recognition. Where there has been a significant increase in credit risk since initial recognition of a financial asset, the loss allowance is measured as an amount equal to lifetime expected credit losses. A lifetime expected credit loss is calculated for credit impaired and defaulted loans.

Write off policy

Financial assets are written off either partially or entirely when the Group has no reasonable expectations of recovering them. This occurs when the Group determines that the debtor does not have the capacity to repay its amount due. The write off does not mean that the Group has forfeited its legal right to claim the sums due. Any recovery will be recognised in the statement of profit or loss under "other income".

Definition of default

The definition of default is critical to the determination of the ECL. It is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk. Refer to note 34.1.

While assessing if the debtor is unlikely to pay its credit obligation, the financial performance of the debtor is assessed by the Group.

Recognition and measurement

Expected credit losses are an estimate of credit losses over the life of a financial asset and when measuring expected credit losses, the Group takes into account:

- The probability-weighted outcomes
- Reasonable and supportable information that is available without undue cost or effort

Expected credit losses are measured as follows:

- Financial assets that are not credit impaired at the reporting date – as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expect to receive);
- Financial assets that are credit impaired at the reporting date – as the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Group Accounting Policies (continued)

1.7 Financial instruments (continued)

For other receivables, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly, since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost and effort. If reasonable and supportable forward-looking information is available without undue cost or effort, the Group relies on this information as well as historic information when determining whether credit risk has increased significantly since initial recognition.

Credit risk

The Group monitors the borrowers' credit risk using both qualitative and quantitative information such as number of days in arrears and recency. Days in arrears represent the number of days that the contractual installment has past due and recency is calculated by referencing the most recent payment history of loans. The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for our internal credit risk management purposes. Where collections are mainly through payroll deductions, the Group has defined credit impaired financial assets which have missed four or more consecutive instalments or when there is qualitative information of the borrower being in significant financial difficulty. The policy of management is to use recency to assess the default status of a loan as opposed to days in arrears due to high levels of administration and concomitant delays associated with payroll deductions. The internal definition of default is used instead of the IFRS9 90 days presumption.

The Group classifies loan into the 3 different stages based on recency and days in arrears as follows:

<table>
<tr><th>IFRS 9 Stage allocation</th><th>Recency</th><th>Recency definition</th></tr>
<tr><td>12-month-ECL - Credit risk has not increased significantly since initial recognition</td><td>Standard Performing</td><td>No missed instalments (IFRS9 Stage 1)</td></tr>
<tr><td rowspan="2">Lifetime-ECL- not credit-impaired - Credit risk has increased significantly since initial recognition</td><td>Performing Active (1-2)</td><td>Loans that are performing, on payroll, and have made payment on either one or both of their most recent 2 instalments expected. Loans in this category relate mainly to loans in technical arrears which are generally still on payroll and as a consequence evidence high payment propensity. (IFRS9 Stage 2)</td></tr>
<tr><td>Performing Active (3-4)</td><td>Partial performing loans that have over the last four consecutive periods reviewed, missed their most recent two instalments expected but have paid either one or both of the preceding two instalments due. This is a transitional bucket with the majority of these loans likely to be indicative of separation from payroll and likely to move into NPL but more time and analysis is required to confirm that assessment. (IFRS9 Stage 2)</td></tr>
<tr><td rowspan="3">Lifetime-ECL- credit-impaired - Credit risk has increased significantly since initial recognition and loans are credit impaired</td><td>Non-performing</td><td>Loans that have over the last four consecutive periods reviewed, missed all four instalments expected. (IFRS9 Stage 3)</td></tr>
<tr><td>Doubtful</td><td>Delinquent loans where the probability of recovery is uncertain and the separation from payroll has been confirmed, as well as credit impaired loans. (IFRS9 Stage 3)</td></tr>
<tr><td>Bad</td><td>Delinquent loans which have been identified for write offs subject to board approval and approved by the Board. (IFRS9 Stage 3)</td></tr>
</table>

Refer to note 34.1 on credit risk management and measurement.

Group Accounting Policies (continued)

1.7 Financial instruments (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occured.

Evidence that a financial asset is credit impaired includes the following observable data:

1. The recovery procedures as specified in the operation's arrears collection process have proven unsuccessful and the cost of recovering the debt outweighs the benefit.
2. The recovery of such debt is not possible, due to various reasons, such as the debtors are untraceable or deceased.

Derecognition of financial assets

Financial assets (or a portion thereof) are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire, the asset is substantially modified or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable (including any new asset obtained) are included in profit or loss.

1.7.2 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

(i) Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability’s credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group at FVTPL are recognised in profit or loss.

Fair value is determined in the manner described in note 34.8.

Group Accounting Policies (continued)

1.7 Financial instruments (continued)

(ii) Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge and fair value hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in the note 6 to the financial statements.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity limited to the cumulative change in fair value of the hedge item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.7.3 Derivative Financial Instruments

The Group uses derivative financial instruments, such as forward agreements, futures agreements, swaps and options to hedge various financial risks, mainly interest rate and foreign exchange rate risk. Such derivative financial instruments are initially recognized at their fair values on the date the derivative agreement is executed, and subsequently remeasured at fair value, in accordance with IFRS 9.

Any gain or loss from changes in the fair value of derivatives is recognised directly in the statement of profit or loss, except for those under hedge accounting.

Group Accounting Policies (continued)

1.7 Financial instruments (continued)

1.7.3 Derivative Financial Instruments (continued)

At the beginning of a hedging relationship, the Group designates and documents the hedging relationship to which it wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the fair value of the hedging instrument in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk. Hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows, and to this end are evaluated on an ongoing basis throughout the reporting periods for which they were designated.

The objective of hedge accounting is to represent, in the financial statements, the effect of the Group's risk management activities when it uses financial instruments to manage exposures arising from specific risks that could affect the result for the period. This approach is intended to represent the context of the hedging instruments for which hedge accounting is applied, in order to provide a better understanding of their purpose and effects.

Types of Hedge

Once the criteria for hedge accounting are met, hedges are classified and accounted for as follows:

Fair value hedge

Fair value hedges: when the Group hedge the exposure to changes in the fair value of recognized assets or liabilities or unrecognized firm commitments.

The change in the fair value of a derivative that is a hedging instrument is recognized in profit and loss for the period as financial cost or income. The change in the fair value of the hedged item attributable to the hedged risk is recorded as part of the carrying amount of the hedged item and is also recognized in profit or loss for the period as financial cost or income.

For fair value hedges that relate to items carried at amortized cost, adjustments to the carrying value are amortized in profit or loss over the remaining term to maturity. Amortization of the effective interest rate may begin as soon as there is an adjustment to the carrying amount of the hedged item, but must begin no later than when the hedged item is no longer adjusted for changes in its fair value attributable to the risk being hedged. Amortization of carrying value adjustments is based on the recalculated effective interest rate at the amortization start date. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss for the period.

Cash flow Hedge

Cash flow hedges correspond to hedges of the exposure to changes in cash flows attributed either to a specific risk associated with a recognized asset or liability or to a highly likely forecast transaction.

The purpose of cash flow hedge accounting is to recognize in other comprehensive income the changes in fair value of the hedging instrument for application to the profit or loss when and at the rate at which the hedged item affects the profit or loss.

The effective portion of the gain or loss from the measurement of the hedging instrument is recognized immediately in other comprehensive income, while the ineffective portion is recognized immediately in the profit or loss for the period as financial expenses.

Amounts recognized in other comprehensive income are reclassified to profit or loss when the hedged transaction affects profit or loss, as well as when the hedged financial income or expense is recognized, or when the forecast transaction occurs. When the hedged item constitutes the cost of a non-financial asset or liability, the amounts recognized in other comprehensive income are reclassified to the initial carrying amount of the non-financial asset or liability. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss for the period.

If the hedging instrument expires or is sold, terminated, or exercised without a successive replacement or renewal of a hedging instrument with another hedging instrument, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Gains or losses on the hedging instrument that relate to the effective portion of the hedge are recognized in other comprehensive income, while any gain or loss relating to the ineffective portion is recognized in profit or loss for the period.

Group Accounting Policies (continued)

1.7 Financial instruments (continued)

1.7.3 Derivative Financial Instruments (continued)

Measurement of Effectiveness

The Group uses a qualitative assessment where it establishes whether the fundamental conditions of the hedging instrument and the hedged item have values that will generally move in opposite directions due to the same risks, and flows occurring at the same time, i.e. are co-dependent, and therefore defines that there is an economic relationship between the hedged item and the hedging instrument.

On the contrary, if it considers that the fundamental conditions of the hedging instrument and the hedged item are not exactly aligned, it generates an increase in the level of uncertainty about the magnitude of the offset. Therefore, the effectiveness of the hedge over the duration of the hedging relationship is more difficult to predict. In this situation it may only be possible for the Group to conclude on the basis of a quantitative assessment that there is an economic relationship between the hedged item and the hedging instrument.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities / (assets) for the current and prior periods are measured at the amount expected to be paid to / (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independant tax advice.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit / (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit / (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the periods, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, in other comprehensive income.

Group Accounting Policies (continued)

1.9 Impairment of assets other than financial assets and goodwill

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.10 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity. Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

Limited-voting B shares are classified as equity. Limited-voting B shares are recognised at par value and classified as 'limited-voting B shares' in equity. Dividends are recognised as a liability in the year in which they are declared.

1.11 Share-based payments arrangements

Equity-settled share-based payments are accounted at the fair value at the grant date and are expensed on a straight-line basis over the vesting periods, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled benefit reserve. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in notes to the financial statements.

Cash-settled share-based payments are recognised as an expense with a corresponding increase in liabilities, over the periods during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and any changes in the liability are recognised in profit or loss.

Contingently cash settled share-based payments are classified as either cash-settled or equity-settled in its entirety depending on which outcome is probable at each reporting date. Any change in the probable method of settlement is accounted for prospectively, with the cumulative expense adjustment to reflect the appropriate charge for the method of settlement considered probable at the respective reporting date, with an associated reclassification to/from equity to liabilities as required.

Group Accounting Policies (continued)

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.13 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded in the functional currency of the relative entities of the Group, by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction and is translated to the Group functional currency on consolidation.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in other comprehensive income and accumulated in equity.

Group Accounting Policies (continued)

1.14 Translation of foreign currencies (continued)

Cash flows arising from transactions in a foreign currency are recorded in US Dollar by applying the exchange rate between US Dollar and the foreign currency at the date of the cash flow.

The results and financial position of a foreign operation are translated into US Dollar, which is the presentation currency of the Group, using the following procedures:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each item of profit or loss are translated at average exchange rates for the period; and
- all resulting exchange differences are recognised to comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to comprehensive income on disposal of the ownership interest in a net investment of a foreign operation. The Group's policy is to interpret its ownership interest in a net investment in a foreign operation as a proportional interest in the foreign operation.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

1.15 Insurance contracts

1.15.1 Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

1.15.2 Recognition and measurement of insurance contracts

1.15.2.1 Insurance contracts (continued)

These contracts relate to personal accident and credit protection plan.

Premiums

Income from insurance activities comprises premiums written on insurance contracts entered into during the financial year with the earned portion of premiums received recognised as revenue proportionally over the period of coverage.

Claims incurred

Insurance claims include claims and related claims expenses incurred during the financial year, together with the movement in provision for outstanding claims.

Group Accounting Policies (continued)

1.15 Insurance contracts (continued)

1.15.2.2Short-term insurance liabilities

The following are classified as short-term insurance liabilities:

Unearned premiums

Short-term insurance premiums are recognised in income proportionately over the period of cover. The portion of premium accrued on in-force contracts that relates to unexpired risks at the reporting date is reported as an unearned premium liability, which is included in unearned premiums under other payables.

Incurred but not yet reported (IBNR) claims

Liabilities for IBNR claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses of the claims incurred but not reported. IBNR claims liabilities are recognised as liabilities and included in IBNR claims payables. The expense is recognised in net income from insurance activities as a result of the liability being raised. The Group does not discount its liabilities for unpaid claims.

Claims payable

Each notified claim is assessed on an individual basis with due regards to the specific circumstances, information available from the insured, and past experience with similar claims. Claims payable include estimates of losses received from the ceding company.

1.15.3 Cell Captive arrangements

Third party cells are deemed to act as reinsurers to the Group in respect of the insurance activities in the cell. The income and expenses related to cell arrangements are included in the profit or loss. The net results of insurance contracts underwritten in cell arrangements are not included in the net profit after tax. The re-insurance asset / liability includes the amount due from / to the third party cell owners and are measured consistently with the amounts associated with the terms of the shareholders agreement.

1.16 Revenue

Revenue is recognised upon transfer of services to customers in an amount that reflects the consideration the Group expect to receive in exchange for those services. Revenue is recognised net of any taxes collected from customers.

Revenue comprises fees for collection of owned book debts, rendering of services to customers and finance charges on loans.

Non-interest income

Lending related income and other income are recognised over time based on the substance of the relevant agreement and when services are rendered.

1.17 Related parties

Related parties are individuals and companies, where the individual and company have the ability, directly or indirectly, to control the other party or exercise significant influence on the other party in making financial and operating decisions. Related parties also include close family members of those individuals and key management personnel of the Group. Related party transactions and balances are disclosed in the notes to the financial statements.

1.18 Segmental reporting

The Group's segmental reporting is in accordance with IFRS 8 Operating Segments. Operating segments are reported in a manner consistent with the internal reporting provided to the Group Executive Committee (the Chief Operating Decision-Makers (CODM)), who are responsible for allocating resources and assessing performance of the operating segments. All transactions between business segments are conducted on an arm's-length basis, with intra-segment revenue and costs being eliminated at Group level. Income and expenses directly associated with each segment are included in determining business segment performance.

Notes to the Consolidated Financial Statements

2. New Standards and Interpretations

In the current year, the Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2022.

2.1 New and revised Standards and Interpretations with no material effect on the financial statements

The following relevant Standards and Interpretations have been applied in these financial statements. However, they did not have any impact on the Group's financial statements but may impact the accounts for future transactions or arrangements.

IAS 16 Property, Plant and Equipment - amendments prohibiting a company from deducting the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - amendments regarding the costs to include when assessing whether contract is onerous

IFRS 1 First-time Adoption of International Financial Reporting Standards - amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter)

IFRS 3 Business Combinations – amendments updating a reference to the Conceptual Framework

IFRS 9 Financial Instruments - amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)

2.2 Standards and Interpretations in issue but not yet effective (continued)

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but effective on annual period on or after the respective dates as indicated:

IAS 1 Presentation of Financial Statements - amendment to defer the effective date of the January 2020 amendments (effective 1 January 2024)

IAS 1 Presentation of Financial Statements: amendments regarding the classification of liabilities (effective 1 January 2024)

IAS 1 Presentation of Financial Statements – amendments regarding the disclosure of accounting policies (effective 1 January 2023)

IAS 1 Presentation of Financial Statements – amendments regarding the classification of debt with covenants (effective 1 January 2024)

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors – amendments regarding the definition of accounting estimates (effective 1 January 2023)

IAS 12 Income Taxes – amendments regarding deferred tax on leases and decommissioning obligations (effective 1 January 2023)

IFRS 4 Insurance contracts - amendments regarding the expiry date of the deferred approach (effective 1 January 2023)

IFRS 16 Leases - amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions (effective 1 January 2024)

IFRS 17 Insurance Contracts - original issue (effective 1 January 2023)

IFRS 17 Insurance Contracts - amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (effective 1 January 2023)

The directors anticipate that these amendments will be applied in the annual financial statements for the annual periods beginning on the respective dates as indicated above. The directors have not yet assessed the potential impact of the application of these amendments, except for the impact of IBOR reform and IFRS 17 which is described below.

The Group's risk exposure that is directly affected by the IBOR reform predominantly comprises its variable rate borrowings that are linked to the LIBOR. Three-month, six-month, and twelve-month USD LIBOR will cease publication after June 30, 2023, and it is expected to be replaced by the by the appropriate alternative reference rate. The Group has variable rate USD borrowings which references to LIBOR and matures based on a maturity date. The Group's communications with the counterparties are ongoing, but specific changes required by IBOR reform have not yet been agreed. The expected transition from LIBOR to the appropriate alternative reference rate is not expected to have an effect on the amounts reported for the current and prior financial years. As at 31 December 2022, the Group expects the affected bank loans to transition to alternative interest rate benchmarks by the end of 2023.

2. New Standards and Interpretations (continued)

In May 2017, the International Accounting Standards Board (IASB) completed its project on insurance contracts with the issuance of IFRS 17 Insurance Contracts. IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS 17. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023.

The Group will apply IFRS 17 for the first time for the period ended 31 December 2023. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and is expected to impact on the Group's consolidated financial statements in the period of initial application. The Group will restate the comparative information on the adoption of IFRS 17.

