

BAYPORT MANAGEMENT LTD
(Registration number 54787 C1/GBL)

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2023



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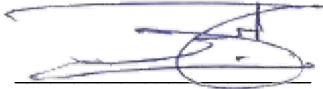
The reports and statements set out below comprise of the consolidated financial statements presented to the shareholders:

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BAYPORT MANAGEMENT LTD
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2023

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 2023.



**Bellerive Corporate Management Services (Mauritius) Ltd
Company Secretary**

30 August 2024

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 Banker | Standard Bank (Mauritius) Ltd |
| Auditor | Mazars LLP 4th Floor, Unicorn Centre Frère Félix 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 IFRS® Accounting Standards. The external auditor is engaged to express an independent opinion on the consolidated financial statements.

The consolidated financial statements are prepared in accordance with IFRS Accounting 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 2024 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 8 to 13.

The consolidated financial statements set out on pages 14 to 102, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 August 2024 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 2023.

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 continuing to grow the loan book as the strategic realignment of the Group's operations in key markets yields positive results underpinned by a healthy operating model driven by high-quality customers, strict affordability criteria and strong payroll collections, resulting in low non-performing loan ratios across its operating entities. The Company's liquidity position has tightened on the back of the negative impact of foreign exchange movements, principally due to a weakening of African currencies against the US dollar, in addition to the sustained period of elevated global interest rates. These factors have impacted the Company's liquidity position and cash flows, thereby impacting its ability to meet its existing debt service and interest obligations, which are elevated due to the increase in variable rate funding (refer to the note 7, Going Concern). The Group continues to de-risk the impact of foreign exchange movements by focusing 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.

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 21 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

Mr Christopher Blandford Newson
Mr Edward Vaughan Heberden
Mr Grant Kurland
Mr Nicholas Haag
Mr Roberto Rossi
Mr Stuart Stone
Mrs Victoria Bejarano
Mr Madondo Sibusiso
Mr Gregory Richard Davis
Mr Alastair Andrew Graham Nairn
Mr Mathew Joseph Ananthanam
Mr Jamie Robert Hollins
Mr Franco Danesi
Mr Junaid Muhamud Udhin (Alternate to Mr Edward Vaughan Heberden
and Mr Alastair Andrew Graham Nairn)
Mr Santosh Laloo (Alternate to Mr Madondo Sibusiso)
Mr Nimit Shantilal Shah

Changes

Appointed on 01 March 2023 and
resigned on 04 March 2024

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.

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.

Directors' Report (continued)

7. Going concern

At 31 December 2023, The Group's total assets of USD 1.68 billion exceeded the total liabilities of USD 1.53 billion. The holding company, Bayport Management Ltd's (the Company), had total assets of USD 916 million exceeded the total liabilities of USD 488 million. The Group and the Company had experienced significant cash outflows from cash used in operating activities over these past years as it grows its loan portfolio. At 31 December 2023, the Group had cash and cash equivalents of USD 161.6 million, however, showed a net cash outflow from operations amounting to USD 40.6 million. This was not sufficient to settle some of the Parent Company's short-term borrowings due over the next 12 months.

Due to above, the Company was not in a position to pay the interest due on 21 May 2024 (for the interest period ending 20 May 2024) on its USD 250 million Senior Unsecured Callable Fixed Rate Social Bonds due May 2025 with ISIN NO0012496688 (the "Senior Bonds") and its USD 50 million Subordinated Social Bonds due November 2025 with ISIN NO0012496696 (the "Subordinated Bonds" and, together with the Senior Bonds, the "Bonds"). The failure to pay interest under the Senior Bonds constituted an event of default under the terms and conditions of the Senior Bonds and could have triggered cross default provisions under the Company's other financial indebtedness. The failure to pay interest under the Subordinated Bonds constituted a default under the terms and conditions of the Subordinated Bonds if the failure to pay continues for 30 calendar days beyond the due date. The Company was also not in a position to repay the principal or interest on its USD 60 million revolving credit facility, which became due for payment on 20 May 2024, resulting in a cross-payment default arising under the Senior Bonds.

Notwithstanding the above, the Company's consolidated financial statements have been prepared on a going concern basis for the following reasons:

- (a) Since entering a Standstill Agreement on 19 May 2024 and after engaging with more than 85% of its creditors by value, the Company has entered into a lock-up agreement (the "Lock-up Agreement") with creditors representing more than 55% of the aggregate principal amount of its senior unsecured and subordinated unsecured debt obligations. The implementation of the deal is subject to obtaining the relevant regulatory approvals (including from the Stock Exchange of Mauritius), creditor consents, and shareholder approvals.
- (b) On 30 August 2024, the Company announced that it has signed a term sheet in relation to a recapitalization transaction with 55% of creditors whereby an amendment and extension of its credit facilities and bonds (the "Transaction"), with the intention of (i) extending maturities to June 2028 (senior debt) and December 2028 (subordinated debt), (ii) amending covenants, (iii) reducing cash-pay interest (switch to partial pay-if-you-can and payment-in-kind structures), and (iv) ensuring corporate reorganisation and security through OpCo share pledges and Intercompany receivables.
- (c) The Transaction also involves USD 26 million new money capital raise in the form of Super Senior debt. The funds are expected to be received on a timely manner.
- (d) The above considerations from (a) to (c) would allow the Group to generate sufficient cash flows and meet its obligations as and when they fall due.

A bond solicitation process will be launched to amend the existing indentures to implement the Transaction and support commencement of the implementation period, which will bridge through to the closing of the Transaction based on conditions precedent, as those are agreed upon with BML creditors and prescribed in the Lock-up Agreement.

The Directors believe that the above restructuring will be implemented successfully by March 2026 and that the creditors will support the terms of the Transaction. After considering the uncertainties in respect of the above, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

8. Litigation statement

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

9. Auditor

During the year ended 31 December 2023, Mazars LLP was appointed as external auditor of the Group and 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.

Directors' Report (continued)

12. Events after the reporting period

Subsequent to the balance sheet date, the Bayport Management Ltd holding company's ("the company") liquidity position tightened on the back of the negative impact of foreign exchange movements, principally due to the weakening of African currencies against the US Dollar, in addition to a sustained period of elevated global interest rates. These factors have impacted the company's liquidity position and cash flows, thereby impacting its ability to meet its existing debt service and interest obligations, which are elevated due to increase in variable rate funding. As a result of the company being unable to service its obligation as they fell due shortly after year end, the company entered into a standstill agreement with creditors to find a solution to recapitalize the company. An agreement was reached with creditors outlining the recapitalization plan on 30 August 2024. Refer to the going concern assessment on page 6.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAYPORT MANAGEMENT LTD AND ITS SUBSIDIARIES**Report on the Audit of the Consolidated Financial Statements*****Opinion***

We have audited the consolidated financial statements of **BAYPORT MANAGEMENT LTD** (the "Company") and its subsidiaries (the "Group") on pages 14 to 102, which comprise the consolidated statement of financial position as at 31 December 2023 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS® Accounting Standards and with compliance with the requirements of the Mauritius 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 Financial Statements section of our audit report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material Uncertainty related to Going Concern

We draw attention to Note 1 of the Group's financial statements, which indicate that there is a material uncertainty in relation to the Group's ability to continue as a going concern. As detailed in the notes, the Group's immediate and future solvency is dependent successful implementation of a debt restructuring plan with the existing creditors and the proposed injection of new money in the form of Super Senior Debt.

As at 31 December 2023, the Group's cash and cash equivalents amounted to USD 162m and net debts of USD 1.19bn. The Directors have prepared cash flow forecasts that indicate that additional financing will be required together with a debt restructuring plan to meet its short term debt obligations and to fund operational costs over the next 12 months. This requirement for the financing and the implementation of the restructuring plan represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and consequently over the appropriateness of the going concern basis used for the preparation of these financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters in addition to the matter described in the material uncertainty. We have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAYPORT MANAGEMENT LTD AND ITS SUBSIDAIRES
Report on the Audit of the Consolidated Financial Statements (continued)
Key Audit Matters (continued)

| Key Audit Matter | Our audit approach to the Key Audit Matter |
|--|--|
| Financial assets that are not credit impaired (S1/S2) – refer to notes 4 and 8 of the accompanying financial statements | |
| <p>The estimation of Expected Credit Losses ("ECL") on financial assets involves Management's judgements and estimates which are subjective due to the significant uncertainty associated with the underlying assumptions in the calculation of ECLs. These include:</p> <ul style="list-style-type: none"> • accounting interpretations, modelling assumptions and data points applied to estimate the Probability of Default ("PD"), Exposure At Default ("EAD") and Loss Given Default ("LGD"), used to build and run the model that calculate the ECL; • allocation of assets between Stage 1 or 2, i.e., identifying triggers for Significant Increase in Credit Risk ("SICR"); inputs and assumptions relating to forward-looking adjustments; • qualitative adjustments - adjustments to the model-driven results are made by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to sectors and country; • incorporation of forward looking information (FLI) in the ECL measurement. | <p>Our audit approach and procedures comprises of the following:</p> <ul style="list-style-type: none"> • evaluated the design and operating effectiveness of controls across the processes relevant to ECL calculation; • evaluated the criteria used to allocate financial assets between Stage 1 or 2 in accordance with IFRS 9 requirements; • reviewed the credit staging triggers • reviewed and tested the assumptions, inputs and formulae used in the ECL model. This included assessing the appropriateness of model design, refinements made, and recalculating the key inputs such as PD and LGD; • involved our specialist modelling and IFRS 9 team in performing certain procedures such as review of methodology, analytical review, development testing, validation testing, benchmarking and governance review • agreed ECL calculation data points to source system extracts on sample basis, to evaluate data quality; • Reviewed and reperformed the calculations of Stage 1 and Stage 2 as per IFRS 9; • assessed the adequacy of disclosures in the financial statements in line with accounting standards and regulatory considerations; and • considered the complexity of management's process to design and create financial statement disclosures given the granularity and complexity. |
| Financial assets that are credit impaired (S3) – refer to notes 4 and 8 of the accompanying financial statements | |
| <p>The estimation of Stage 3 ECLs also includes Management's judgement and estimates to estimate the occurrence of "default" or "loss" event and the eventual recovery of the expected future cash flows, including the realisation of any securities. Change in Management assumptions may have significant impacts on the estimation of Stage 3 ECL provisions</p> | <p>Our audit approach and procedures comprised of the following:</p> <ul style="list-style-type: none"> • evaluated the design and operating effectiveness of controls across the processes relevant to Stage 3 ECLs; • analysed arrears report to identify whether all clients meeting the "default" definition are subject to Stage 3 provisions assessments; • independently re-computed the ECL, on a sample basis, based on our assessment of expected future cash flows and the recoverability of security in line with IFRS 9; • where realisation of security was factored in the estimation of future cash flows, we reviewed relevant valuation reports and assessed the expert's objectivity and qualifications; • Reviewed and reperformed the calculations of specific provisions IFRS 9 (on a sample basis); and • assessed the adequacy of disclosures for compliance with the accounting standards and regulatory considerations. |

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAYPORT MANAGEMENT LTD AND ITS SUBSIDIARIES

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

Key Audit Matters (continued)

| Key Audit Matter | Our audit approach to the Key Audit Matter |
|--|---|
| Investment in associated company – refer to note 11 of the accompanying financial statements | |
| <p>The investment in associated company relate to the 49% interest of the Company in Bayport Financial Services 2010 Proprietary Limited ("BFS2010").</p> <p>Under the equity method of accounting for associates, the equity stake is stated at cost, and are adjusted annually change in the Company's share of net assets of the associate less any impairment provisions. At 31 December 2023, the carrying amount of BFS2010 was USD 81m including goodwill of USD 49m</p> <p>BFS2010 has been incurring losses in the past two years which provides an indication of possible impairment. The current carrying amount (USD 81m) therefore relies on the Group's significant judgement in determining BFS2010's recoverable amount based on its value-in-use.</p> <p>The projected future cash flows and discount rates used by the Company in determining BFS2010's value-in-use are subject to estimation uncertainty and sensitivity. Therefore, we consider this a key audit risk.</p> | <ul style="list-style-type: none"> Our audit approach and procedures comprised the following: assessment processes surrounding the determination of the value-in-use of the associated company. evaluation of the reasonableness and reliability of cash flow projections against the associate's most recent financial performance discussed with management to understand current business performance and expectations and whether they were properly reflected in the Company's forecast assumptions. In particular, we reviewed the pipeline of clients for the year 2024. Involved the valuation expert to consider the appropriateness i) valuation methodology and ii) key inputs such discount rates, long-term growth rates amongst others. Evaluated the accuracy of the Company's disclosures of the application of judgement in estimating the recoverable amount and the sensitivity of the results of those estimates adequately reflect the risks associated with impairment of interests in associated company |
| Going Concern – refer to note 1 of the accompanying financial statements | |
| <p>In assessing whether the consolidated financial statements should be prepared on the going concern basis, the Directors are required to consider all available information about the future for a period of at least 12 months from the date of approval of the consolidated financial statements. In conducting their assessment, the Directors have concluded that there are no material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern over this 12 months period.</p> <p>At 31 December 2023, the Group's cash and cash equivalents amounted to USD 162m with net debts of USD 1.19bn. The Directors have prepared cash flow forecasts and have identified liquidity gaps for the period ending 31 July 2025 which would result in the Group being unable to satisfactorily service its debts obligations.</p> <p>As outlined in Note 1 of the consolidated financial statements, the Directors and management have since then taken several initiatives to address the short term liquidity situation and the covenants pressure.</p> <p>These include the signing of a Recapitalisation Support and Lock up Agreement with relevant parties. The transaction also includes the injection of USD 26m of new money.</p> <p>As a result of the uncertainties associated with the financing of the liquidity gaps, we identified a key audit matter related to going concern due to the significant uncertainties required to conclude that there is not a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.</p> | <p>Our audit approach and procedures comprised the following:</p> <ul style="list-style-type: none"> We have assessed the quality of management forecasting by comparing cash flows forecasts for prior periods to actual outcomes; We challenged the appropriateness of the assumptions that had the most material impact; We tested the arithmetic integrity of the calculations including those related to management sensitivities; We assessed the possible mitigating actions identified by management in the event that actual cash flows are below forecast; Reviewed cash flow forecasts prepared by the Directors and the debt financing plan to meet its short term debt obligations and the funding of operational costs over the next 12 months. We evaluated the adequacy of the disclosures regarding the going concern assumption and any related uncertainties in the consolidated financial statements. |

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAYPORT MANAGEMENT LTD AND ITS SUBSIDIARIES

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

Other information

The directors are responsible for the other information. The other information comprises the Commentary of The Directors and the Certificate from the Secretary as required by the Mauritius Companies Act 2001 which we obtained prior to the date of the audit report. Other information does not include the financial statements and our audit report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, the Financial Services Act 2007 and the Financial Reporting Act 2004 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 the directors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAYPORT MANAGEMENT LTD AND ITS SUBSIDIARIES**Report on the Audit of the Consolidated Financial Statements (continued)*****Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

- 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 audit report to the related disclosures in the 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 audit 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 financial statements, including the disclosures, and whether the 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 the relevant 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 on the audit of the separate financial statements of the current period and 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.

Report on Other Legal and Regulatory Requirements

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

- a) we have no relationship with, or interests in, the Group other than in our capacity as auditor;
- b) we have obtained all the information and explanations we have required; and
- c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAYPORT MANAGEMENT LTD AND ITS SUBSIDIARIES**Other matter**

- (i) The financial statements of the Group for the year ended 31 December 2022 were audited by another auditor whose audit report dated 19th April 2023, expressed an unqualified opinion on these financial statements.
- (ii) This report, including the opinion has been prepared for and only the Group's members, as a body, in accordance with section 205 of the Mauritius Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come same where expressly agreed by any prior consent in writing.

