LETSHEGO HOLDINGS (NAMIBIA) LIMITED

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

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021

COMPANY INFORMATION

Registration number:	2016/0145
Registered address:	18 Schwerinsburg Street P. O. Box 11600 Windhoek Namibia
Company Secretary:	Chriszelda Gontes Letshego Holdings Namibia 18 Schwerinsburg Street Windhoek Namibia
Auditor:	Ernst & Young Namibia P. O. Box 1857 Windhoek, Namibia
Sponsoring Broker:	IJG Securities (Pty) Limited P. O. Box 186 Windhoek, Namibia
Transfer Secretary:	Transfer Secretaries (Pty) Limited P. O. Box 2401 Windhoek, Namibia

CONTENTS **Page**

Directors' responsibility statement	2
Independent auditor's report	3 - 7
Directors' report	8 - 9
Statements of financial position	10
Statements of comprehensive income	11
Statements of changes in equity	12
Statements of cash flows	13
Significant accounting policies and notes to the annual financial statements	14 - 50

The directors are responsible for the preparation and fair presentation of the consolidated and seperate annual financial statements and of Letshego Holdings (Namibia) Limited, comprising the statements of financial position at 31 December 2021, the statements of comprehensive income, the statement of changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies, other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Namibian Companies Act.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

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

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

Approval of the annual financial statements

The annual financial statements of Letshego Holdings (Namibia) Limited, as identified in the first paragraph, set out on pages 8 to 50, were approved by the directors on 29 March 2022 and signed on their behalf by:

Maryvonne Palanduz
Chairperson

Ester Kali
Chief Executive Officer

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LETSHEGO HOLDINGS (NAMIBIA) LIMITED

Report on the Audit of the Consolidated and Separate Annual Financial Statements

Opinion

We have audited the consolidated and separate annual financial statements of Letshego Holdings (Namibia) Limited ("the company") and its subsidiaries ('the group') set out on pages 8 to 50, which comprise the directors' report, the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Consolidated and Separate Annual Financial Statements section of our report. We are independent of the group and company in accordance with the International Ethics Standards Board for *Accountants International Code of Ethics for Professional Accountants (including International Independence Standards)* and other independence requirements applicable to performing audits of annual financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the audit of the Consolidated and Separate Annual Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate annual financial statements.

The Key Audit Matters apply only to the audit of the Consolidated Annual Financial Statements.

<table>
<tr><td>Key Audit Matter</td><td>How the matter was addressed in the audit</td></tr>
<tr><td colspan="2">Expected credit losses on advances to customers

The disclosure associated with expected credit losses on advances to customers is set out in the consolidated annual financial statements in the following notes:
Note 3.2 - Significant accounting policies - Impairments
Note 5.1.1 - Credit risk
Note 10 - Advances to customers</td></tr>
<tr><td>Expected credit losses on advances to customers

We identified the audit of expected credit losses (ECL) on advances to customers as a key audit matter which required significant audit effort and the support of our specialists when considering the following:
• The Group’s advances to customers represents 77% of the Group’s total assets;
• There is a high degree of estimation uncertainty and significant judgements and assumptions are applied in estimating the ECL model on advances to customers;
• Economic scenario forecasts used to estimate the ECL on advances to customers require subjective management judgement to reflect the current macroeconomic environment;

In particular we have focused on the following areas of significant judgement and estimation which required the use of specialists:

1. Modelled ECL impairment loss
• The ECL is calculated on a modelled basis which incorporates observable data, assumptions and estimations. The development and execution of these model requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters.</td><td>The following audit procedures, amongst others, were executed with the involvement of our internal quantitative specialists:

We obtained an understanding of management’s process over credit origination, credit monitoring and credit remediation and tested the relevant controls identified within these processes.

1. Modelled ECL impairment loss
• We assessed the design and implementation of the ECL model, including assessing the significant assumptions applied with reference to the requirements of IFRS 9, Financial instruments and have tested the operating effectiveness of management’s ECL modelling controls around the assumptions used in determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters included in the model.
• We reperformed the model calculations using assumptions as per the model documentation, and recalculated the PD, EAD and LGD parameters, to test the accuracy of the ECL calculations.
• We compared the reperformed ECL impairments to the Group’s ECL impairments per stage.</td></tr>
</table>

	• We tested the completeness and accuracy of data inputs into the model by tracing a sample of data inputs back to information sourced by management from internal systems.
2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation • These scenario forecasts are developed by the Group and require management judgement, given the uncertain macroeconomic environment, including the ongoing impacts of the COVID-19 pandemic, and the complexity of incorporating these scenario forecasts and probability weightings into the estimation of ECL. The judgement relates to the macroeconomic factors considered which include the Namibia CPI, Namibia GDP and Namibia Unemployment Rate.	2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation • We assessed the design and implementation and tested the operating effectiveness of controls over the approval of macroeconomic forecasts used within the model. • We assessed the appropriateness of the macroeconomic scenario forecasts and probability weightings by benchmarking these against external evidence and economic data. • We performed independent review of the methodology on economic forecasts, which incorporated the estimated economic impacts as a result of the COVID-19 pandemic, to assess if the macroeconomic scenario forecasts were correctly incorporated in deriving the LGD.

Other Information

The directors are responsible for the other information. The other information comprises the company information and contents page and the directors' responsibilities and approval statement, which was obtained prior to the date of this report, and the Annual Report for the year ended 31 December 2021, which is expected to be made available to us after this date. The other information does not include the consolidated or the separate annual financial statements and our auditor's report thereon. Our opinion on the consolidated or the separate annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated or the separate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated or the separate annual 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.

Other Matter

The consolidated and separate annual financial statements of Letshego Holdings (Namibia) Limited for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2021.

Responsibilities of the directors for the Consolidated and Separate Annual Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Annual Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate annual 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 or company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual 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 annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young

Ernst & Young
Partner – Danica Van Wyk
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Windhoek

12 April 2022

The directors present their report to the members, together with the audited consolidated and separate annual financial statements of Letshego Holdings (Namibia) Limited (“the company”) and its subsidiaries (“the group”) for the financial year ended 31 December 2021.

1. Reporting entity

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

2. Nature of business

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

3. Share capital

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

4. Dividends

A final ordinary dividend of N$112.5 million (22.5 cents per share) in respect of the year ended 31 December 2020 was paid in June 2021.
An interim ordinary dividend of N$79.8 million (15.96 cents per share) (2020: nil) in respect of the year ended 31 December 2021 was declared and paid in November 2021.

5. Directors and secretary

The following persons were directors during the year under review:

Maryvonne Palanduz**	Independent Non-Executive; Chairperson
Ester Kali**	Executive
Rairirira Mbakutua Mbetjiha**	Non-executive (resigned 30 June 2021)
Sven von Blottnitz^*	Independent Non-Executive
Rosalia Martins-Hausiku**	Independent Non-Executive
Kamogelo Chiusiwa^^	Independent Non-Executive (appointed 12 July 2021)
Sheikh Jobe	Independent Non-Executive (appointed 20 July 2021) (resigned 23 August 2021)
Mansueta-Maria Nakale**	Independent Non-Executive (appointed 31 August 2021)
Karl-Stefan Altmann**	Executive (appointed 17 August 2021)
Kudzai Chigiji*^	Independent Non-Executive (appointed 1 February 2022)

** Namibian ^^ Motswana ^* German *^Zimbabwean

The secretary of the company Chriszelda Gontes resigned on the 31 January 2022.

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

6. Holding company

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

7. Financial results

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

8. Borrowing powers

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

The total borrowings of the Group at 31 December 2021 are N$2 173 million (2020: N$1 430 million). Full details of the borrowings are shown in notes 15 and 16 of the consolidated and separate annual financial statements.

9. Major capital expenditures

The Group made additions to its capital assets of N$8.8 million (2020: N$3 million) excluding the right-of-use assets during the financial year.