The impact of adopting IFRS 17 and the transition impact is being finalised, but not yet known:

- The Group is continuing to refine new accounting processes and internal controls required to apply IFRS 17;
- The new systems and associated controls are not yet fully operational;
- The Group will finalise the testing and assessment of controls over its new IT systems and changes in governance frameworks;
- The new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first financial statements for the period ended 31 December 2023, that include the date of initial application of 1 January 2022.

Identifying insurance contracts in scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts.

When identifying contracts in scope of IFRS 17, in some cases the Group will assess whether a set of series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and good and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Group does not expect significant changes arising from the application of these requirements.

No discretionary participation features, embedded derivates, investment components or non-insurance service components have been identified on the contracts in scope for IFRS 17. No contracts need to be combined.

Level of aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines or issued by different Group entities are expected to be in different portfolios. Each portfolio, where applicable, is then divided into annual cohorts aligned with the Group's financial year aligned to IFRS 17 requirements that no portfolio may contain contracts issued more than one year apart. Each cohort is further subdivided depending on the profitability of the contracts included.

Insurance contracts will be classified as onerous or profitable at initial recognition. Profitable contracts will further be split into groups with no significant possibility of becoming onerous and remaining profitable business. A similar approach will be adopted for reinsurance contracts held.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the Group. Compared with the current accounting, the Group expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of the cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts.

The coverage period for the identified contracts within the scope of IFRS 17 all exceed 12 months and are thus not automatically eligible for measurement under the simplified Premium Allocation Approach as per the requirements of the standard. Simplifications with regards to the coverage period of these contracts are currently being negotiated in an effort to be considered eligible for the Premium Allocation Approach.

Transition

The opening balance sheet at 1 January 2022 – the start of the comparative period for the 2023 financial period – needs to be restated assuming IFRS 17 applied retrospectively. The default approach used to determine the opening balance sheet is the Full Retrospective Approach. This approach will only be applied to contracts that are eligible for measurement under the PAA as it is deemed to be impracticable for all other contracts. For the latter, either the Modified Retrospective Approach or the Fair Value Approach will be applied. The Group expects that all the identified contracts within the scope for IFRS 17, post implementation of agreed amendments, to be eligible for measurements under the Premium Allocation Approach and therefore for the Full Retrospective Approach to be applied.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

3. Cash and cash equivalents

Cash and cash equivalents for the purposes of the statement of cash flows consist of:

	2022	2021
Cash and bank balances	144,894,220	146,811,956
Bank overdraft	(4,153,005)	(21,012,425)
Total cash and cash equivalents	**140,741,215**	**125,799,531**

Bank balances:

Lien over cash and bank balances amounts to USD 34 million (2021: USD 71 million)

Bank overdrafts:

As at 31 December 2022, the Group had available facilities totalling USD 21.6 million (2021: USD 22.7 million) of which USD 4.1 million (2021: USD 21.0 million) is utilised.

Bank overdrafts of USD 15 million are unsecured (2021: USD 15 million) and USD 6.6 million (2021: USD 7.7 million) are secured over loans and advances.

Interest rates charged varied from 8.17% to 22.6% per annum (2021: 5.12% to 23% per annum).

4. Reinsurance (liability)/asset

	2022	2021
Reinsurance (liability)/asset	(1,479,924)	1,567,037

The reinsurance asset represents funds due by/(due to) the cell owners of a segregated cell of Sugaree Insurance Company Limited. As governed by a shareholders agreement, the shares issued to the cell owners gives them the rights to participate in the profits and losses of the cell and to receive dividends based on the profitability of the cell. The shares issued by the cell owners creates a facility for cells to contract insurance business in a cell captive and the rights and obligations are set out in a shareholders agreement.

The carrying amount approximates its fair value.

5. Other receivables

		2022	2021
Current assets			
Sundry debtors*		15,786,201	19,087,952
Insurance premiums receivable	(i)	3,641,247	7,673,548
Prepayments		5,385,258	3,157,856
Vat receivable		1,826,462	1,240,818
Interest receivable on CCS		-	857,709
Impairment provision	(ii)	(121,083)	(268,820)
Amount receivable from related parties (note 33.2)		48,736	56,686
		26,566,821	31,805,749
Non-current assets			
Loans receivable from associate (note 33.3)	(iii)	30,431,287	30,148,652
Loan receivable under share-based incentive scheme (note 33.2)	(iv)	156,683	419,292
Total other receivables		**57,154,791**	**62,373,693**

		2022	2021
Impairment provision			
At 1 January		268,820	637,703
Impairment recognised in profit or loss		(3,658)	(342,112)
Amounts recovered		(936)	-
Foreign exchange movements		(143,143)	(26,771)
At 31 December	(ii)	**121,083**	**268,820**

The directors consider that the carrying amount of other receivables approximate their fair values at balance sheet date. No collateral is held for receivables except for the loan receivable under the share-based incentive scheme. The Group applies IFRS 9 to measure loss allowances for expected credit losses on other receivables by reference to past default experience of the debtors, the debtors' financial position and general economic conditions of the industry in which the debtors operate.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

5. Other receivables (continued)

* Sundry debtors consists primarily of receivables due from employers relating to loan book collections.

The Group always measures the loss allowance of other receivables classified as current at an amount equal to lifetime ECL. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

(i) The insurance premiums are receivable from local insurance companies in Colombia and Mexico. They are short term in nature and are of low credit risk.

(ii) Impairment of USD 3,658 was reversed as this amount was recovered during the year (2021: USD 342,112)

(iii) The loans receivable from associate are unsecured and are repayable by March 2028.

The loans are denominated in US Dollars and carry interest ranging from 2.96% to 7.57% which represents US Dollar 12 month LIBOR plus 2%. (2021: from 2.23% to 2.58% which represents US Dollar 12 month LIBOR plus 2%).

An amendment to the agreement was signed in December 2020 whereby the settlement of the outstanding loan receivable will be made through redemption of Class B shares held by the associate in the books of the Company. The credit risk on the loan is low and immaterial.

(iv) The loan receivable under the share-based incentive scheme carry interest at 5.2% per annum (2021: 5.2%), are repayable by March 2025 and are secured by the shares alloted under the scheme.

6. Derivative financial instruments

Derivative financial assets	13,307,996	6,727,809
Derivative financial liabilities	(6,886,334)	-
Total derivative financial instruments	**6,421,662**	**6,727,809**

Derivative financial liabilities are comprised of the following:		
Fair value of financial derivatives (hedging instruments)	(8,175,756)	-
Fair value of financial liabilities (hedged items)	1,289,422	-
Derivative financial liabilities	**(6,886,334)**	**-**

The derivative asset and liability represents the fair value of hedging instruments entered into by Bayport Colombia S.A to manage the exposure to foreign currency exchange differences and fair value movements due to movements in interest rates. Please refer to note 34.9 for full disclosure of hedge accounting and the underlying hedges.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

7. Income taxes

7.1 Income tax recognised in profit or loss

Current tax		
In respect of the current year	23,369,749	22,057,443
In respect of prior years	349,242	(649,383)
Withholding taxes	6,229,521	4,406,401
Total current tax expense	**29,948,512**	**25,814,461**
Deferred tax		
In respect of the current year	3,830,074	1,332,392
In respect of prior years	(148,820)	946,650
Total deferred tax expense	**3,681,254**	**2,279,042**
Total income tax expense recognised in the current year	**33,629,766**	**28,093,503**

Reconciliation of the tax expense

The Company holds a Category 1 Global Business Licence for the purpose of the Mauritius Financial Services Act 2007. Pursuant to the enactment of the Mauritius Finance Act 2018, with effect as from 1 January 2019, the 80% of the Mauritian tax ("deemed foreign tax credit") has been phased out, through the implementation of a new tax regime. Companies which had obtained their Category 1 Global Business Licence on or before 16 October 2017, including the Company, have been grandfathered and would benefit from the deemed tax credit regime up to 30 June 2021.

The Company is liable to income tax in Mauritius at the rate of 15% (31 December 2021: 15%). The Company is entitled to a foreign tax credit equivalent to the greater of the actual foreign tax suffered or deemed foreign tax credit with respect to its foreign source income resulting in an effective tax rate on net income of up to 3%, up to 30 June 2021.

Following amendments brought by the Mauritius Finance Act 2018 to the Income Tax Act 1995, the deemed foreign tax credit available to GBC companies, incorporated on or before 16 October 2017, has been abolished as from 1 July 2021.

As from 1 July 2021 and under the new tax regime and subject to meeting the necessary substance as required under the Mauritius Financial Services Act 2007 (as amended by the Finance Act 2018) and such guidelines issued by the Financial Services Commission, the Group is entitled to either (a) a foreign tax credit equivalent to the actual foreign tax suffered on its foreign income against the Group's tax liability computed at 15% on such income, or (b) an exemption of 80% on some of the income derived, including but not limited to foreign source dividends or interest income, subject to meeting prescribed substance conditions.

Profit before taxation	**36,968,454**	**44,350,324**
Tax at the effective rate 15% (2021: 15%)	5,545,268	6,652,549
Effect of different tax rates of subsidiaries operating in other jurisdictions	20,462,962	10,933,735
Effect of expenses that are not deductible in determining taxable profit	5,421,146	13,933,401
Effect of withholding tax	6,229,521	4,406,401
Tax credit	-	(5,313,168)
Recognition of deferred tax asset on tax losses from prior years	-	(2,860,308)
Effect of exempt income	(3,432,680)	(10,619)
Current year tax losses for which no deferred tax is being recognised	(796,873)	54,245
	33,429,344	27,796,236
Adjustments recognised in the current year in relation to the current tax of prior years	200,422	297,267
Income tax expense recognised in profit or loss	**33,629,766**	**28,093,503**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

7. Income taxes (continued)

7.2 Current tax assets/(liabilities)

Current tax assets	17,560,988	16,360,496
Current tax liabilities	(9,625,046)	(8,635,385)
Total current tax	**7,935,942**	**7,725,111**

At 1 January	7,725,111	7,450,190
Tax paid	32,268,008	26,155,807
Current tax for the year recognised in profit or loss	(29,948,511)	(25,814,461)
Foreign exchange movements	1,156,046	(756,519)
Impairment	(1,251,006)	-
Others	(2,013,707)	690,094
At 31 December	**7,935,941**	**7,725,111**

7.3 Deferred tax assets/(liabilities)

The following is the analysis of deferred tax assets and liabilities presented in the statement of financial position.

Deferred tax assets	24,202,179	26,055,792
Deferred tax liabilities	(4,821,315)	(2,795,960)
Total deferred tax	**19,380,864**	**23,259,832**

Deferred tax breakdown		
Tax losses available for set off against future taxable income	14,200,399	13,701,074
Provision for impairment of loans and advances	10,643,343	11,792,346
Unrealised exchange losses	1,587,859	1,367,296
Accelerated capital allowances for tax purposes	(1,386,039)	(1,487,748)
Revenue and expense recognition timing differences	(1,606,687)	(1,400,624)
Others	(4,058,011)	(712,512)
Total deferred tax	**19,380,864**	**23,259,832**

Reconciliation of net deferred tax assets		
At 1 January	23,259,832	24,743,238
Tax losses utilised for set off against future taxable income	499,325	(38,768)
Originating temporary differences on tangible fixed assets	101,709	(819,548)
Originating temporary differences on provision for impairment on loans and advances	(1,149,003)	1,573,759
Originating temporary differences on revenue and expenses	(206,063)	1,039,077
Unrealised exchange losses	220,563	(1,778,032)
Derecognition of subsidiary	-	(84,990)
Others	(3,345,499)	(1,374,904)
At 31 December	**19,380,864**	**23,259,832**

The deferred tax asset recognised relating to unutilised tax losses is supported by management's forecast of future taxable income for the next five years. The directors are satisfied that the Group will utilise the deferred tax asset relating to unutilised tax losses within the next five years. In making such forecast, all positive and negative evidence was considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies and results of recent operations.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

7. Income taxes (continued)

7.3 Deferred tax assets/(liabilities) (continued)

At the end of the reporting period, the Group has unused tax losses of USD 80,850,918 (2021: USD 59,348,128) available for offset against future profits. A deferred tax asset has been recognised in respect of USD 53,958,984 (2021: USD 14,500,974) of such losses. No deferred tax asset has been recognised in respect of the remaining USD 26,891,934 (2021: USD 44,847,154) due to unpredictability of future profit streams. The tax losses expire on a rolling basis usually over 5 years as follows:

	Losses carried forward	Expiry date of losses
Financial year		
31 December 2018	259,610	31 December 2023
31 December 2019	5,964,387	31 December 2024
31 December 2020	17,040,695	31 December 2025
31 December 2022	9,473,845	31 December 2027
31 December 2022	15,955,364	Above 5 years
	32,157,017	No expiry date
Total losses carried forward	**80,850,918**	

8. Loans and advances

	2022	2021
Gross advances	1,186,701,846	1,116,362,741
Impairment provision	(65,854,822)	(63,219,910)
Net loans and advances	**1,120,847,024**	**1,053,142,831**
Non-current assets	957,182,071	881,947,867
Current assets	163,664,953	171,194,964
Net loans and advances	**1,120,847,024**	**1,053,142,831**
Impairment provision		
At 1 January	63,219,910	51,173,835
Impairment recognised in profit or loss	16,202,589	18,907,689
Utilisation of allowance for impairment	(2,855,812)	(23,142,480)
Stage 3 Balance Sheet Adjustment	(2,928,945)	11,496,766
Foreign exchange and other movements	(7,782,920)	4,784,100
At 31 December	**65,854,822**	**63,219,910**

Loans and advances advanced by the individual subsidiaries are provided as security for those subsidiaries' bank overdrafts and term loan balances totalling USD 398.0 million (2021: USD 567.0 million).

Please refer to note 34.1 for disclosures on credit risks.

9. Other investments

	2022	2021
Investments in equity instruments designated at FVTOCI		
At 1 January	34,033,545	25,230,777
Change in fair value (note 23.3.1)	6,160,997	12,332,583
Foreign exchange movements	(69)	16,143
Derecognition of subsidiary (note 31.1.1)	-	(3,545,958)
At 31 December	**40,194,473**	**34,033,545**

The Group participates in insurance activities through cell captive insurance companies. Bayport Management Ltd owns 100% of the issued share capital of cells created by GIL.

Fair value is determined by discounting the estimated future cash flows at a risk adjusted rate. The method used is documented in note 34.8.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar		2022	2021

10. Subsidiaries

Information about the composition of the Group at the end of the reporting period is as follows:

Name of company	Country	Main business	2022	2021
Actvest Limited	Mauritius	Professional services	100.00 %	100.00 %
Actvest Mexico S.A.P.I de C.V, E.N.R	Mexico	Investment holding	100.00 %	100.00 %
Actvest Proprietary Limited	South Africa	Professional services	100.00 %	100.00 %
Bayport Asesores Ltda	Colombia	Insurance services	100.00 %	100.00 %
Bayport Colombia S.A.	Colombia	At source lending	100.00 %	100.00 %
Bayport Financial Services (USA), Inc.	United States	Professional services	100.00 %	100.00 %
Bayport International Headquarter Company (Pty) Limited	South Africa	Investment holding	100.00 %	100.00 %
Bayport Latin America Holdings Ltd	Mauritius	Investment holding	100.00 %	100.00 %
Cashfoundry Limited	United Kingdom	Professional services	100.00 %	100.00 %
Financiera Fortaleza, S.A de C.V, SOFOM, E.N.R	Mexico	At source lending	100.00 %	100.00 %
Sugaree Insurance Company Limited	Bermuda	Insurance services	100.00 %	100.00 %
Bayport Savings and Loans Limited	Ghana	At source lending	98.89 %	98.89 %
Money Quest Investments (Proprietary) Limited	Botswana	At source lending	98.31 %	98.31 %
Desembolsos 48H SA DE CV	Mexico	At source lending	100.00 %	100.00 %
Bayport Financial Services Limited (refer to note 31.2) (i)	Zambia	At source lending and retail banking	98.81 %	95.41 %
Bayport Financial Services Mozambique (MCB), SA	Mozambique	At source lending and retail banking	95.00 %	95.00 %
Bayport Financial Services (T) Limited	Tanzania	At source lending	89.00 %	89.00 %
Bayport Financial Services Uganda Limited	Uganda	At source lending	85.00 %	85.00 %

(i) During the year ended 31 December 2022, Bayport Financial Services Limited, incorporated in Zambia, carried out a share buyback of 3.4% of shares held by minority shareholders. Consequently, the ownership interest of the company increased from 95.41% to 98.81%.

Management does not consider any subsidiary to have material non-controlling interests that require further disclosures.