**Forvis Mazars LLP****Udaysingh Taukoordass, FCA**
Licensed by FRCDate: **30 AUG 2024**

Consolidated Statement of Financial Position as at 31 December 2023

| Figures in US Dollar | Note(s) | 2023 | 2022 |
|--|----------------|----------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | 3 | 161,584,082 | 144,894,220 |
| Other receivables | 5 | 75,020,619 | 57,154,791 |
| Derivative financial assets | 6 | 6,251,625 | 13,307,996 |
| Current tax assets | 7 | 12,250,421 | 17,560,988 |
| Loans and advances | 8 | 1,217,474,763 | 1,120,847,024 |
| Other investments | 9 | 47,166,657 | 40,194,473 |
| Investments in associates | 11 | 81,112,569 | 95,366,916 |
| Goodwill | 12 | 4,419,398 | 4,260,416 |
| Property and equipment | 13 | 5,642,642 | 6,107,391 |
| Right-of-use assets | 14 | 5,511,599 | 6,694,440 |
| Intangible assets | 15 | 39,416,786 | 43,146,170 |
| Deferred tax assets | 7 | 27,105,527 | 24,202,179 |
| Total Assets | | 1,682,956,688 | 1,573,737,004 |
| Liabilities | | | |
| Bank overdraft | 3 | 14,395,771 | 4,153,005 |
| Deposit from customers | 16 | 106,795,176 | 112,462,088 |
| Other payables | 17 | 49,552,935 | 49,381,996 |
| Provisions | 18 | 2,863,909 | 5,279,051 |
| Current tax liabilities | 7 | 3,796,136 | 9,625,046 |
| Derivative financial liabilities | 6 | 7,574,753 | 6,886,334 |
| Reinsurance Liabilities | 4 | - | 1,479,924 |
| Lease liabilities | 19 | 6,695,547 | 7,526,218 |
| Borrowings | 20 | 1,329,469,603 | 1,205,189,859 |
| Deferred tax liabilities | 7 | 8,763,127 | 4,821,315 |
| Total Liabilities | | 1,529,906,957 | 1,406,804,836 |
| Equity | | | |
| Share capital and treasury shares | 21 | 416,099,023 | 416,099,023 |
| Reserves | 22 | (329,555,446) | (321,693,574) |
| Retained earnings | | 65,358,606 | 69,564,007 |
| Equity attributable to owners of the Company | | 151,902,183 | 163,969,456 |
| Non-controlling interests | | 1,147,548 | 2,962,712 |
| Total Equity | | 153,049,731 | 166,932,168 |
| Total Liabilities and Equity | | 1,682,956,688 | 1,573,737,004 |

The consolidated financial statements and the notes on pages 14 to 102 which have been prepared on the going concern basis, were approved and authorised for issue by the Board Of Directors on 30 August 2024 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) | 2023 | 2022 | | |
|---|----------------|--------------------|--|-----------------------------------|---------------------|
| | | | Operating activities excluding settlement of shortfall guarantee | Settlement of shortfall guarantee | Total |
| Interest and other similar income | 24 | 331,614,614 | 332,666,960 | - | 332,666,960 |
| Interest and other similar expense | 25 | (219,175,128) | (191,001,926) | - | (191,001,926) |
| Net interest income | | 112,439,486 | 141,665,034 | - | 141,665,034 |
| Lending related income | 26.1 | 29,341,141 | 24,947,837 | - | 24,947,837 |
| Non-interest income | | 57,184,432 | 56,378,789 | - | 56,378,789 |
| Operating profit | | 169,623,918 | 198,043,823 | - | 198,043,823 |
| Operating expenses | 27 | (121,401,215) | (127,543,150) | - | (127,543,150) |
| Foreign exchange losses | | (2,202,238) | (267,322) | - | (267,322) |
| Operating profit before impairment on financial assets and settlement of shortfall guarantee | | 46,020,465 | 70,233,351 | - | 70,233,351 |
| Settlement of shortfall guarantee | 1.2.2(v), 32.7 | - | - | (2,571,999) | (2,571,999) |
| Operating profit before share of post-tax results of associates | | 31,992,064 | 54,034,420 | (2,571,999) | 51,462,421 |
| Share of post-tax results of associates | 11 | (1,233,415) | (222,286) | (14,271,681) | (14,493,967) |
| Net gain on measurement of associates | | - | - | - | - |
| Share of post-tax results of associates (excluding settlement of shortfall guarantee) | | (1,233,415) | (222,286) | - | (222,286) |
| Share of settlement of shortfall guarantee of associate | | - | - | (14,271,681) | (14,271,681) |
| Operating profit before taxation | | 30,758,649 | 53,812,134 | (16,843,680) | 36,968,454 |
| Taxation | 7 | (24,306,166) | (33,629,766) | - | (33,629,766) |
| Profit for the year | | 6,452,483 | 20,182,368 | (16,843,680) | 3,338,688 |
| Attributable to: | | | | | |
| Owners of the Company | | 5,438,743 | 18,235,814 | (16,843,680) | 1,392,134 |
| Non-controlling interests | | 1,013,740 | 1,946,554 | - | 1,946,554 |
| Profit for the year | | 6,452,483 | 20,182,368 | (16,843,680) | 3,338,688 |
| Earnings per share: | | | | | |
| Basic earnings per share | 28 | 0.16 | 0.53 | - | 0.04 |
| Diluted earnings per share | 28 | 0.16 | 0.53 | - | 0.04 |

Consolidated Statement of Comprehensive Income

| Figures in US Dollar | Note(s) | 2023 | 2022 | | |
|---|---------|---------------------|--|--------------------------------------|---------------------|
| | | | Operating activities excluding settlement of shortfall guarantee | Settlement of of shortfall guarantee | Total |
| Profit for the year | | 6,452,483 | 20,182,368 | (16,843,680) | 3,338,688 |
| 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 | 6,972,235 | 6,160,997 | - | 6,160,997 |
| Share of other comprehensive (loss)/income of associate | 11 | (5,551,986) | 673,008 | - | 673,008 |
| Total items that will not be reclassified subsequently to profit or loss | | 1,420,249 | 6,834,005 | - | 6,834,005 |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Foreign exchange differences | 22.1 | (26,109,130) | (43,529,995) | - | (43,529,995) |
| Recycling of foreign exchange reserve from other comprehensive income to profit or loss | 22.1 | - | (1,179,774) | - | (1,179,774) |
| Fair value gains/(losses) arising on hedging instruments | 33.9 | 8,190,175 | (10,027,460) | - | (10,027,460) |
| Total items that may be reclassified subsequently to profit or loss | | (17,918,955) | (54,737,229) | - | (54,737,229) |
| Other comprehensive loss for the year net of taxation | | (16,498,706) | (47,903,224) | - | (47,903,224) |
| Total comprehensive loss for the year | | (10,046,223) | (27,720,856) | (16,843,680) | (44,564,536) |
| Attributable to: | | | | | |
| Owners of the Company | | (10,484,797) | (29,318,671) | (16,843,680) | (46,162,351) |
| Non-controlling interests | | 438,574 | 1,597,815 | - | 1,597,815 |
| Total comprehensive (loss) for the year | | (10,046,223) | (27,720,856) | (16,843,680) | (44,564,536) |

BAYPORT MANAGEMENT LTD
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2023

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 | Equity settled reserves | Other reserves | Total reserves | Retained earnings | Attributable to owners of the Company | Non-controlling interests | Total |
|---|---------------|--------------------|--------------------------|-------------------------------|--------------------|-------------------------|----------------------|---|----------------------|---------------------------|-------------------------|-------------------|----------------------|-------------------|---------------------------------------|---------------------------|---------------------|
| 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 (loss)/income | - | - | - | - | - | - | - | - | (44,361,030) | (10,027,460) | - | 6,834,005 | (47,554,485) | - | (47,554,485) | (348,739) | (47,903,224) |
| Total comprehensive (loss)/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 30) | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,020,591 | 2,020,591 | (3,086,755) | (1,066,164) |
| Balance at 01 January 2023 | 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 |
| Impact of adopting IFRS 17 | - | - | - | - | - | - | - | - | - | - | - | - | - | (126,516) | (126,516) | - | (126,516) |
| Balance at 01 January 2023 as restated | 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) | 69,437,491 | 163,842,940 | 2,962,712 | 166,805,652 |
| Profit for the year | - | - | - | - | - | - | - | - | - | - | - | - | - | 5,438,743 | 5,438,743 | 1,013,740 | 6,452,483 |
| Other comprehensive income | - | - | - | - | - | - | - | - | (25,533,964) | 8,190,175 | - | 1,420,249 | (15,923,540) | - | (15,923,540) | (575,166) | (16,498,706) |
| Total comprehensive (loss)/income for the year | - | - | - | - | - | - | - | - | (25,533,964) | 8,190,175 | - | 1,420,249 | (15,923,540) | 5,438,743 | (10,484,797) | 438,574 | (10,046,223) |
| Issue of shares | 3,431 | 60,556,569 | - | - | - | - | - | 60,560,000 | - | - | - | - | - | - | 60,560,000 | - | 60,560,000 |
| Share application monies | - | - | (60,560,000) | - | - | - | - | (60,560,000) | - | - | - | - | - | - | (60,560,000) | - | (60,560,000) |
| Recognition of share-based payment | - | - | - | - | - | - | - | - | - | - | 125,449 | - | 125,449 | - | 125,449 | - | 125,449 |
| Retained earnings adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | (107,924) | (107,924) | - | (107,924) |
| Change in ownership interests (note 30) | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,473,485) | (1,473,485) | (1,856,066) | (3,329,551) |
| Dividend paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (397,672) | (397,672) |
| Transfer to reserves | - | - | - | - | - | - | - | - | - | - | - | 7,936,219 | 7,936,219 | (7,936,219) | - | - | - |
| Balance at 31 December 2023 | 34,825 | 375,997,842 | - | - | (6,777,324) | 30,000,000 | 16,843,680 | 416,099,023 | (424,044,989) | 680,709 | 5,022,805 | 88,786,029 | (329,555,446) | 65,358,606 | 151,902,183 | 1,147,548 | 153,049,731 |
| Note | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 22.1 | 22.4 | 22.2 | 22.3 | | | | | |

Consolidated Statement of Cash Flows

| Figures in US Dollar | Note(s) | 2023 | 2022 |
|--|----------------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 30,758,649 | 36,968,454 |
| Adjustments for: | | | |
| Share of post tax results of associate | 11 | 1,233,415 | 222,286 |
| Settlement of shortfall guarantee | 1.2.2(v), 32.7 | - | 2,571,999 |
| Share of settlement of shortfall guarantee of associate | 11 | - | 14,271,681 |
| Depreciation and amortisation | 27 | 10,045,378 | 10,253,135 |
| Profit on disposal of property and equipment and intangible assets | 26.3 | (1,049) | (26,024) |
| Unrealised exchange losses | | 1,174,041 | 16,463,770 |
| Finance costs | 25 | 219,175,128 | 191,001,926 |
| Movement in provision for credit impairment | | 18,195,262 | 20,582,198 |
| Dividends income | 26.1 | (7,514,142) | (5,017,208) |
| Profit on disposal of associates | 11.2 | - | (2,792,350) |
| Movements in provisions and share based payments | | (1,134,299) | 474,227 |
| (Reversal of impairment)/impairment of current tax asset | 7.2 | (1,730,000) | 1,251,006 |
| Impairment of goodwill | | 360,631 | - |
| Profit before tax adjusted for non-cash items | | 270,563,014 | 286,225,100 |
| Dividend received from equity instrument designated as at FVTOCI | | 7,514,142 | 5,017,208 |
| Finance costs paid | | (188,525,965) | (103,363,649) |
| Tax paid | 7.2 | (23,669,094) | (32,268,008) |
| Cash generated by operations before changes in working capital | | 65,882,097 | 155,610,651 |
| Changes in working capital: | | | |
| Increase in other receivables | | (11,363,158) | (9,417,564) |
| Increase in gross advances | | (98,327,155) | (207,372,441) |
| Increase in deposit from customers | | 4,699,079 | 20,156,086 |
| Increase in other payables | | (1,462,708) | 10,124,048 |
| Net cash used in operating activities | | (40,571,845) | (30,899,220) |
| Cash flows from investing activities | | | |
| Proceeds on disposal of property and equipment and intangible assets | | 73,584 | 145,940 |
| Purchase of property and equipment and intangible assets | 13,15 | (3,676,496) | (3,829,030) |
| Net movement in amount due to associates | | 42,917 | 18,693 |
| Cash inflow from associates on repayment of loans | | 1,734,835 | 1,227,079 |
| Net cash flows from disposal of associate | 11.2 | - | 12,266,550 |
| Net cash flows (used in)/generated by investing activities | | (1,825,160) | 9,829,232 |

Consolidated Statement of Cash Flows (continued)

| Figures in US Dollar | Note(s) | 2023 | 2022 |
|---|----------------|--------------------|--------------------|
| Cash flows from financing activities | | | |
| Proceeds from issue of bonds | 29 | 36,172,514 | 100,821,635 |
| Repayment of bonds | 29 | (6,570,649) | (139,721,021) |
| Proceeds from borrowings | 29 | 362,974,765 | 615,794,641 |
| Repayment of borrowings | 29 | (325,706,686) | (526,270,990) |
| Repayment of lease liabilities | 14.2 | (2,420,070) | (2,405,620) |
| Cash outflow on buy back of shares | 21 | - | (288,162) |
| Dividend paid | | (397,672) | (616,297) |
| Payment on buy back of shares | | (3,086,076) | (130,636) |
| Net cash flows generated by financing activities | | 60,966,126 | 47,183,550 |
| Net increase in cash and cash equivalents | | 18,569,121 | 26,113,562 |
| Cash and cash equivalents at the beginning of the year | | 140,741,215 | 125,799,531 |
| Effect of foreign exchange rate changes | | (12,122,025) | (11,171,878) |
| Net cash and cash equivalents at the end of the year | 3 | 147,188,311 | 140,741,215 |

Material 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 IFRS Accounting Standards 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.

At 31 December 2023, The Group's total assets of USD 1.68 billion exceeded the total liabilities of USD 1.53 billion. The holding company, Bayport Management Ltd's (the Company), had total assets of USD 916 million exceeded the total liabilities of USD 488 million. The Group and the Company had experienced significant cash outflows from cash used in operating activities over these past years as it grows its loan portfolio. At 31 December 2023, the Group had cash and cash equivalents of USD 161.6 million, however, showed a net cash outflow from operations amounting to USD 40.6 million. This was not sufficient to settle some of the Parent Company's short-term borrowings due over the next 12 months.

Due to above, the Company was not in a position to pay the interest due on 21 May 2024 (for the interest period ending 20 May 2024) on its USD 250 million Senior Unsecured Callable Fixed Rate Social Bonds due May 2025 with ISIN NO0012496688 (the "Senior Bonds") and its USD 50 million Subordinated Social Bonds due November 2025 with ISIN NO0012496696 (the "Subordinated Bonds" and, together with the Senior Bonds, the "Bonds"). The failure to pay interest under the Senior Bonds constituted an event of default under the terms and conditions of the Senior Bonds and could have triggered cross default provisions under the Company's other financial indebtedness. The failure to pay interest under the Subordinated Bonds constituted a default under the terms and conditions of the Subordinated Bonds if the failure to pay continues for 30 calendar days beyond the due date. The Company was also not in a position to repay the principal or interest on its USD 60 million revolving credit facility, which became due for payment on 20 May 2024, resulting in a cross-payment default arising under the Senior Bonds.

Notwithstanding the above, the Company's consolidated financial statements have been prepared on a going concern basis for the following reasons:

- (a) Since entering a Standstill Agreement on 19 May 2024 and after engaging with more than 85% of its creditors by value, the Company has entered into a lock-up agreement (the "Lock-up Agreement") with creditors representing more than 55% of the aggregate principal amount of its senior unsecured and subordinated unsecured debt obligations. The implementation of the deal is subject to obtaining the relevant regulatory approvals (including from the Stock Exchange of Mauritius), creditor consents, and shareholder approvals.
- (b) On 30 August 2024, the Company announced that it has signed a term sheet in relation to a recapitalization transaction with 55% of creditors whereby an amendment and extension of its credit facilities and bonds (the "Transaction"), with the intention of (i) extending maturities to June 2028 (senior debt) and December 2028 (subordinated debt), (ii) amending covenants, (iii) reducing cash-pay interest (switch to partial pay-if-you-can and payment-in-kind structures), and (iv) ensuring corporate reorganisation and security through OpCo share pledges and Intercompany receivables.
- (c) The Transaction also involves USD 26 million new money capital raise in the form of Super Senior debt. The funds are expected to be received on a timely manner.
- (d) The above considerations from (a) to (c) would allow the Group to generate sufficient cash flows and meet its obligations as and when they fall due.

A bond solicitation process will be launched to amend the existing indentures to implement the Transaction and support commencement of the implementation period, which will bridge through to the closing of the Transaction based on conditions precedent, as those are agreed upon with BML creditors and prescribed in the Lock-up Agreement.

The Directors believe that the above restructuring will be implemented successfully by March 2026 and that the creditors will support the terms of the Transaction. After considering the uncertainties in respect of the above, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

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.

Material Accounting Policies (continued)

1.1 Consolidation (continued)

Basis of consolidation (continued)

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.

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 Accounting Standards'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.

Material Accounting Policies (continued)

1.1 Consolidation (continued)

Business combinations (continued)

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.

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.

(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.

Material Accounting Policies (continued)

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

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

(iii) Cell captive insurance contracts (continued)

Guardrisk International Limited PCC (GIL) (continued)

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.

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.

Golden Road Insurance Company Limited (Previously Sugaree Insurance Company Limited)

Golden Road Insurance Company Limited, 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 Golden Road Insurance Company Limited and then consolidated into the consolidated financial statements. Towards the end of 2022 the business within the lone cell in Golden Road 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.

Material Accounting Policies (continued)

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

1.2.2 Key sources of estimation uncertainty (continued)

(iii) Impairment of financial assets (continued)

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.

Refer to note 1.9 for the accounting policies relating to the impairment of financial assets and to note 33.1 for credit risk management.

(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 22.2.1).

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.

(v) Shortfall Guarantee

The Group was 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 were 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) was not achieved, and was 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 had 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 was 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 was 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 had 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, was 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 was finalised during the financial year ended 2023.

Material Accounting Policies (continued)

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

1.2.2 Key sources of estimation uncertainty (continued)

(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. Unobservable inputs are used in the determination of future expected cash flows.

Refer to 33.8 for the sensitivity analysis performed on the key unobservable inputs.

(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.

Material Accounting Policies (continued)

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
- 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.

Material Accounting Policies (continued)

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.

1.6 Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

1.7 Bank overdrafts

Bank overdrafts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Material Accounting Policies (continued)

1.8 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.

Material Accounting Policies (continued)

1.9 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.

1.9.1 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.

Material Accounting Policies (continued)

1.9 Financial instruments (continued)

1.9.1 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.

Material Accounting Policies (continued)

1.9 Financial instruments (continued)

1.9.1 Financial assets (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 33.1.

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.

Material Accounting Policies (continued)

1.9 Financial instruments (continued)

1.9.1 Financial assets (continued)

Recognition and measurement (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 IFRS 9 90 days presumption.