10. Going concern

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

11. Investment in subsidiaries

Subsidiaries of Letshego Holdings (Namibia) Limited	Number of shares held	Issued ordinary share capital and premium N$'000	Effective holding 2021 %	Effective holding 2020 %
Letshego Bank (Namibia) Limited	999,994	100	99.9	99.9
Letshego Micro Financial Services (Namibia) (Pty) Ltd	1,000,000	140,100	100	100

Financial details of subsidiaries	Aggregate income of subsidiaries before tax 2021 N$'000	Aggregate income of subsidiaries before tax 2020 N$'000	Total investment 2021 N$'000	Total investment 2020 N$'000
Letshego Bank (Namibia) Limited	103,354	98,881	1,344,154	1,344,154
Letshego Micro Financial Services (Namibia) (Pty) Ltd	218,311	239,076	570,200	570,200

12. Compliance with BID-2

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

13. Material post reporting date events

A dividend of 29.52 cents per ordinary share has been declared since the end of the reporting year.

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

14. Auditors

Ernst & Young Namibia was appointed as external auditor in 2021 with the approval of the shareholders in accordance with the Namibian Companies Act.

LETSHEGO HOLDINGS (NAMIBIA) LIMITED
ANNUAL FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
as at 31 December 2021

		Group		Company	
	Notes	**31 December 2021 N$ '000**	31 December 2020 N$ '000	**31 December 2021 N$ '000**	31 December 2020 N$ '000
ASSETS					
Cash and cash equivalents	7	**287,048**	468,253	**329**	59
Government and other securities	8	**500,004**	-	**-**	-
Other receivables	9.1	**352,305**	202,703	**124,952**	66,197
Intercompany receivable	9.2	**-**	-	**200,590**	78,672
Advances to customers	10	**4,278,481**	3,608,616	**-**	-
Current taxation	14.4	**81,736**	80,653	**7,347**	7,354
Investment in subsidiaries	29	**-**	-	**1,914,354**	1,914,354
Property, equipment and right-of-use assets	11	**18,375**	22,244	**-**	-
Deferred tax assets	14.3	**3,488**	3,803	**538**	-
Total assets		**5,521,437**	4,386,272	**2,248,110**	2,066,636
LIABILITIES AND EQUITY					
Liabilities					
Deposits due to customers	17	**386,069**	187,893	**-**	-
Trade and other payables	12	**238,750**	149,440	**68,860**	31,402
Lease liabilities	13	**7,639**	11,162	**-**	-
Borrowings	15	**1,980,798**	842,465	**233,012**	-
Amounts due to parent company	16	**191,728**	587,411	**-**	111,184
Deferred tax liabilities	14.3	**6,882**	9,367	**-**	-
Total liabilities		**2,811,866**	1,787,738	**301,872**	142,586
SHAREHOLDERS' EQUITY					
Share capital	18	**100**	100	**100**	100
Retained earnings		**1,750,906**	1,680,057	**601,984**	579,796
Capital reorganisation reserve	28	**701,024**	701,024	**1,344,154**	1,344,154
Statutory credit risk reserve		**40,080**	-	**-**	-
Equity settled share based payment reserve	19	**2,376**	2,268	**-**	-
		2,494,486	2,383,449	**1,946,238**	1,924,050
Non-controlling interest		**215,085**	215,085	**-**	-
Total equity		**2,709,571**	2,598,534	**1,946,238**	1,924,050
Total liabilities and equity		**5,521,437**	4,386,272	**2,248,110**	2,066,636

LETSHEGO HOLDINGS (NAMIBIA) LIMITED
ANNUAL FINANCIAL STATEMENTS
STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Notes	Group		Company	
		31 December 2021 Audited N$ '000	31 December 2020 Restated N$ '000	**31 December 2021 Audited N$ '000**	31 December 2020 Resated N$ '000
Interest income	23	**588,524**	625,704	**8,745**	6
Interest expense	23	**(121,232)**	(98,750)	**(10,425)**	-
Net interest income	23	**467,292**	526,954	**(1,680)**	6
Credit impairment reversal/(charge)	10	**16,520**	(43,652)	**-**	-
Net interest income after impairment		**483,812**	483,302	**(1,680)**	6
Dividend income	25	**-**	-	**161,562**	-
Fee income	24	**23,906**	6,797	**-**	-
Other operating income	25, 6	**213,535**	148,568	**65,855**	51,825
Employee benefits	21	**(80,985)**	(70,429)	**(30)**	(3)
Other operating expenses	22	**(284,465)**	(164,291)	**(11,757)**	(2,246)
Operating profit before taxation	20	**355,803**	403,947	**213,950**	49,582
Taxation	14, 6	**(52,574)**	(83,058)	**538**	(2)
Profit for the year		**303,229**	320,889	**214,488**	49,580
Other comprehensive income, net of tax		**-**	-	**-**	-
Total comprehensive income for the year		**303,229**	320,889	**214,488**	49,580
Basic earnings per share (cents)	33	**61**	64	**43**	10
Fully diluted earnings per share (cents)	33	**61**	64	**43**	10

LETSHEGO HOLDINGS (NAMIBIA) LIMITED
ANNUAL FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Share capital N$ '000	Equity settled share based payment reserve N$ '000	Statutory credit risk reserve N$ '000	Retained earnings N$ '000	Capital reorganisation reserve N$ '000	Ordinary shareholders' reserve N$ '000	Non-controlling interest[1] N$ '000	Total equity N$ '000
GROUP								
As at 1 January 2021	**100**	**2,268**		**1,680,057**	**701,024**	**2,383,449**	**215,085**	**2,598,534**
Total comprehensive income for the year								
Profit for the year	-	-		**303,229**	-	**303,229**	-	**303,229**
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Transactions with equity holders, recorded directly in equity								
Ordinary share dividend paid	-	-		**(192,300)**	-	**(192,300)**	-	**(192,300)**
Transfer between reserves			**40,080**	**(40,080)**				-
Share based payment transactions	-	**108**	-	-	-	**108**	-	**108**
As at 31 December 2021	**100**	**2,376**	**40,080**	**1,750,906**	**701,024**	**2,494,486**	**215,085**	**2,709,571**
As at 1 January 2020	100	2,144	-	1,471,668	701,024	2,174,936	215,085	2,390,021
Total comprehensive income for the year								-
Restated profit and total comprehensive income for the year		-	-	320,889	-	320,889	-	320,889
Transactions with equity holders, recorded directly in equity								
Ordinary share dividend paid	-	-	-	(112,500)	-	(112,500)	-	(112,500)
Share based payment transactions	-	124	-	-	-	124	-	124
As at 31 December 2020	100	2,268		1,680,057	701,024	2,383,449	215,085	2,598,534
COMPANY								
As at 1 January 2021	**100**	-	-	**579,796**	**1,344,154**	**1,924,050**	-	**1,924,050**
Total comprehensive income for the year								
Profit for the year	-	-	-	**214,488**	-	**214,488**	-	**214,488**
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Transactions with equity holders, recorded directly in equity								
Ordinary share dividend paid	-	-	-	**(192,300)**	-	**(192,300)**	-	**(192,300)**
As at 31 December 2021	**100**	-	-	**601,984**	**1,344,154**	**1,946,238**	-	**1,946,238**
As at 1 January 2020	100	-	-	642,716	1,344,154	1,986,970	-	1,986,970
Total comprehensive income for the year								
Profit and total comprehensive income for the year	-	-	-	49,580	-	49,580	-	49,580
Transactions with equity holders, recorded directly in equity								
Ordinary share dividend paid	-	-	-	(112,500)	-	(112,500)	-	(112,500)
As at 31 December 2020	100	-	-	579,796	1,344,154	1,924,050	-	1,924,050

LETSHEGO HOLDINGS (NAMIBIA) LIMITED
ANNUAL FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
for the year ended 31 December 2021