11. Investments in associates

		2022	2021
At 1 January		109,576,621	107,993,030
Share of losses		(222,286)	(499,670)
Share of settlement of shortfall guarantee of associate	33.7	(14,271,681)	-
Share of other comprehensive income		673,008	3,930,246
Shareholder settlement of shortfall guarantee	33.7	14,271,681	-
Movement in currency translation reserve		(6,366,000)	(8,773,142)
Transfer from investment in subsidiary	31.1.1	-	6,762,733
Net gain on remeasurement	31.1.1	-	163,424
Disposal	31.1	(8,294,427)	-
At 31 December		**95,366,916**	**109,576,621**
Material associates		95,366,916	100,934,039
Immaterial associates		-	8,642,582
Total investments in associates		**95,366,916**	**109,576,621**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

11. Investments in associates (continued)

11.1 Details of material associate

Name of associate	: Bayport Financial Services 2010 Proprietary Limited
Principal activity	: Retail financial services
Place of incorporation	: South Africa
Proportion of ownership	: 49%

The summarised financial information below represents amounts shown in the consolidated financial statements of Bayport Financial Services 2010 Proprietary Limited, prepared in accordance with IFRS.

	2022	2021
Summarised statement of financial position		
Current assets	41,605,126	36,160,209
Non current assets	299,278,565	299,443,357
Current liabilities	(16,945,508)	(15,801,907)
Non current liabilities	(237,896,254)	(229,530,386)
Equity attributable to owners of the Company	**86,041,929**	**90,271,273**

	2022	2021
Summarised statement of profit or loss and other comprehensive income		
Net interest income	3,331,566	10,823,801
Loss for the year	(453,645)	(3,737,663)
Derivative recognition and settlement of shortfall guarantee	(14,271,681)	-
Other comprehensive income/(loss) for the year	1,373,486	6,288,821
Total comprehensive income/(loss) for the year	(13,351,840)	2,551,159

	2022	2021
Reconciliation of the above summarised financial information to the carrying amount of the interest in Bayport Financial Services 2010 Proprietary Limited		
Net assets of associates	86,041,929	90,271,273
Proportion of the Group's ownership interest	49.00%	49.00%
Share of net assets	42,160,545	44,232,924
Goodwill	53,206,371	56,701,115
Total carrying amount	**95,366,916**	**100,934,039**

The movement in goodwill relates to foreign exchange losses.

When testing the investment in associate for impairment, the recoverable amounts of cash generating units (CGUs) are determined as the higher of value in use and fair value less costs to sell.

As at 31 December 2022, the impairment assessment was performed using the residual income method and by incorporating budgets approved by the board. Cash flows beyond the period covered by approved budgets were forecasted based on projected growth rates for the relevant cash generating unit. The evaluation was based on a five year forecast:

- Discount rates reflect management's assessment of risks specific to the CGU as well as current market trends of the time value of money. Cost of equity discount rate used is 15.83% (31 December 2021: 15.8%).
- Growth rates are based on industry indicators as well as current and expected business trends. At the end of the forecast period, a terminal value was included with a growth expectation of 5.6% (31 December 2021: 5.6%).

Based on the assessment performed, no provision for impairment was recognised.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar		2022	2021

11. Investments in associates (continued)

11.2 Aggregate Information of associates which is not material

Name of associate	: Traficc Group
Principal activity	: Insurance services and Investment holding
Place of incorporation	: South Africa
Proportion of ownership	: 51%

	2022	2021
The Group's share of profit	-	1,331,785
The Group's share of other comprehensive income	-	848,724
The Group's share of total comprehensive income	-	2,180,509
Carrying amount of the Group's interest in the associate	-	8,642,582

Although the Group owned more than 50% of the ordinary shares of Traficc Group up to the date of disposal, the acquisition was accounted for using the equity method. This is due to the fact that more than 51% of voting rights is required for certain key decisions.

During the year ended 31 December 2019, the Company gained control over Traficc Group through a business combination achieved by contract alone due to the suspension of the minority protection rights and was subsequently recognised as investment in subsidiaries.

On 1 January 2021, the suspension of the minority protection rights to the Traficc Group expired. Consequently, the Group's investment in the Traficc Group no longer met the definition of control as defined by IFRS 10. The Group continued to exercise significant influence.

During the year ended 31 December 2022, the Group sold its share of investment in the Traficc Group for USD 12.2 million resulting in a profit of USD 2.8 million.

Calculation of the profit on disposal	2022	2021
Consideration received	12,266,550	-
Less:		
Carrying amount of the Company's interest in the associate	(8,642,582)	-
Movement in currency translation reserve during the year	348,156	-
Recycling of foreign exchange losses from other comprehensive income to profit or loss	(1,179,774)	-
Profit on disposal of associate	**2,792,350**	**-**

The share of the other comprehensive income of USD 951,974 relating to the associate was recycled from other reserves to retained earnings on disposal.

12. Goodwill

Cost and carrying amount		2022	2021
At 1 January		4,275,171	7,632,612
Transfer to associate	31.1.1	-	(3,184,822)
Foreign exchange movements		(14,755)	(172,619)
At 31 December		**4,260,416**	**4,275,171**

Goodwill acquired on business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

At source lending activities	2022	2021
Bayport Savings and Loans PLC	210,379	347,162
Bayport Financial Services Limited (T)	195,283	197,690
Money Quest Investments (Proprietary) Limited	165,466	180,195
Bayport Colombia S.A.	181,313	219,070
Financiera Fortaleza S.A de C.V., SOFOM, E.N.R	3,507,975	3,331,054
Total	**4,260,416**	**4,275,171**

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. When testing goodwill for impairment, the recoverable amounts of the CGUs are determined based on the higher of fair value less costs of disposal and value in use.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

12. Goodwill (continued)

The impairment assessment was done using a weighted average of the results from the Residual Income method, Price to Earnings ratios (PE) multiples and Price to Book ratios (PB) multiples by incorporating budgets approved by the board. Cash flows beyond the period covered by approved budgets were forecasted based on projected growth rates for the relevant cash generating unit. The evaluation was based on a five year forecast. The key assumptions for value in use calculations are discount rates, growth rates, PE and PB.

Discount rates reflect management's assessment of risks specific to the CGU as well as current market trends of the time value of money. Growth rates are based on industry indicators as well as current and expected business trends. PB and PE multiples are based on an average for listed financial institutions operating in the same business segment. The following assumptions were used in the value in use calculation at year end.

	2022	2021
Discount Rate		
Bayport Savings and Loans PLC	25.49%	20.68%
Bayport Financial Services Limited (T)	22.16%	19.69%
Money Quest Investments (Proprietary) Limited	16.29%	16.44%
Bayport Colombia S.A.	16.15%	16.13%
Financiera Fortaleza S.A de C.V., SOFOM, E.N.R	20.14%	15.83%
PE Ratio		
Bayport Savings and Loans PLC	6.00	8.50
Bayport Financial Services Limited (T)	7.30	8.50
Money Quest Investments (Proprietary) Limited	8.20	8.50
Bayport Colombia S.A.	5.98	5.74
PB Ratio		
Bayport Savings and Loans PLC	1.16	0.91
Bayport Financial Services Limited (T)	1.07	1.10
Money Quest Investments (Proprietary) Limited	1.72	3.90
Bayport Colombia S.A.	1.23	1.39
Financiera Fortaleza S.A de C.V., SOFOM, E.N.R	1.21	-
Growth Rate		
Bayport Savings and Loans PLC	6.50%	5.50%
Bayport Financial Services Limited (T)	4.10%	5.40%
Money Quest Investments (Proprietary) Limited	4.58%	5.90%
Bayport Colombia S.A.	2.96%	4.10%
Financiera Fortaleza S.A de C.V., SOFOM, E.N.R	3.03%	6.00%

Based on the assessment performed, no provision for impairment was recognised.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

13. Property and equipment

Non-current assets

Cost	Buildings	Furniture and Fittings	Motor Vehicles	Office Equipment	IT Equipment	Leasehold Improvements	Total
At 01 January 2021	1,846,011	4,370,961	3,731,784	2,745,938	8,122,482	5,702,203	26,519,379
Additions	7,793	233,416	1,162,362	49,751	963,698	708,360	3,125,380
Transfers	34,212	13,530	(27,064)	-	415,423	(194)	435,907
Disposals	-	(248,081)	(729,894)	(92,668)	(223,757)	(809,684)	(2,104,084)
Derecognition of subsidiary	-	(46,740)	(35,033)	(30,008)	(396,746)	(62,841)	(571,368)
Foreign exchange movements	497,417	241,487	455,337	(16,048)	182,419	(122,116)	1,238,496
At 01 January 2022	**2,385,433**	**4,564,573**	**4,557,492**	**2,656,965**	**9,063,519**	**5,415,728**	**28,643,710**
Additions	3,278	535,553	558,839	135,891	874,804	295,130	2,403,495
Transfers	-	3,664	-	-	(37,853)	(55,662)	(89,851)
Disposals	(1,165,272)	(659,183)	(432,274)	(46,314)	(642,334)	(163,943)	(3,109,320)
Foreign exchange movements	(186,023)	(528,246)	(621,861)	(554,580)	(1,081,435)	(948,208)	(3,920,353)
At 31 December 2022	**1,037,416**	**3,916,361**	**4,062,196**	**2,191,962**	**8,176,701**	**4,543,045**	**23,927,681**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

13. Property and equipment (continued)

Accumulated depreciation	Buildings	Furniture and Fittings	Motor Vehicles	Office Equipment	IT Equipment	Leasehold Improvements	Total
At 01 January 2021	205,777	3,632,209	2,563,784	2,331,790	6,727,349	3,995,326	19,456,235
Charge for the year	49,462	311,063	500,666	221,841	1,118,949	632,484	2,834,465
Disposals	-	(223,469)	(534,676)	(83,889)	(214,759)	(642,655)	(1,699,448)
Derecognition of subsidiary	-	(21,299)	(8,289)	(24,254)	(255,059)	(53,831)	(362,732)
Foreign exchange movements	55,448	227,095	302,886	(24,374)	128,278	(109,961)	579,372
At 01 January 2022	**310,687**	**3,925,599**	**2,824,371**	**2,421,114**	**7,504,758**	**3,821,363**	**20,807,892**
Charge for the year	39,734	238,021	396,840	142,681	884,443	454,170	2,155,889
Disposals *	(214,730)	(655,466)	(337,765)	(44,296)	(636,785)	(142,657)	(2,031,699)
Foreign exchange movements	(24,228)	(480,903)	(394,845)	(522,963)	(932,829)	(756,024)	(3,111,792)
At 31 December 2022	**111,463**	**3,027,251**	**2,488,601**	**1,996,536**	**6,819,587**	**3,376,852**	**17,820,290**

Carrying value							
At 31 December 2022	**925,953**	**889,110**	**1,573,595**	**195,426**	**1,357,114**	**1,166,193**	**6,107,391**
At 31 December 2021	**2,074,746**	**638,974**	**1,733,121**	**235,851**	**1,558,761**	**1,594,365**	**7,835,818**

* Disposal of land and buildings related to Bayport Financial Services Limited's buy back of treasury shares in exchange for Bayport Financial Services Limited's three buildings at their carrying amounts as disclosed in note 31.2

During the year ended 31 December 2022, management carried out impairment assessment of property and equipment where indicators of impairment existed and concluded that property and equipment of the Group was not impaired (31 December 2021: Nil).

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

14. Right-of-use assets

The Group leases many assets including buildings, motor vehicles and office equipment. Information about leases for which the Group is a lessee is presented below.

Non-current assets

Cost	Rental of space	Motor vehicles	Office equipment	Total
01 January 2021	**11,950,342**	**141,504**	**150,388**	**12,242,234**
Additions	1,242,218	4,867	3,736	1,250,821
Modifications	1,180,732	-	-	1,180,732
Termination of lease	(1,279,133)	-	-	(1,279,133)
Foreign exchange movements	363,940	(4,273)	(4,272)	355,395
At 01 January 2022	**13,458,099**	**142,098**	**149,852**	**13,750,049**
Additions	3,228,962	108,178	387,685	3,724,825
Modifications	(238,943)	-	-	(238,943)
Foreign exchange movements	(1,417,713)	7,547	7,171	(1,402,995)
At 31 December 2022	**15,030,405**	**257,823**	**544,708**	**15,832,936**

Accumulated depreciation

At 01 January 2021	**5,580,048**	**85,067**	**144,426**	**5,809,541**
Charge for the year	2,854,583	38,088	7,111	2,899,782
Termination of lease	(1,279,133)	-	-	(1,279,133)
Foreign exchange movements	64,062	(2,569)	(4,169)	57,324
At 01 January 2022	**7,219,560**	**120,586**	**147,368**	**7,487,514**
Charge for the year	2,020,515	48,598	218,035	2,287,148
Foreign exchange movements	(649,794)	6,405	7,223	(636,166)
At 31 December 2022	**8,590,281**	**175,589**	**372,626**	**9,138,496**

Carrying value

At 31 December 2022	**6,440,124**	**82,234**	**172,082**	**6,694,440**
At 31 December 2021	**6,238,539**	**21,512**	**2,484**	**6,262,535**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

14. Right-of-use assets (continued)

14.1 Amount recognised in profit or loss

2022	Rental of space	Motor Vehicles	Office equipment	Total
Interest on lease liabilities	843,203	8,796	23,845	875,844
Depreciation of right of use asset	2,020,515	48,598	218,035	2,287,148
Expenses relating to short term leases	79,457	-	-	79,457
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	183,603	-	-	183,603
Gain on lease terminations	(65,741)	(1,357)	(7,121)	(74,219)
	3,061,037	**56,037**	**234,759**	**3,351,833**

2021	Rental of space	Motor Vehicles	Office equipment	Total
Interest on lease liabilities	968,069	4,859	534	973,462
Depreciation of right of use asset	2,854,583	38,088	7,111	2,899,782
Expenses relating to short term leases	177,494	445	(3,269)	174,670
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	368,835	-	-	368,835
Gain on lease terminations	(169,616)	-	-	(169,616)
	4,199,365	**43,392**	**4,376**	**4,247,133**

14.2 Amount recognised in the statement of cash flows

	2022	2021
Total cash outflow for leases	2,405,620	2,718,198

Refer to note 20 for further details on lease liabilities.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

15. Intangible assets

Cost	Computer software	Software under development	Reinsurance contract rights	Total
At 01 January 2021	**43,042,140**	**1,323,338**	**19,258,773**	**63,624,251**
Additions	675,758	386,348	-	1,062,106
Transfers	539,437	(541,420)	-	(1,983)
Disposals	(105,125)	(2,010)	-	(107,135)
Foreign exchange movements	438,782	(221,963)	-	216,819
At 01 January 2022	**44,590,992**	**944,293**	**19,258,773**	**64,794,058**
Additions	944,859	480,676	-	1,425,535
Transfers	320,899	(320,899)	-	-
Disposals	(38,296)	-	-	(38,296)
Foreign exchange movements	(2,172,336)	(102,689)	-	(2,275,025)
At 31 December 2022	**43,646,118**	**1,001,381**	**19,258,773**	**63,906,272**

Accumulated amortisation	Computer software	Software under development	Reinsurance contract rights	Total
At 01 January 2021	**10,824,050**	**-**	**-**	**10,824,050**
Charge for the year	5,833,653	-	-	5,833,653
Disposals	(105,125)	-	-	(105,125)
Foreign exchange movements	(117,774)	-	-	(117,774)
At 01 January 2022	**16,434,804**	**-**	**-**	**16,434,804**
Charge for the year	5,810,098	-	-	5,810,098
Disposal	(38,296)	-	-	(38,296)
Foreign exchange movements	(1,446,504)	-	-	(1,446,504)
At 31 December 2022	**20,760,102**	**-**	**-**	**20,760,102**

Carrying value	Computer software	Software under development	Reinsurance contract rights	Total
31 December 2022	**22,886,016**	**1,001,381**	**19,258,773**	**43,146,170**
31 December 2021	**28,156,188**	**944,293**	**19,258,773**	**48,359,254**

During the year ended 31 December 2022, management carried out an impairment assessment of computer software and no impairment was recognised (31 December 2021 : USD nil).

When testing reinsurance contract rights for impairment, the recoverable amount was determined as the present value of future cash flows under value-in-use. Cash flows beyond the period covered by approved budgets were forecasted based on future growth rates. The evaluation is based on five year forecasts with key assumptions being discount rates and growth rates ranging from 14.2% to 14.27% and 0.9% to 1.3% respectively (31 December 2021 : from 15.83% to 16.13% and 3% to 4.1% respectively).