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

| IFRS 9 Stage allocation | Recency | Recency definition |
|---|-------------------------|--|
| 12-month-ECL - Credit risk has not increased significantly since initial recognition | Standard Performing | No missed instalments (IFRS 9 Stage 1) |
| Lifetime-ECL- not credit-impaired - Credit risk has increased significantly since initial recognition | Performing Active (1-2) | 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. (IFRS 9 Stage 2) |
| | Performing Active (3-4) | 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. (IFRS 9 Stage 2) |
| Lifetime-ECL- credit-impaired - Credit risk has increased significantly since initial recognition and loans are credit impaired | Non-performing | Loans that have over the last four consecutive periods reviewed, missed all four instalments expected. (IFRS 9 Stage 3) |
| | Doubtful | Delinquent loans where the probability of recovery is uncertain and the separation from payroll has been confirmed, as well as credit impaired loans. (IFRS 9 Stage 3) |
| | Bad | Delinquent loans which have been identified for write offs subject to board approval and approved by the Board. (IFRS 9 Stage 3) |

Refer to note 33.1 on credit risk management and measurement.

Material Accounting Policies (continued)

1.9 Financial instruments (continued)

1.9.1 Financial assets (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 occurred.

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.

1.9.2 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 33.8.

Material Accounting Policies (continued)

1.9 Financial instruments (continued)

1.9.2 Financial liabilities (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.

1.9.3 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 recognised 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.

Material Accounting Policies (continued)

1.9 Financial instruments (continued)

1.9.3 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.

Material Accounting Policies (continued)

1.9 Financial instruments (continued)

1.9.3 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.

1.10 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 independent 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 different period to other comprehensive income, or
- a business combination

Current tax and deferred tax are changed to other comprehensive income if the tax relates to items that are credited on change, in the same or different period, to other comprehensive income.

Current tax and deferred tax are changed to credited directly to equity if the tax relates to items that are credited on change in the same or a different period directly in equity.

Material Accounting Policies (continued)

1.11 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.

1.12 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.

1.13 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.

Material Accounting Policies (continued)

1.14 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.

1.15 Borrowing costs

Borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.16 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.

1.17 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.

Material Accounting Policies (continued)

1.17 Translation of foreign currencies (continued)

Foreign currency transactions (continued)

When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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.

1.18 Insurance contracts

1.18.1 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.

1.18.2 Recognition and measurement of insurance contracts

1.18.2.1 Insurance contracts

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.

Material Accounting Policies (continued)

1.18 Insurance contracts (continued)

1.18.2 Recognition and measurement of insurance contracts (continued)

1.18.2.2 Short-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.

Please refer to note 36 for more details on insurance contracts.

1.19 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.

1.20 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.

1.21 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), 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 year 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 2023.

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 1 Presentation of Financial Statements – amendments regarding the disclosure of accounting policies
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors – amendments regarding the definition of accounting estimates
- IAS 12 Income Taxes – amendments regarding deferred tax on leases and decommissioning obligations
- IAS 12 Income Taxes – amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes
- IFRS 4 Insurance contracts – amendments regarding the expiry date of the deferred approach
- IFRS 17 Insurance contracts – original issue
- IFRS 17 Insurance contracts – amendments to address concerns and implementation challenges that were identified after IFRS 17 was published
- IFRS 9 Financial instruments – amendments regarding the initial application of IFRS 17 and IFRS 9

2.2 Standards and Interpretations in issue but not yet effective

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 classification of debt with covenants (effective 1 January 2024)
- IAS 7 Statement of Cash Flows – Amendments regarding supplier finance arrangements (effective 1 January 2024))
- IFRS 16 Leases - amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions (effective 1 January 2024)
- IFRS 17 Financial instruments: Disclosures – Amendments regarding supplier finance arrangements (effective 1 January 2024)

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.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar 2023 2022

3. Cash and cash equivalents

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

| | | |
|--|--------------------|--------------------|
| Cash and bank balances | 161,584,082 | 144,894,220 |
| Bank overdraft | (14,395,771) | (4,153,005) |
| Total cash and cash equivalents | 147,188,311 | 140,741,215 |

Bank balances:

Lien over cash and bank balances amounts to USD 42 million (2022: USD 34 million)

Bank overdrafts:

As at 31 December 2023, the Group had available facilities totalling USD 21.4 million (2022: USD 21.6 million) of which USD 14.1 million (2022: USD 4.1 million) is utilised.

Bank overdrafts of USD 15 million are unsecured (2022: USD 15 million) and USD 6.4 million (2022: USD 6.6 million) are secured over loans and advances.

Interest rates charged varied from 9.71% to 24.1% per annum (2022: 8.17% to 22.6% per annum).

4. Reinsurance liability

| | | |
|-----------------------|---|-------------|
| Reinsurance liability | - | (1,479,924) |
|-----------------------|---|-------------|

The reinsurance liability represents funds due to the cell owners of a segregated cell of Golden Road 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

Current assets

| | | | |
|--|------|------------|------------|
| Sundry debtors* | | 28,576,241 | 15,786,201 |
| Insurance premiums receivable | (i) | 3,480,953 | 3,641,247 |
| Prepayments | | 10,196,656 | 5,385,258 |
| Vat receivable | | 862,870 | 1,826,462 |
| Impairment provision | (ii) | (97,185) | (121,083) |
| Amount receivable from related parties (note 32.2) | | 1,003,427 | 48,736 |
| | | 44,022,962 | 26,566,821 |

Non-current assets

| | | | |
|--|-------|------------|------------|
| Loans receivable from associate (note 32.3) | (iii) | 30,824,256 | 30,431,287 |
| Loan receivable under share-based incentive scheme (note 32.2) | (iv) | 173,401 | 156,683 |

| | | | |
|--------------------------------|--|-------------------|-------------------|
| Total other receivables | | 75,020,619 | 57,154,791 |
|--------------------------------|--|-------------------|-------------------|

Impairment provision

| | | | |
|---|------|---------------|----------------|
| At 1 January | | 121,083 | 268,820 |
| Impairment recognised in profit or loss | | (26,943) | (3,658) |
| Amounts recovered | | - | (936) |
| Foreign exchange movements | | 3,045 | (143,143) |
| At 31 December | (ii) | 97,185 | 121,083 |

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 | 2023 | 2022 |
|----------------------|------|------|
|----------------------|------|------|

5. Other receivables (continued)

* Sundry debtors consists primarily of receivables due from employers relating to loan book collections and an amount of USD 9.1 million receivable from the settlement of a legal case.

The Group 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 26,943 was reversed as this amount was recovered during the year (2022: USD 3,658)
- (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 7.31% to 8.04% which represents US Dollar 12 month LIBOR plus 2%. (2022: from 2.96% to 7.57% 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 (2022: 5.2%), are repayable by March 2025 and are secured by the shares allotted under the scheme.

6. Derivative financial instruments

| | | |
|--|--------------------|--------------------|
| Derivative financial assets | 6,251,625 | 13,307,996 |
| Derivative financial liabilities | (7,574,753) | (6,886,334) |
| Total derivative financial instruments | (1,323,128) | 6,421,662 |
| Derivative financial liabilities are comprised of the following: | | |
| Fair value of financial derivatives (hedging instruments) | (8,235,402) | (8,175,756) |
| Fair value of financial liabilities (hedged items) | 660,649 | 1,289,422 |
| Derivative financial liabilities | (7,574,753) | (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 33.9 for full disclosure of hedge accounting and the underlying hedges.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar **2023** **2022**

7. Income taxes

7.1 Income tax recognised in profit or loss

Current tax

| | | |
|----------------------------------|-------------------|-------------------|
| In respect of the current year | 17,983,163 | 23,369,749 |
| In respect of prior years | (139,807) | 349,242 |
| Withholding taxes | 7,148,284 | 6,229,521 |
| Total current tax expense | 24,991,640 | 29,948,512 |

Deferred tax

| | | |
|--------------------------------|-------------|-----------|
| In respect of the current year | 717,954 | 3,830,074 |
| In respect of prior years | (1,403,428) | (148,820) |

| | | |
|-----------------------------------|------------------|------------------|
| Total deferred tax expense | (685,474) | 3,681,254 |
|-----------------------------------|------------------|------------------|

| | | |
|--|-------------------|-------------------|
| Total income tax expense recognised in the current year | 24,306,166 | 33,629,766 |
|--|-------------------|-------------------|

Reconciliation of the tax expense

The Company is liable to income tax in Mauritius at the rate of 15% (31 December 2022: 15%). Under the new tax regime and subject to meeting the necessary substance as required under the Financial Services Act 2007 (as amended by the Finance Act 2018) and such guidelines issued by the Financial Services Commission, the Company is entitled to either (a) a foreign tax credit equivalent to the actual foreign tax suffered on its foreign income against the Company'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 | 30,758,649 | 36,968,454 |
| Tax at the effective rate 15% (2022: 15%) | 4,613,797 | 5,545,268 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 31,422,313 | 20,462,962 |
| Effect of expenses that are not deductible in determining taxable profit | (13,078,251) | 5,421,146 |
| Effect of withholding tax | 7,148,284 | 6,229,521 |
| Effect of exempt income | (1,136,231) | (3,432,680) |
| Current year tax losses for which no deferred tax is being recognised | (3,120,511) | (796,873) |
| | 25,849,401 | 33,429,344 |
| Adjustments recognised in the current year in relation to the current tax of prior years | (1,543,235) | 200,422 |
| Income tax expense recognised in profit or loss | 24,306,166 | 33,629,766 |

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar **2023** **2022**

7. Income taxes (continued)

7.2 Current tax assets/(liabilities)

| | | |
|---|------------------|------------------|
| Current tax assets | 12,250,421 | 17,560,988 |
| Current tax liabilities | (3,796,136) | (9,625,046) |
| Total current tax | 8,454,285 | 7,935,942 |
| At 1 January | 7,935,942 | 7,725,111 |
| Tax paid | 23,669,094 | 32,268,008 |
| Current tax for the year recognised in profit or loss | (24,991,640) | (29,948,511) |
| Foreign exchange movements | (254,647) | 1,156,046 |
| Reversal of impairment/(impairment) | 1,730,000 | (1,251,006) |
| Others | 365,536 | (2,013,706) |
| At 31 December | 8,454,285 | 7,935,942 |

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 | 27,105,527 | 24,202,179 |
| Deferred tax liabilities | (8,763,127) | (4,821,315) |
| Total deferred tax | 18,342,400 | 19,380,864 |

Deferred tax breakdown

| | | |
|--|-------------------|-------------------|
| Tax losses available for set off against future taxable income | 13,655,037 | 14,200,399 |
| Provision for impairment of loans and advances | 13,632,441 | 10,643,343 |
| Unrealised exchange losses | 2,694,389 | 1,587,859 |
| Accelerated capital allowances for tax purposes | (1,356,538) | (1,386,039) |
| Revenue and expense recognition timing differences | (2,588,575) | (1,606,687) |
| Others | (7,694,354) | (4,058,011) |
| Total deferred tax | 18,342,400 | 19,380,864 |

Reconciliation of net deferred tax assets

| | | |
|---|-------------------|-------------------|
| At 1 January | 19,380,864 | 23,259,832 |
| Tax losses utilised for set off against future taxable income | (545,362) | 499,325 |
| Originating temporary differences on tangible fixed assets | 29,501 | 101,709 |
| Originating temporary differences on provision for impairment on loans and advances | 2,989,098 | (1,149,003) |
| Originating temporary differences on revenue and expenses | (981,888) | (206,063) |
| Unrealised exchange losses | 1,106,530 | 220,563 |
| Others | (3,636,343) | (3,345,499) |
| At 31 December | 18,342,400 | 19,380,864 |

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 2023 2022

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 79,638,330 (2022: USD 80,850,918) available for offset against future profits. A deferred tax asset has been recognised in respect of USD 47,117,487 (2022: USD 53,958,984) of such losses. No deferred tax asset has been recognised in respect of the remaining USD 32,520,844 (2022: USD 26,891,934) due to unpredictability of future profit streams. The tax losses expire on a rolling basis usually over 5 years as follows:

| Financial year | Losses carried forward | Expiry date of losses |
|-------------------------------------|------------------------|-----------------------|
| 31 December 2017 | 34,418 | |
| 31 December 2018 | 750,169 | 31 December 2023 |
| 31 December 2019 | 14,505,226 | 31 December 2024 |
| 31 December 2020 | 17,040,695 | 31 December 2025 |
| 31 December 2022 | 14,072,038 | 31 December 2027 |
| 31 December 2023 | 5,432,672 | 31 December 2028 |
| | 27,803,112 | No expiry date |
| Total losses carried forward | 79,638,330 | |

8. Loans and advances

| | | |
|---|----------------------|----------------------|
| Gross advances | 1,288,358,151 | 1,186,701,846 |
| Impairment provision | (70,883,388) | (65,854,822) |
| Net loans and advances | 1,217,474,763 | 1,120,847,024 |
| Non-current assets | 1,047,306,270 | 957,182,071 |
| Current assets | 170,168,493 | 163,664,953 |
| Net loans and advances | 1,217,474,763 | 1,120,847,024 |
| Impairment provision | | |
| At 1 January | 65,854,822 | 63,219,910 |
| Impairment recognised in profit or loss | 14,055,344 | 16,202,589 |
| Utilisation of allowance for impairment | (6,318,985) | (2,855,812) |
| Stage 3 Balance Sheet Adjustment | (883,059) | (2,928,945) |
| Foreign exchange and other movements | (1,824,734) | (7,782,920) |
| At 31 December | 70,883,388 | 65,854,822 |

Loans and advances advanced by the individual subsidiaries are provided as security for those subsidiaries' bank overdrafts and term loan balances totalling USD 838.2 million (2022: USD 398.0 million).

Please refer to note 33.1 for disclosures on credit risks.

9. Other investments

Investments in equity instruments designated at FVTOCI

| | | |
|------------------------------------|-------------------|-------------------|
| At 1 January | 40,194,473 | 34,033,545 |
| Change in fair value (note 22.3.1) | 6,972,235 | 6,160,997 |
| Foreign exchange movements | (51) | (69) |
| At 31 December | 47,166,657 | 40,194,473 |

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 33.8.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar 2023 2022

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 | 2023 | 2022 |
|--|----------------|--------------------------------------|----------|----------|
| 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 % |
| Golden Road Insurance Company Limited (previously 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 30) (i) | Zambia | At source lending and retail banking | 98.81 % | 98.81 % |
| Bayport Financial Services Mozambique (MCB), SA | Mozambique | At source lending and retail banking | 95.00 % | 95.00 % |
| Bayport Financial Services (T) Limited (ii) | Tanzania | At source lending | 100.00 % | 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%.
- (ii) During the year ended 31 December 2023, Bayport Financial Services (T) Limited, incorporated in Tanzania, carried out a share buyback of 11% of shares held by minority shareholders. Consequently, the ownership interest of the company increased from 89% to 100%.

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

11. Investments in associates

| | | | |
|---|------|-------------------|-------------------|
| At 1 January | | 95,366,916 | 109,576,621 |
| Share of losses | | (1,233,415) | (222,286) |
| Impact of application of IFRS 17 | | 71,014 | - |
| Share of settlement of shortfall guarantee of associate | 32.7 | - | (14,271,681) |
| Share of other comprehensive (loss)/income | | (5,551,986) | 673,008 |
| Shareholder settlement of shortfall guarantee | 32.7 | - | 14,271,681 |
| Movement in currency translation reserve | | (7,539,960) | (6,366,000) |
| Disposal | | - | (8,294,427) |
| At 31 December | | 81,112,569 | 95,366,916 |
| Material associates | | 81,112,569 | 95,366,916 |
| Immaterial associates | | - | - |
| Total investments in associates | | 81,112,569 | 95,366,916 |

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar 2023 2022

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.

Summarised statement of financial position

| | | |
|-------------------------|---------------|---------------|
| Current assets | 35,276,806 | 41,605,126 |
| Non current assets | 279,487,229 | 299,278,565 |
| Current liabilities | (13,188,053) | (16,945,508) |
| Non current liabilities | (236,111,101) | (237,896,254) |

| | | |
|---|-------------------|-------------------|
| Equity attributable to owners of the Company | 65,464,881 | 86,041,929 |
|---|-------------------|-------------------|

Summarised statement of profit or loss and other comprehensive income

| | | |
|--|--------------|--------------|
| Net interest income | 175,104 | 3,331,566 |
| Loss for the year | (2,517,173) | (453,645) |
| Derivative recognition and settlement of shortfall guarantee | - | (14,271,681) |
| Other comprehensive income/(loss) for the year | (11,330,584) | 1,373,486 |
| Total comprehensive loss for the year | (13,847,756) | (13,351,840) |

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 | 65,464,881 | 86,041,929 |
| Proportion of the Group's ownership interest | 49.00% | 49.00% |
| Share of net assets | 32,077,792 | 42,160,545 |
| Goodwill | 49,034,777 | 53,206,371 |
| Total carrying amount | 81,112,569 | 95,366,916 |

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 2023, 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 17.03% (31 December 2022: 15.83%).
- 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 5.9% (31 December 2022: 5.6%).