		Group		Company	
	Notes	**31 December 2021 Audited**	31 December 2020 Restated	**31 December 2021 Audited**	31 December 2020 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		**N$ '000**	N$ '000	**N$ '000**	N$ '000
Operating profit before taxation		**355,803**	403,947	**213,950**	49,582
Adjusted for:					
- Net interest income	23	**(467,292)**	(526,954)	**1,680**	(6)
- Dividends received	25	**(204,568)**	(148,568)	**(227,418)**	(51,825)
- Depreciation	11	**15,451**	15,108	**-**	-
- Impairment allowance on advances	10	**(24,343)**	42,926	**-**	-
- Equity settled share based payment transactions	19	**108**	124	**-**	-
Movement in advances to customers	10	**(645,522)**	(716,201)	**-**	-
Movement in other receivables	9.1	**(149,602)**	(294)	**(58,755)**	(15,985)
Movement in trade and other payables	12	**89,310**	97,931	**37,458**	31,106
Movement in customer deposits	17	**198,176**	144,532	**-**	-
		(832,478)	(687,449)	**(33,085)**	12,872
Interest received		**588,524**	625,704	**8,745**	6
Interest paid - customer deposits	23	**(13,357)**	(4,766)	**-**	-
Net tax paid	14.4	**(55,827)**	(82,068)	**7**	(152)
Net cash flow (used in) / generated from operating activities		**(313,138)**	(148,579)	**(24,333)**	12,726
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment (excluding to right-of-use assets)	11	**(8,821)**	(2,952)	**-**	-
Movement in government and other securities	8	**(500,004)**	13,979	**-**	-
Dividend received		**204,568**	148,568	**227,418**	51,825
Net cash from investing activities		**(304,257)**	159,595	**227,418**	51,825
CASH FLOWS FROM FINANCING ACTIVITIES					
Ordinary share dividend paid		**(192,300)**	(112,500)	**(192,300)**	(112,500)
Borrowings received	34	**1,667,465**	601,694	**233,012**	-
Borrowings repaid	34	**(529,132)**	(50,000)	**-**	-
Interest paid - borrowings	23, 34	**(107,804)**	(92,281)	**(10,425)**	-
Interest paid - lease liabilities	13, 23, 34	**(71)**	(1,703)	**-**	-
Repayment of amounts due to parent company	16, 9.2, 34	**(395,683)**	(29,786)	**(233,102)**	**47,828**
Principal element of lease payments	34	**(6,284)**	(5,773)	**-**	-
Net cash generated from / (used in) financing activities		**436,191**	309,651	**(202,815)**	(64,672)
Net movement in cash and cash equivalents		**(181,204)**	320,667	**270**	(121)
Movement in cash and cash equivalents					
At the beginning of the year		**468,253**	147,586	**59**	180
Movement during the year		**(181,204)**	320,667	**270**	(121)
At the end of the year	7	**287,049**	468,253	**329**	59

1. Reporting entity

Letshego Holdings (Namibia) Limited is a Company domiciled in Namibia. The address of the Company's registered office is 18 Schwerinsburg Street, Windhoek, Namibia. The consolidated and seperate annual financial statements of Letshego Holdings Namibia Limited as at and for the year ended 31 December 2021 comprise the Company and the interest in its two subsidiaries, namely, Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Pty) Ltd. The Group is primarily engaged in the provision of banking and other financial services to members of the public.

2. Basis of preparation

a) The consolidated and seperate annual financial statements have been prepared on a historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVPL) and debt and equity instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value. The principal accounting policies applied in the preparation of these consolidated and seperate annual financial statements are set out below. These policies have been consistently applied to all the periods presented. There is no change and there has also been no new accounting policies adopted in the current year.

b) Functional and presentation currency

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

c) Going concern

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

d) Key assumptions and critical judgements

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

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

Impairment of advances to customers

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

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

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

Current and deferred taxation

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

Effective Interest Rate (EIR) method

The Group's EIR methodology, as explained in Note 5.f), recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the base rate and other fee income/expense that are integral parts of the instrument.

3. Significant accounting policies

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

a) Basis of consolidation

Interest in subsidiaries
The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:
• has power over the investee;
• is exposed, or has rights, to variable returns from its investment with the investee; and
• has the ability to use its power to affect its returns.
The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.
Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

c) Revenue recognition (continued)

ii) Fee income

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

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

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

iii) Dividend income

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

d) Leases

Group and company acting as a lessee

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

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

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful

* Buildings 3 to 6 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest andreduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 5).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Extension and termination options

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

3. Significant accounting policies (continued)

e) Taxation

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

i) Current taxation

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

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

ii) Deferred taxation

Deferred taxation is provided using the statement of financial position liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

The principal temporary differences arise from depreciation on property, equipment and right-of-use assets, allowances provisions for originated loans, deferred fees on borrowings and provisions for the equity settled share based payments scheme. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

f) Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

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

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

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

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

3. Significant accounting policies (continued)

f) Financial assets and liabilities (continued)

Measurement methods (continued)

Initial recognition and measurement

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

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

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

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

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

i) Financial assets

1. Classification and subsequent measurement

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

f) Financial assets and liabilities

Measurement methods

i) Financial assets (continued)

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

Debt instruments (continued)

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

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

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

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

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

Gains and losses on equity investments at FVPL are included in the ‘other operating income ’ line in the statement of profit or loss.

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

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

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

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

3. Significant accounting policies (continued)

f) Financial assets and liabilities

Measurement methods

i) Financial assets (continued)

3. **Modification of loans**

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

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

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

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

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

f) Financial assets and liabilities

Measurement methods

ii) Financial liabilities

1. **Classification and subsequent measurement**

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

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

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; when continuing involvement approach applies, see Note 5(f)(i) *4* ; and

- Financial guarantee contracts and loan commitments.

2. **Derecognition**

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

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

iii) Offsetting

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

iv) Cash and cash equivalents

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

v) Other receivables

Financial instruments

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

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

Non-financial instruments

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

vi) Trade and other payables

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

3. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

h) Impairment of non-financial assets

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

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

i) Employee benefit costs

Defined contribution plan

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

Leave days

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

Employee incentives and bonus schemes

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

Short-term benefits

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

j) Share based payment transactions

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

k) Provisions

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

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

3. Significant accounting policies (continued)

l) Equity

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

m) Share capital and reserves

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

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

n) Statutory credit risk reserve

The statutory credit risk reserve represents the amount by which Bank of Namibia require in addition to the IFRS impairment provision. Changes in this reserve are accounted for as transfers to and from retained earnings as appropriate.

o) Dividends

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

p) Contingent liabilities

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

q) Related parties

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

r) Investment in subsidiaries

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

s) Cell accounting

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

4. New standards and amendments to standards

a) New standards and interpretations and amendments effective for the first time for 31 December 2021 year-end

Standard/Interpretation	Effective date	Executive Summary
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Annual reporting periods beginning on or after 1 January 2021	The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).
Covid-19-Related Rent Concessions - Amendments to IFRS 16	Annual reporting periods beginning on or after 1 April 2021.	The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

b) New standards and interpretations and amendments issued but not effective for 31 December 2021 year-end

Standard/Interpretation	Effective date	Executive Summary
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	Annual reporting periods beginning on or after 1 January 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual reporting periods beginning on or after 1 January 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
IFRS 17 – Insurance contracts	Annual periods beginning on or after 1 January 2023	IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements.
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Annual reporting periods beginning on or after 1 January 2023	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	Annual reporting periods beginning on or after 1 January 2023	The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
Definition of Accounting Estimates - Amendments to IAS 8	Annual reporting periods beginning on or after 1 January 2023	The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	Annual reporting periods beginning on or after 1 January 2023	The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Impact assessments

Interest Rate Benchmark Reform – Phase 2 – Amendments toIFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions - Amendments to IFRS 16
- the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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

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

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

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

Definition of Accounting Estimates - Amendments to IAS 8
- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

5. Financial risk management

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

5.1 Financial risk factors

5.1.1 Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet obligations in accordance with agreed terms. The Group is exposed to credit risk from from the company's loans and advances to customers and other banks, and investment debt securities.

Management of credit risk

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

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

• Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Board Credit Committee, or the Board of Directors, as appropriate.

• Reviewing and assessing credit risk: The Credit function assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

• Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).

• Developing and maintaining the Group's risk gradings to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 7 grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by the Risk function.