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

16. Deposit from customers

By maturity		
Within one month	15,391,689	11,291,482
One to three months	22,188,105	14,153,018
Three months to one year	63,603,515	78,079,205
More than one year	11,278,779	943,141
Total deposits from customers	**112,462,088**	**104,466,846**

By nature		
Current accounts	1,471,377	837,262
Saving accounts	2,891,238	3,312,704
Fixed deposit accounts	108,099,473	100,316,880
Total deposits from customers	**112,462,088**	**104,466,846**

Interest rates charged on customer deposits		
Bayport Financial Services Mozambique (MCB) SA	14% - 16%	13% - 16%
Bayport Financial Services Ltd (Zambia)	0.19% - 14%	0.19% - 18%
Bayport Financial Services Ghana Ltd	10% - 35%	7% - 23%

17. Other payables

Current liabilities		
Accruals	16,965,069	10,643,655
Sundry creditors	11,178,545	7,846,212
Unallocated receipts	4,514,836	6,210,642
Withholding tax payable	4,309,656	4,228,879
Vat payable	3,825,720	2,811,299
Insurance payable	3,591,027	2,570,128
Audit and non audit fees payables	1,351,315	1,150,409
Interest payable on CCS	-	1,290,020
Unearned premiums reserve (i)	895,508	2,737,143
Claims payables (ii)	919,289	4,333,268
IBNR claims payable (iii)	1,788,648	2,746,878
Amount due to related parties (note 33.2)	42,383	7,762
Total other payables	**49,381,996**	**46,576,295**

The average credit period of sundry creditors ranges from 0 to 90 days. Sundry creditors and accruals do not accrue interest.

Insurance contract liabilities

(i) Unearned premium reserve

At 1 January	2,737,143	1,930,131
Change in unearned premium reserve	(1,841,635)	807,012
At 31 December	**895,508**	**2,737,143**

(ii) Claims payable

At 1 January	4,333,268	702,195
Claims incurred during the year	10,529,668	15,730,026
Claims paid during the year	(13,943,647)	(12,098,953)
At 31 December	**919,289**	**4,333,268**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

17. Other payables (continued)

(iii) IBNR Claims payable

At 1 January	2,746,878	723,400
Movement in IBNR	(958,230)	2,023,478
At 31 December	**1,788,648**	**2,746,878**

18. Provisions

At 1 January	6,345,729	4,527,760
Additions	5,434,411	5,967,259
Amount utilised	(6,057,140)	(4,369,177)
Foreign exchange movements	(443,949)	219,887
At 31 December	**5,279,051**	**6,345,729**

The provision balance relates to accruals made for staff and management performance bonuses.

19. Other financial liabilities

Cash settled share based payment	-	1,543,823

As at 31 December 2020, the obligation under the share-based incentive was reassessed and it was determined that part of the instrument will be cash settled following the enforcement of the liquidity event clauses in the incentive agreements.

The obligation has been fully settled in the year 2022.

Maximum number of shares, under the share options scheme, vested and unexercised as at:

31 December 2021	-	228,715

The options outstanding at 31 December 2021 had a weighted average exercise price of USD 6.75, and a weighted average remaining contractual life of one year. During 2022, the Group re-priced its outstanding options. The strike price was reduced from USD 6.75 to USD 5.74, as determined by the Board of Directors.

No share options were granted or exercised during the year (2021: nil).

The Group reversed USD 345,142, relating to cash-settled share-based payment transactions in 2022 (2021: the Group recognised total expenses of USD 297,030).

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

20. Lease liabilities

	Rental of space USD	Motor vehicles USD	Office equipment USD	Total
At 1 January 2021	**6,492,272**	**66,149**	**6,879**	**6,565,300**
Additions	1,242,218	4,867	3,736	1,250,821
Interest expense	968,069	4,859	534	973,462
Lease terminations	(1,279,133)	-	-	(1,279,133)
Lease modifications	1,180,731	-	-	1,180,731
Lease payments	(2,670,008)	(48,190)	-	(2,718,198)
Foreign exchange movement	713,971	7,085	(8,575)	712,481
At 1 January 2022	**6,648,120**	**34,770**	**2,574**	**6,685,464**
Additions	3,228,962	108,178	387,685	3,724,825
Interest expense	843,203	8,796	23,845	875,844
Lease modifications	(238,943)	-	-	(238,943)
Lease payments	(1,783,954)	(225,902)	(395,764)	(2,405,620)
Foreign exchange movement	(1,435,159)	159,290	160,517	(1,115,352)
At 31 December 2022	**7,262,229**	**85,132**	**178,857**	**7,526,218**

	2022	2021
Maturity analysis		
Year 1	2,791,408	2,758,522
Year 2	2,385,747	2,211,897
Year 3	1,693,631	1,490,233
Year 4	1,576,440	1,053,577
Year 5	1,078,414	949,866
Onwards	530,833	1,492,932
Total lease liabilities	**10,056,473**	**9,957,027**

The lease liabilities as at 31 December 2022 amounts to USD 7,526,218 (2021: USD 6,685,464) and future finance charges amount to USD 2,530,255 (2021: USD 3,271,567).

The incremental borrowing rates varied from 6.5% to 32.0% (2021: 6.79% to 29.06%).

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored by the ALCO.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

21. Borrowings

	2022			2021		
Held at amortised cost	**Senior**	**Subordinated**	**Total**	**Senior**	**Subordinated**	**Total**
Corporate bonds (i)	306,174,968	46,854,168	353,029,136	304,325,129	79,197,423	383,522,552
Other term loans (ii)	725,298,875	77,554,283	802,853,158	727,453,229	20,000,000	747,453,229
Revolving credit facility (iii)	66,926,616	-	66,926,616	12,028,614	-	12,028,614
Subtotal	1,098,400,459	124,408,451	1,222,808,910	1,043,806,972	99,197,423	1,143,004,395
Less: deferred transaction costs	(16,976,760)	(642,291)	(17,619,051)	(14,119,696)	(112,346)	(14,232,042)
Total borrowings	**1,081,423,699**	**123,766,160**	**1,205,189,859**	**1,029,687,276**	**99,085,077**	**1,128,772,353**

Subordinated Social bonds, and some other term loans rank behind all other funders and debt providers in priority of repayment and are consequently classified as subordinated loans. The remaining other loans are classified under senior loans.

	2022	2021
Current liabilities	270,718,986	659,976,153
Non-current liabilities	934,470,873	468,796,200
Total borrowings	**1,205,189,859**	**1,128,772,353**

Remaining term of maturity		
On demand or within period not exceeding one year	270,718,987	659,976,153
Within a period of more than one year but not exceeding two years	415,494,522	284,099,329
Within a period of more than two years but not exceeding three years	373,057,713	10,000,000
Within a period of more than three years but not exceeding five years	141,341,636	174,696,871
In more than five years	4,577,001	-
Total borrowings	**1,205,189,859**	**1,128,772,353**

(i) Corporate bonds

During the year ended 31 December 2022, the Company has issued Bonds in US Dollar. The corporate bonds are unsecured and carry interest rates ranging from 13% to 15% per annum (2021: 10.5% to 11.5% per annum).

As at 31 December 2022, the last trades of the Social bonds and Nordic bonds were 94.5% and 93% of their respective nominal issue price (31 December 2021: 99.1% and 95.3%).

(ii) Other term loans

Other term loans include funding received by the Group from local banks and financial institutions in US Dollars and other currencies. Terms of the loans range from five month to thirteen years (2021: from one month to seven years) and interest rates range from 8% to 37.33% per annum (2021: 6.2% to 24.5%).

(iii) Revolving credit facilities

As at 31 December 2022, the Company had available facilities totalling USD 67 million (31 December 2021: USD 60 million). Interest rates charged on revolving credit facilities ranges from 9.06% to 13.77% per annum (31 December 2021: 8.88% to 9.20% per annum). The revolving credit facilities are unsecured.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

21. Borrowings (continued)

Securities and guarantees

Other term loans include borrowings of USD 398 million (2021: USD 567 million) outstanding at the end of the reporting date, secured over loans and advances of the Group. The securities and guarantees are removed when the borrowings are repaid. Other securities held by funders are as follows:

(a) Subordination of preference shares of Bayport Financial Services Uganda Limited for USD 1.6 million (2021: USD 1.6 million)

(b) Subordination of loans from Bayport Management Ltd to subsidiaries of USD 13.3 million (2021: USD 43.2 million)

(c) Corporate guarantee from Bayport Management Ltd of USD 2.4 million (2021: USD 32.4 million)

(d) Lien over cash of USD 34.2 million (2021: USD 71 million)

(e) Cash collateral pledged of USD 18.6 million (2021: USD 12.5 million)

ALCO continues to monitor liquidity positions and ensures the Group remains in a strong financial position. This includes drawing down on available facilities as and when required.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

22. Share capital and treasury shares

	Number of shares	Share capital	Share premium	Share application monies	Limited-voting B Shares (iii)	Convertible equity instrument (v)	Capital contribution	Total share capital	Treasury shares	Total share capital and treasury shares
01 January 2021	31,384,369	31,384	315,336,346	104,937	30,000,000	60,560,000	-	406,032,667	(3,893,087)	402,139,580
Issue of ordinary shares (i)	10,294	10	104,927	-	-	-	-	104,937	-	104,937
Share application monies (ii)	-	-	-	(104,937)	-	-	-	(104,937)	-	(104,937)
Buy back of ordinary shares (iv)	-	-	-	-	-	-	-	-	(2,596,075)	(2,596,075)
01 January 2022	31,394,663	31,394	315,441,273	-	30,000,000	60,560,000	-	406,032,667	(6,489,162)	399,543,505
Share application monies (ii)	-	-	-	60,560,000	-	(60,560,000)	-	-	-	-
Buy back of ordinary shares (iv)	-	-	-	-	-	-	-	-	(288,162)	(288,162)
Shareholder settlement of shortfall guarantee (vi)	-	-	-	-	-	-	16,843,680	16,843,680	-	16,843,680
31 December 2022	**31,394,663**	**31,394**	**315,441,273**	**60,560,000**	**30,000,000**	**-**	**16,843,680**	**422,876,347**	**(6,777,324)**	**416,099,023**

Issued and fully paid ordinary shares of USD 0.001 each at par value.

Each share has equal rights on distribution of income and capital and is entitled to one vote per share.

(i) Issue of ordinary shares to senior executives in 2021 (refer to note 23.2). No issue in 2022.

(ii) Share application monies represent advances received from the shareholders which has not yet been converted into share capital as at year end. As at 31 December 2020, a senior executive exercised his rights to be issued 10,294 ordinary shares under the share based incentive scheme and which were issued during the year ended 31 December 2021 (refer to note 23.2.1). During the year ended 31 December 2022, the mandatory conversion of the convertible equity instruments of USD 60.56 million were exercised and has been issued in January 2023 (refer to note (v)).

(iii) On 24 December 2019, the Board approved the creation of a new class of share named “Limited-voting B Share”. The salient terms of the Limited-voting B Share are as follows:

- The holder of each Limited-voting B Share is eligible to receive dividends declared to the holders of such shares by the Board of the Company, in its sole and absolute discretion, provided that the aggregate of the dividend/s payable in respect of each Limited-voting B Share is limited to USD 1.5 million;
- The Company is entitled to redeem each Limited-voting B Share at any time for a redemption price equal to USD 1 million per Limited-voting B Share, being an amount equal to the subscription price paid for such share;
- Unless the Limited-voting B Share has been redeemed by the Company, the holder of a Limited-voting B Share has the right, commencing on the first anniversary of the date of subscription and enduring for a further six months thereafter, to convert each Limited-voting B Share into 41 254 ordinary shares of the Company.
- The holder of a Limited-voting B Share is not entitled to vote at any meeting or on any written resolution of the shareholders of the Company, except in relation to amend the rights, limitations and other terms of the Limited-voting B Shares.
- On 30 December 2019, the Company issued 30 Limited-Voting B shares at a price of USD 1 million per B share.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

22. Share capital and treasury shares (continued)

(iv) During the year ended 31 December 2021, the put option that the Company wrote in favour of minority shareholders of the Traficc Group were exercised. A total of 141,340 shares representing 0.48% of the company shares were bought back from the Traficc Group shareholders at a price of USD 23.36 for USD 3,301,703. An additional amount of 8,111 shares representing 0.03% of the company shares were bought back from the Traficc Group shareholders at a price of USD 23.36 for USD 189,473. The shares have been accounted as treasury shares in the records of the Company.

During the year ended 31 December 2022, the Company bought back 0.16% of its own shares from group executives participating in the share based incentive scheme. The shares have been accounted as treasury shares in the records of the Company.

(v) During the year ended 31 December 2017, the Group issued a convertible subordinated zero coupon note of USD 60,560,000. Mandatory conversion of the note will occur at defined dates into 3,431,411 ordinary shares of the Company representing a shareholding of 9.97% (2021: 9.86%) and it meets the requirement for equity disclosure in terms of IFRS. The mandatory conversion were triggered in November 2022, and shares were issued on 31 January 2023, shown as share application monies as at 31 December 2022.

(i) Capital contribution by shareholders in lieu of shortfall guarantee as outlined in note 1.2.2(v) and note 33.7.

The Company's shareholding for the year was as shown below:

		Percentage holding	
Shareholders		**2022***	**2021**
Kinnevik New Ventures		23.96	23.93
Takwa Holdco Limited		18.13	18.10
Takwa Holdco (2) Ltd		4.89	4.89
Public Investment Corporation (SDC) Limited		20.57	20.54
Elsworthy Holdings Ltd		11.85	11.83
Mr Grant Kurland	Director	9.24	9.22
Kasumu Ltd		8.33	8.32
Others		3.03	3.17
Total		**100.00**	**100.00**

* Shareholding percentages reflective of shareholding prior to an agreement reached with GEPF for the transfer of shares as outlined in notes 1.2.2(v) and 33.7

Mr Roberto Rossi, who is a director of the Group, is a contingent discretionary beneficiary of trusts which hold an interest in Elsworthy Holdings Ltd.

Mr Stuart Stone, who is a director of the Group, is a contingent discretionary beneficiary of a trust which holds an interest in Kasumu Ltd.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar		2022	2021

23. Reserves

Foreign currency translation reserves	23.1	398,511,025	354,149,995
Equity settled reserves	23.2	(4,897,356)	(4,821,987)
Other reserves	23.3	(79,429,561)	(70,964,615)
Cash flow hedging reserve	23.4	7,509,466	(2,517,994)
Total reserves		**321,693,574**	**275,845,399**

23.1 Translation reserves

Opening balance	354,149,995	357,911,586
Translation of foreign operations	35,624,074	(16,158,050)
Translation of monetary items deemed as net investment	5,064,487	266,378
Translation of goodwill	14,755	172,599
Recycling of foreign exchange from other comprehensive income to profit or loss	(1,179,774)	-
Others	5,186,227	8,782,100
Foreign exchange differences recognised through other comprehensive income	**44,709,769**	**(6,936,973)**
Less: translation reserve attributable to non-controlling interests	(348,739)	3,175,382
Closing balance	**398,511,025**	**354,149,995**

The translation reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations as well as the cumulative gains/losses arising on the translation of monetary items that forms part of a net investment in a foreign operation.

23.2 Equity settled reserves

Share-based incentive scheme	23.2.1	1,689,307	1,613,938
Share-based contingent consideration	23.2.2	3,208,049	3,208,049
Total equity settled reserves		**4,897,356**	**4,821,987**

23.2.1 Share-based incentive scheme

The Company has share incentive schemes which entitle the senior executives of the Group to be awarded shares for no consideration at different vesting dates.

Maximum number of shares, under the share options scheme, unvested and unexercised as at:		
31 December 2022	-	55,173
31 December 2023	89,839	35,715
31 December 2024	13,913	17,135
Total number of shares	**103,752**	**108,023**

No options were exercised during the year ended 31 December 2022 (31 December 2020: two notices of exercise were received for 19,674 number of options into 19,674 number of ordinary shares at zero cost. As at 31 December 2020, 9,380 shares have already been issued and 10,294 shares were issued during the year ended 31 December 2021).

During the year ended 31 December 2022, the Company recognised total expenses of USD 75,369 (2021: USD 441,963).

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar		2022	2021

23. Reserves (continued)

23.2.2 Share-based contingent consideration

The share-based contingent consideration relates to the acquisition of additional stake in Financiera Fortaleza, S.A de C.V, SOFOM, E.N.R. The purchase prices were agreed to be partly by issuance of 170,277 shares of the Company subject to achievement of agreed performance metrics based on profit targets.

Number of shares, vesting in future financial years ending:		
31 December 2023	170,277	170,277

23.3 Other reserves

Investment revaluation reserve	23.3.1	43,728,011	37,845,980
Regulatory and statutory reserves	23.3.2	35,701,550	33,118,635
Total other reserves		**79,429,561**	**70,964,615**

23.3.1 Investment revaluation reserve

At 1 January		37,845,980	21,583,324
Movement in fair value	9	6,160,997	12,332,583
Share of other comprehensive income of associates	11	673,008	3,930,246
Transfer of investment revaluation reserve upon disposal of investment in associates	11.2	(951,974)	-
Share of other comprehensive income attributable to non-controlling interests		-	(173)
At 31 December		**43,728,011**	**37,845,980**

The investment revaluation reserve represents the cumulative gains arising on the revaluation of investments in equity instruments designated as at fair value through other comprehensive income

23.3.2 Regulatory and statutory reserves

At 1 January	33,118,635	19,603,334
Transfers in regulatory and statutory reserves	2,582,915	13,515,301
At 31 December	**35,701,550**	**33,118,635**

Regulatory credit risk reserves and statutory reserves relate to impairment provisions on the loan book in excess of what is required per IFRS compared to local regulations and requirements to maintain a minimum capital adequacy ratio. Refer to note 34.8 for the fair value measurement disclosure.