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

Notes to the Consolidated Financial Statements (continued)

| Figures in US Dollar | 2023 | 2022 |
|----------------------|------|------|
|----------------------|------|------|

11. Investments in associates (continued)

11.2 Aggregate Information of associates which is not material

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

Calculation of the profit on disposal

| | | |
|--|----------|------------------|
| 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

| | | |
|---------------------------------|------------------|------------------|
| At 1 January | 4,260,416 | 4,275,171 |
| Foreign exchange movements | 519,613 | (14,755) |
| Impairment loss during the year | (360,631) | - |
| At 31 December | 4,419,398 | 4,260,416 |

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

| | | |
|--|------------------|------------------|
| Bayport Savings and Loans PLC | - | 210,379 |
| Bayport Financial Services Limited (T) | - | 195,283 |
| Money Quest Investments (Proprietary) Limited | 157,556 | 165,466 |
| Bayport Colombia S.A. | 228,189 | 181,313 |
| Financiera Fortaleza S.A de C.V., SOFOM, E.N.R | 4,033,653 | 3,507,975 |
| Total | 4,419,398 | 4,260,416 |

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 | 2023 | 2022 |
|-----------------------------|-------------|-------------|
|-----------------------------|-------------|-------------|

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. During the year ended 2023, the fair value measurement methodology changed to residual income method. The following assumptions were used in the value in use calculation at year end.

Discount Rate

| | | |
|--|--------|--------|
| Bayport Savings and Loans PLC | 31.20% | 25.49% |
| Bayport Financial Services Limited (T) | 22.10% | 22.16% |
| Money Quest Investments (Proprietary) Limited | 16.32% | 16.29% |
| Bayport Colombia S.A. | 16.26% | 16.15% |
| Financiera Fortaleza S.A de C.V., SOFOM, E.N.R | 16.23% | 20.14% |

PE Ratio

| | | |
|---|-----|------|
| Bayport Savings and Loans PLC | N/A | 6.00 |
| Bayport Financial Services Limited (T) | N/A | 7.30 |
| Money Quest Investments (Proprietary) Limited | N/A | 8.20 |
| Bayport Colombia S.A. | N/A | 5.98 |

PB Ratio

| | | |
|--|-----|------|
| Bayport Savings and Loans PLC | N/A | 1.16 |
| Bayport Financial Services Limited (T) | N/A | 1.07 |
| Money Quest Investments (Proprietary) Limited | N/A | 1.72 |
| Bayport Colombia S.A. | N/A | 1.23 |
| Financiera Fortaleza S.A de C.V., SOFOM, E.N.R | N/A | 1.21 |

Growth Rate

| | | |
|--|--------|-------|
| Bayport Savings and Loans PLC | 10.97% | 6.50% |
| Bayport Financial Services Limited (T) | 8.25% | 4.10% |
| Money Quest Investments (Proprietary) Limited | 6.84% | 4.58% |
| Bayport Colombia S.A. | 4.78% | 2.96% |
| Financiera Fortaleza S.A de C.V., SOFOM, E.N.R | 5.23% | 3.03% |

Based on the assessment performed, an impairment was recognised for Bayport Financial Services Limited (T) and Bayport Savings and Loans PLC.

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 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 01 January 2023 | 1,037,416 | 3,916,361 | 4,062,196 | 2,191,962 | 8,176,701 | 4,543,045 | 23,927,681 |
| Additions | - | 88,571 | 1,112,482 | 21,277 | 790,199 | 112,806 | 2,125,335 |
| Transfers | - | (15,234) | (4,695) | - | (18,356) | 16,744 | (21,541) |
| Disposals | - | (138,245) | (267,792) | (265,313) | (403,262) | (2,851) | (1,077,463) |
| Foreign exchange movements | (308,112) | (256,634) | (707,834) | (143,897) | (751,505) | 14,431 | (2,153,551) |
| At 31 December 2023 | 729,304 | 3,594,819 | 4,194,357 | 1,804,029 | 7,793,777 | 4,684,175 | 22,800,461 |

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 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 01 January 2023 | 111,463 | 3,027,251 | 2,488,601 | 1,996,536 | 6,819,587 | 3,376,852 | 17,820,290 |
| Charge for the year | 15,540 | 207,338 | 469,313 | 75,196 | 748,022 | 405,981 | 1,921,390 |
| Disposals | - | (116,498) | (198,456) | (261,528) | (368,451) | (2,851) | (947,784) |
| Foreign exchange movements | (33,104) | (348,495) | (471,788) | (142,446) | (617,422) | (22,822) | (1,636,077) |
| At 31 December 2023 | 93,899 | 2,769,596 | 2,287,670 | 1,667,758 | 6,581,736 | 3,757,160 | 17,157,819 |
| Carrying value | | | | | | | |
| At 31 December 2023 | 635,405 | 825,223 | 1,906,687 | 136,271 | 1,212,041 | 927,015 | 5,642,642 |
| At 31 December 2022 | 925,953 | 889,110 | 1,573,595 | 195,426 | 1,357,114 | 1,166,193 | 6,107,391 |

* 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 30

During the year ended 31 December 2023, 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 2022: 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 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) |
| Termination of lease | - | - | - | - |
| Foreign exchange movements | (1,417,713) | 7,547 | 7,171 | (1,402,995) |
| At 01 January 2023 | 15,030,405 | 257,823 | 544,708 | 15,832,936 |
| Additions | 3,523,432 | 71,941 | 59,540 | 3,654,913 |
| Modifications | (1,621,084) | - | - | (1,621,084) |
| Foreign exchange movements | (426,177) | 38,635 | 78,990 | (308,552) |
| At 31 December 2023 | 16,506,576 | 368,399 | 683,238 | 17,558,213 |

Accumulated depreciation

| | | | | |
|----------------------------|-------------------|----------------|----------------|-------------------|
| 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 |
| Termination of lease | - | - | - | - |
| Foreign exchange movements | (649,794) | 6,405 | 7,223 | (636,166) |
| At 01 January 2023 | 8,590,281 | 175,589 | 372,626 | 9,138,496 |
| Charge for the year | 2,435,997 | 68,897 | 164,757 | 2,669,651 |
| Foreign exchange movements | 158,952 | 26,312 | 53,203 | 238,467 |
| At 31 December 2023 | 11,185,230 | 270,798 | 590,586 | 12,046,614 |

Carrying value

| | | | | |
|----------------------------|------------------|---------------|----------------|------------------|
| At 31 December 2023 | 5,321,346 | 97,601 | 92,652 | 5,511,599 |
| At 31 December 2022 | 6,440,124 | 82,234 | 172,082 | 6,694,440 |

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

| 2023 | Rental of space | Motor Vehicles | Office equipment | Total |
|---|----------------------------|---------------------------|-----------------------------|------------------|
| Interest on lease liabilities | 977,006 | 12,631 | 14,783 | 1,004,420 |
| Depreciation of right of use asset | 2,435,997 | 68,897 | 164,757 | 2,669,651 |
| Expenses relating to short term leases | 134,880 | - | - | 134,880 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | 6,576 | - | - | 6,576 |
| Gain on lease terminations | 34,067 | (2,801) | (8,737) | 22,529 |
| | 3,588,526 | 78,727 | 170,803 | 3,838,056 |
| 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 |

14.2 Amount recognised in the statement of cash flows

| | 2023 | 2022 |
|-------------------------------|-------------|-------------|
| Total cash outflow for leases | 2,420,070 | 2,405,620 |

Refer to note 19 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 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 01 January 2023 | 43,646,118 | 1,001,381 | 19,258,773 | 63,906,272 |
| Additions | 942,443 | 608,718 | - | 1,551,161 |
| Transfers | 41,186 | 3,524 | - | 44,710 |
| Foreign exchange movements | (213,794) | 46,694 | - | (167,100) |
| At 31 December 2023 | 44,415,953 | 1,660,317 | 19,258,773 | 65,335,043 |
| Accumulated amortisation | | | | |
| At 01 January 2022 | 16,434,804 | - | - | 16,434,804 |
| Charge for the year | 5,810,098 | - | - | 5,810,098 |
| Disposals | (38,296) | - | - | (38,296) |
| Foreign exchange movements | (1,446,504) | - | - | (1,446,504) |
| At 01 January 2023 | 20,760,102 | - | - | 20,760,102 |
| Charge for the year | 5,454,337 | - | - | 5,454,337 |
| Foreign exchange movements | (296,182) | - | - | (296,182) |
| At 31 December 2023 | 25,918,257 | - | - | 25,918,257 |
| Carrying value | | | | |
| 31 December 2023 | 18,497,696 | 1,660,317 | 19,258,773 | 39,416,786 |
| 31 December 2022 | 22,886,016 | 1,001,381 | 19,258,773 | 43,146,170 |

During the year ended 31 December 2023, management carried out an impairment assessment of computer software and no impairment was recognised (31 December 2022 : 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 16.23% to 16.26% and 3.95% to 5.26% respectively (31 December 2022 : from 14.2% to 14.27% and 0.9% to 1.3% respectively).

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar **2023** **2022**

16. Deposit from customers

By maturity

| | | |
|--------------------------|------------|------------|
| Within one month | 12,429,421 | 15,391,689 |
| One to three months | 23,508,763 | 22,188,105 |
| Three months to one year | 45,185,605 | 63,603,515 |
| More than one year | 25,671,387 | 11,278,779 |

| | | |
|--------------------------------------|--------------------|--------------------|
| Total deposits from customers | 106,795,176 | 112,462,088 |
|--------------------------------------|--------------------|--------------------|

By nature

| | | |
|------------------------|-------------|-------------|
| Current accounts | 2,205,107 | 1,471,377 |
| Saving accounts | 2,755,079 | 2,891,238 |
| Fixed deposit accounts | 101,834,990 | 108,099,473 |

| | | |
|--------------------------------------|--------------------|--------------------|
| Total deposits from customers | 106,795,176 | 112,462,088 |
|--------------------------------------|--------------------|--------------------|

Interest rates charged on customer deposits

| | | |
|--|-------------|-------------|
| Bayport Financial Services Mozambique (MCB) SA | 13% - 16% | 14% - 16% |
| Bayport Financial Services Ltd (Zambia) | 0.19% - 14% | 0.19% - 14% |
| Bayport Financial Services Ghana Ltd | 10% - 26% | 10% - 35% |

17. Other payables

Current liabilities

| | | |
|---|------------|------------|
| Accruals | 17,428,818 | 16,965,069 |
| Sundry creditors | 7,383,879 | 11,178,545 |
| Unallocated receipts | 4,343,218 | 4,514,836 |
| Withholding tax payable | 4,111,795 | 4,309,656 |
| Vat payable | 5,678,321 | 3,825,720 |
| Insurance payable | 4,660,670 | 3,591,027 |
| Audit and non audit fees payables | 1,604,190 | 1,351,315 |
| Unearned premiums reserve (i) | 729,338 | 895,508 |
| Claims payables (ii) | 861,065 | 919,289 |
| IBNR claims payable (iii) | 2,751,047 | 1,788,648 |
| Amount due to related parties (note 32.2) | 594 | 42,383 |

| | | |
|-----------------------------|-------------------|-------------------|
| Total other payables | 49,552,935 | 49,381,996 |
|-----------------------------|-------------------|-------------------|

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 | 895,508 | 2,737,143 |
| Change in unearned premium reserve | (166,170) | (1,841,635) |

| | | |
|-----------------------|----------------|----------------|
| At 31 December | 729,338 | 895,508 |
|-----------------------|----------------|----------------|

(ii) Claims payable

| | | |
|---------------------------------|-------------|--------------|
| At 1 January | 919,289 | 4,333,268 |
| Claims incurred during the year | 5,503,460 | 10,529,668 |
| Claims paid during the year | (5,561,684) | (13,943,647) |

| | | |
|-----------------------|----------------|----------------|
| At 31 December | 861,065 | 919,289 |
|-----------------------|----------------|----------------|

Notes to the Consolidated Financial Statements (continued)

| Figures in US Dollar | 2023 | 2022 |
|---|------------------|------------------|
| 17. Other payables (continued) | | |
| Insurance contract liabilities (continued) | | |
| (iii) IBNR Claims payable | | |
| At 1 January | 1,788,648 | 2,746,878 |
| Movement in IBNR | 712,333 | (958,230) |
| IFRS 17 Risk Adjustment (note 36.9) | 250,066 | - |
| At 31 December | 2,751,047 | 1,788,648 |

Please refer to note 36 for full details on insurance contracts.

18. Provisions

| | | |
|----------------------------|------------------|------------------|
| At 1 January | 5,279,051 | 6,345,729 |
| Additions | 1,898,274 | 5,434,411 |
| Amount utilised | (4,097,921) | (6,057,140) |
| Foreign exchange movements | (215,495) | (443,949) |
| At 31 December | 2,863,909 | 5,279,051 |

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

19. Lease liabilities

| | Rental of space USD | Motor vehicles USD | Office equipment USD | Total |
|----------------------------|---------------------------|--------------------------|----------------------------|------------------|
| 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 terminations | (238,943) | - | - | (238,943) |
| Lease modifications | - | - | - | - |
| 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 1 January 2023 | 7,262,229 | 85,132 | 178,857 | 7,526,218 |
| Additions | 3,523,432 | 71,941 | 59,540 | 3,654,913 |
| Interest expense | 977,006 | 12,631 | 14,783 | 1,004,420 |
| Lease modifications | (1,621,084) | - | - | (1,621,084) |
| Lease payments | (2,190,674) | (71,032) | (158,364) | (2,420,070) |
| Foreign exchange movement | (1,458,569) | 4,891 | 4,828 | (1,448,850) |
| At 31 December 2023 | 6,492,340 | 103,563 | 99,644 | 6,695,547 |

Maturity analysis

| | | |
|--------------------------------|------------------|-------------------|
| Year 1 | 2,775,250 | 2,791,408 |
| Year 2 | 2,198,730 | 2,385,747 |
| Year 3 | 2,039,871 | 1,693,631 |
| Year 4 | 965,002 | 1,576,440 |
| Year 5 | 698,184 | 1,078,414 |
| Onwards | 637,749 | 530,833 |
| Total lease liabilities | 9,314,786 | 10,056,473 |

The lease liabilities as at 31 December 2023 amounts to USD 6,695,547 (2022: USD 7,526,218) and future finance charges amount to USD 2,619,239 (2022: USD 2,530,255).

The incremental borrowing rates varied from 6.5% to 32.0% (2022: 6.5% to 32.0%).

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored by the ALCO (Assets and Liabilities Committee).

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

20. Borrowings

| Held at amortised cost | 2023 | | | 2022 | | |
|----------------------------------|----------------------|--------------------|----------------------|----------------------|--------------------|----------------------|
| | Senior | Subordinated | Total | Senior | Subordinated | Total |
| Corporate bonds (i) | 339,591,611 | 46,854,166 | 386,445,777 | 306,174,968 | 46,854,168 | 353,029,136 |
| Other term loans (ii) | 818,194,017 | 79,065,150 | 897,259,167 | 725,298,875 | 77,554,283 | 802,853,158 |
| Revolving credit facility (iii) | 67,543,157 | - | 67,543,157 | 66,926,616 | - | 66,926,616 |
| Subtotal | 1,225,328,785 | 125,919,316 | 1,351,248,101 | 1,098,400,459 | 124,408,451 | 1,222,808,910 |
| Less: deferred transaction costs | (21,168,531) | (609,967) | (21,778,498) | (16,976,760) | (642,291) | (17,619,051) |
| Total borrowings | 1,204,160,254 | 125,309,349 | 1,329,469,603 | 1,081,423,699 | 123,766,160 | 1,205,189,859 |

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.

| | 2023 | 2022 |
|-------------------------|----------------------|----------------------|
| Current liabilities | 455,474,637 | 270,718,986 |
| Non-current liabilities | 873,994,966 | 934,470,873 |
| Total borrowings | 1,329,469,603 | 1,205,189,859 |

Remaining term of maturity

| | | |
|---|----------------------|----------------------|
| On demand or within period not exceeding one year | 455,474,637 | 270,718,987 |
| Within a period of more than one year but not exceeding two years | 601,770,432 | 415,494,522 |
| Within a period of more than three years but not exceeding five years | 255,387,799 | 514,399,349 |
| In more than five years | 16,836,735 | 4,577,001 |
| Total borrowings | 1,329,469,603 | 1,205,189,859 |

(i) Corporate bonds

During the year ended 31 December 2023, the Company has issued Bonds in US Dollar. The corporate bonds are unsecured and carry interest rates ranging from 13.0% to 32.1% per annum (2022: 13.0% to 15.0% per annum).

As at 31 December 2023, the last trades of the Social bonds and Nordic bonds were 74.0% and 65.0% of their respective nominal issue price (31 December 2022: 94.5% and 93.0%).

(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 twelve months to ten years (2022: from five months to thirteen years) and interest rates range from 8.0% to 36.7% per annum (2022: 8.0% to 37.3%).