• Developing and maintaining the Group's processes for measuring incurred credit losses (ICL): This includes processes for:
– initial approval, regular validation and back-testing of the models used; and
– incorporation of forward-looking information.

• Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Group Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.

• Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

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

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

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

Credit risk measurement - Loans and advances

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

Credit risk grading

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

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

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

Expected credit loss measurement

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

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

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

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Expected credit loss measurement (continued)

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

Significant increase in credit risk (SICR)
The IFRS 9 measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9 requires the use of forward-looking factors, or predictive indicators, in the calculation of ECL, including the staging assessment.

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio).
Source of the forward looking information will vary from country to country and all macro economic factors used will be approved at high level by the Credit Committee. This is also based on the correlation exercises done.

In its ECL models, the company relies on a broad range of forward looking information as economic inputs, such as:
• Unemployment rates
• Consumer Price Index
• Gross Domestic Product (GDP)
The working company approved the three core factors as the starting point for all subsidiary regression calculations. Management overlays on macroeconomic variables will only apply in cases where the above three variables have no statistical significance and an alternative variable with a good correlation will then be applied. The forward looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

Definition of default

Default is not defined under IFRS 9.The company is responsible for defining this for themselves and it should be based upon its own definition used in the company's internal risk management. Careful consideration of how default is defined is important as the definition impacts the calculation of PDs, LGDs and EADs, hence impacting the ECL results.
The simplest definition is that of failure to meet a scheduled payment of principal or interest, however, that definition has modifications depending upon the loan product. The definition of default has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators, e.g. breaches of covenants, when appropriate. Inability to pay may also be considered in making the qualitative assessment of default.
Indications of inability to pay include:

• the credit obligation is placed on non-accrued status;
• the company makes a specific provision or charge-off due to a determination that the obligor’s credit quality has declined (subsequent to taking on the exposure);
• the company sells the credit obligation or receivable at a material credit related economic loss;
• the company agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing;
• the company has filed for the obligor’s bankruptcy in connection with the credit obligations; and
• the obligor has sought or been placed in bankruptcy resulting in the delay or avoidance of the credit obligation’s repayment.

Discounting

Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is that rate that is expected to apply when the loan is drawn down and a financial asset is recognised.

Modelling techniques

Expected credit losses (ECL) are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original effective interest rate.
For the IFRS 9 impairment assessment, company Impairment Models are used to determine the PD, LGD and EAD. For Stage 2 and 3, company applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Renegotiated loans treatment

Both performing and non-performing restructured assets are classified as stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period is 6 months to move to cure state (Stage 1).

Forward-looking information

The IFRS 9 measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9 requires the use of forward-looking factors, or predictive indicators, in the calculation of ECL, including the staging assessment.

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio).
Source of the forward looking information will vary from country to country and all macro economic factors used will be approved at high level by the Credit Committee. This is also based on the correlation exercises done.

In its ECL models, the company relies on a broad range of forward looking information as economic inputs, such as:
• Unemployment rates
• Consumer Price Index
• Gross Domestic Product (GDP)
The working company approved the three core factors as the starting point for all subsidiary regression calculations. Management overlays on macroeconomic variables will only apply in cases where the above three variables have no statistical significance and an alternative variable with a good correlation will then be applied. The forward looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

COVID-19 impact on ECL

The Government Deduction at Source (DAS) portfolio is the largest portfolio and constitutes more than 92% of the total loan portfolio. The Group’s Deduction at Source portfolio remained resilient with public sector jobs largely unaffected despite pandemic conditions.
In an effort to mitigate risks associated with unpredictable pandemic environments, the company is prudent in curtailing new loan growth in higher risk segments and geographies, while prioritising portfolio remediation and collection efforts

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Expected credit loss measurement (continued)

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

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

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

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

The following table shows the main macroeconomic factor used to estimate the expected credit loss allowance on loans.

Macroeconomic factors	Namibia CPI (%)	Namibia GDP (% p.a)	Namibia Unemployment Rate (%)
2020	4.0%	-3.5%	26.6%
2021	4.0%	-2.5%	20.3%

Stress testing and sensitivity analysis of IFRS 9 ECL

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

Model recalibrations were performed in 2021 at two points, in April and October 2021. The period between April and October saw economies open up and vaccination rollout improved in Namibia .

Loss Given Default (LGD)
The absolute value shift in LGDs between April and October 2021 was positive at the back of increase in recoveries . This gave an indication of the sensitivity of the LGDs under economic duress. The Company is therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake.

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

The following table shows a comparison of the Group's expected credit loss allowance under IFRS 9 as at 31 December 2021 based on the probability weightings (Base: 50%, Upside: 20%, Downside: 30%) of the above-mentioned three scenarios against the expected credit loss allowance resulting from simulations of each scenario being weighted at 100%.

N$'000	Base case	Upside	Impact	Downside	Impact	Probability Weighted ECL	Weighted Impact
ECL	46,661	37,329	(9,332)	60,660	13,998	48,689	2,028

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

LHN	Base ECL	Probability Weighted ECL	Total Impact
	N$'000	**N$'000**	**N$'000**
ECL	46,661	48,689	2,028
Total	**46,661**	**48,689**	**2,028**

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

NAD'000	Base case	Upside	Impact	Downside	Impact	Probability Weighted ECL	Weighted Impact
ECL	71,004	42,547	(28,457)	84,182	13,151	78,215	7,183

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

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

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

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

Credit risk exposure

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

	Advances to customers			
	2021			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade	N$ '000	N$ '000	N$ '000	N$ '000
Low risk (CS01 - CS02)	4,054,994	-	-	4,054,994
Medium risk (CS03 - CS04)	-	98,275	-	98,275
Special monitoring (CS05)	-	-	-	-
Doubtful (CS06 - CS07)	-	-	171,874	171,874
Gross carrying amount	**4,054,994**	**98,275**	**171,874**	**4,325,143**
Loss allowance	(12,863)	(839)	(32,959)	(46,661)
Carrying amount	**4,042,131**	**97,436**	**138,915**	**4,278,482**

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Credit risk exposure (continued)

	Advances to customers			
	2020			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade	N$ '000	N$ '000	N$ '000	N$ '000
Low risk (CS01 - CS02)	3,463,728	-	-	3,463,728
Medium risk (CS03 - CS04)	-	90,056	-	90,056
Special monitoring (CS05)	-	-	-	-
Doubtful (CS06 - CS07)	-	-	125,837	125,837
Gross carrying amount	**3,463,728**	**90,056**	**125,837**	**3,679,621**
Loss allowance	(24,604)	(1,547)	(44,853)	(71,004)
Carrying amount	**3,439,124**	**88,509**	**80,984**	**3,608,617**

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period [see Note 5.f)i)].

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

Advances to customers	Stage 1 12-month ECL N$ '000	Stage 2 Lifetime ECL N$ '000	Stage 3 Lifetime ECL N$ '000	Total N$ '000
Loss allowance as at 1 January 2021	**24,604**	**1,547**	**44,853**	**71,004**
Transfers between stages				
Transfer from Stage 1 to Stage 2	(383)	383	-	-
Transfer from Stage 1 to Stage 3	(13,269)	-	13,269	-
Transfer from Stage 2 to Stage 3	-	(4,007)	4,007	-
Transfer from Stage 3 to Stage 1	1	-	(1)	-
Transfer from Stage 3 to Stage 2	-	3	(3)	-
Transfer from Stage 2 to Stage 1	(119)	119	-	-
Net ECL raised / (released)	2,029	2,794	46,595	51,418
Impaired accounts written off	-	-	(75,760)	(75,760)
Loss allowance as at 31 December 2021	**12,863**	**839**	**32,959**	**46,661**
Loss allowance as at 1 January 2020	**15,753**	**890**	**11,435**	**28,078**
Transfers between stages				
Transfer from Stage 1 to Stage 2	(314)	314	-	-
Transfer from Stage 1 to Stage 3	(11,010)	-	11,010	-
Transfer from Stage 2 to Stage 3	-	(2,223)	2,223	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	(23)	23	-
Transfer from Stage 2 to Stage 1	(10)	10	-	-
Net ECL raised / (released)	20,185	2,579	127,494	150,258
Impaired accounts written off	-	-	(107,332)	(107,332)
Loss allowance as at 31 December 2020	**24,604**	**1,547**	**44,853**	**71,004**

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- The write-off of loans with a total gross carrying amount of NAD 65.3 million (2020: NAD 107.3 million) which resulted in the reduction of the Stage 3 loss allowance by the same amount.