23.4 Cash Flow hedging reserve

Cash flow hedging reserve	34.9	(7,509,466)	2,517,994

The cash flow hedging reserve comprise gains/losses arising on the effective portion of hedging instruments carried at fair value in qualifying cash flow hedge.

24. Dividends declared and paid

Dividend paid to preference shareholders	-	-

No dividends was declared and paid by the Company during the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

25. Interest and other similar income

Interest on loans and advances	332,666,960	326,648,920

26. Interest and other similar expense

Interest on bank overdrafts and term loans	124,913,576	108,001,963
Interest on corporate bonds	58,904,199	57,241,399
Interest on lease liabilities	875,844	973,462
Interest expense - cross currency swap	6,308,307	5,501,685
Total interest and other similar expense	**191,001,926**	**171,718,509**

27.1 Lending related income

Commission received	9,730,049	6,809,654
Dividend income	5,017,208	6,108,153
Credit life insurance	9,718,165	5,291,624
Bad debts recovered	350,795	623,576
Others	131,620	189,575
Total lending related income	**24,947,837**	**19,022,582**

27.2 Investment Income

Bank interest received	3,531,289	2,382,094
Interest income - Staff loans	6,091	20,725
Interest income - CCS	3,191,234	3,563,047
Other interests	7,480,533	2,576,142
Total Investment Income	**14,209,147**	**8,542,008**

27.3 Other Income

Profit on disposal of associate	2,792,350	-
Profit/(loss) on sale of fixed assets	26,024	(96,581)
Sundry Income	6,788,780	9,166,757
Others	5,395,340	-
Total Other Income	**15,002,494**	**9,070,176**

28. Operating expenses

Employee costs	43,438,654	51,669,411
Sales commission	26,979,420	27,951,311
Depreciation and amortisation	10,253,135	11,567,900
Collection fees	8,780,734	8,263,190
Computer expenses	6,464,917	8,032,965
Accounting, legal and professional fees	6,678,298	4,807,202
Occupancy costs	1,586,919	2,613,219
Loan processing costs	2,657,827	2,110,619
Insurance costs	2,483,135	2,033,770
Impairment of current tax receivable	1,251,006	971,170
Marketing expenses	1,621,517	1,105,895
Bank charges	1,345,555	1,902,291
Levies and duties	1,165,113	979,896
Travelling expenses	792,884	512,310
Motor vehicle expenses	624,249	429,198
Telephone and 3G expenses	670,710	742,223
Profit share	1,032,314	1,380,204
Others	9,716,763	2,080,102
Total operating expenses	**127,543,150**	**129,152,876**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

29. Earnings per share

Basic earnings per share	0.04	0.37

The earnings and weighted average number of shares used in the calculation of basic earnings per share are as follows:

Earnings for the year attributable to owners of the Company	1,392,134	12,628,758
Earnings used in calculation of basis earnings per share	**1,392,134**	**12,628,758**
Weighted average number of shares for the purpose of calculating basic earnings per share	34,430,450	34,488,764

Diluted earnings per share	0.04	0.36

The earnings and weighted average number of shares used in the calculation of diluted earnings per share are as follows:

Earnings for the year attributable to owners of the Company	1,392,134	12,628,758

Diluted earnings per share

The weighted average number of shares for the purpose of diluted earnings per share reconciles to the weighted average number of shares used in the calculation of basic earnings per share as follows:

Weighted average number of ordinary shares used for basic earnings per share	34,430,450	34,488,764
Share deemed to be of no consideration in respect of:		
- Share-based incentive scheme	46,122	84,138
- Deferred share consideration	170,277	170,277
Weighted average shares used in the calculation of diluted earnings per share	**34,646,849**	**34,743,179**

Figures in US Dollar

30. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows from financing activities.

	Opening balance	Financing Cashflows*	Other non-cash movements		Finance Charge	Others*	Closing balance
			Currency movements	Amortisation of deferred transaction costs			
2022							
Bonds	382,048,074	(38,899,386)	(6,758,466)	(3,235,600)	15,164,436	-	348,319,058
Other borrowings	746,724,279	89,523,651	26,884,005	(151,409)	(6,109,725)	-	856,870,801
Lease liabilities	6,685,465	(2,405,620)	2,002,759	-	875,844	367,770	7,526,218
Total liabilities from financing activities	**1,135,457,818**	**48,218,645**	**22,128,298**	**(3,387,009)**	**9,930,555**	**367,770**	**1,212,716,077**
2021							
Bonds	398,276,169	(31,998,962)	12,385,585	1,693,329	1,691,953	-	382,048,074
Other borrowings	712,585,978	(8,910,707)	45,225,503	(1,552,604)	(623,891)	-	746,724,279
Lease liabilities	6,565,300	(2,718,198)	2,838,362	-	-	-	6,685,464
Total liabilities from financing activities	**1,117,427,447**	**(43,627,867)**	**60,449,450**	**140,725**	**1,068,062**	**-**	**1,135,457,817**

* The cash flows from bonds and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

* Other non cash movement on lease liability relates to new lease contract entered during the year (refer to note 20).

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

31. Business combinations

31.1 Business combination - loss of control by contract alone - 31 December 2021

On 1 January 2021, the suspension of the minority protection rights to the Traficc Group expired. Consequently, the Group's investment in Traficc Group no longer met the definition of control as defined by IFRS 10. However, the Group continued to exercise significant influence over the Traficc Group until disposal of the Traficc Group on 1 January 2022. Refer to note 11.2

As a result, the Group no longer accounted its investment in the Traficc Group as a subsidiary but as an investment in associate in 2021.

No consideration was transferred during this transaction.

31.1.1 Assets and liabilities of Traficc Group on the date that control was lost

Assets	
Goodwill	3,184,822
Cash and cash equivalents	7,212,371
Trade and other receivables	144,555
Other investments	3,545,958
Property and equipment	208,636
Deferred tax assets	84,990
Total assets	**14,381,332**
Liabilities	
Trade and other payables	(3,639,535)
Other financial liabilities	(528,776)
Current tax liabilities	(12,689)
	10,200,332
Non-controlling interest	(3,437,599)
Net assets on deconsolidation	**6,762,733**
Net gain on remeasurement	163,424
	6,926,157

31.2 Acquisition of additional interest in a subsidiary

In December 2021, one of the subsidiary companies of the Group, Bayport Financial Services Limited, incorporated in Zambia, carried out a share buy back of 12.18% of shares held by minority shareholders. Consequently, the ownership interest of the Group increased from 83.23% to 95.41%.

During the year 2022, Bayport Financial Services Limited, carried out another share buy back of 3.4%, in exchange of three buildings at their carrying amounts at the date of disposal of USD 1,034,564 and the related property transfer taxes of USD 130,636. The total cost of the properties disposed amounted to USD 1,165,272 and their market value was USD 2,574,053 at the date of disposal.Consequently, the ownership interest of the Group increased from 95.41% to 98.81%. The Group recognised a decrease in non-controlling interest of USD 3 million (2021: USD 14 million) and an increase in retained earnings of USD 3 million (2021: 14 million).

The following summarises the effect of changes in the Group's (parent) ownership interest in Bayport Financial Services Limited.

	2022	2021
Parent's ownership interest at beginning of period	93,045,360	60,546,500
Share of other comprehensive income	11,204,820	46,662,822
Effect of increase in parent's ownership interest	(3,086,755)	(14,163,962)
Parent's ownership interest at end of period	**101,163,425**	**93,045,360**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar		2022	2021

32. Commitments

The Company has entered into a new lease contract for the office building on 01 January 2022. The lease term is for 5 years.

Lease liabilities		-	367,770

33. Related party transactions

Details of transactions between the Group and other related parties are as follows. Below transactions have been made on commercial terms and in the normal course of business.

33.1 Trading transactions

During the year, the following trading transactions with related parties that are/were not members of the Group were entered into:

Interest received			
On loans under share incentive scheme		6,091	20,725
Bayport Financial Services 2010 Proprietary Limited		1,677,460	694,698
Total interest received		**1,683,551**	**715,423**
Professional fees payable			
Whatana Investments, S.A		392,655	353,343

33.2 Amount receivable from and payable to related parties

The following balances were outstanding at the end of the reporting period:

Amounts receivable from related parties			
Loan receivable from senior executives under share-based incentive scheme		156,683	419,292
Bayport Financial Services 2010 Proprietary Limited		48,736	54,936
DTOS Ltd		-	1,750
Total amount receivable from related parties		**205,419**	**475,978**
Amount payable to related parties			
Bayport Financial Services 2010 (Pty) Ltd	17	42,383	7,762

33.3 Loans receivable from associate

Loans receivable from associate		30,431,287	30,148,652

Refer to note 5 for the terms and conditions of loans receivable from associate.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

33. Related party transactions (continued)

33.4 Compensation to key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

Short term benefits	3,583,977	2,492,652

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

33.5 Professional fees (including directors' fees) paid to management entity

Bellerive Corporate Management Services (Mauritius) Ltd	52,410	6,590
DTOS Ltd	-	94,045
	52,410	**100,635**

33.6 Other related party transactions

Details of amounts due under the share-based incentive scheme are disclosed in note 23.

Details of purchase of treasury shares from group executives are disclosed in note 22.

Share application monies are disclosed in note 22.

33.7 Settlement of shortfall guarantee

The maturing of the Shortfall Guarantee Agreement ("the Agreement") on 24 November 2022 led to a trigger event under which the value of a minimum hurdle return (six month South African Jibar + 350 basis points) on the convertible note (referenced by the growth in equity value of the Group) is not achieved, and is not offset by any excess growth above the same hurdle rate on the 51% interest acquired in BFSSA, the Company would be required to provide a top-up payment to the GEPF.

Based on the calculations required by the Agreement, a shortfall amount payable by the Group to the GEPF was identified. However, the formula which was included in the contract to calculate the value of the equity shares delivered had been intended to approximate the actual fair value of those equity shares. In practice, the application of the formula resulted in a calculated value which was lower than the actual fair value. Consequently, the Group and the GEPF entered negotiations in order to arrive at an equitable settlement. Those negotiations were concluded in late December 2022, with the shortfall amount being agreed at USD 16.8 million based on the current quoted price per share of the Company at 31 December 2022. The obligation of the Group to settle this amount was satisfied by representative shareholders in the Group transferring equity shares in the Group equivalent to a 10% equity stake in the Group to the GEPF. Consequently, the financial statements include a charge to profit or loss of USD 16.8 million with a corresponding credit to equity arising from the shareholder settlement of the Group's obligation towards the GEPF.

The settlement value of USD 16.8 million is supported by the number of shares, as agreed to be transferred, of 3,963,219 at the current quoted share price as reflected on the Stock Exchange of Mauritius of $4.25.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. Risk management

The Board is responsible for risk management and the setting of the risk management framework. Oversight of risk management is the responsibility of two Board subcommittees; the Assets and Liabilities Committee (ALCO) and the Audit, Risk and Compliance Committee (ARC). The ALCO monitors risks associated with liquidity and funding, interest rates, counterparties, currency exposures and capital adequacy. The ARC committee monitors risks associated with financial reporting, accounting policies, internal control and IT governance. The audit, risk and compliance committee is responsible for risk management including setting the risk management framework, setting risk appetite and monitoring the Group’s management of risk including credit and compliance.

The Group’s activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group’s aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group’s financial performance.

The Group's overall risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important type of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risk.

The responsibility for day to day management of risks falls to each of the respective subsidiary’s chief executive officer’s and their executive committees. Risk management is managed at subsidiary level through the divisional executive committees and reviewed by each of the respective subsidiary boards.

34.1 Credit risk

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the Group. The primary credit risks that the Group is exposed to arise from retail loans held by each subsidiary. It is not the Group’s strategy to avoid credit risk, but rather to manage credit risk within the Group’s risk appetite and to earn an appropriate risk adjusted return.

34.1.1 Credit risk management and measurement

Each subsidiary is responsible for the identification, measurement, management, control and reporting of credit risk within their business units. Exposure to credit losses is managed by assessing customer’s affordability and their ability to repay loans and advances, customer’s risk profile, employment status and stability. Terms of the loan provided range from 3 to 120 months. Group exposure to credit risk is continuously monitored at each country's level. Each of the Group’s lending businesses tends to have homogeneous or similar asset portfolios within their respective businesses. Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on customers’ financial performance information while on book and assume that recent performance is a strong indicator of future performance. There is neither incorporation of forward-looking information nor use of macro-economic information into the determination of expected credit losses. Management systematically evaluates market and macro-economic data to be used in determining adjustments to be made in respect of forward-looking information. However, to date there has been no forward-looking information upon which management can consistently rely on, either because of the absence of correlation between credit performance and market indicators, or the inability for these market indicators to be reliably forecasted.

Collections of instalments are made through payroll deductions or debit order collections. The expected loss model is developed using statistical techniques based on actual historical data. The expected loss is calculated for each active account, using parameter estimates including the probability of default (‘PD’), exposure at default ('EAD') and loss given write offs (‘LGW’) segmented using contractual delinquency states (aging, recency and reason for default) as well as remaining term. The segmentation ensures homogenous risk buckets. The LGW is calculated on an explicit basis per account, taking into consideration the settlement balance, discount rates and discount periods. There has been no changes in the estimation techniques or significant assumptions from the prior year.

The Group utilised the 30-days past due definition to determine a significant increase in credit risk as per paragraph 5.5.11 of IFRS 9. In addition, the Group utilised recency in assessing significant increase in credit risk. Recency is calculated by referencing the most recent payment history of loans.

Therefore, loans will be considered to have a significant increase in credit risk where there was a payment made on either one or both of their most recent two instalments expected, where reconciliation has been done and posted, and the Days in Arrears is equal to or greater than 30 days.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. Risk management (continued)

34.1.1 Credit risk management and measurement (continued)

Credit risk on cash and bank balances is limited because the counter parties are reputable financial institutions. For other receivables and other investments, the Group minimise its credit risk by only dealing with credit worthy counter parties. These are considered to have low credit risk for the purpose of impairment assessment. The Group's exposure to credit risk is continuously monitored at each country level.

34.1.2 Financial assets subject to risk

2022	Recency	Gross advances	Impairment	Net advances	Coverage ratios
12 month expected credit losses	1. Standard Performing	1,006,713,174	7,378,662	999,334,512	1 %
Lifetime expected credit losses	2. Performing active (1-2)	123,857,937	27,601,444	96,256,493	22 %
	3. Performing Active (3-4)	10,921,943	5,019,549	5,902,394	46 %
Credit impaired financial assets	4. Non-performing	29,228,309	17,645,185	11,583,124	60 %
	5. Doubtful	10,552,436	8,209,982	2,342,454	78 %
	6. Bad	5,428,047	-	5,428,047	0 %
Total		**1,186,701,846**	**65,854,822**	**1,120,847,024**	**6%**

2021					
12 month expected credit losses	1. Standard Performing	927,502,410	6,674,117	920,828,293	1 %
Lifetime expected credit losses	2. Performing active (1-2)	135,066,739	30,866,712	104,200,027	23 %
	3. Performing Active (3-4)	10,613,351	4,552,435	6,060,916	43 %
Credit impaired financial assets	4. Non-performing	28,788,879	16,102,300	12,686,579	56 %
	5. Doubtful	7,633,348	5,024,346	2,609,002	66 %
	6. Bad	6,758,014	-	6,758,014	0 %
Total		**1,116,362,741**	**63,219,910**	**1,053,142,831**	**6%**

34.1.3 Impairment provision reconciliation

Loans and advances	12 month expected credit losses	Lifetime expected credit losses	Credit impaired financial assets	Total
At 01 January 2021	**8,002,940**	**38,450,300**	**4,720,595**	**51,173,835**
New loans issued during the year	4,452,687	3,998,029	2,138,812	10,589,528
Existing book movements*	(3,002,533)	(123,879)	22,103,247	18,976,835
Derecognition	(2,280,939)	(4,596,987)	(3,780,748)	(10,658,674)
Write-offs	-	-	(23,142,480)	(23,142,480)
Stage 3 Balance Sheet Adjustment	-	-	11,496,766	11,496,766
Foreign exchange movements	204,738	(476,247)	5,055,609	4,784,100
At 01 January 2022	**7,376,893**	**37,251,216**	**18,591,801**	**63,219,910**
New loans issued during the year	4,440,741	3,140,269	4,395,457	11,976,467
Existing book movements*	(752,647)	(5,356,981)	18,707,584	12,597,956
Derecognition	(1,849,606)	(4,900,172)	(1,622,056)	(8,371,834)
Write-offs	-	-	(2,855,812)	(2,855,812)
Stage 3 Balance Sheet Adjustment	-	-	(2,928,945)	(2,928,945)
Foreign exchange movements	(852,324)	(2,314,879)	(4,615,717)	(7,782,920)
At 31 December 2022	**8,363,057**	**27,819,453**	**29,672,312**	**65,854,822**

* Loans originated last year which are still on book at year end, for which recency and IFRS 9 stage allocation has changed.