(iii) Revolving credit facilities

As at 31 December 2023, the Company had available facilities totalling USD 67 million (31 December 2022: USD 67 million). Interest rates charged on revolving credit facilities ranges from 9.4% to 16.6% per annum (31 December 2022: 9.1% to 13.8% per annum). The revolving credit facilities are unsecured.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

20. Borrowings (continued)

Securities and guarantees

Other term loans include borrowings of USD 838 million (2022: USD 398 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 (2022: USD 1.6 million)
- (b) Subordination of loans from Bayport Management Ltd to subsidiaries of USD 31.4 million (2022: USD 13.3 million)
- (c) Corporate guarantee from Bayport Management Ltd of USD 2.3 million (2022: USD 2.4 million)
- (d) Lien over cash of USD 42 million (2022: USD 34.2 million)
- (e) Cash collateral pledged of USD 24.6 million (2022: USD 18.6 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

21. Share capital and treasury shares

| | Number of shares | Share capital | Share premium | Share application monies | Limited- voting B Shares (ii) | Convertible equity instrument (i) | Capital contribution (iv) | Total share capital | Treasury shares | Total share capital and treasury shares |
|--|---------------------|------------------|--------------------|--------------------------------|-------------------------------------|---|---------------------------------|------------------------|--------------------|---|
| 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 (i) | - | - | - | 60,560,000 | - | (60,560,000) | - | - | - | - |
| Buy back of ordinary shares (iii) | - | - | - | - | - | - | - | - | (288,162) | (288,162) |
| Shareholder settlement of shortfall guarantee (iv) | - | - | - | - | - | - | 16,843,680 | 16,843,680 | - | 16,843,680 |
| 01 January 2023 | 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 |
| Issue of shares (i) | 3,431,411 | 3,431 | 60,556,569 | - | - | - | - | 60,560,000 | - | 60,560,000 |
| Share application monies (i) | - | - | - | (60,560,000) | - | - | - | (60,560,000) | - | (60,560,000) |
| 31 December 2023 | 34,826,074 | 34,825 | 375,997,842 | - | 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) During the year ended 31 December 2017, the Company issued a convertible subordinated zero coupon note of USD 60,560,000. Mandatory conversion of the note occurred at defined dates into 3,431,411 ordinary shares of the Company representing a shareholding of 9.97% (31 December 2022: 9.97%) and it met the requirement for equity disclosure in terms of IFRS Accounting Standards. The mandatory conversion was triggered in November 2022 and shown as share application monies as at 31 December 2022.

During the year ended 31 December 2023, the share application monies was converted into share capital after issuance of 3,431,411 shares to Firefly Investments 326 (Proprietary) Limited.

- (ii) 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 dividend 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 dividends 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.
- (iii) 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.
- (iv) Capital contribution by shareholders in lieu of shortfall guarantee as outlined in notes 1.2.2(v) and note 32.7.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar 2023 2022

21. Share capital and treasury shares (continued)

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

| | Percentage holding | |
|---|--------------------|---------------|
| | 2023 | 2022* |
| Shareholders | | |
| Public Investment Corporation (SDC) Limited | 18.52 | 20.57 |
| Kinnevik New Ventures | 17.98 | 23.96 |
| Takwa Holdco Limited | 13.60 | 18.13 |
| Government Employees Pension Fund (GEPF) | 11.51 | - |
| Firefly Investments 326 (RF) (PTY) LTD | 9.97 | - |
| Elsworthy Holdings Ltd | 8.89 | 11.85 |
| Mr Grant Kurland Director | 6.93 | 9.24 |
| Kasumu Ltd | 6.25 | 8.33 |
| Takwa Holdco (2) Ltd | 3.67 | 4.89 |
| Mr Justin Chola Director | 0.70 | 0.78 |
| Mr Vladimer Gurgenzidze | 0.27 | 0.31 |
| Others | 1.71 | 1.94 |
| 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 32.7

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.

22. Reserves

| | | | |
|---------------------------------------|------|--------------------|--------------------|
| Foreign currency translation reserves | 22.1 | 424,044,989 | 398,511,025 |
| Equity settled reserves | 22.2 | (5,022,805) | (4,897,356) |
| Other reserves | 22.3 | (88,786,029) | (79,429,561) |
| Cash flow hedging reserve | 22.4 | (680,709) | 7,509,466 |
| Total reserves | | 329,555,446 | 321,693,574 |

22.1 Translation reserves

| | | |
|---|--------------------|--------------------|
| Opening balance | 398,511,025 | 354,149,995 |
| Translation of foreign operations | 16,717,902 | 35,624,074 |
| Translation of monetary items deemed as net investment | 2,370,540 | 5,064,487 |
| Translation of goodwill | (519,273) | 14,755 |
| Recycling of foreign exchange from other comprehensive income to profit or loss | - | (1,179,774) |
| Others | 7,539,961 | 5,186,227 |
| Foreign exchange differences recognised through other comprehensive income | 26,109,130 | 44,709,769 |
| Less: translation reserve attributable to non-controlling interests | (575,166) | (348,739) |
| Closing balance | 424,044,989 | 398,511,025 |

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.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar 2023 2022

22.2 Equity settled reserves

| | | | |
|--------------------------------------|--------|------------------|------------------|
| Share-based incentive scheme | 22.2.1 | 1,814,756 | 1,689,307 |
| Share-based contingent consideration | 22.2.2 | 3,208,049 | 3,208,049 |
| Total equity settled reserves | | 5,022,805 | 4,897,356 |

22.2.1 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 2023 | - | 89,839 |
| 31 December 2024 | 14,504 | 13,913 |
| Total number of shares | 14,504 | 103,752 |

No options were exercised during the year ended 31 December 2023 and 31 December 2022.

During the year ended 31 December 2023, the Company recognised total expenses of USD 125,449 (2022: USD 75,369).

22.2.2 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 |
|------------------|---------|---------|

22.3 Other reserves

| | | | |
|-----------------------------------|--------|-------------------|-------------------|
| Investment revaluation reserve | 22.3.1 | 45,148,260 | 43,728,011 |
| Regulatory and statutory reserves | 22.3.2 | 43,637,769 | 35,701,550 |
| Total other reserves | | 88,786,029 | 79,429,561 |

22.3.1 Investment revaluation reserve

| | | | |
|--|------|-------------------|-------------------|
| At 1 January | | 43,728,011 | 37,845,980 |
| Movement in fair value | 9 | 6,972,235 | 6,160,997 |
| Share of other comprehensive (loss)/ income of associates | 11 | (5,551,986) | 673,008 |
| Transfer of investment revaluation reserve upon disposal of investment in associates | 11.2 | - | (951,974) |
| At 31 December | | 45,148,260 | 43,728,011 |

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

22.3.2 Regulatory and statutory reserves

| | | |
|--|-------------------|-------------------|
| At 1 January | 35,701,550 | 33,118,635 |
| Transfers in regulatory and statutory reserves | 7,936,219 | 2,582,915 |
| At 31 December | 43,637,769 | 35,701,550 |

Regulatory credit risk reserves and statutory reserves relate to impairment provisions on the loan book in excess of what is required per IFRS Accounting Standards compared to local regulations and requirements to maintain a minimum capital adequacy ratio. Refer to note 33.8 for the fair value measurement disclosure.

Notes to the Consolidated Financial Statements (continued)

| Figures in US Dollar | 2023 | 2022 |
|-----------------------------|-------------|-------------|
|-----------------------------|-------------|-------------|

22.4 Cash Flow hedging reserve

| | | | |
|---------------------------|------|-----------|-------------|
| Cash flow hedging reserve | 33.9 | (680,709) | (7,509,466) |
|---------------------------|------|-----------|-------------|

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.

23. Dividends declared and paid

| | | |
|--|---|---|
| Dividend paid to preference shareholders | - | - |
|--|---|---|

No dividends was declared and paid by the Company during the years ended 31 December 2023 and 2022.

24. Interest and other similar income

| | | |
|--------------------------------|-------------|-------------|
| Interest on loans and advances | 331,614,614 | 332,666,960 |
|--------------------------------|-------------|-------------|

25. Interest and other similar expense

| | | |
|--|-------------|-------------|
| Interest on bank overdrafts and term loans | 152,705,118 | 124,913,576 |
| Interest on corporate bonds | 59,446,441 | 58,904,199 |
| Interest on lease liabilities | 1,004,420 | 875,844 |
| Interest expense - cross currency swap | 6,019,149 | 6,308,307 |

| | | |
|---|--------------------|--------------------|
| Total interest and other similar expense | 219,175,128 | 191,001,926 |
|---|--------------------|--------------------|

26.1 Lending related income

| | | |
|-----------------------------------|------------|-----------|
| Commission received | 12,737,132 | 9,730,049 |
| Dividend income | 7,514,142 | 5,017,208 |
| Credit life insurance (note 36.9) | 8,442,230 | 9,718,165 |
| Bad debts recovered | 605,884 | 350,795 |
| Others | 41,753 | 131,620 |

| | | |
|-------------------------------------|-------------------|-------------------|
| Total lending related income | 29,341,141 | 24,947,837 |
|-------------------------------------|-------------------|-------------------|

26.2 Investment Income

| | | |
|-------------------------------|-----------|-----------|
| Bank interest received | 6,096,623 | 3,531,289 |
| Interest income - Staff loans | 16,719 | 6,091 |
| Interest income - CCS | - | 3,191,234 |
| Other interests | 4,891,762 | 7,480,533 |

| | | |
|--------------------------------|-------------------|-------------------|
| Total Investment Income | 11,005,104 | 14,209,147 |
|--------------------------------|-------------------|-------------------|

26.3 Other Income

| | | |
|------------------------------------|------------|-----------|
| Profit on disposal of associate | - | 2,792,350 |
| Profit on sale of fixed assets | 1,049 | 26,024 |
| Sundry Income | 13,192,045 | 6,788,780 |
| Reversal of current tax receivable | 1,730,000 | - |
| Others | 138 | 5,395,340 |

| | | |
|---------------------------|-------------------|-------------------|
| Total Other Income | 14,923,232 | 15,002,494 |
|---------------------------|-------------------|-------------------|

Notes to the Consolidated Financial Statements (continued)

| Figures in US Dollar | 2023 | 2022 |
|---|--------------------|--------------------|
| 27. Operating expenses | | |
| Employee costs | 38,008,795 | 43,438,654 |
| Sales commission | 22,943,802 | 26,979,420 |
| Depreciation and amortisation | 10,045,378 | 10,253,135 |
| Collection fees | 8,889,201 | 8,780,734 |
| Computer expenses | 6,791,963 | 6,464,917 |
| Accounting, legal and professional fees | 11,544,427 | 6,678,298 |
| Occupancy costs | 1,359,680 | 1,586,919 |
| Loan processing costs | 3,120,489 | 2,657,827 |
| Insurance costs | 5,483,969 | 2,483,135 |
| Impairment of current tax receivable | - | 1,251,006 |
| Impairment of goodwill | 360,291 | - |
| Marketing expenses | 324,905 | 1,621,517 |
| Bank charges | 1,476,612 | 1,345,555 |
| Levies and duties | 1,238,117 | 1,165,113 |
| Travelling expenses | 793,108 | 792,884 |
| Motor vehicle expenses | 672,863 | 624,249 |
| Telephone and 3G expenses | 640,484 | 670,710 |
| Profit share | 968,940 | 1,032,314 |
| Others | 6,738,191 | 9,716,763 |
| Total operating expenses | 121,401,215 | 127,543,150 |

28. Earnings per share

| | | |
|--------------------------|------|------|
| Basic earnings per share | 0.16 | 0.04 |
|--------------------------|------|------|

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 | 5,438,743 | 1,392,134 |
| Earnings used in calculation of basis earnings per share | 5,438,743 | 1,392,134 |

| | | |
|---|------------|------------|
| Weighted average number of shares for the purpose of calculating basic earnings per share | 34,430,450 | 34,430,450 |
|---|------------|------------|

| | | |
|----------------------------|------|------|
| Diluted earnings per share | 0.16 | 0.04 |
|----------------------------|------|------|

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 | 5,438,743 | 1,392,134 |
|---|-----------|-----------|

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 | 34,430,450 |
| Share deemed to be of no consideration in respect of: | | |
| - Share-based incentive scheme | 73,955 | 46,122 |
| - Deferred share consideration | 170,277 | 170,277 |
| Weighted average shares used in the calculation of diluted earnings per share | 34,674,682 | 34,646,849 |

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

29. 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 | | | |
| 2023 | | | | | | | |
| Bonds | 348,319,058 | 29,601,865 | (8,312,735) | (1,663,440) | 15,079,215 | - | 383,023,963 |
| Other borrowings | 856,870,801 | 37,268,079 | 72,448,187 | (2,496,007) | (17,645,421) | - | 946,445,639 |
| Lease liabilities | 7,526,218 | (2,420,070) | 584,979 | - | 1,004,420 | - | 6,695,547 |
| Total liabilities from financing activities | 1,212,716,077 | 64,449,874 | 64,720,431 | (4,159,447) | (1,561,786) | - | 1,336,165,149 |
| 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 |

* 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 19).

Notes to the Consolidated Financial Statements (continued)

| Figures in US Dollar | 2023 | 2022 |
|----------------------|------|------|
|----------------------|------|------|

30. Acquisition of additional interest in a subsidiary

During the year 2022, Bayport Financial Services Limited, carried out a 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 and an increase in retained earnings of USD 3 million.

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

| | | |
|---|-------------------|--------------------|
| Parent's ownership interest at beginning of period | 101,163,425 | 93,045,360 |
| Share of other comprehensive income | (28,283,798) | 11,204,820 |
| Effect of increase in parent's ownership interest | - | (3,086,755) |
| Parent's ownership interest at end of period | 72,879,627 | 101,163,425 |

During the year 2023, Bayport Financial Services (T) Limited, carried out a share buy back of 11% of shares held by minority shareholders. Consequently, the ownership interest of the Group increased from 89% to 100%. The Group recognised a decrease in non-controlling interest of USD 1.2 million (2022: 3 million) and an increase in retained earnings of USD 1.2 million (2022: 3 million).

The following summarises the effect of changes in the Group's (parent) ownership interest in Bayport Financial Services (T) Limited.

| | | |
|---|-------------------|-------------------|
| Parent's ownership interest at beginning of period | 22,437,543 | 15,823,305 |
| Share of other comprehensive income | 449,402 | 6,614,238 |
| Effect of increase in parent's ownership interest | (1,223,485) | - |
| Parent's ownership interest at end of period | 21,663,460 | 22,437,543 |

31. Commitments

The Group has no contractual commitments for 2024 other than those already mentioned in these financial statements.

32. 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.

32.1 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 | 16,719 | 6,091 |
| Bayport Financial Services 2010 Proprietary Limited | 2,364,227 | 1,677,460 |
| Total interest received | 2,380,946 | 1,683,551 |

Notes to the Consolidated Financial Statements (continued)

| Figures in US Dollar | Note | 2023 | 2022 |
|----------------------|------|------|------|
|----------------------|------|------|------|

32. Related party transactions (continued)

32.2 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 | | 173,401 | 156,683 |
| Bayport Financial Services 2010 Proprietary Limited | | 1,003,427 | 48,736 |
| Total amount receivable from related parties | | 1,176,828 | 205,419 |

Amount payable to related parties

| | | | |
|---|----|-----|--------|
| Bayport Financial Services 2010 (Pty) Ltd | 17 | 594 | 42,383 |
|---|----|-----|--------|

32.3 Loans receivable from associate

| | | | |
|---------------------------------|--|------------|------------|
| Loans receivable from associate | | 30,824,256 | 30,431,287 |
|---------------------------------|--|------------|------------|

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

32.4 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 | | 3,133,095 | 3,583,977 |
|---------------------|--|-----------|-----------|

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

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

| | | | |
|---------------------------------|--|--------|--------|
| Director fees/professional fees | | 38,967 | 52,410 |
|---------------------------------|--|--------|--------|

32.6 Other related party transactions

Details of amounts due under the share-based incentive scheme are disclosed in note 22.

Details of purchase of treasury shares from group executives are disclosed in note 21.

Share application monies are disclosed in note 21.

32.7 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) was not achieved, and was 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 included 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 was 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

33. 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.

33.1 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.

33.1.1 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

33. Risk management (continued)

33.1.1 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.