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

Advances to customers	Stage 1 12-month ECL N$ '000	Stage 2 Lifetime ECL N$ '000	Stage 3 Lifetime ECL N$ '000	Total N$ '000
Gross carrying amount as at 1 January 2021	**3,427,199**	**127,821**	**124,600**	**3,679,620**
Transfers:				
Transfer from Stage 1 to Stage 2	(34,225)	34,225	-	-
Transfer from Stage 1 to Stage 3	(72,380)	-	72,380	-
Transfer from Stage 2 to Stage 3	-	(21,339)	21,339	-
Transfer from Stage 3 to Stage 1	173	-	(173)	-
Transfer from Stage 3 to Stage 2	-	1,222	(1,222)	-
Transfer from Stage 2 to Stage 1	20,016	(20,016)	-	-
Financial assets derecognised during the period other than write-offs *	(2,050,291)	(76,191)	14,447	(2,112,035)
New financial assets originated	2,764,502	52,553	16,263	2,833,318
Write-offs	-	-	(75,760)	(75,760)
Gross carrying amount as at 31 December 2021	**4,054,994**	**98,275**	**171,874**	**4,325,143**
Gross carrying amount as at 1 January 2020	**2,793,378**	**45,304**	**124,737**	**2,963,419**
Transfers:				
Transfer from Stage 1 to Stage 2	(25,549)	25,549	-	-
Transfer from Stage 1 to Stage 3	(63,569)	-	63,569	-
Transfer from Stage 2 to Stage 3	-	(12,434)	12,434	-
Transfer from Stage 3 to Stage 1	(9)	-	9	-
Transfer from Stage 3 to Stage 2	-	884	(884)	-
Transfer from Stage 2 to Stage 1	377,341	(377,341)	-	-
Financial assets derecognised during the period other than write-offs *	(1,034,729)	(23,323)	5,177	(1,052,875)
New financial assets originated	1,380,336	469,182	26,890	1,876,408
Write-offs	-	-	(107,332)	(107,332)
Gross carrying amount as at 31 December 2020	**3,427,199**	**127,821**	**124,600**	**3,679,620**

* The financial assets were derecognised at a value that approximate its carrying amount, there were therefore no gains or losses.

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Loss allowance (continued)

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

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

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

Advances

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

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

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

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

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

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

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

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

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

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

Credit quality

	GROUP		***COMPANY***	
Analysis of credit quality	**31 December 2021 Advances N$ '000**	**31 December 2020 Advances N$ '000**	**31 December 2021 Advances N$ '000**	**31 December 2020 Advances N$ '000**
Financial assets that are neither past due nor specifically impaired				
Stage 1	**4,054,994**	3,427,199	-	-
Past due and specifically impaired			-	-
Stage 2	**98,275**	127,821	-	-
Stage 3	**171,874**	124,600	-	-
Total credit exposure	**4,325,143**	3,679,620	-	-
Total impairments				
Stage 1	**(12,863)**	(24,604)	-	-
Stage 2	**(839)**	(1,547)	-	-
Stage 3	**(32,959)**	(44,853)	-	-
Net advances	**4,278,482**	3,608,616	-	-
Impairment as a % of gross advances per respective stage				
Stage 1	**0.32%**	0.72%	-	-
Stage 2	**0.85%**	1.21%	-	-
Stage 3	**19.18%**	36.00%	-	-
Total impairment as a % of total gross advances	**1.08%**	1.93%	-	-
Reconciliation of allowance account				
Balance at the beginning of the year	**71,004**	28,078	-	-
Impairment provision raised	**51,417**	150,258	-	-
Impairment provision released upon write-offs of underlying exposure (note 10)	**(75,760)**	(107,332)	-	-
Balance at the end of the year	**46,661**	71,004	-	-

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Advances (continued)

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

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

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

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

Loans

Average loan value (at inception)	Number of loans	% of total number of loans	Carrying amount (net of impairment) N$ '000	% of total carrying amount
2021 - Group				
< 5 000	**1,993**	**2.25%**	**11,914**	**0.28%**
5 000 - 10 000	**7,548**	**8.51%**	**42,327**	**0.99%**
10 000 -20 000	**14,028**	**15.82%**	**155,642**	**3.64%**
20 000 - 50 000	**25,093**	**28.30%**	**665,542**	**15.56%**
> 50 000	**30,271**	**34.13%**	**1,955,255**	**45.70%**
> 100 000	**9,742**	**10.99%**	**1,447,802**	**33.84%**
Total	**88,675**	**100.00%**	**4,278,482**	**100.00%**

Average loan value (at inception)	Number of loans	% of total number of loans	Carrying amount (net of impairment) N$ '000	% of total carrying amount
2020 - Group				
< 5 000	1,917	2.38%	19,162	0.54%
5 000 - 10 000	6,939	8.60%	68,421	1.92%
10 000 -20 000	13,231	16.40%	195,726	5.50%
20 000 - 50 000	24,474	30.35%	870,001	24.43%
> 50 000	34,092	42.27%	2,455,306	67.62%
Total	80,653	100.00%	3,608,616	100.01%

The concentration risk per employer is as follows:

- Public sector	97%
- Other employers	3%

No collateral is held for these advances.

Financial assets other than advances

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

	Total carrying amount N$ '000	Single largest exposure to a single counter-party N$ '000	Aaa to A3 N$ '000	Baa1 to Baa3 N$ '000	Below Baa3 N$ '000	Not rated N$ '000
2021 - Group						
Cash and cash equivalents	**248,361**	**139,931**	**248,361**	**-**	**-**	**-**
Deposits with Bank of Namibia	**38,687**	**38,687**	**38,687**	**-**	**-**	**-**
Investments in securities	**500,004**	**480,017**	**500,004**	**-**	**-**	**-**
Other receivables	**313,722**	**295,966**	**-**	**-**	**-**	**313,722**
Total	**1,600,778**	**1,454,606**	**1,287,056**	**-**	**-**	**313,722**
2020 - Group						
Cash and cash equivalents	402,519	391,798	402,519	-	-	-
Deposits with Bank of Namibia	65,734	65,734	65,734	-	-	-
Other receivables	181,720	168,498	-	-	-	181,720
Total	649,973	626,030	468,253	-	-	181,720
2021 - Company						
Cash and cash equivalents	329	329	329	-	-	-
Other receivables	121,374	121,323	-	-	-	121,374
Intercompany receivable	200,590	106,875	-	-	-	200,590
Total	322,293	228,527	329	-	-	321,964
2020 - Company						
Cash and cash equivalents	59	59	59	-	-	-
Other receivables	66,197	66,197	-	-	-	66,197
Intercompany receivable	78,672	78,672	-	-	-	78,672
Total	144,928	144,928	59	-	-	144,869

5.1 Financial risk factors (continued)

5.1.2 Market risk

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

5.1.2.1 Interest rate risk management

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

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

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

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

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

Risk measurement and management

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

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

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

The ALCO views interest rate in the banking book to comprise of the following:

- Re-pricing risk (mismatch risk), being the timing difference in the maturity (for fixed) and re-pricing (for floating rate) of the Group's assets and liabilities; and
- yield curve risk, which includes the changes in the shape and slope of the yield curve.