34. Risk management (continued)

34.1 Credit risk management and measurement (continued)

COVID-19 credit risk impact assessment

As the COVID-19 pandemic has largely moved into the endemic stage, it continues to have minimal impact on the credit metrics of the Bayport businesses. The main mitigating factor has remained our strong and robust credit origination process as well as the core lending model being at source lending. This is further mitigated given that the majority of lending activities are to customers that are employed at central Government institutions with relatively low employee turnover. When Government mandated lockdowns occurred historically, Government employees continued to receive full salaries on time with minimal instances of retrenchments.

The following indicators were analysed to determine whether there were any significant increases in the credit risk identified during 2022:

- Collection efficiencies
  One of the key metrics of an at source collection business is the stability of the payroll collection environment and the ability to collect instalments. Collection efficiency is used to track whether collections are successfully processed and deducted monthly. This metric is the ratio of instalments submitted, compared to instalments collected.

  Collection efficiencies between 2021 and 2022 have remained mostly stable with some small decreases in Bayport Savings and Loans Limited, Bayport Financial Services Mozambique (MCB) S.A and Bayport Financial Services Uganda Limited while collection efficiencies increased in Money Quest Investments (Proprietary) Limited, Bayport Financial Services (T) Limited, Bayport Financial Services Limited (Zambia) and Financiera Fortaleza, S.A de C.V, SOFOM, E.N.R.1.

- Non-performing loans ratios
  The non-performing loans ratio have remained stable and within expectations when comparing 2021 and 2022 with no significant changes in any of the businesses.

- Probability of default
  The probability of default is a simple measure based on the number of loans in Stage 1 moving into a default state in the subsequent 12-month period. The probability of default has remained mostly stable between 2021 and 2022 with some slight decreases for Money Quest Investments (Proprietary) Limited, Bayport Savings and Loans Limited, Bayport Financial Services Mozambique (MCB) S.A, Bayport Financial Services (T) Limited, and Bayport Financial Services Uganda Limited while for Bayport Colombia S.A, Financiera Fortaleza, S.A de C.V, SOFOM, E.N.R and Bayport Financial Services Limited (Zambia) the probability of default has improved slightly year on year.

From the COVID-19 analysis undertaken on credit risk, no significant credit risk indicators have been identified for the Group. As mentioned above, the at-source payroll lending environment has remained stable and robust throughout the COVID-19 pandemic.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. Risk management (continued)

34.1 Credit risk management (continued)

COVID-19 credit risk impact assessment (continued)

Stability of Stage 1 portfolio

Even though the probability of default is a good indicator for the overall performance of the loan book, a supplementary measure is needed to verify the stability of the loan book. In the analysis performed, the Stage 1 proportion is given as a percentage of the overall book.

In most cases there is improvement or stability in the Stage 1 populations of the loan books. Some deterioration in the book of Financiera Fortaleza, S.A de C.V, SOFOM, E.N.R as well as in the book of Bayport Financial Services Mozambique (MCB) was identified but can be traced back to employer related issues experienced.

From the COVID-19 analysis undertaken on credit risk, no significant credit risk indicators have been identified for the Group. As mentioned above, the at-source payroll lending environment has not been as severely affected by the COVID-19 pandemic as other financial services industries.

34.2 Categories of financial instruments

Financial assets		**2022**	**2021**
At amortised cost:			
Cash and cash equivalents	3	144,894,220	146,811,956
Other receivables (i)	5	49,937,752	57,975,019
Loans and advances (ii)	8	1,112,584,514	1,047,266,247
Reinsurance asset	4	-	1,567,037
Fair value through profit or loss			
Derivative financial assets	6	13,307,996	6,727,809
Fair value through other comprehensive income			
Other investments	9	40,194,473	34,033,545
Total financial assets		**1,360,918,955**	**1,294,381,613**

Financial liabilities			
At amortised cost:			
Bank overdraft	3	4,153,005	21,012,425
Deposit from customers	16	112,462,088	104,466,846
Other payables (iii)	17	40,326,598	39,536,117
Borrowings (iv)	21	1,222,808,911	1,143,004,395
Lease liabilities	20	7,526,218	6,685,464
Reinsurance liabilities	4	1,479,927	-
Fair value through profit or loss:			
Other financial liabilities	19	-	1,543,823
Derivative financial liabilities	19	6,886,344	-
Total liabilities		**1,395,643,091**	**1,316,249,070**

Adjustments for non financial assets and liabilities are as follows:

(i) Other receivables exclude prepayments and VAT of USD 7.2 million (2021: USD 4.3 million)

(ii) Loans and advances exclude deferred transactions costs and revenues of USD 8.3 million (2021: USD 5.8 million)

(iii) Other payables exclude PAYE, VAT payable, withholding taxes and provisions of USD 9.0 million (2021: USD 7.0 million)

(iv) Borrowings exclude deferred transaction costs of USD 17.6 million (2021: USD 14.2 million)

Figures in US Dollar

Notes to the Consolidated Financial Statements (continued)

34. Risk management (continued)

34.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet payment obligations when they fall due or that insufficient funds are available to meet loan demands in the ordinary course of business. The Group's objectives in relation to liquidity risk are to manage the contractual mismatch between the cash inflows from assets and cash outflows to settle liabilities, to fund the expected balance sheet growth, to honour all cash outflow commitments, to avoid raising funds at market premiums or through the forced sale of assets as a result of liquidity pressure and to take advantage of attractive but unanticipated borrowing opportunities.

The ALCO, as subcommittee of the Board of Directors, monitors risks associated with liquidity and funding, interest rates, counterparties, currency exposures and capital adequacy. The ALCO is responsible for executing on fund raising mandates given to it by subsidiaries in support of the respective business models. This includes the ongoing assessment and evaluation of various funding sources designed to grow and diversify the Group's funding base to achieve an optimal funding profile and sound liquidity. The ALCO is also responsible for the ongoing monitoring of asset portfolio performance and its obligations to funders, including covenants.

It is the responsibility of each subsidiary to manage the daily cash flow requirements, to ensure funding covenants are maintained, to produce financial projections to monitor the impact of business trends on future funding requirements and covenants and to notify management of any changes to the business environment that may impact funding requirements.

The table below analyses liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for financial institutions ever to be completely matched since business transacted is often on uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group has unused banking facilities which can be used to manage the liquidity risk.

The maturity of assets and liabilities to replace, at an acceptance cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the entity and its exposure to changes in interest rates and exchange rates.

31 December 2022	**0-3 months**	**4-12 months**	**1-5 years**	**Total**
Financial assets				
Cash and cash equivalents	144,894,220	-	-	144,894,220
Loans and advances	176,724,391	492,896,902	2,512,723,167	3,182,344,460
Other receivables	17,973,454	1,281,640	30,682,656	49,937,750
Derivative financial assets	-	-	13,307,996	13,307,996
Other investments	-	-	40,194,473	40,194,473
Cash flows from financial assets	**339,592,065**	**494,178,542**	**2,596,908,292**	**3,430,678,899**

31 December 2022	**0-3 months**	**4-12 months**	**1-5 years**	**Total**
Financial liabilities				
Bank overdraft	364,054	3,788,951	-	4,153,005
Deposits from customers*	37,584,471	64,685,331	11,279,284	113,549,086
Other payables	37,500,284	2,826,314	-	40,326,598
Lease liabilities*	693,830	1,640,132	6,265,174	8,599,136
Borrowings*	77,822,964	312,401,072	1,118,395,037	1,508,619,073
Derivative Financial Liabilities	-	-	6,886,344	6,886,344
Reinsurance liabilities	-	1,479,927	-	1,479,927
Cash flows from financial liabilities	**153,965,603**	**386,821,727**	**1,142,825,839**	**1,683,613,169**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. Risk management (continued)

34.3 Liquidity risk (continued)

31 December 2021	0-3 months	4-12 months	1-5 years	Total
Financial assets				
cash and cash equivalents	146,809,955	-	2,001	146,811,956
Loans and advances	170,715,753	474,641,819	2,079,526,653	2,724,884,225
Other receivables	23,666,708	4,127,905	30,180,406	57,975,019
Derivative financial assets	-	-	6,727,809	6,727,809
Reinsurance asset	-	1,567,037	-	1,567,037
Other investments	-	-	34,033,545	34,033,545
Cash flows from financial assets	**341,192,416**	**480,336,761**	**2,150,470,414**	**2,971,999,591**

31 December 2021	0-3 months	4-12 months	1-5 years	Total
Financial liabilities				
Bank overdraft	21,012,425	-	-	21,012,425
Deposits from customers*	26,182,557	85,067,766	1,010,035	112,260,358
Other payables	33,657,192	5,878,925	-	39,536,117
Other financial liabilities	-	1,543,823	-	1,543,823
Lease liabilities*	487,356	1,818,471	7,651,200	9,957,027
Borrowings*	119,234,904	645,266,076	575,944,303	1,340,445,283
Cash flows from financial liabilities	**200,574,434**	**739,575,061**	**584,605,538**	**1,524,755,033**

* Deposit from customers, lease liabilities and borrowings include future interests payable derived from respective loan amortisation schedules.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. Risk management (continued)

34.4 Interest rate risk

The objective of the Group's interest rate risk management process is to manage and control interest rate exposure in order to optimise return on risk while maintaining a market profile consistent with the Group's mission.

Interest rate risk is the risk that movements in interest rates will reduce the entity's income or capital.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims, through its management of interest rate risk, to mitigate the impact of prospective interest rate movements which could reduce future earnings and capital.

The Group's interest rates relating to each financial assets and liabilities are disclosed in their respective notes.

Sensitivity analysis - Increase/decrease of 10% in net interest margin:
(i) The interest rate risks sensitivity analysis is based on the following assumptions.
(ii) Changes in the market interest rates affect the interest income or expenses of variable financial instrument
(iii) Changes in the market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognised at their fair values.
(iv) The interest rate changes will have an effect on interest sensitive assets and liabilities and hence simulation modelling is applied to financial instruments which are quoted at variable interest rates.

The projections make other assumptions including that all positions run to maturity.

The table below sets out the impact on current profit after taxation and equity of an incremental 10% parallel fall or rise on all yield curves at the beginning of the current financial year beginning on 01 January 2022 and 01 January 2021.

2022	Base	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect after 10% decrease in variable interest rates
Profit after taxation	3,338,688	(1,137,751)	7,820,783
Equity	166,932,168	162,455,729	171,414,263

2021	Base	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect after 10% decrease in variable interest rates
Profit after taxation	16,256,821	15,388,657	18,611,007
Equity	196,548,278	195,680,114	198,902,464

Assuming no management actions, an increase in interest rates would decrease the Group's profit after tax for the year by USD 4,476,439 (2021: USD 868,164) and equity by USD 4,476,439 (2021: USD 868,164), while a fall would increase profit after tax for the year by USD 4,482,095 (2021: USD 2,354,186) and equity by USD 4,482,095 (2021: USD 2,354,186).

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar		2022	2021

34. Risk management (continued)

34.5 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to investors.

The capital structure of the Group consists of equity attributable to shareholders comprising stated capital, other reserves, retained earnings and non-controlling interests and net debt which includes borrowings, bank overdrafts and lease liabilities disclosed in notes 20 and 21, offset by cash and cash equivalents disclosed in note 3. The Group reviews the capital structure on a regular basis. The Group is not subject to any externally imposed capital requirements except for Bayport Savings and Loans Limited and Bayport Financial Services Limited where the subsidiaries are required to maintain a minimum capital adequacy ratio of 10% (2021: 10%) and Bayport Financial Services Mozambique (MCB) SA, where the subsidiary is required to maintain a minimum capital adequacy ratio of 8% (2021: 8%).

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

Consistent with others in the industry, the Group monitors capital on the basis of the net debt to total capital ratio for the Group.

The net debt to total capital ratio for the Group at 2022 and 2021 respectively were as follows:

Total borrowings			
Lease liabilities	20	7,526,218	6,685,464
Borrowings	21	1,205,189,859	1,128,772,353
		1,212,716,077	**1,135,457,817**
Less: Cash and cash equivalents	3	(140,741,215)	(125,799,531)
Net debt		**1,071,974,862**	**1,009,658,286**
Total equity		166,932,168	196,548,278
Total capital		**1,238,907,030**	**1,206,206,564**
Net debt to capital		87 %	84 %

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

34. Risk management (continued)

34.6 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Consequently the Group is exposed to the risk that the carrying amounts of foreign currency denominated assets and liabilities may change due to fluctuations in foreign exchange rates.

The currency profile of the financial assets and financial liabilities is summarised as follows:

	2022	2021
Financial assets		
Currency		
South African Rand	5,766,846	1,576,782
Zambian Kwacha	199,443,405	183,583,147
Ghanaian Cedi	81,492,872	128,027,712
Uganda Shilling	18,367,331	17,890,114
Tanzanian Shilling	64,810,417	60,720,377
United States Dollar	82,314,902	97,564,309
Colombian Peso	282,202,265	285,842,519
Botswana Pula	166,015,248	134,701,517
Swedish Krona	-	303
Pound Sterling	35,829	71,568
Mozambican Metical	299,946,777	256,341,794
Mexican Peso	160,455,730	127,913,030
Mauritian Rupee	67,333	147,314
Euro	-	1,127
Total financial assets	**1,360,918,955**	**1,294,381,613**

	2022	2021
Financial liabilities		
Currency		
South African Rand	2,354,740	1,683,157
Zambian Kwacha	93,795,362	84,362,824
Ghanaian Cedi	47,923,761	47,748,381
Uganda Shilling	725,384	1,350,037
Tanzanian Shilling	36,306,922	32,823,415
United States Dollar	474,475,025	516,111,503
Colombian Peso	246,843,118	248,621,821
Botswana Pula	128,867,435	98,434,254
Pound Sterling	28,968	37,239
Mauritian Rupee	342,489	18,120
Mozambican Metical	209,120,767	164,654,286
Mexican Peso	154,847,002	120,400,032
Euro	12,118	4,001
Total financial liabilities	**1,395,643,091**	**1,316,249,070**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar	2022	2021

34. Risk management (continued)

34.6 Foreign exchange risk (continued)

The above tables exclude investment in associate which are denominated in South African Rand of ZAR 1,619,711,684 (2021: ZAR 1,746,344,524) equivalent to USD 95,366,916 (2021: USD 109,576,621).

Foreign exchange risk is the risk that movements in foreign exchange rates will reduce the entity's income or capital.

A principal part of the entity's management of foreign exchange risk is to monitor the sensitivity of future earnings and capital to varying foreign exchange rates. The entity aims, through its management of foreign exchange risk, to mitigate the impact of foreign exchange fluctuations which could reduce future earnings and capital.

Foreign exchange risks - appreciation/depreciation of US Dollar against other currencies by 10%.

The following table sets out the impact on current earnings of an incremental 10% parallel fall or rise in all foreign currencies at the beginning of the current financial year beginning on 01 January 2022 and 01 January 2021. Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below.