33.1.2 Financial assets subject to risk

| | Recency | Gross advances | Impairment | Net advances | Coverage ratios |
|----------------------------------|----------------------------|----------------------|-------------------|----------------------|-----------------|
| 2023 | | | | | |
| 12 month expected credit losses | 1. Standard Performing | 1,076,206,302 | 6,669,155 | 1,069,537,147 | 1 % |
| Lifetime expected credit losses | 2. Performing active (1-2) | 143,250,834 | 31,715,910 | 111,534,924 | 22 % |
| | 3. Performing Active (3-4) | 16,652,573 | 6,807,574 | 9,844,999 | 41 % |
| Credit impaired financial assets | 4. Non-performing | 36,287,782 | 18,665,450 | 17,622,332 | 51 % |
| | 5. Doubtful | 9,370,136 | 7,025,299 | 2,344,837 | 75 % |
| | 6. Bad | 6,590,524 | - | 6,590,524 | 0 % |
| Total | | 1,288,358,151 | 70,883,388 | 1,217,474,763 | 6% |
| 2022 | | | | | |
| 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% |

33.1.3 Impairment provision reconciliation

| | 12 month expected credit losses | Lifetime expected credit losses | Credit impaired financial assets | Total |
|----------------------------------|---------------------------------|---------------------------------|----------------------------------|-------------------|
| Loans and advances | | | | |
| 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 01 January 2023 | 8,363,057 | 27,819,453 | 29,672,312 | 65,854,822 |
| New loans issued during the year | 2,814,801 | 3,318,397 | 5,240,388 | 11,373,586 |
| Existing book movements* | (1,396,986) | 3,875,283 | 12,560,202 | 15,038,499 |
| Derecognition | (1,372,634) | (1,913,948) | (3,111,974) | (6,398,556) |
| Write-offs | - | - | (6,318,985) | (6,318,985) |
| Stage 3 Balance Sheet Adjustment | - | - | (883,059) | (883,059) |
| Foreign exchange movements | (852,324) | (2,314,879) | (4,615,716) | (7,782,919) |
| At 31 December 2023 | 7,555,914 | 30,784,306 | 32,543,168 | 70,883,388 |

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

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.2 Categories of financial instruments

| Financial assets | Note(s) | 2023 | 2022 |
|--|----------------|----------------------|----------------------|
| At amortised cost: | | | |
| Cash and cash equivalents | 3 | 161,584,082 | 144,894,220 |
| Other receivables (i) | 5 | 63,961,093 | 49,937,752 |
| Loans and advances (ii) | 8 | 1,199,140,976 | 1,112,584,514 |
| Fair value through profit or loss | | | |
| Derivative financial assets | 6 | 6,251,625 | 13,307,996 |
| Fair value through other comprehensive income | | | |
| Other investments | 9 | 47,166,657 | 40,194,473 |
| Total financial assets | | 1,478,104,433 | 1,360,918,955 |
| Financial liabilities | | | |
| At amortised cost: | | | |
| Bank overdraft | 3 | 14,395,771 | 4,153,005 |
| Deposit from customers | 16 | 106,795,176 | 112,462,088 |
| Other payables (iii) | 17 | 38,770,213 | 40,326,598 |
| Borrowings (iv) | 20 | 1,351,248,101 | 1,222,808,911 |
| Lease liabilities | 19 | 6,695,547 | 7,526,218 |
| Reinsurance liabilities | 4 | - | 1,479,927 |
| Fair value through profit or loss: | | | |
| Derivative financial liabilities | 6 | 7,574,753 | 6,886,344 |
| Total liabilities | | 1,525,479,561 | 1,395,643,091 |

Adjustments for non-financial assets and liabilities are as follows:

- (i) Other receivables exclude prepayments and VAT of USD 11.1 million (2022: USD 7.2 million)
- (ii) Loans and advances exclude deferred transactions costs and revenues of USD 18.3 million (2022: USD 8.3 million)
- (iii) Other payables exclude PAYE, VAT payable, withholding taxes and provisions of USD 10.8 million (2022: USD 9.0 million)
- (iv) Borrowings exclude deferred transaction costs of USD 21.8 million (2022: USD 17.6 million)

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.3 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 2023 | 0-3 months | 4-12 months | 1-5 years | Total |
|--|--------------------|---------------------|----------------------|----------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 161,584,082 | - | - | 161,584,082 |
| Loans and advances | 163,960,331 | 501,797,150 | 2,752,486,648 | 3,418,244,129 |
| Other receivables | 22,568,265 | 10,586,038 | 30,806,790 | 63,961,093 |
| Other financial assets | - | - | 6,251,625 | 6,251,625 |
| Other investments | 108,928 | - | 47,057,729 | 47,166,657 |
| Cash flows from financial assets | 348,221,606 | 512,383,188 | 2,836,602,792 | 3,697,207,586 |
| 31 December 2023 | 0-3 months | 4-12 months | 1-5 years | Total |
| Financial liabilities | | | | |
| Bank overdraft | 756,161 | 13,639,610 | - | 14,395,771 |
| Deposits from customers* | 36,161,820 | 46,149,483 | 25,671,869 | 107,983,172 |
| Other payables | 34,187,413 | 4,426,066 | 156,734 | 38,770,213 |
| Lease liabilities* | 742,569 | 1,857,946 | 5,885,912 | 8,486,427 |
| Borrowings* | 115,792,760 | 459,435,830 | 1,029,315,175 | 1,604,543,765 |
| Derivative Financial Liabilities | - | - | 7,574,753 | 7,574,753 |
| Cash flows from financial liabilities | 187,640,723 | 525,508,935 | 1,068,604,443 | 1,781,754,101 |
| Net Position | 160,580,883 | (13,125,747) | 1,767,998,349 | 1,915,453,485 |

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.3 Liquidity risk (continued)

| 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 | - | - | 6,886,334 | 6,886,334 |
| 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 |
| Net Position | 185,626,462 | 107,356,815 | 1,454,082,453 | 1,747,065,730 |

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

33.4 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:

- The interest rate risks sensitivity analysis is based on the following assumptions.
- Changes in the market interest rates affect the interest income or expenses of variable financial instrument
- 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.
- 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.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.4 Interest rate risk (continued)

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 and prior financial years, beginning on 01 January 2023 and 01 January 2022.

| | Base | Scenario 1 Effect after 10% increase in variable interest rates | Scenario 2 Effect after 10% decrease in variable interest rates |
|-----------------------|-------------|---|---|
| 2023 | | | |
| Profit after taxation | 6,452,483 | 2,073,771 | 10,422,899 |
| Equity | 153,049,731 | 148,671,019 | 157,020,147 |
| | | | |
| | Base | Scenario 1 Effect after 10% increase in variable interest rates | Scenario 2 Effect after 10% decrease in variable interest rates |
| 2022 | | | |
| Profit after taxation | 3,338,688 | (1,137,751) | 7,820,783 |
| Equity | 166,932,168 | 162,455,729 | 171,414,263 |

Assuming no management actions, an increase in interest rates would decrease the Group's profit after tax for the year by USD 4,378,712 (2022: USD 4,476,439) and equity by USD 4,378,712 (2022: USD 4,476,439), while a fall would increase profit after tax for the year by USD 3,970,416 (2022: USD 4,482,095) and equity by USD 3,970,416 (2022: USD 4,482,095).

33.5 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 19 and 20, 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% (2022: 10%) and Bayport Financial Services Mozambique (MCB) SA, where the subsidiary is required to maintain a minimum capital adequacy ratio of 8% (2022: 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 2023 and 2022 respectively were as follows:

| | | | |
|---------------------------------|----|----------------------|----------------------|
| Total borrowings | | | |
| Lease liabilities | 19 | 6,695,547 | 7,526,218 |
| Borrowings | 20 | 1,329,469,603 | 1,205,189,859 |
| | | 1,336,165,150 | 1,212,716,077 |
| Less: Cash and cash equivalents | 3 | (147,188,311) | (140,741,215) |
| Net debt | | 1,188,976,839 | 1,071,974,862 |
| Total equity | | 153,049,731 | 166,932,168 |
| Total capital | | 1,342,026,570 | 1,238,907,030 |
| Net debt to capital | | 89 % | 87 % |

Notes to the Consolidated Financial Statements (continued)

| Figures in US Dollar | 2023 | 2022 |
|-----------------------------|-------------|-------------|
|-----------------------------|-------------|-------------|

33. Risk management (continued)

33.6 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:

Financial assets

Currency

| | | |
|----------------------|-------------|-------------|
| South African Rand | 2,542,935 | 5,766,846 |
| Zambian Kwacha | 169,416,205 | 199,443,405 |
| Ghanaian Cedi | 94,366,821 | 81,492,872 |
| Uganda Shilling | 18,204,316 | 18,367,331 |
| Tanzanian Shilling | 65,769,370 | 64,810,417 |
| United States Dollar | 67,742,987 | 82,314,902 |
| Colombian Peso | 358,531,896 | 282,202,265 |
| Botswana Pula | 192,634,157 | 166,015,248 |
| Pound Sterling | 57,298 | 35,829 |
| Mozambican Metical | 317,215,259 | 299,946,777 |
| Mexican Peso | 191,433,782 | 160,455,730 |
| Mauritian Rupee | 189,407 | 67,333 |

| | | |
|-------------------------------|----------------------|----------------------|
| Total financial assets | 1,478,104,433 | 1,360,918,955 |
|-------------------------------|----------------------|----------------------|

Financial liabilities

Currency

| | | |
|----------------------|-------------|-------------|
| South African Rand | 1,501,410 | 2,354,740 |
| Zambian Kwacha | 96,407,883 | 93,795,362 |
| Ghanaian Cedi | 58,670,892 | 47,923,761 |
| Uganda Shilling | 1,354,259 | 725,384 |
| Tanzanian Shilling | 33,802,821 | 36,306,922 |
| United States Dollar | 502,065,178 | 474,475,025 |
| Colombian Peso | 289,556,818 | 246,843,118 |
| Botswana Pula | 146,265,724 | 128,867,435 |
| Swedish Krona | 5,487 | - |
| Pound Sterling | 21,043 | 28,968 |
| Mauritian Rupee | 396,694 | 342,489 |
| Mozambican Metical | 204,541,985 | 209,120,767 |
| Mexican Peso | 190,889,367 | 154,847,002 |
| Euro | - | 12,118 |

| | | |
|------------------------------------|----------------------|----------------------|
| Total financial liabilities | 1,525,479,561 | 1,395,643,091 |
|------------------------------------|----------------------|----------------------|

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar **2023** **2022**

33. Risk management (continued)

33.6 Foreign exchange risk (continued)

The above tables exclude investment in associate which are denominated in South African Rand of ZAR 1,494,815,404 (2022: ZAR 1,619,711,684) equivalent to USD 81,112,568 (2022: USD 95,366,916).

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 and prior financial years beginning on 01 January 2023 and 01 January 2022. Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below.

| | Base | Scenario 1 Effect after 10% appreciation in USD | Scenario 2 Effect after 10% depreciation in USD |
|-----------------------|-------------|--|--|
| 2023 | | | |
| Profit after taxation | 6,452,483 | (460,397) | 13,365,363 |
| Equity | 153,049,731 | 112,687,777 | 193,411,685 |
| | | | |
| | Base | Scenario 1 Effect after 10% appreciation in USD | Scenario 2 Effect after 10% depreciation in USD |
| 2022 | | | |
| Profit after taxation | 3,338,688 | (5,587,964) | 12,265,340 |
| Equity | 166,932,168 | 128,966,549 | 204,897,787 |

Assuming no management actions, an appreciation in the US Dollar would decrease profit after tax for the year by USD 6,912,880 (2022: USD 8,926,652) and decrease equity by USD 40,361,954 (2022: USD 37,965,619), while a depreciation would have an opposite impact by the same amounts.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.6 Foreign exchange risk (continued)

| | 2023 | | | 2022 | | |
|------------------------------|--|---|-------------------|--|---|-------------------|
| | Scenario 1 Effect after 10% Base appreciation in USD | Scenario 2 Effect after 10% depreciation in USD | | Scenario 1 Effect after 10% Base appreciation in USD | Scenario 2 Effect after 10% depreciation in USD | |
| Profit after taxation | 6,452,483 | (460,397) | 13,365,363 | 3,338,688 | (5,587,964) | 12,265,340 |
| Movement | (6,912,880) | 6,912,880 | | (8,926,652) | 8,926,652 | |
| BWP | (2,492,264) | 2,492,264 | | (2,129,968) | 2,129,968 | |
| COP | (99,993) | 99,993 | | (988,894) | 988,894 | |
| GHS | (294,349) | 294,349 | | (546,478) | 546,478 | |
| MZN | (855,647) | 855,647 | | (1,501,759) | 1,501,759 | |
| TZS | (197,607) | 197,607 | | (118,759) | 118,759 | |
| ZAR | (309,465) | 309,465 | | (114,998) | 114,998 | |
| ZMW | (2,547,821) | 2,547,821 | | (3,356,729) | 3,356,729 | |
| Others | (115,734) | 115,734 | | (169,067) | 169,067 | |

| | 2023 | | | 2022 | | |
|-----------------|--|---|--------------------|--|---|--------------------|
| | Scenario 1 Effect after 10% Base appreciation in USD | Scenario 2 Effect after 10% depreciation in USD | | Scenario 1 Effect after 10% Base appreciation in USD | Scenario 2 Effect after 10% depreciation in USD | |
| Equity | 153,049,731 | 112,687,777 | 193,411,685 | 166,932,168 | 128,966,549 | 204,897,787 |
| Movement | (40,361,954) | 40,361,954 | | (37,965,619) | 37,965,619 | |
| BWP | (4,155,765) | 4,155,765 | | (3,398,992) | 3,398,992 | |
| COP | (7,945,298) | 7,945,298 | | (4,910,326) | 4,910,326 | |
| GBP | (13,539) | 13,539 | | (5,408) | 5,408 | |
| GHS | (1,831,641) | 1,831,641 | | (1,929,666) | 1,929,666 | |
| MXN | (7,905,069) | 7,905,069 | | (6,863,796) | 6,863,796 | |
| MZN | (7,313,261) | 7,313,261 | | (6,678,252) | 6,678,252 | |
| TZS | (2,165,436) | 2,165,436 | | (2,520,549) | 2,520,549 | |
| UGX | (1,175,692) | 1,175,692 | | (1,132,967) | 1,132,967 | |
| ZAR | (484,817) | 484,817 | | (290,810) | 290,810 | |
| ZMW | (7,371,436) | 7,371,436 | | (10,234,853) | 10,234,853 | |

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.7 Insurance risk

The Group's insurance business is mainly undertaken by Golden Road Insurance Company Limited. 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)

Figures in US Dollar

33. Risk management (continued)

33.8 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.

33.8.1 Other investments

Other investments are measured at fair value by discounting forecasted future cash flows. Unobservable inputs are used in arriving at the valuation and thus classifies as Level 3 under IFRS 13 Fair Value Measurement hierarchy. Unobservable inputs include discount rates, growth rates, price to book ratios, price to earnings ratios, exchange rates and collection efficiency. 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:

| Fair value of other investments | Significant unobservable inputs | Relationship of unobservable inputs to fair value | Impact | | | |
|---------------------------------|---|--|--------------------|-------------|--------------------|-------------|
| | | | 2023 10% higher | 10% lower | 2022 10% higher | 10% lower |
| Investment in GIL* | Collection efficiency | The higher the collection rates, the higher the fair value | 5,218,660 | (5,218,316) | 4,588,230 | (4,588,231) |
| | Exchange rates | An appreciation in USD will reduce the fair value | 5,878,693 | (4,547,875) | 5,235,035 | (4,032,286) |
| | Discount rate ranging from 16.32% to 32.01% (2022: from 16.44% to 29.35%) | The higher the discount rate, the lower the fair value | (6,957,651) | 9,886,614 | (5,045,260) | 6,624,313 |

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

33.9 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 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.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.9 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 S.A. is exposed to interest rate risk due to the terms of its debt, therefore, it uses financial derivatives as a hedging instrument 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 2023, 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 | 6,635,664 | \$ 6,251,625 |
| 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% | |

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.9 Hedging and hedge accounting (continued)

Financing with DFC (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 USD/COP 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 in 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.:

| Detail of the cover item - DFC (USD'000) | 2023 | 2022 |
|--|----------------|--------------|
| Relationships that remain | (3,081) | 5,637 |
| Hedging relationships for which hedge accounting ceases to apply | 1,537 | 2,358 |
| Total amounts | (1,544) | 7,995 |

| | 2023 | 2022 |
|--|----------|--------|
| Reclassification from reserve to income for the period as a reclassification adjustment for foreign exchange difference and interest | (23,920) | 11,303 |

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.9 Hedging and hedge accounting (continued)

Identification of the nature of the risk

It is planned to hedge the market rate risk associated with the USD/COP 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:

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.

Based on the above, it can be inferred that the payment for the purchase and the maturity of the instrument are aligned on the same date (Refer to the letter agreement included in the appendices), with no additional days of default that could create asymmetries in the cash flows. Consequently, the effectiveness of the hedge is assumed, rejecting the hypothesis that the instrument was contracted for speculative purposes and accepting the hypothesis that the hedge was contracted exclusively for volatility (risk) mitigation purposes until 2027.

Under the analysis of the hypothetical derivative, the hedges are considered effective, given that the change in the value of the hedging instrument equals the change in the present value of the cash flows of the hedged item/hypothetical derivative.

Financing with PALIG

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 2023, Bayport Colombia S.A had the following financial derivatives in place:

| Detail | Notional & Interest |
|------------------------------------|------------------------------|
| Operation: | Swap (CCS) |
| Entity: | Btg Pactual Sa Cayman Branch |
| Nominal amount USD'000: | \$ 7,500,000 |
| Carrying amount as at 31 December: | 5,857,743 |
| Opening: | 11/08/2023 |
| Maturity: | 9/08/2023 |
| Fixed interest rate (USD): | 18.40% |
| Variable interest rate (COP): | USD-SOFR-OIS + 5.50% |

P23B (a)

| Interim Exchange | BTG Interim Exchange USD | Client Interim Exchange COP |
|---------------------|--------------------------------|-----------------------------------|
| 13/08/2024 | 833,333 | 3,319,999,946 |
| 14/11/2023 | 833,333 | 3,319,999,986 |
| 12/02/2025 | 833,333 | 3,319,999,986 |
| 13/05/2025 | 833,333 | 3,319,999,946 |
| 13/08/2025 | 833,333 | 3,319,999,986 |
| 13/11/2025 | 833,333 | 3,319,999,946 |
| 11/02/2026 | 833,333 | 3,319,999,986 |
| 13/05/2026 | 833,333 | 3,319,999,946 |
| 13/08/2026 | 833,333 | 3,320,000,265 |

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.9 Hedging and hedge accounting (continued)

Identification of the hedging instrument

To hedge the market risk associated with the USD/COP exchange rate and interest rate, generated by this obligation, the Bayport Colombia S.A entered into a Cross Currency Swap (CCS) that covers the interest and the notional amount, which have maturity dates aligned with the maturity date of the obligations.

Bayport Colombia S.A has designated this derivative as a hedging instrument for the exchange rate risk associated with the dollar obligation, as well as the interest rate risk, given that this obligation was contracted at a variable interest rate.