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

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

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

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

Interest rate sensitivity analysis

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

i) Re-pricing profile

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

2021 - *GROUP*	**Demand and up to 1 month N$ '000**	**Greater than 1 month up to 3 months N$ '000**	**Greater than 3 months up to 12 months N$ '000**	**Greater than 12 months up to 24 months N$ '000**	**Greater than 24 months N$ '000**	**Non-interest sensitive items N$ '000**	**Non-financial instruments N$ '000**	**Total N$ '000**
Assets								
Cash and cash equivalents	287,048	-	-	-	-	-	-	287,048
Government and other securities	-	-	500,004	-	-	-	-	500,004
Other receivables	-	-	-	-	-	313,722	38,583	352,305
Net advances	271,451	535,529	2,297,558	843,018	330,925	-		4,278,481
Current taxation	-	-	-	-	-	-	81,736	81,736
Property, equipment and right-of-use assets	-	-	-	-	-	-	18,375	18,375
Deferred tax assets	-	-	-	-	-	-	3,488	3,488
Total assets	558,499	535,529	2,797,562	843,018	330,925	313,722	142,182	5,521,437
Liabilities and equity								
Deposits due to customers	300,597	-	85,471	-	-	-	-	386,069
Trade and other payables	-	-	-		-	218,495	20,255	238,750
Borrowings	1,289,007	691,792	-	-	997,631	-	-	2,978,429
Lease liabilities	-	-	7,639	-	-	-	-	7,639
Intercompany payables	191,728	-	-	-	-	-	-	191,728
Deferred tax liabilities	-	-	-	-	-	-	6,882	6,882
Ordinary shareholders' equity	-	-	-	-	-	-	2,709,571	2,709,571
Total liabilities and equity	1,781,332	691,792	93,110	-	997,631	218,495	2,736,708	6,519,068
On balance sheet interest sensitivity	(1,222,833)	(156,263)	2,704,452	843,018	(666,706)			

5.1 Financial risk factors (continued)

5.1.2 Market risk (continued)

5.1.2.1 Interest rate risk management (continued)

i) Re-pricing profile (continued)

2020 - *GROUP*	**Demand and up to 1 month N$ '000**	**Greater than 1 month up to 3 months N$ '000**	**Greater than 3 months up to 12 months N$ '000**	**Greater than 12 months up to 24 months N$ '000**	**Greater than 24 months N$ '000**	**Non-interest sensitive items N$ '000**	**Non-financial instruments N$ '000**	**Total N$ '000**
Assets								
Cash and cash equivalents	468,253	-	-	-	-	-	-	468,253
Government and other securities	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	181,720	20,983	202,703
Net advances	117,021	227,068	915,545	181,820	2,167,163	-	-	3,608,616
Current taxation	-	-	-	-	-	-	80,653	80,653
Property, equipment and right-of-use assets	-	-	-	-	-	-	22,244	22,244
Deferred tax assets	-	-	-	-	-	-	3,803	3,803
Total assets	585,274	227,068	915,545	181,820	2,167,163	181,720	127,683	4,386,272
Liabilities and equity								
Deposits due to customers	160,214	6,677	21,002	-	-	-	-	187,893
Trade and other payables	-	-	-		-	131,746	17,694	149,440
Borrowings	-	501,533	10,000	330,932	-	-	-	842,465
Lease liabilities	-	660	10,387	115	-	-	-	11,162
Amounts due to parent company	-	-	-	-	585,750	-	-	587,411
Deferred tax liabilities	-	-	-	-	-	-	9,367	9,367
Ordinary shareholders' equity	-	-	-	-	-	-	2,598,534	2,598,534
Total liabilities and equity	160,214	508,870	41,389	331,047	585,750	131,746	2,625,595	4,386,272
On balance sheet interest sensitivity	425,060	(281,802)	874,156	(149,227)	1,581,413			

2021 - *COMPANY*	**Demand and up to 1 month N$ '000**	**Greater than 1 month up to 3 months N$ '000**	**Greater than 3 months up to 12 months N$ '000**	**Greater than 12 months up to 24 months N$ '000**	**Greater than 24 months N$ '000**	**Non-interest sensitive items N$ '000**	**Non-financial instruments N$ '000**	**Total N$ '000**
Assets								
Cash and cash equivalents	329	-	-	-	-	-	-	329
Other receivables	-	-	-	-	-	121,374	3,578	124,952
Intercompany receivable	200,590	-	-	-	-	-	-	200,590
Current taxation	-	-	-	-	-	-	7,347	7,347
Deferred tax assets							538	538
Investment in subsidiaries	-	-	-	-	-	-	1,914,354	1,914,354
Total assets	200,919	-	-	-	-	121,374	1,925,817	2,248,110
Liabilities and equity								
Trade and other payables	-	-	-	-	-	68,640	220	68,860
Borrowings	-	233,012	-	-		-	-	233,012
Ordinary shareholders' equity	-	-	-	-	-	-	1,946,238	1,946,238
Total liabilities and equity	-	233,012	-	-	-	68,640	1,946,458	2,248,110
On balance sheet interest sensitivity	200,919	(233,012)	-	-	-	-	-	-

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

5.1 Financial risk factors (continued)

5.1.2 Market risk (continued)

5.1.2.1 Interest rate risk management (continued)

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

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

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

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

2021 - *GROUP*	Carrying amount at end of year N$ '000	Amount exposed to market risk N$ '000	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$ '000
Financial assets				
Cash and cash equivalents	287,048	287,048	Namibia Prime	5,741
Government and other securities	500,004	500,004	Namibia Prime	10,000
Advances	4,278,481	-	N/A **	-
	5,065,533	**787,052**		**15,741**
Financial liabilities				
Amounts due to parent company	191,728	191,210	Namibia Prime	(3,824)
Borrowings	1,980,798	1,980,798	Namibia Prime	(39,616)
Deposits	386,069	386,069	Namibia Prime	(7,721)
	2,558,595	**2,558,078**		**(51,161)**
Net effect on the statement of total comprehensive income				**(35,420)**

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

2021 - COMPANY	Carrying amount at end of year N$	Amount exposed to market risk N$	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$
Financial assets				
Cash and cash equivalents	329	329	Namibia Prime	7
Intercompany receivable	200,590	-	N/A	-
	200,919	**329**		**7**
Financial liabilities				
Borrowings	233,012	233,012	JIBAR	(4,660)
	233,012	**233,012**		**(4,660)**
Net effect on the statement of total comprehensive income				**(4,653)**

2020 - COMPANY	Carrying amount at end of year N$	Amount exposed to market risk N$	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$
Financial assets				
Cash and cash equivalents	59	59	Namibia Prime	1
Intercompany receivable	78,672	-	N/A	-
	78,731	**59**		**1**
Financial liabilities				
Intercompany payable	111,184	-	N/A	-
	111,184	**-**		**-**
Net effect on the statement of total comprehensive income				**1**

** Interest on advances are based on Namibia prime rate however they remain fixed for the duration of the loan even when the prime rate changes, therefore there is no interest rate risk exposure.

5.1 Financial risk factors (continued)

5.1.2 Market risk (continued)

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

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

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

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

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

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

The maturities of financial assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates.

Assets and liabilities maturities as at 31 December 2021

2021 - *GROUP*	**Demand and up to 1 month N$**	**Greater than 1 month up to 3 months N$**	**Greater than 3 months up to 12 months N$**	**Greater than 12 months up to 24 months N$**	**Greater than 24 months N$**	**Non-financial assets and liabilities N$**	**Total N$**
Assets							
Cash and cash equivalents	287,048	-	-	-	-	-	287,048
Government and other securities	19,987	-	-	-	480,017	-	500,004
Other receivables	-	313,722	-	-	-	38,583	352,305
Net advances	271,451	535,529	2,297,558	843,018	330,925	-	4,278,481
Current taxation	-	-	-	-	-	81,736	81,736
Property, plant and equipment and right-of-use assets	-	-	-	-	-	18,375	18,375
Deferred tax assets	-	-	-	-	-	3,488	3,488
Total assets	578,486	849,251	2,297,558	843,018	810,943	142,182	5,521,437
Liabilities and equity							
Deposits due to customers	300,597	-	85,471	-	-	-	386,068
Trade and other payables	218,495	-	-	-	-	20,255	238,750
Borrowings	-	-	608,780	-	1,372,019	-	1,980,798
Lease liabilities	-	-	7,639	-	-	-	7,639
Amounts due to parent company	-	-	-	-	191,728	-	191,728
Deferred tax liability	-	-	-	-	-	6,882	6,882
Ordinary shareholders' equity	-	-	-	-	-	2,709,571	2,709,571
Total liabilities and equity	519,092	-	701,890	-	1,563,747	2,736,708	5,521,437
Net liquidity gap	59,394	849,251	1,595,668	843,018	(752,804)	-	-