2022	**Base**	**Scenario 1 Effect after 10% appreciation in USD**	**Scenario 2 Effect after 10% depreciation in USD**
Profit after taxation	3,338,688	(5,587,964)	12,265,340
Equity	166,932,168	128,966,549	204,897,787

2021	**Base**	**Scenario 1 Effect after 10% appreciation in USD**	**Scenario 2 Effect after 10% depreciation in USD**
Profit after taxation	16,256,821	11,076,853	21,436,789
Equity	196,548,278	159,562,086	233,534,470

Assuming no management actions, an appreciation in the US Dollar would decrease profit after tax for the year by USD 8,926,652 (2021: USD 5,179,968) and decrease equity by USD 37,965,619 (2021: USD 36,986,192), while a depreciation would have an opposite impact by the same amounts.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. Risk management (continued)

34.6 Foreign exchange risk (continued)

	2022			2021		
	Base	Scenario 1 Effect after 10% appreciation in USD	Scenario 2 Effect after 10% depreciation in USD	Base	Scenario 1 Effect after 10% appreciation in USD	Scenario 2 Effect after 10% depreciation in USD
Profit after taxation	**3,338,688**	**(5,587,964)**	**12,265,340**	**16,256,821**	**11,076,853**	**21,436,789**
Movement		**(8,926,652)**	**8,926,652**		**(5,179,968)**	**5,179,968**
BWP		(2,129,968)	2,129,968		(1,443,968)	1,443,968
COP		(988,894)	988,894		(345,310)	345,310
GHS		(546,478)	546,478		(435,365)	435,365
MZN		(1,501,759)	1,501,759		(1,398,499)	1,398,499
TZS		(118,759)	118,759		(122,788)	122,788
ZAR		(114,998)	114,998		145,110	(145,110)
ZMW		(3,356,729)	3,356,729		(1,601,048)	1,601,048
Others		(169,067)	169,067		21,900	(21,900)

	2022			2021		
	Base	Scenario 1 Effect after 10% appreciation in USD	Scenario 2 Effect after 10% depreciation in USD	Base	Scenario 1 Effect after 10% appreciation in USD	Scenario 2 Effect after 10% depreciation in USD
Equity	**166,932,168**	**128,966,549**	**204,897,787**	**196,548,278**	**159,562,086**	**233,534,470**
Movement		**(37,965,619)**	**37,965,619**		**(36,986,192)**	**36,986,192**
BWP		(3,398,992)	3,398,992		(3,371,907)	3,371,907
COP		(4,910,326)	4,910,326		(5,781,280)	5,781,280
GBP		(5,408)	5,408		(49,808)	49,808
GHS		(1,929,666)	1,929,666		(2,735,865)	2,735,865
MXN		(6,863,796)	6,863,796		(6,431,864)	6,431,864
MZN		(6,678,252)	6,678,252		(6,010,493)	6,010,493
TZS		(2,520,549)	2,520,549		(1,578,996)	1,578,996
UGX		(1,132,967)	1,132,967		(1,088,647)	1,088,647
ZAR		(290,810)	290,810		(206,918)	206,918
ZMW		(10,234,853)	10,234,853		(9,730,414)	9,730,414

COVID-19 foreign currency impact assessment

Most of the currencies the Group is materially exposed to, ended 2022 weaker against the US Dollar compared to 2021 which was earmarked with extreme volatility and unpredictability in currency markets. The Mexican Pesos, however, appreciated approximately 5.04% against the US Dollar, not directly linked to recovery from the COVID-19 impact, but rather through investor confidence in- and interventions by the Mexican government to have a sound economic management.

Management continues to work with local funders and funding initiatives to further reduce the US Dollars net open position on the local balance sheets and decrease the foreign exchange risk for the Group.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. Risk management (continued)

34.7 Insurance risk

The Group's insurance business is mainly undertaken by Sugaree. On an annual basis, or as and when is required, the Group's actuarial team will set the IBNR methodology and assumptions for the finance teams to process on a monthly basis. The IBNR is calculated using a triangle loss reserving methodology, in which the expected claims are projected and held for the appropriate reporting delay period and at a client / policy level.

From time to time, as the experience develops, the Group's actuarial team may update the assumptions for a change in claims experience and/or reporting delay differences. Furthermore, there may be instances where the IBNR may be calculated differently, such as when a policy is in run off, or in the instances where it is thought that there may be an external requirement to hold higher or lower reserves outside of ordinary experience, and in these circumstances the IBNR methodology may be changed permanently or just for a period of time.

The principal risk that the cell owner and ultimately the Group faces under its insurance contracts is that the actual claims payments exceed the amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amounts of claims will vary from year to year from the estimate determined using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. As each of the cell owners operates independently from the other, the Group's total insurance risk profile is well diversified.

The underwriting strategy is directed at a portfolio of underwritten risks that are well diversified in terms of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. There is no upfront underwriting done in country at a loan level. Insurance follows the loan/credit policy criteria.

Sensitivity analysis

As a result of the nature of the business written by the Group and the insurance programs in place, there is little sensitivity to deviations in assumptions.

Where the Group takes underwriting risk, significant risk mitigators are put in place which results in a scenario where potential loss would be immaterial to the Group. Theoretically, the Group is exposed to risk in the event of insurer's failure or failure of the cell owner to recapitalise its cell. However, in the history of the Group, there have never been any incidents of cell owner's or insurer's failure. In management's view, the risk mitigating factors employed by the Group, such as selection of insurers and vetting of cell owners, ensures that the risk remains insignificant.

Notes to the Consolidated Financial Statements (continued)

34. Risk management (continued)

34.8 Fair value measurements

Fair value measurements are categorised into levels 1 to 3 based on the degree to which the inputs to the fair value measurements are observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 are observable for the assets or liability, either directly (ie. as prices) or indirectly (ie. 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).

Except where disclosed elsewhere, the carrying value of the other financial assets and liabilities approximate their fair values.

34.8.1 Other investments

Other investments are measured at fair value by discounting forecasted future cash flows. During 2021 the fair value measurements methodology of the GIL investment (note 9) was amended to better reflect the value of the individual revenue streams at individual discount rates based on the country of origin. In addition, a valuation of the terminal value beyond the 5-year forecast period was included aligned to management's assessment of the sustainability of the business beyond 5 years. Unobservable inputs are used in arriving at the valuation and thus classifies as Level 3 under IFRS13 Fair Value Measurement hierarchy. Unobservable inputs include collection efficiency, discount rates and exchange rates. If all of the above unobservable inputs to the valuation model were simultaneously 10% higher/(lower) while all other variables were held constant, the carrying amount of the investment for the Group would increase/(decrease) by:

			Impact			
			2022		2021	
Fair value of other investments	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**	**10% higher**	**10% lower**	**10% higher**	**10% lower**
Investment in GIL*	Collection efficiency	The higher the collection rates, the higher the fair value	4,588,230	(4,588,231)	3,725,969	(3,770,671)
	Exchange rates	An appreciation in USD will reduce the fair value	5,235,035	(4,032,286)	4,264,880	(3,275,110)
	Discount rate ranging from 16.44% to 29.35% (2021: from 15.04% to 25.51%)	The higher the discount rate, the lower the fair value	(5,045,260)	6,624,313	3,298,198	4,048,976

* The reconciliation of Level 3 fair value measurements are disclosed in note 9.

34.9 Hedging and hedge accounting

The Group uses derivative financial instruments, such as forward agreements, future agreements, swaps and options to hedge various financial risks, mainly interest rate and foreign exchange rate risk. Such derivative financial instruments are initially recognized at their fair values on the date of the derivative agreement is executed, and subsequently remeasured at fair value.

The risk management strategy for each risk category of risk exposures that the Group decided to hedge during the year and for which it applies cash flow and fair value hedge accounting is detailed below.

Hedged item 1: Financial obligation in a currency other than the functional currency at fixed rates

Bayport Colombia S.A's functional and presentation currency is the Colombian peso (COP) and in the development of its economic activity it is financed with various foreign sources. In some cases, the acquisition has been fixed in Dollars (USD), which implies that Bayport Colombia S.A's payment obligation is denominated in USD.

Given the above, Bayport Colombia S.A is exposed to an exchange rate risk, since it maintains credits in foreign currency, therefore, it uses financial derivatives as a hedging instrument to hedge the entire item.

34. Risk management (continued)

34.9 Hedging and hedge accounting (continued)

The objective of managing this risk is to cover the total exchange difference generated by the payments of the obligation in foreign currency, in order to comply with the accounting policy of financial hedging and risk management that the Group maintains, which is to reduce the volatility of cash flows and impacts on the financial statements produced by a currency other than the functional currency.

The Group uses the following hedging instruments to hedge risk exposures:
- Interest Rate Swap (IRS)
- Cross Currency Swap (CCS)
- Forward Purchase (FX)
- Set Fx Options (Call Spread)

Thus, each time the Group is financed by means of a fixed-rate foreign currency loan, this must be hedged with one of the hedging instruments mentioned above to fix the amount of the debt in the functional currency; if other financial derivatives are chosen, the Group must consult with the financial committee.

The relationship corresponds to a cash flow hedge, hedging the exposure of the variation in cash flows generated by the exchange rate risk associated with the debt in a currency other than the functional currency.

These hedges shall be for an amount of up to 100% of the notional amount of the financial obligation in foreign currency and will be made for the full term of the underlying debt and the coupons must coincide with the terms of the financial derivatives.

Hedged item 2: Financial debt in functional currency at fixed rate

Bayport Colombia, is exposed to interest rate risk due to the terms of its debt, therefore, it uses as a hedging instrument, financial derivatives. In order to hedge the associated risk.

The objective of managing this risk is to hedge the exposure to changes in the fair value generated by the interest rate of its financial obligations, given that, over time, market volatility may establish that Bayport Colombia S.A have a higher obligation than present.

The Group uses the following hedging instruments to hedge risk exposures

Interest Rate Swap (IRS):

Each time Bayport Colombia S.A is financed by means of a debt in functional currency at a fixed rate higher than the one available in the market at the time of negotiation, this must be hedged with one of the hedging instruments mentioned above; if other financial derivatives are chosen, Bayport Colombia S.A must consult with the financial committee.

The relationship corresponds to a fair value hedge, hedging the exposure generated by the interest rate, given that, by fixing it, the value of the obligation over time may lose or gain value depending on the variation in the market.

These hedges shall be for an amount of up to 100% of the notional amount of the financial obligation in foreign currency and will be made for the full term of the underlying debt and the coupons must coincide with the terms of the financial derivatives.

Accordingly, as at December 2022, Bayport Colombia S.A began to apply hedge accounting for the exposure of these risks as shown below:

Financing with DFC

As a hedging measure for this foreign currency obligation against the exchange rate risk due to the effects of the revaluation of the U.S. dollar, as at December 2022, Bayport Colombia S.A had the following financial derivatives in place:

Detail	Notional	Interest
Operation:	Swap (IRS)	Set Opciones Fx (Call Spread)
Entity:	Morgan Stanley	Morgan Stanley
Nominal amount USD'000:	$ 75,000	$ 75,000
Carrying amount as at 31 December	6,886,334	$ 13,307,996
Opening:	12/07/2022	12/07/2022
Maturity:	15/02/2027	15/02/2027
Fixed interest rate (USD):	8,95%	
Variable interest rate (COP):	IBR + 7.60%	

Figures in US Dollar

34. Risk management (continued)

34.9 Hedging and hedge accounting (continued)

From	To	Notional Amount (In USD)
15-May-22	15-Aug-22	75,000,000
15-Aug-22	15-Nov-22	75,000,000
15-Nov-22	15-Feb-23	75,000,000
15-Feb-23	15-May-23	75,000,000
15-May-23	15-Aug-23	70,312,500
15-Aug-23	15-Nov-23	65,625,000
15-Nov-23	15-Feb-24	60,937,500
15-Feb-24	15-May-24	56,250,000
15-May-24	15-Aug-24	51,562,500
15-Aug-24	15-Nov-24	46,875,000
15-Nov-24	15-Feb-25	42,187,500
15-Feb-25	15-May-25	37,500,000
15-May-25	15-Aug-25	32,812,500
15-Aug-25	15-Nov-25	28,125,000
15-Nov-25	15-Feb-26	23,437,500
15-Feb-26	15-May-26	18,750,000
15-May-26	15-Aug-26	14,062,500
15-Aug-26	15-Nov-26	9,375,000
15-Nov-26	15-Feb-27	4,687,500

Identification of the hedging instrument

To hedge the market risk associated with the USDCOP exchange rate, generated by this obligation, Bayport Colombia S.A had initially contracted two cross-currency swaps, in which it commits to pay COP and the counterparty will pay USD to Bayport Colombia S.A's creditor; however, it discontinued hedge accounting for these financial derivatives, after liquidating them and replacing them with other hedging instruments: a Cross Currency Swap that hedges only the interest and a Call Spread Set that hedges the notional which have maturity dates aligned with the maturity date of the liabilities.

Bayport Colombia S.A has designated these derivatives as currency hedging instruments for the USD obligation.

Identification of the item covered

In accordance with IFRS 9, Bayport Colombia S.A may designate an asset or liability as a hedged item.

In 2021 Bayport Colombia S.A received two foreign currency loans from DFC, therefore, the totality of this obligation has been designated as a hedged item for the market risk associated with the exchange rate and interest rate.

In this way, the hedging instruments are related to the hedged items to the extent that the commitment month of both coincide, grouping them based on this criterion.

In accordance with the above, the following amounts are identified, related to the covered item:

	2022	2021
Other comprehensive income	(10,027,460)	2,517,994
Total other comprehensive income	**(10,027,460)**	**2,517,994**

It is planned to hedge the market rate risk associated with the USDCOP exchange rate arising from the payment obligation in USD.

Hedging ratio

Cash flow hedges

Effectiveness of the hedging instrument

The effectiveness of the hedging instruments is measured by applying the qualitative hypothetical derivative method as follows:

34. Risk management (continued)

34.9 Hedging and hedge accounting (continued)

In order to determine the prospective effectiveness of the hedging instrument contracted by Bayport Colombia S.A, a hypothetical derivative which replicates the hedged item (USD 75,000,000) is analyzed, coinciding with the economic terms of the hedged item in order to evaluate whether the change in the value of the hedging instrument is greater than the change in the present value of the cash flows of the hedged item/hypothetical derivative.

During the entire time frame established in the total term of the Cross Currency Swap (hereinafter "the instrument or CCS"), the exchange of flows composed of principal and interest agreed upon was custom-designed with fixed payments and with a "threshold" of zero for Bayport Colombia S.A and infinity for the counterparty, i.e., zero tolerance for default by Bayport Colombia S.A and 100% for the counterparty, however, the probability that the counterparty is unable to meet its agreed obligations is extremely low and is supported by its rating issued by Standard & Poor's of A-1 / A+, which means that the maximum average time of delay in the payment of its obligations (expected days of payment delay) is 1 day.

In the evaluation of the retrospective effectiveness measurement, the Dollar Offset methodology was applied for the instrument that covers the US$75 M obligation, the relevant variables were projected through a regression that allowed making statistical inference in the future and also determining that at the end of the time frame of the obligation it will be effectively covered.

The Dollar Offset methodology compares the changes in the fair value or cash flow of the hedging instrument with the change in the fair value or cash flow of the hedged item attributable to the hedged risk, the analysis was performed on a cumulative basis for all the flows of the transaction.

The effect of the cash flow hedge on the profit or loss and the respective reclassification to other comprehensive income is shown in the following line item:

Detail of the cover item - DFC	**2022**	**2021**
Relationships that remain	(7,526,308)	2,517,994
Hedging relationships for which hedge accounting ceases to apply	(2,501,152)	-
Total amounts	**(10,027,460)**	**2,517,994**

Financing with JPM and CITI

As a hedging measure of this obligation in functional currency with a fixed rate, against the interest risk due to the effects of volatility in the market and its effect on the fair value of the debt, Bayport Colombia S.A, closed the 31 December 2022 financial year, with financial derivatives with the following conditions:

	JPM	**CITI**
Operation:	Swap (IRS)	Swap (IRS)
Entity:	Morgan Stanley	Morgan Stanley
Nominal amount USD'000:	35,162	24,742
Nominal amount COP'000:	170,534,400	120,000,000
Carrying amount as of 31 December	643,415	645,013
Opening:	8/09/2022	16/06/2022
Maturity:	30/09/2024	25/06/2024
Fixed interest rate (USD):	14.50%	16.86%
Variable interest rate (COP):	IBR + 5.15%	IBR + 7.38%

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. Risk management (continued)

34.9 Hedging and hedge accounting (continued)

Notional Amounts CITI

From	To	Amount in COP
17 June 2022	25 July 2022	40,000,000,000
25 July 2022	25 August 2022	80,000,000,000
25 August 2022	25 September 2022	120,000,000,000
25 September 2022	25 October 2022	120,000,000,000
25 October 2022	25 November 2022	120,000,000,000
25 November 2022	25 December 2022	120,000,000,000
25 December 2022	25 January 2023	120,000,000,000
25 January 2023	25 February 2023	120,000,000,000
25 February 2023	25 March 2023	120,000,000,000
25 March 2023	25 April 2023	120,000,000,000
25 April 2023	25 May 2023	120,000,000,000
25 May 2023	25 June 2023	120,000,000,000
25 June 2023	25 July 2023	120,000,000,000
25 July 2023	25 August 2023	120,000,000,000
25 August 2023	25 September 2023	120,000,000,000
25 September 2023	25 October 2023	120,000,000,000
25 October 2023	25 November 2023	120,000,000,000
25 November 2023	25 December 2023	120,000,000,000
25 December 2023	25 January 2024	120,000,000,000
25 January 2024	25 February 2024	120,000,000,000
25 February 2024	25 March 2024	120,000,000,000
25 March 2024	25 April 2024	120,000,000,000
25 April 2024	25 May 2024	120,000,000,000
25 May 2024	25 June 2024	120,000,000,000

JPM

From	To	Amount in COP
30 August 2022	30 September 2022	191,851,200,000
30 September 2022	31 December 2022	170,534,400,000
31 December 2022	31 March 2023	149,217,600,000
31 March 2023:	30 June 2023	127,900,800,000
30 June 2023	30 September 2023	106,584,000,000
30 September 2023	31 December 2023	85,267,200,000
31 December 2023	31 March 2024	63,950,400,000
31 March 2024	30 June 2024	42,633,600,000
30 June 2024	30 September 2024	21,316,800,000

Identification of the item covered

In accordance with IFRS 9, Bayport Colombia S.A may designate an asset or liability as a hedged item.