Identification of the item covered

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

In 2023, Bayport Colombia S.A obtained a foreign currency loan from Pan American Life de Colombia Compañía de Seguros S.A., where Patrimonio Autónomo FC Bayport PALIG is the debtor, and Bayport Colombia is the guarantor, so the entirety 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 will be 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:

| Detail of the cover item - PALIG (USD'000) | 2023 | 2022 |
|---|-------------|-------------|
| Relationships that remain | 592 | - |
| Total amounts | 592 | - |

| (USD'000) | 2023 | 2022 |
|--|-------------|-------------|
| Reclassification from reserve to income for the period as a reclassification adjustment for foreign exchange difference and interest | (693) | - |

Identification of the nature of the risk

It is planned to hedge the market rate risk associated with the dollar/Colombian peso (USD-COP) 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:

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 833,333.40) 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.

Throughout the established time horizon of the Swap agreement (hereinafter referred to as "the instrument"), the exchange of cash flows consisting of capital and interest, agreed upon with BTG Pactual, was custom-designed with fixed payments and a threshold of zero for Bayport Colombia S.A and infinity for BTG Pactual. In other words, there is zero tolerance for default from Bayport Colombia S.A and 100% for the counterparty. However, the likelihood of the counterparty being unable to meet its contractual obligations is extremely low and is supported by its BB rating issued by Standard & Poor's, which implies that Bayport Colombia S.A is less vulnerable in the short term but faces significant uncertainty regarding adverse economic, financial, and business conditions.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.9 Hedging and hedge accounting (continued)

Cash flow hedges (continued)

Effectiveness of the hedging instrument (continued)

Based on the above, it can be inferred that the payment for the purchase and the maturity of the instrument are aligned on the same date, without any additional days of default that could generate asymmetries in the cash flows. Therefore, the effectiveness of the hedge is assumed, rejecting the hypothesis that the instrument was contracted for speculative purposes and accepting the hypothesis that the hedge was contracted exclusively for volatility (risk) mitigation purposes until 2026.

Under the analysis of the hypothetical derivative, the hedges are considered effective, as the change in the value of the hedging instrument equals the change in the present value of the cash flows of the hedged item/hypothetical derivative.

The effect of the cash flow hedge on the statement of profit or loss and the respective reclassification to other comprehensive income is as follows:

| | 2023 | 2022 |
|---|------------------|--------------------|
| Other comprehensive income | (679,911) | (7,510,264) |
| Total other comprehensive income | (679,911) | (7,510,264) |

Within the cash flow reserve balances, the deferred tax balance is broken down, and corresponds to derivatives measured in other comprehensive income.

| | 2023 |
|----------------------------|------------------|
| Deferred tax | (272,020) |
| Deferred tax in OCI | (272,020) |

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, as at December 2023, Bayport Colombia S.A had the following financial derivatives in place:

| | 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 at 31 December | 295,564 | 365,085 |
| 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

33. Risk management (continued)

33.9 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 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.

However, in 2023, early repayments of CITI's liability were made since Bayport Colombia S.A's covenant was breaching. Similarly, with JPM, early repayments were made to release collateral and to cover the guarantee of the new funder Nomura. Consequently, the nominal value of the hedged item decreased significantly compared to the hedging instrument, thus deviating from the target range of the hedge ratio.

This situation triggered the rebalancing of the hedging relationship and changes in the hedging ratio. Rebalancing refers to adjustments made to the designated amounts of the hedged item or the hedging instrument in an existing hedging relationship. Its aim is to maintain the hedging ratio within a specific range to ensure that the hedge remains effective.

On the otherhand, the hedging ratio is the proportion between the designated amount of the hedging instrument and the designated amount of the hedged item. This ratio reflects the sensitivity of the hedged item to changes in the risk being hedged.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.9 Hedging and hedge accounting (continued)

Identification of the item covered (continued)

In this case, a rebalancing was required to adjust the designated amount of the hedging instrument, which was accounted for as a continuation of the hedge.

Thus, the hedging instruments are matched with the hedged items, maintaining the hedging ratio within a range that ensures the hedge remains effective, and that the commitment month for both coincides.

Accordingly, the following amounts are identified:

| | JPM | CITI | Total amounts |
|------------|------------|-------------|----------------------|
| Book value | 295,564 | 365,085 | 660,649 |

Identification of the nature of the risk

The market risk associated with the fixed-rate financial liability payment obligation is planned to be hedged.

Hedging ratio

Fair value hedge

Since the hedged item is a financial liability measured at amortized cost, the adjustments made are amortized through profit or loss. Amortization may commence as soon as an adjustment exists, but not after the date the hedged item ceases to be adjusted for hedge gains and losses. This amortization is based on an effective interest rate recalculated at the commencement date of amortization.

In this regard, Bayport Colombia S.A commences the amortization of these adjustments starting from the month of December, as follows:

| | 2023 |
|--|---------------|
| Amortization fair value adjustments CITI | 14,406 |
| Amortization fair value adjustments JPM | 61,328 |
| Total interest expense | 75,734 |

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.

Based on the above, it can be inferred that the payment for the purchase and the maturity of the instrument are matched on the same date without any additional days of default that could create asymmetries in the cash flows. Therefore, the effectiveness of the hedge is assumed, rejecting the hypothesis that the instrument was contracted for speculative purposes and accepting the hypothesis that the hedge was contracted exclusively for volatility (risk) mitigation purposes until 2024.

Under the analysis of the hypothetical derivative, the hedges are considered effective, consequently, because the change in the value of the hedging instrument equals the change in the present value of the cash flows of the hedged item/hypothetical derivative.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

33. Risk management (continued)

33.9 Hedging and hedge accounting (continued)

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 190,851,200,000) 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.

Based on the above, it can be inferred that the payment for the purchase and the maturity of the instrument are aligned on the same date, with no additional days of default that could generate asymmetries in the cash flows. Therefore, the effectiveness of the hedge is assumed, rejecting the hypothesis that the instrument was contracted for speculative purposes and accepting the hypothesis that the hedge was contracted exclusively for volatility (risk) mitigation purposes until 2024.

Under the analysis of the hypothetical derivative, the hedges are considered effective, as the change in the value of the hedging instrument equals the change in the present value of the cash flows of the hedged item/hypothetical derivative.

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

| Detail | 2023 | 2022 |
|--|---------------------|-------------------|
| 1. Fair value adjustment for hedged items | 961,247 | 1,289,422 |
| 2. Amortization of hedging relationships for which hedge accounting is no longer applied | 820,824 | 458,016 |
| 3. Interest DFC credit for rate hedges | (6,051,457) | 1,398,177 |
| 4. Difference in exchange rate hedged | (18,561,921) | 13,158,445 |
| 5. Gain or loss on settlement of financial derivatives | - | (4,202,137) |
| 6. Fair value adjustment for financial derivatives | 489,328 | 2,452,192 |
| Total amount | (22,341,979) | 14,554,115 |

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).
4. Corresponds to the exchange difference generated in the cash flow hedge.
5. Gains and losses are generated in the liquidation of financial derivatives, according to the position held at the time of disposal.
6. Reflects changes in income generated by the valuation of hedging instruments at fair value.

34. 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: Golden Road 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

34. Segmental reporting (continued)

Segmental reporting \$'000

| Year ended 31 December 2023 | Zambia | Ghana | Tanzania | Uganda | Botswana | Mozambique | Colombia | Mexico | Insurance | Support | Group |
|--|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|--------------|-----------------|----------------|
| Consolidated statement of profit or loss | | | | | | | | | | | |
| Interest and other similar income | 54,830 | 26,890 | 19,166 | 6,466 | 55,798 | 74,614 | 48,889 | 45,305 | 282 | (625) | 331,615 |
| Interest and other similar expense | (12,859) | (15,991) | (6,726) | (1,088) | (13,876) | (43,171) | (40,570) | (26,179) | - | (58,715) | (219,175) |
| Net interest income/(expense) | 41,971 | 10,899 | 12,440 | 5,378 | 41,922 | 31,443 | 8,319 | 19,126 | 282 | (59,340) | 112,440 |
| Lending related income | 1,112 | 428 | 283 | 149 | 566 | 1,423 | 3,609 | 5,817 | - | 15,954 | 29,341 |
| Income from insurance activities | - | - | - | 4 | - | - | 612 | - | 9,397 | (8,098) | 1,915 |
| Other interest income | 1,217 | 369 | 4 | 1 | 15 | 3,789 | 1,852 | 1,269 | 52 | 2,437 | 11,005 |
| Other income | 239 | 23 | - | 3 | 90 | (203) | 2,675 | 7,148 | - | 4,948 | 14,923 |
| Non interest income | 2,568 | 820 | 287 | 157 | 671 | 5,009 | 8,748 | 14,234 | 9,449 | 15,241 | 57,184 |
| Operating income/(loss) | 44,539 | 11,719 | 12,727 | 5,535 | 42,593 | 36,452 | 17,067 | 33,360 | 9,731 | (44,099) | 169,624 |
| Operating expenses | (17,368) | (8,288) | (10,730) | (4,083) | (14,385) | (21,410) | (16,369) | (30,283) | (1,135) | 2,650 | (121,401) |
| Foreign exchange (losses)/gains | (20) | 134 | (1,138) | (181) | (46) | (74) | (24) | 439 | (288) | (1,004) | (2,202) |
| Operating profit/(loss) before impairment | 27,151 | 3,565 | 859 | 1,271 | 28,162 | 14,968 | 674 | 3,516 | 8,308 | (42,453) | 46,021 |
| Impairment on financial assets | (1,610) | (613) | 1,121 | (255) | (3,178) | (6,391) | 328 | (3,432) | - | 2 | (14,028) |
| Share of post-tax results of associates | - | - | - | - | - | - | - | - | - | (1,233) | (1,233) |
| Profit/(Loss) before taxation | 25,541 | 2,952 | 1,980 | 1,016 | 24,984 | 8,577 | 1,002 | 84 | 8,308 | (43,684) | 30,760 |
| Taxation | (7,861) | (925) | (644) | (370) | (5,571) | (2,178) | 158 | (26) | - | (6,889) | (24,306) |
| Profit for the year | | | | | | | | | | | 6,454 |
| Depreciation and Amortisation | (1,313) | (489) | (725) | (604) | (895) | (1,978) | (778) | (1,710) | - | (1,553) | (10,045) |

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. Segmental reporting (continued)

Segmental Reporting \$'000

| Year ended 31 December 2023 | Zambia | Ghana | Tanzania | Uganda | Botswana | Mozambique | Colombia | Mexico | Insurance | Support | Group |
|---|----------------|---------------|-----------------|---------------|-----------------|-------------------|-----------------|----------------|------------------|----------------|------------------|
| Consolidated statement of financial position | | | | | | | | | | | |
| Loans and advances | 122,103 | 66,209 | 59,226 | 17,241 | 184,446 | 239,714 | 333,419 | 194,692 | - | 424 | 1,217,474 |
| Other assets | 50,958 | 19,150 | 14,051 | 5,744 | 6,345 | 67,721 | 50,495 | 37,300 | 29,351 | 184,368 | 465,483 |
| Total assets | 173,061 | 85,359 | 73,277 | 22,985 | 190,791 | 307,435 | 383,914 | 231,992 | 29,351 | 184,792 | 1,682,957 |
| Borrowings and overdrafts | 72,835 | 35,764 | 30,974 | 828 | 143,891 | 134,722 | 261,415 | 181,602 | - | 481,834 | 1,343,865 |
| Other liabilities | 26,469 | 31,270 | 20,640 | 10,395 | 5,325 | 99,550 | 43,013 | 11,823 | 4,732 | (67,177) | 186,040 |
| Total liabilities | 99,304 | 67,034 | 51,614 | 11,223 | 149,216 | 234,272 | 304,428 | 193,425 | 4,732 | 414,657 | 1,529,905 |

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

34. 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 profit or loss | | | | | | | | | | | |
| 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

34. 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. Financial Summary

| | 2023 | 2022 | 2021 |
|---|----------------------|----------------------|----------------------|
| Statement of profit or loss and other comprehensive income | | | |
| Net interest income | 112,439,486 | 141,665,034 | 154,930,411 |
| Profit for the year | 6,452,483 | 3,338,688 | 16,256,821 |
| Profit attributable to owners of the Company | 5,438,743 | 1,392,134 | 12,628,758 |
| Other comprehensive (loss)/income for the year | (16,498,706) | (47,903,224) | 25,717,796 |
| Total comprehensive (loss)/income for the year | (10,046,223) | (44,564,536) | 41,974,617 |
| Statement of financial position | | | |
| Loans and advances | 1,217,474,763 | 1,120,847,024 | 1,053,142,831 |
| Other assets | 465,481,925 | 452,889,980 | 470,239,727 |
| Total assets | 1,682,956,688 | 1,573,737,004 | 1,523,382,558 |
| Total equity | 153,049,731 | 166,932,168 | 196,548,278 |
| Total liabilities | 1,529,906,957 | 1,406,804,836 | 1,326,834,280 |
| Total equity and liabilities | 1,682,956,688 | 1,573,737,004 | 1,523,382,558 |

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.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

36. Changes in accounting policies

36.1 New and amended standards and interpretations

In these financial statements, the Group has applied IFRS 17 for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

36.1.1 IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 *Insurance Contracts* for annual periods on or after 1 January 2023.

IFRS 17 has been applied to Golden Road Insurance Company Limited ("Golden Road"), a wholly owned subsidiary of the Group, which offers cell captive arrangements in Bermuda. Insurance business related to the Group is included in the General Account, whilst non-related insurance business is included in a Segregated Account called Easy Wind.

For the latter, the risks and rewards of the insurance policies relating to Easy Wind are passed on to the holder of the Preference Shares (referred to as the "cell owner"), with the Group retaining no insurance risk on a net basis. The cell owner, Picasso Moon Investment Limited ("Picasso Moon"), acts as a reinsurer for the insurance business that it brings to Golden Road.

All insurance business within the Easy Wind account was novated to an unrelated party which became the new party to the agreement with International Reinsurance Company ("INRECO"), effective as of 1 April 2022. Consequently, there is no insurance business within Easy Wind as of 1 January 2023. The closing position as of 31 December 2022 remains unaffected.

The Group has restated comparative information for 2022 applying the transitional provisions to IFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

36.1.1.1 Changes to classification and measurement

An International Retrocessional Agreement is in place between Golden Road and INRECO. The contract is effective as from 1 December 2018 and is classified as reinsurance contract issued or insurance contract.

A preference share Subscription agreement is in place between Golden Road and Picasso Moon which stipulates that:

- The Subscriber will be entitled to share in the profits by way of the Preference Dividend from the Company attributable only to the profitability of the Insurance Program.
- The Subscriber will be required to subscribe for further Preference Shares at a subscription price to be determined by the Board or to provide a contribution of capital to fulfil the Segregated Account's capitalisation requirements at any time and pay an amount of capital or pay for any further number of Preference Shares at such amount as the Board may determine in order to restore the Company Solvency Ratio or any negative balance in shareholders' funds of the portfolio of business placed with the Segregated Account by the Subscriber.

This implies that Picasso Moon, referred to as the Subscriber, will share in the profits and is required to make good any losses that occurs as a result of the insurance business included in the Segregated Account (Easy Wind), i.e. insurance risk is transferred to Picasso Moon.

The above aligns with the definition of a reinsurance contract as per IFRS 17: "An insurance contract issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts).

In this arrangement, Picasso Moon is seen as the issuer of the reinsurance contract with Golden Road the holder of the reinsurance contract. This contract is effective 8 March 2021 and classified as a reinsurance contract held.

The adoption of IFRS 17 did not change the classification of the Group's reinsurance contracts issued and reinsurance contracts held. The requirements under IFRS 17 for insurance contracts also apply to reinsurance contracts issued and is thus used interchangeably in these notes. The Group was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group.

Under IFRS 17, the Group's insurance contracts issued and reinsurance contracts held are all measured under the Premium Allocation Approach (PAA).

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

36. Changes in accounting policies (continued)

36.1.1 IFRS 17 Insurance Contracts (continued)

36.1.1.1 Changes to classification and measurement (continued)

The measurement principles of the PAA differ from the 'earned premium approach' used by the Group under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR) claims) includes an explicit risk adjustment for non-financial risk.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Risk Adjustment calculation approach was adjusted given the nature and complexity of the regulatory capital regimes and the actuarial capabilities of the entity. This adjusted approach is deemed to be best fit for purpose. The Group has based the risk adjustment on a confidence level of 85% over a one-year period.

The Group expenses its insurance acquisition cash flows when those costs are incurred.

Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another IFRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

The Group's classification and measurement of insurance and reinsurance contracts is explained in note 36.2.1.

36.1.1.2 Changes to presentation and disclosure

For presentation in the statement of financial position, the Group aggregates insurance contracts issued and reinsurance contracts held, respectively and presents the below under other receivables and other payables:

- Portfolios of insurance contracts issued that are assets
- Portfolios of insurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line-item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Group reported the following line items under lending related income:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

Please refer to note 36.9 for more details.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

36. Changes in accounting policies (continued)

36.1.1 IFRS 17 Insurance Contracts (continued)

36.1.1.2 Changes to presentation and disclosure (continued)

The Group provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

36.1.1.3 Transition

On transition date, 1 January 2022, the Group:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied
- Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied.
- Derecognised any existing balances that would not exist had IFRS 17 always applied
- Recognised any resulting net difference in equity

36.2.1 Insurance and reinsurance contracts classification

The Group issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities, under which it accepts significant insurance risk from the entities. These contracts relate to personal accident and credit protection plan.