5.1 Financial risk factors (continued)

5.1.2 Liquidity risk (continued)

Assets and liabilities maturities as at 31 December 2020 (continued)

2020 - *GROUP*	**Demand and up to 1 month N$ '000**	**Greater than 1 month up to 3 months N$ '000**	**Greater than 3 months up to 12 months N$ '000**	**Greater than 12 months up to 24 months N$ '000**	**Greater than 24 months N$ '000**	**Non-financial assets and liabilities N$ '000**	**Total N$ '000**
Assets							
Cash and cash equivalents	468,253	-	-	-	-	-	468,253
Government and other securities	-	-	-	-	-	-	-
Other receivables	-	181,720	-	-	-	20,983	202,703
Net advances	117,021	227,068	915,545	181,820	2,167,163	-	3,608,617
Current taxation	-	-	-	-	-	80,653	80,653
Property, plant and equipment and right-of-use assets	-	-	-	-	-	22,244	22,244
Deferred tax assets	-	-	-	-	-	3,803	3,803
Total assets	585,274	408,788	915,545	181,820	2,167,163	127,683	4,386,273
Liabilities and equity							
Deposits due to customers	160,214	6,677	21,002	-	-	-	187,893
Trade and other payables	131,746	-	-	-	-	17,694	149,440
Borrowings	-	501,533	10,000	330,932	-	-	842,465
Lease liabilities	-	660	10,387	115	-	-	11,162
Amounts due to parent company	-	1,661	-	-	585,750	-	587,411
Deferred tax liability	-	-	-	-	-	9,367	9,367
Ordinary shareholders' equity	-	-	-	-	-	2,598,534	2,598,534
Total liabilities and equity	291,960	510,531	41,389	331,047	585,750	2,625,595	4,386,272
Net liquidity gap	293,314	(101,743)	874,156	(149,227)	1,581,413	-	-

2021 - *COMPANY*	**Demand and up to 1 month N$ '000**	**Greater than 1 month up to 3 months N$ '000**	**Greater than 3 months up to 12 months N$ '000**	**Greater than 12 months up to 24 months N$ '000**	**Greater than 24 months N$ '000**	**Non-financial assets and liabilities N$ '000**	**Total N$ '000**
Assets							
Cash and cash equivalents	329	-	-	-	-	-	329
Other receivables	-	121,374	-	-	-	3,578	124,952
Intercompany receivable	-	-	-	-	200,590	-	200,590
Current taxation	-	-	-	-	-	7,347	7,347
Deferred tax assets						538	538
Investment in subsidiaries	-	-	-	-	-	1,914,354	1,914,354
Total assets	329	121,374	-	-	200,590	1,925,816	2,248,110
Liabilities and equity							
Trade and other payables	-	68,640	-	-	-	220	68,860
Borrowings	-	-	-	-	233,012	-	233,012
Ordinary shareholders' equity	-	-	-	-	-	1,946,238	1,946,238
Total liabilities and equity	-	68,640	-	-	233,012	1,946,458	2,248,110
On balance sheet interest sensitivity	329	52,734	-	-	-	-	-

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

5.1 Financial risk factors (continued)

5.1.3 Liquidity risk (continued)

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

2021 - ***GROUP*** Financial liabilities	Carrying amount	Up to 1 month N$ '000	Greater than 1 month up to 6 months N$ '000	Greater than 6 months up to 12 months N$ '000	Greater than 1 year up to 2 years N$ '000	Greater than 2 years up to 5 years N$ '000	Greater than 5 years N$ '000	Total N$ '000
Lease liabilities	7,639	520	1,007	2,591	3,619	-	-	7,737
Borrowings	1,980,798	12,113	61,803	711,910	468,624	997,631	-	2,252,080
Amounts due to parent company	191,728	-		-	191,728	-	-	191,728
Trade and other payables	238,750	80,880	157,870	-	-	-	-	238,750
	2,180,165	12,633	62,810	714,501	663,970	997,631	-	2,451,545

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

2021 - COMPANY Financial liabilities	Carrying amount	Up to 1 month N$ '000	Greater than 1 month up to 6 months N$ '000	Greater than 6 months up to 12 months N$ '000	Greater than 1 year up to 2 years N$ '000	Greater than 2 years up to 5 years N$ '000	Greater than 5 years N$ '000	Total N$ '000
Borrowings	233,012	-	7,851	7,982	15,833	238,895	-	270,561
	233,012	-	7,851	7,982	15,833	238,895	-	270,561

2020 - COMPANY Financial liabilities	Carrying amount	Up to 1 month N$ '000	Greater than 1 month up to 6 months N$ '000	Greater than 6 months up to 12 months N$ '000	Greater than 1 year up to 2 years N$ '000	Greater than 2 years up to 5 years N$ '000	Greater than 5 years N$ '000	Total N$ '000
Amounts due to parent company	111,184	-	-	-	111,184	-	-	111,184
	111,184	-	-	-	111,184	-	-	111,184

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

5.1.4.1 Valuation models

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

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

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

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

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

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

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

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

5.1 Financial risk factors (continued)

5.1.4 Analysis of financial assets and liabilities

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

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

2021 - ***GROUP***	Amortised cost N$ '000	Total N$ '000	Up to 12 months N$ '000	Greater than 12 months N$ '000
Financial assets				
Cash and cash equivalents	287,048	287,048	287,048	-
Government and other securities	500,004	500,004	19,987	480,017
Other receivables	313,722	313,722	313,722	-
Net advances	4,278,481	4,278,481	3,104,538	1,173,943
Total financial assets	5,379,255	5,379,255	3,725,295	1,653,960
Financial liabilities				
Deposits due to customers	386,068	386,068	386,068	-
Trade and other payables	218,495	218,495	218,495	-
Borrowings	1,980,798	1,980,798	608,780	1,372,019
Lease liabilities	7,639	7,639	4,006	3,633
Amounts due to parent company	191,728	191,728	-	191,728
Total financial liabilities	2,784,729	2,784,729	1,217,349	1,567,380

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

2021 - ***COMPANY***	Amortised cost N$ '000	Total N$ '000	Up to 12 months N$ '000	Greater than 12 months N$ '000
Financial assets				
Cash and cash equivalents	329	329	329	-
Other receivables	124,952	124,952	124,952	-
Intercompany receivable	200,590	200,590	-	200,590
Total financial assets	325,871	325,871	125,281	200,590
Financial liabilities				
Trade and other payables	68,860	68,860	68,860	-
Borrowings	233,012	233,012	-	233,012
Intercompany payables	-	-	-	-
Total financial liabilities	301,872	301,872	68,860	233,012

2020 - ***COMPANY***	Amortised cost N$ '000	Total N$ '000	Up to 12 months N$ '000	Greater than 12 months N$ '000
Financial assets				
Cash and cash equivalents	59	59	59	-
Other receivables	66,197	66,197	66,197	-
Intercompany receivable	78,672	78,672	78,672	-
Total financial assets	144,928	144,928	144,928	-
Financial liabilities				
Trade and other payables	31,402	31,402	31,402	-
Intercompany payables	111,184	111,184	111,184	-
Total financial liabilities	142,586	142,586	142,586	-

The amortized cost approximates the fair value.

5.1 Financial risk factors (continued)

5.1.6 Capital management

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

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

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

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

External regulatory capital management - Banking Operations

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

The banking operations regulatory capital is divided into two tiers:

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

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

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

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

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

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

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

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

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

The Group and company has complied with these covenants throughout the reporting year.