In the year 2022, Bayport Colombia S.A received two foreign currency loans (USD) from JPM and CITI, therefore the totality of this obligation has been designated as a hedged item for the market risk associated with the interest rate.

In this way, the hedging instruments are related to the hedged items to the extent that the commitment month of both coincide, grouping them based on this criteria.

Accordingly, the following amounts are identified, (Refer to item derivative financial liabilities which includes the amount of the financial liability related to the hedged item:

	JPM	CITI	Total amounts
Book value	639,380	650,042	**1,289,422**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. Risk management (continued)

34.9 Hedging and hedge accounting (continued)

Efficiency of hedging instrument

CITI

To determine the prospective effectiveness of the hedging instrument contracted by Bayport Colombia S.A., a hypothetical derivative which replicates the hedged item (COP 120,000,000,000) is analyzed, coinciding with the economic terms of the hedged item in order to evaluate whether the change in the value of the hedging instrument is greater than the change in the present value of the cash flows of the hedged item/hypothetical derivative.

During the entire time horizon established in the total term of the Interest Rate Swap (hereinafter "the instrument or IRS"), the exchange of flows composed of principal and interest agreed upon was custom-designed with fixed payments and with a threshold of zero for Bayport Colombia S.A and Infinity for the counterparty, i.e., zero tolerance for default by Bayport Colombia S.A and 100% for the counterparty, However, the probability that the counterparty is unable to meet its agreed obligations is extremely low and is supported by its rating issued by Standard & Poor's of A-1 / A+, which means that the maximum average time of delay in the payment of its obligations (Expected days of payment delay) is 1 day.

In the evaluation of the retrospective effectiveness measurement, the Dollar Offset methodology was applied for the instrument that covers the COP 120M obligation, the relevant variables were projected through a regression that allowed making statistical inference in the future and also determining that at the end of the time horizon of the obligation it will be effectively covered.

The Dollar Offset methodology compares the changes in the fair value or cash flow of the hedging instrument with the change in the fair value or cash flow of the hedged item attributable to the hedged risk, the analysis was performed on a cumulative basis for all the flows of the transaction.

JP Morgan

In order to determine the prospective effectiveness of the hedging instrument contracted by Bayport Colombia S.A., a hypothetical derivative which replicates the hedged item (COP 170,534,400,000) is analyzed, coinciding with the economic terms of the hedged item in order to evaluate whether the change in the value of the hedging instrument is greater than the change in the present value of the cash flows of the hedged item/hypothetical derivative.

During the entire time horizon established in the total term of the Interest Rate Swap (hereinafter "the instrument or IRS"), the exchange of flows composed of principal and interest agreed upon was custom-designed with fixed payments and with a threshold of zero for Bayport and Infinity for the counterparty, i.e., zero tolerance for default by Bayport and 100% for the counterparty, However, the probability that the counterparty is unable to meet its agreed obligations is extremely low and is supported by its rating issued by Standard & Poor's of A-1 / A+, which means that the maximum average time of delay in the payment of its obligations (Expected days of payment delay) is 1 day.

In the evaluation of the retrospective effectiveness measurement, the Dollar Offset methodology was applied for the instrument that covers the COP 170M obligation, the relevant variables were projected through a regression that allowed making statistical inference in the future and also determining that at the end of the time horizon of the obligation it will be effectively covered.

The Dollar Offset methodology compares the changes in the fair value or cash flow of the hedging instrument with the change in the fair value or cash flow of the hedged item attributable to the hedged risk, the analysis was performed on a cumulative basis for all the flows of the transaction.

Finally, the amounts recognized in profit or loss for the period for hedging relationships are detailed:

Detail	**2022**	**2021**
1. Fair value adjustment for hedged items	(1,501,366)	-
2. Amortization of hedging relationships for which hedge accounting is no longer applied	533,301	-
3. Interest DFC credit for rate hedges	1,627,996	1,938,638
4. Gain or loss on settlement of financial derivatives	(4,892,847)	-
5. Fair value adjustment for financial derivatives	2,855,261	-
Total amount	**(1,377,655)**	**1,938,638**

1. Relates to the fair value.
2. Since the initial hedging relationship for the DFC obligation was discontinued, and the hedged future cash flows are still expected to occur, the balance is maintained in the cash flow hedge reserve and amortized as they occur.
3. Corresponds to the interest generated in the cash flow hedge, derived from the hedging instrument (CCS).

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. Risk management (continued)

34.9 Hedging and hedge accounting (continued)

4. Gains and losses are generated in the liquidation of financial derivatives, according to the position held at the time of disposal.
5. Reflects changes in income generated by the valuation of hedging instruments at fair value.

35. Segmental reporting

Pursuant to the management approach to segment reporting of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Executive Committee (the Chief Operating Decision-Makers (CODM)), who are responsible for allocating resources to the reportable segments and assessing performance. The CODM uses profit before taxation as key measure to assess performance of each segment.

Other than those segmental information already disclosed, the CODM do not consider any other information as material.

The reportable segments are made up as follows:
(a) Operations in following countries: Zambia, Ghana, Tanzania, Uganda, Botswana, Mozambique, Colombia, Mexico.
(b) Insurance: Traficc Group and Sugaree Insurance Company Limited
(c) Support: Bayport Management Ltd, Actvest Limited, Cashfoundry Limited, Bayport Latin America Holdings Ltd, Bayport International Headquarter Company (Pty) Limited, Actvest Proprietary Limited, net of eliminating entries at consolidation.

The client base of the Group is diversified and there is no reliance on customers where revenue from transactions would exceed more than 10% of the Group's revenue.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

35. Segmental reporting (continued)

Segmental reporting $'000

Year ended 31 December 2022 Consolidated statement of profit or loss	**Zambia**	**Ghana**	**Tanzania**	**Uganda**	**Botswana**	**Mozambique**	**Colombia**	**Mexico**	**Insurance**	**Support**	**Group**
Interest and other similar income	60,012	34,710	20,895	6,348	47,002	74,519	51,507	37,730	154	(210)	332,667
Interest and other similar expense	(9,573)	(16,650)	(7,121)	(1,274)	(11,331)	(34,906)	(37,606)	(22,720)	-	(49,821)	(191,002)
Net interest income/(expense)	**50,439**	**18,060**	**13,774**	**5,074**	**35,671**	**39,613**	**13,901**	**15,010**	**154**	**(50,031)**	**141,665**
Lending related income	1,413	488	301	237	519	1,578	3,041	2,635	-	14,736	24,948
Income from insurance activities	-	-	-	5	-	-	917	-	9,528	(8,231)	2,219
Other interest income	813	102	4	2	6	3,045	6,986	1,375	35	1,841	14,209
Other income	157	65	(5)	(7)	63	101	9,705	1,439	-	3,484	15,002
Non interest income	**2,383**	**655**	**300**	**237**	**588**	**4,724**	**20,649**	**5,449**	**9,563**	**11,830**	**56,378**
Operating income/(loss)	**52,822**	**18,715**	**14,074**	**5,311**	**36,259**	**44,337**	**34,550**	**20,459**	**9,717**	**(38,201)**	**198,043**
Operating expenses	(19,065)	(10,558)	(9,973)	(3,673)	(13,232)	(21,787)	(21,063)	(21,807)	(1,859)	(4,526)	(127,543)
Foreign exchange (losses)/gains	(189)	1,112	(194)	(522)	(30)	(104)	(1,722)	1,017	(695)	1,060	(267)
Operating profit/(loss) before impairment	**33,568**	**9,269**	**3,907**	**1,116**	**22,997**	**22,446**	**11,765**	**(331)**	**7,163**	**(41,667)**	**70,233**
Impairment on financial assets	28	(3,799)	(2,719)	(73)	(1,679)	(7,415)	(1,867)	1,325	-	-	(16,199)
Settlement of shortfall guarantee	-	-	-	-	-	-	-	-	-	(2,572)	(2,572)
Operating profit before share of post-tax results of associates	**33,596**	**5,470**	**1,188**	**1,043**	**21,318**	**15,031**	**9,898**	**994**	**7,163**	**(44,239)**	**51,462**
Share of post-tax results of associates (excluding settlement of shortfall guarantee)	-	-	-	-	-	-	-	-	-	(222)	(222)
Share of settlement of shortfall guarantee of associate	-	-	-	-	-	-	-	-	-	(14,272)	(14,272)
Operating profit before taxation	**33,596**	**5,470**	**1,188**	**1,043**	**21,318**	**15,031**	**9,898**	**994**	**7,163**	**(58,733)**	**36,968**
Taxation	(10,186)	(1,679)	(407)	(172)	(4,682)	(4,754)	(3,639)	(299)	-	(7,812)	(33,630)
Profit for the year											**3,338**
Depreciation and Amortisation	(1,096)	(756)	(737)	(686)	(952)	(2,077)	(764)	(1,631)	-	(1,554)	(10,253)

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

35. Segmental reporting (continued)

Segmental Reporting $'000

Year ended 31 December 2022	**Zambia**	**Ghana**	**Tanzania**	**Uganda**	**Botswana**	**Mozambique**	**Colombia**	**Mexico**	**Insurance**	**Support**	**Group**
Consolidated statement of financial position											
Loans and advances	159,391	65,259	61,040	17,087	160,579	252,695	247,181	157,674	-	(59)	1,120,847
Other assets	40,585	15,438	14,151	6,774	5,076	57,933	54,562	35,989	31,552	190,830	452,890
Total assets	**199,976**	**80,697**	**75,191**	**23,861**	**165,655**	**310,628**	**301,743**	**193,663**	**31,552**	**190,771**	**1,573,737**
Borrowings and overdrafts	69,069	31,601	33,920	107	127,113	124,728	217,840	146,497	-	458,468	1,209,343
Other liabilities	28,526	29,794	16,061	12,422	4,545	119,103	34,789	13,684	8,164	(69,627)	197,461
Total liabilities	**97,595**	**61,395**	**49,981**	**12,529**	**131,658**	**243,831**	**252,629**	**160,181**	**8,164**	**388,841**	**1,406,804**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

35. Segmental reporting (continued)

Segmental reporting $'000

Year ended 31 December 2021 Consolidated statement of profit or loss	**Zambia**	**Ghana**	**Tanzania**	**Uganda**	**Botswana**	**Mozambique**	**Colombia**	**Mexico**	**Insurance**	**Support**	**Group**
Interest and other similar income	52,623	49,036	20,849	6,711	40,774	65,545	50,115	41,465	370	(839)	326,649
Interest and other similar expense	(12,264)	(22,574)	(7,044)	(2,285)	(9,235)	(27,596)	(37,179)	(23,433)	-	(30,109)	(171,719)
Net interest income/(expense)	**40,359**	**26,462**	**13,805**	**4,426**	**31,539**	**37,949**	**12,936**	**18,032**	**370**	**(30,948)**	**154,930**
Lending related income	953	692	493	175	487	1,337	891	2,595	-	11,400	19,023
Income from insurance activities	53	9	3	11	-	-	1,016	-	5,814	(3,754)	3,152
Other interest income	1,391	319	7	5	1	1,901	3,723	470	6	719	8,542
Other income	85	192	7	13	113	(14)	6,529	9,024	-	(6,879)	9,070
Non interest income/(loss)	**2,482**	**1,212**	**510**	**204**	**601**	**3,224**	**12,159**	**12,089**	**5,820**	**1,486**	**39,787**
Operating income/(loss)	**42,841**	**27,674**	**14,315**	**4,630**	**32,140**	**41,173**	**25,095**	**30,121**	**6,190**	**(29,462)**	**194,717**
Operating expenses	(14,961)	(18,089)	(10,673)	(4,772)	(11,927)	(20,540)	(18,414)	(21,993)	976	(8,760)	(129,153)
Foreign exchange (losses)/gains	(963)	32	3	699	(343)	2,018	113	(146)	406	(4,131)	(2,312)
Operating profit/(loss) before impairment	**26,917**	**9,617**	**3,645**	**557**	**19,870**	**22,651**	**6,794**	**7,982**	**7,572**	**(42,353)**	**63,252**
Net gain on measurement of associates	-	-	-	-	-	-	-	-	-	163	163
Impairment on financial assets	(1,429)	(3,288)	(1,807)	(136)	(1,095)	(1,668)	(1,547)	(7,596)	-	-	(18,566)
Share of post-tax results of associates	-	-	-	-	-	-	-	-	-	(500)	(500)
Profit/(loss) before taxation	**25,488**	**6,329**	**1,838**	**421**	**18,775**	**20,983**	**5,247**	**386**	**7,572**	**(42,690)**	**44,349**
Taxation	(9,236)	(1,910)	(592)	(1,027)	(4,118)	(6,787)	(1,742)	(120)	-	(2,562)	(28,094)
Profit for the year											**16,255**
Depreciation and amortisation	(988)	(1,605)	(855)	(736)	(975)	(2,136)	(725)	(1,014)	-	(2,534)	(11,568)

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

35. Segmental reporting (continued)

Segmental Reporting $'000

Year ended 31 December 2021	**Zambia**	**Ghana**	**Tanzania**	**Uganda**	**Botswana**	**Mozambique**	**Colombia**	**Mexico**	**Insurance**	**Support**	**Group**
Consolidated statement of financial position											
Loans and advances	136,698	110,350	55,427	16,734	134,038	219,603	259,499	120,794	-	-	1,053,143
Other assets	48,236	25,751	18,027	7,688	5,006	45,616	48,727	62,400	32,392	176,397	470,240
Total assets	**184,934**	**136,101**	**73,454**	**24,422**	**139,044**	**265,219**	**308,226**	**183,194**	**32,392**	**176,397**	**1,523,383**
Borrowings and overdrafts	56,670	64,305	30,976	352	100,239	104,081	231,973	114,145	-	447,044	1,149,785
Other liabilities	30,754	44,379	26,655	13,161	5,015	100,906	18,318	4,592	9,167	(75,899)	177,048
Total liabilities	**87,424**	**108,684**	**57,631**	**13,513**	**105,254**	**204,987**	**250,291**	**118,737**	**9,167**	**371,145**	**1,326,833**

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

36. Financial Summary

	2022	2021	2020
Statement of profit or loss			
Net interest income	141,665,034	154,930,411	157,287,816
Profit for the year	3,338,688	16,256,821	29,086,666
Profit attributable to owners of the Company	1,392,134	12,628,758	23,988,704
Other comprehensive (loss)/income for the year	(47,903,224)	25,717,796	(76,840,878)
Total comprehensive (loss)/income for the year	(44,564,536)	41,974,617	(47,754,212)
Statement of financial position			
Loans and advances	1,120,847,024	1,053,142,831	949,077,442
Other assets	452,889,980	470,239,727	471,426,856
Total assets	**1,573,737,004**	**1,523,382,558**	**1,420,504,298**
Total equity	166,932,168	196,548,278	172,052,527
Total liabilities	1,406,804,836	1,326,834,280	1,248,451,771
Total equity and liabilities	**1,573,737,004**	**1,523,382,558**	**1,420,504,298**

At the date of signing the financial statements, the directors are not aware of any other matter or circumstances arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Group and the results of its operations.

37. Events after the reporting period

In 2017, the Group issued a convertible subordinated zero coupon note of USD 60,560,000. Mandatory conversion of the note occurred on 24 November 2022 into 3,431,411 ordinary shares of the Group representing a shareholding of 9.97% (31 December 2021: 9.86%) and were issued subsequent to year end on the 31st of January 2023. A shortfall guarantee associated with the instrument issued to the GEPF was settled on 9 February 2023 by existing representative shareholders of the Group through an agreement to transfer 3,963,219 of their existing ordinary shares ("Settlement shares") to GEPF for a consideration of $1. The settlement shares also support a shortfall guarantee emanating from the 51% sale of Bayport Financial Services 2010 Proprietary Limited, which also occurred in 2017. As disclosed in Note 22 (v) of the 2021 financial statements, management assumed that any potential shortfall would be delivered through the issuance of new equity in the Group. This was not the case as negotiations between the GEPF, the Group and representative shareholders which started during the course of 2022 was concluded in December 2022 resulting in the transfer of shares as opposed to the issuance of new equity, and therefore has not been accounted for as new equity but a share transfer between existing shareholders. As such there is no liability at year end. The transfer of shares is still in process at the date of these financial statements.

The ongoing Russian invasion of Ukraine is leading to multiple jurisdictions imposing economic sanctions on Russia and Belarus. In addition, a growing number of public and private companies have announced voluntary actions to curtail business activities with Russia and Belarus. The war combined with the resultant sanctions may lead to disruption in pricing and supply of energy and other commodities and exacerbate ongoing economic challenges, including issues such as rising inflation and global supply-chain disruptions. The Group has no direct exposure to the Ukraine or Russia and will continue to monitor developments and the impact on operations.




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