As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

36.2.2 Insurance and reinsurance contracts accounting treatment

36.2.2.1 Separating components from insurance and reinsurance contracts

Before the Group accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated and accounted for under another standard. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- Cash flows relating to embedded derivatives that are required to be separated
- Cash flows relating to distinct investment components
- Promises to transfer distinct goods or distinct non-insurance services

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

When identifying contracts in scope of IFRS 17, the Group has assessed whether a set or series of contracts needs to be treated as a single contract. No contracts have been combined.

36.2.2.2 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 managed separately are expected to be in different portfolios. Each portfolio, where applicable, is then divided into annual cohorts aligned with the Group's financial year. Each cohort is further subdivided depending on the profitability of the contracts included.

Insurance contracts are classified as onerous or profitable at initial recognition. Profitable contracts are further split into groups with no significant possibility of becoming onerous and remaining profitable business.

The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition.

The International Retrocession Agreement, whilst one contract in its legal form is split into multiple insurance contracts for the purposes of IFRS 17.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

36. Changes in accounting policies (continued)

36.2.2 Insurance and reinsurance contracts accounting treatment (continued)

36.2.2.2 Level of aggregation (continued)

The first split relates to related insurance business, which is included in the General Account, and non-related insurance business, which is included in Easy Wind. Business within these accounts is not deemed to be managed together given that insurance profits/losses of Easy Wind accrue to the cell owner, Picasso Moon.

The related business is split into three further portfolios by product type and country as the risks covered are not deemed to be similar. Bayport Colombia personal accident (PA) covers accidental death only, whilst Bayport Colombia credit protection plan (CPP) and Bayport Mexico CPP both cover credit life. The split by country is preferred for management reporting.

All business within Easy Wind covers credit life in Colombia and are thus included in the same portfolio.

The Preference Share Subscription Agreement is included in its own portfolio called Picasso Moon. This agreement is not deemed to be managed together with the other reinsurance contract held.

Insurance contracts are classified based on a quantitative approach. Specifically, where the FCFs are negative at initial recognition, the contracts are classified as profitable. Conversely, where the FCFs are positive at initial recognition, the contracts are classified as onerous. Where contracts are profitable a threshold is applied based on expert judgement and industry best practice to split contracts further into groups of contracts with no significant probability of becoming onerous and remaining contracts.

For insurance contracts measured under the PAA, a simplified quantitative approach has been applied where a combined ratio is used to allocate contracts to profitability groups.

A similar approach has been adopted for reinsurance contracts held. The only difference being that reinsurance contracts held can never be onerous, with the profitability groups defined as a net gain or net cost at initial recognition. The latter is further split into groups with a significant possibility of becoming a net gain and remaining business.

36.2.2.3 Recognition

The Group recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Group recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

And

- The date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

36.2.2.4 Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks

Or

- Both of the following criteria are satisfied:
- The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

36. Changes in accounting policies (continued)

36.2.2 Insurance and reinsurance contracts accounting treatment (continued)

36.2.2.4 Contract boundary (continued)

- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

The International Retrocessional Agreement states that the Agreement shall be unlimited in duration but may be cancelled with notice of cancellation three months prior to the cancellation effective date by either party giving notice by registered mail. Such termination or cancellation shall not affect the reinsurance on any Reinsured Policy issued on or before the date of such termination or cancellation. The Reinsurer shall remain liable for losses occurring during the period, up to and including the later of the effective date of termination of this Agreement or any applicable Reinsured Policy.

The three-month notice period implies that, for the purpose of IFRS 17, the contract boundary of each reinsurance contract issued include cash flows relating to the underlying insurance policies, referred to as the "Reinsured Policy", issued over the three-month period only. This period may also include cash flows relating to underlying insurance policies not yet issued. Cash flows arising from underlying insurance policies issued after the three-month period fall outside the boundary of the reinsurance contract issued. These cash flows are excluded as such amounts relate to future reinsurance contracts issued.

The underlying insurance policies are group policies that are annually renewable. Depending on the review date of these policies, the coverage period of each reinsurance contract issued is between 12-15 months – as underlying insurance policies could be issued at any time during the three-month notice period.

The International Retrocessional Agreement is automatically eligible for measurement under the PAA as at the transition date.

Cash flows relating to underlying insurance policies not yet issued would be excluded from the measurement of the existing reinsurance contracts issued as at 31 December. Cash flows relate to future contracts, not yet issued as at 31 December.

The Preference Share Subscription Agreement, a reinsurance contract held, is open-ended. No unilateral rights with regards to the cancellation of future new business, nor the agreement exists. Future new business refers to the underlying reinsurance contracts issued, each with a coverage period of between 12-15 months. As a result, this agreement is not automatically eligible for measurement under the PAA with the GMM applying.

Cancellation of the Reinsurance Agreement, a reinsurance contract held, only occurs at the end of the Underwriting Year, if notice was given three-months prior. This implies that, for the purpose of IFRS 17, the contract boundary of each reinsurance contract held will include cash flows relating to the underlying reinsurance contracts, arising from the International Retrocessional Agreement, issued over the Underwriting Year. This period may also include cash flows relating to underlying reinsurance contracts not yet issued. Cash flows arising from underlying reinsurance contracts issued after the Underwriting Year fall outside the boundary of the reinsurance contract held.

The coverage period of each reinsurance contract held is between 12-24 months – as underlying insurance policies, covered by underlying reinsurance contracts, arising from the International Retrocessional Agreement, could be issued at any time during the Underwriting Year – and thus not automatically eligible for measurement under the PAA with the GMM applying.

The coverage period of all contracts in scope of IFRS 17, excluding the Preference Share Subscription Agreement and the business included within Easy Wind, are 12 months or less. The PAA will thus be applied to these contracts.

The coverage period for the identified contracts within the scope of IFRS 17 are all 12 months. The Group has chosen the PAA for the measurement of the contracts.

36.2.2.5 Initial and subsequent measurement

The Group uses the PAA for measuring contracts.

On initial recognition of insurance contracts issued, the Group measures the Liability for remaining coverage (LFRC) at the amount of premiums received, less any acquisition cash flows allocated to the group of contracts adjusted for any amounts arising from the derecognition of any prepaid acquisition cash flows asset.

The Group expenses acquisition cash flows as the costs are incurred.

On initial recognition of reinsurance contracts held, the Group measures the remaining coverage at the amount of ceding premiums paid.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

36. Changes in accounting policies (continued)

36.2.2 Insurance and reinsurance contracts accounting treatment (continued)

36.2.2.5 Initial and subsequent measurement (continued)

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- (a) The Liability for remaining coverage (LFRC)
- (b) The liability for incurred claims (LIC), comprising the fulfilment cash flows (FCF) related to past service allocated to the Group at the reporting date

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- (a) The remaining coverage
- (b) The incurred claims, comprising the FCF related to past service allocated to the group at the reporting date

For insurance contracts issued, at each of the subsequent reporting dates, the LFRC is:

- (a) Increased for premiums received in the period
- (b) Decreased for insurance acquisition cash flows paid in the period
- (c) Decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period
- (d) Increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- (a) Increased for ceding premiums paid in the period
- (b) Decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period

A claims handling fee under Bayport Colombia PA is incurred when the single premium is received. Only a proportion of this fee relates to the insurance contracts recognised in the current reporting period with the remaining proportion relating to future contracts. Thus, a pre-recognition asset has been set up and released when the insurance contracts to which this fee relates are recognised.

36.2.2.6 Insurance contracts – modification and derecognition

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired)

Or

- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

36.2.2.7 Presentation

The Group has presented in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities under other receivables and other payables respectively.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Group disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result; comprising insurance revenue and insurance service expense, and insurance finance income or expenses which is presented under credit life insurance as part of lending related income in the statement of profit or loss.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result which is presented under credit life insurance as part of lending related income in the statement of profit or loss.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

36. Changes in accounting policies (continued)

36.3 Insurance revenue

Insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Group allocates expected premiums equally to each period of related insurance contract services, unless the expected pattern of the release of risk during the coverage period differs significantly from an even basis. In the latter case, expected premium receipts are allocated to the period based on the expected timing of incurred claims and other incurred insurance service expenses.

36.4 Loss components

The Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in Note 36.2.2.2 indicate that a group of insurance contracts is onerous, the Group establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined in Note 36.2.2.5. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

36.5 Loss-recovery components

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

36.6 Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

Given that the PAA will be applied to all contracts and that no significant financing component exists in the LFRC, no discounting is required in the LFRC calculations. This is applicable for both profitable and onerous insurance contracts.

For the LIC, the period between when claims are incurred and when they are paid are less than one year and thus no discounting is applied. The claim delay period was confirmed as part of the RA investigation. As at 31 December 2021, the claims delay period for Bayport Colombia CPP, Bayport Colombia PA and Bayport Mexico CPP is estimated at 3, 4 and 9 months respectively.

36.7 Net income or expense from reinsurance contracts held

The Group presents the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid under credit life insurance as part of lending related income in the statement of profit or loss. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums.

36.8 Transition to IFRS 17

36.8.1 Summary

IFRS 17 is a comprehensive new accounting standard for insurance contracts that governs recognition, measurement, presentation and disclosure.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023.

The Group has applied IFRS 17 for the first time for the period ended 31 December 2023. This standard has brought significant changes to the accounting for insurance and reinsurance contracts and has impacted on the Group's consolidated financial statements in the period of initial application. The Group has restated the comparative information on the adoption of IFRS 17.

IFRS 17 introduces a measurement model for insurance contracts based on the estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk (together these represent the fulfilment cash flows).

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

36. Changes in accounting policies (continued)

36.8 Transition to IFRS 17 (continued)

36.8.1 Summary (continued)

The main difference between IFRS 4 and IFRS 17 measurement relates to how margins are calculated and released over time (i.e. compulsory and discretionary margins for prudence applied under IFRS 4, versus the risk adjustment for non-financial risk required under IFRS 17).

The default model is the General Measurement Model (GMM). The GMM is supplemented by a specific modification called the Variable Fee Approach (VFA) for measurement of contracts where policyholders participate in underlying items (life savings contracts and other with-profit contracts). IFRS 17 also makes provision for a simplified approach, the Premium Allocation Approach (PAA), mainly for short-duration contracts.

Regardless of the measurement model used, the basic revenue recognition principle of IFRS 17 is that profit is recognised over the lifetime of a group of insurance contracts, as services are provided, but losses are recognised immediately if the group of insurance contracts is onerous. No profit is recognised on initial recognition.

The group applies the simplified PAA approach.

36.8.2 Impact of the adoption of IFRS 17

The impact of initial application of IFRS 17 on the Group financial statements was a decrease of USD 197,530 to the Group's total equity at 1 January 2023. Total equity as at 31 December 2022 under IFRS 4 was USD 166,932,168.

The impact on Group equity as a result of transition to IFRS 17 arises because of the different requirements of IFRS 17 compared to the accounting policies and actuarial methodologies used under IFRS 4. The difference is as a result of the requirement to set up a risk adjustment under IFRS 17. The risk adjustment will be released into profit over time as risk expires. The Group has based the risk adjustment on a confidence level of 85% over a one-year period.

36.8.3 Selection of transition approach

The Group has adopted IFRS 17 by applying the full retrospective approach for groups of contracts in force as at 1 January 2022, as required by IFRS 17.

Under the full retrospective approach, the Group identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied. The full retrospective approach was used for all groups of contracts.

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

36. Changes in accounting policies (continued)

36.9 Impact of adoption of IFRS 17

The extent to which these amendments have impacted the statement of Financial Position, statement of profit or loss and the statement of cash flows is set out in the following table.

| Movements explained by insurance service result | Reinsurance contracts held | | | Reinsurance contracts issued | | | Sub Total | Total |
|---|----------------------------|------------------|------------------|---------------------------------|--------------------------|------------------|----------------|---------------------|
| | LFRC(vi)-Excl LC(v) | LIC(iv)-BEL(iii) | Sub Total | LFRC(vi)-Excl PRCF(ii) LC(v) | LFRC(vi) - Excl LC(v) | LIC(iv)-BEL(iii) | LIC(iv)-RA(i) | |
| Balance at 01 January 2023 (asset) | (23,406) | - | (23,406) | - | (2,823,529) | 1,089,327 | 84,140 | (1,673,468) |
| Balance at 01 January 2023 (liability) | 419,126 | (81,687) | 337,439 | 861,756 | (817,719) | 1,731,537 | 113,390 | 2,226,403 |
| Opening balance | 395,720 | (81,687) | 314,033 | 861,756 | (3,641,248) | 2,820,864 | 197,530 | 552,935 |
| Changes in the statement of profit or loss | | | | | | | | |
| Insurance revenue | | | | | | | | |
| Insurance revenue from contracts measured under PAA | 1,458,742 | - | 1,458,742 | - | (16,422,338) | - | - | (14,963,596) |
| Total insurance service expenses | 1,458,742 | - | 1,458,742 | - | (16,422,338) | - | - | (14,963,596) |
| Insurance service expenses | | | | | | | | |
| Incurred claims and other directly attributable expenses | - | (345,145) | (345,145) | - | - | 7,122,821 | 207,315 | 6,984,991 |
| Other PRCF assets derecognised at the date of initial recognition | - | - | - | (26,805) | - | - | - | (26,805) |
| Amortisation of insurance acquisition cash flows | - | - | - | - | (239,290) | - | - | (239,290) |
| Changes related to past service | - | - | - | - | - | - | (197,530) | (197,530) |
| Total insurance service expenses | - | (345,145) | (345,145) | (26,805) | (239,290) | 7,122,821 | 9,785 | 6,521,366 |
| Insurance service result | 1,458,742 | (345,145) | 1,113,597 | (26,805) | (16,661,628) | 7,122,821 | 9,785 | (8,442,230) |
| | | | | | | | | Note 26.1 |
| Effect of movements in exchange rates | 3,710 | - | 3,710 | - | (310,598) | 550,154 | 42,751 | 286,017 |
| Total changes in the statement of profit or loss | 1,462,452 | (345,145) | 1,117,307 | (26,805) | (16,972,226) | 7,672,975 | 52,536 | (8,156,213) |
| PRCF liabilities derecognised at initial recognition | - | - | - | (569,562) | 569,562 | - | - | - |
| PRCF liabilities derecognised at initial recognition | - | - | - | 403,393 | (403,393) | - | - | - |

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

36. Changes in accounting policies (continued)

36.9 Impact of adoption of IFRS 17 (continued)

| Movements explained by insurance service result | Reinsurance contracts held | | | Reinsurance contracts issued | | | Sub Total | Total |
|---|----------------------------|------------------|--------------------|---------------------------------|--------------------------|--------------------|----------------|------------------|
| | LFRC(vi)-Excl LC(v) | LIC(iv)-BEL(iii) | Sub Total | LFRC(vi)-Excl PRCF(ii) LC(v) | LFRC(vi) - Excl LC(v) | LIC(iv)-BEL(iii) | LIC(iv)-RA(i) | |
| Cash flows | | | | | | | | |
| Premiums received | (1,215,878) | - | (1,215,878) | - | 16,160,522 | - | - | 14,944,644 |
| Cash flows related to PRCF assets recognised | - | - | - | (5,942) | - | - | - | (5,942) |
| Claims paid, including investment components | - | - | - | - | - | (5,122,348) | - | (5,122,348) |
| Administration and other expenses | - | - | - | - | - | (1,269,134) | - | (1,269,134) |
| Insurance acquisition cash flows | - | - | - | - | 239,290 | - | - | 239,290 |
| Total cash flows | (1,215,878) | - | (1,215,878) | (5,942) | 16,399,812 | (6,391,482) | - | 8,786,510 |
| Net movement for the period | 246,574 | (345,145) | (98,571) | (198,916) | (406,245) | 1,281,493 | 52,536 | 630,297 |
| Balance at 31 December 2023 (asset) | (209) | - | (209) | (5,002) | (3,069,055) | 2,059,676 | 115,984 | (898,606) |
| Balance at 31 December 2023 (liability) | 642,500 | (426,832) | 215,668 | 667,841 | (978,438) | 2,022,400 | 134,082 | 2,061,553 |
| Balance at 31 December 2023 | 642,291 | (426,832) | 215,459 | 662,839 | (4,047,493) | 4,082,076 | 250,066 | 1,162,947 |
| Balance at 31 December 2023 (build-up) | 642,291 | (426,832) | 215,459 | 662,839 | (4,047,493) | 4,082,076 | 250,066 | 1,162,947 |

Note 17(iii)

- (i) RA - Risk Adjustment
- (ii) PRCF - Pre Recognition Cash Flow
- (iii) BEL - Best Estimate Liability
- (iv) LIC - Liability for incurred claims
- (v) LC - Loss component
- (vi) LFRC - Liability for remaining coverage

Notes to the Consolidated Financial Statements (continued)

Figures in US Dollar

37. Events after the reporting period

Subsequent to the balance sheet date, the Bayport Management Ltd holding company's ("the company") liquidity position tightened on the back of the negative impact of foreign exchange movements, principally due to the weakening of African currencies against the US Dollar, in addition to a sustained period of elevated global interest rates. These factors have impacted the company's liquidity position and cash flows, thereby impacting its ability to meet its existing debt service and interest obligations, which are elevated due to increase in variable rate funding. As a result of the company being unable to service its obligation as they fell due shortly after year end, the company entered into a standstill agreement with creditors to find a solution to recapitalize the company. An agreement was reached with creditors outlining the recapitalization plan on 30 August 2024. Refer to the going concern assessment on page 6.



3rd Floor, Ebene Skies
Rue De L'Institut
Ebene, Mauritius
Tel: +230 465 1605 • Fax: +230 465 1606

www.bayportfinance.com