Regulatory capital

	GROUP		*BANK*	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
	N$ '000	**N$ '000**	**N$ '000**	**N$ '000**
Tier 1 capital				
Ordinary share and premium	100	100	59,624	59,624
Irredeemable preference share capital	215,085	215,085	215,085	215,085
Retained earnings	1,638,225	1,680,057	669,878	709,952
Ordinary shareholders' reserves	703,400	703,292	2,376	2,451
Total tier 1 capital	2,556,810	2,598,534	946,963	987,112
Tier 2 capital				
Current unappropriated profits	110,929	-	25,068	-
General allowance for credit impairments	27,547	24,604	18,055	11,908
	138,475	24,604	43,123	11,908
Total qualifying capital	2,695,285	2,623,138	990,086	999,020
Risk-weighted assets				
Credit risk	3,781,064	3,011,983	1,549,329	1,581,600
Market risk	-	-	-	-
Operational risk	999,386	87,131	281,587	34,791
Total risk-weighted assets	4,780,450	3,099,114	1,830,916	1,616,391

Capital adequacy ratios

	Minimum regulatory requirement	**Internal limit**	**31 December 2021**	**31 December 2020**
	%	**%**	**%**	**%**
GROUP				
Total capital adequacy ratio	10%	15%	56%	85%
Tier 1 capital adequacy ratio	7%	9%	53%	84%
Tier 1 leverage ratio	6%	8%	46%	58%
BANK				
Total capital adequacy ratio	10%	15%	54%	62%
Tier 1 capital adequacy ratio	7%	9%	52%	65%
Tier 1 leverage ratio	6%	8%	35%	55%

6. Prior Year Restatement

Group

The cell captive dividends were incorrectly recorded gross of tax paid in the 2020 financial year. As a result of this, the tax paid was overstated by the tax that was paid by the insurance provider on the cell captive dividends prior to distribution to Letshego. As such, the comparative has been restated to correct this presentation disclosure by decreasing the other operating income (and consequently profit before tax) and decreasing the tax paid amount by N$19,176. The total profit after tax and net cashflows from operating activities remain unchanged.

Company

The cell captive dividends were incorrectly recorded gross of tax paid in the 2020 financial year. As a result of this, the tax paid was overstated by the tax that was paid by the insurance provider on the cell captive dividends prior to distribution to Letshego. As such, the comparative has been restated to correct this presentation disclosure by decreasing the other operating income (and consequently profit before tax) and decreasing the tax paid amount by N$7,837. The total profit after tax and net cashflows from operating activities remain unchanged.

Group

Statement of comprehensive income - extract	At 31 December 2020 Audited - (as previously stated)	Restatement increase / (decrease)	At 31 December 2020 Restated
	N$ '000	N$ '000	N$ '000
Other operating income	167,744	(19,176)	148,568
Profit before taxation	423,123	(19,176)	403,947
Taxation	(102,234)	19,176	(83,058)
Profit for the year	**320,889**	**-**	**320,889**

	At 31 December 2020 Audited - (as previously stated)	Restatement increase / (decrease)	At 31 December 2020 Restated
	N$ '000	N$ '000	N$ '000
Operating profit before taxation	423,123	(19,176)	403,947
Other operating income	167,744	(19,176)	148,568
Net tax paid	(101,244)	(19,176)	(82,068)
Net movement in cash and cash equivalents	**320,667**	**-**	**320,667**

Company

Statement of comprehensive income - extract	At 31 December 2020 Audited - (as previously stated)	Restatement increase / (decrease)	At 31 December 2020 Restated
	N$ '000	N$ '000	N$ '000
Other operating income	59,662	(7,837)	51,825
Profit before taxation	57,419	(7,837)	49,582
Taxation	(7,839)	7,837	(2)
Profit for the year	**49,580**	**-**	**49,580**

	At 31 December 2020 Audited - (as previously stated)	Restatement increase / (decrease)	At 31 December 2020 Restated
	N$ '000	N$ '000	N$ '000
Operating profit before taxation	57,419	(7,837)	49,582
Other operating income	59,662	(7,837)	51,825
Net tax paid	(7,989)	7,837	(152)
Net movement in cash and cash equivalents	**(121)**	**-**	**(121)**

	Group 31 December 2021 N$'000	Group 31 December 2020 N$'000	Company 31 December 2021 N$'000	Company 31 December 2020 N$'000
7. Cash and cash equivalents				
Cash and balances with banks	**147,552**	402,518	**329**	59
Money market placements	**100,809**	1	**-**	-
Balances with the central bank other than mandatory reserve deposits	**25,483**	58,879	**-**	-
Included in cash and cash equivalents	**273,844**	461,398	**329**	59
Mandatory reserve deposits with the central bank	**13,204**	6,855	**-**	-
	287,048	468,253	**329**	59

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

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

Bank balances	**279,527**	457,590	**329**	59
Cash on hand	**7,521**	10,663	**-**	-
	287,048	468,253	**329**	59

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

At year-end, the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets. With the exception of the mandatory reserve balance with the central bank, there are no restrictions or pledges on cash and cash equivalents as at the reporting date.

8. Government and other securities				
Treasury bills	**19,987**	-	**-**	-
Investment in RSA Government Security	**480,017**	-	**-**	-
Gross financial assets at amortised cost	**500,004**	-	**-**	-
Less expected credit loss allowance	**-**	-	**-**	-
Net financial assets at amortised cost	**500,004**	-	**-**	-
Current	**19,987**	-	**-**	-
Non-current	**480,017**	-	**-**	-
Gross financial assets at amortised cost	**500,004**	-	**-**	-

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

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

9. Receivables

9.1 Other receivables				
Financial				
- Profit share receivable from cell captive	**295,966**	168,498	**121,323**	66,117
- Deposits	**12,328**	6,817	**51**	80
- Sundry receivables	**5,428**	6,405	**-**	-
- Deferred fees	**26,027**	12,205	**3,578**	
- Prepayments	**12,556**	8,778	**-**	-
	352,305	202,703	**124,952**	66,197

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

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

9.2 Intercompany receivable				
Financial				
- Intercompany current account - Letshego Micro Financial Services (Namibia) (Pty) Ltd	**-**	-	**93,715**	-
- Intercompany current account - Letshego Bank (Namibia) Ltd	**-**	-	**106,875**	78,672
	-	-	**200,590**	78,672

The above intercompany receivables are unsecured and currently bear no interest. These loans are of a short-term nature and have no fixed repayment terms.
Due to historical experience intercompany receivables measured at amortised cost are regarded as a low probability of default and the ECL in respect of these is considered immaterial.
At recognition and at year end, the carrying amounts of accounts receivable approximate closely to their fair values due to the short-term maturities of these assets.

	Group		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$
10. Advances to customers				
Gross advances to customers	**4,325,142**	3,679,620	**-**	-
Less: Impairment allowance on advances	**(46,661)**	(71,004)	**-**	-
Net advances to customers	**4,278,481**	3,608,616	**-**	-
Impairment allowance on advances				
Balance at the beginning of the year	**71,004**	28,078	**-**	-
Impairment adjustment - increase for the year	**(24,343)**	42,926	**-**	-
Balance at the end of the year	**46,661**	71,004	**-**	-
The balance at the end of the year consists of the following:				
Stage 1 impairment	**12,863**	24,604	**-**	-
Stage 2 - 3 impairment	**33,798**	46,400	**-**	-
	46,661	71,004	**-**	-
(Reversals)/Charges in the profit or loss				
Amounts written off	**75,760**	107,332	**-**	-
Impairment adjustment	**(24,343)**	42,926		
Recoveries during the year	**(67,937)**	(106,606)	**-**	-
	(16,520)	43,652	**-**	-
Exposure to credit risk				
Net advances to customers	**4,278,481**	3,608,616	**-**	-
Maximum exposure to credit risk	**4,278,481**	3,608,616	**-**	-

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

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

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

	Furniture and fittings N$'000	Office equipment N$'000	Computer equipment N$'000	Motor vehicles N$'000	Leasehold Improvements N$'000	Right-of-use assets - Buildings N$'000	Total N$'000
GROUP							
At 31 December 2021							
Cost	**5,322**	**8,094**	**39,349**	**482**	**8,249**	**23,257**	**84,753**
Accumulated depreciation	**(4,749)**	**(6,157)**	**(33,271)**	**(482)**	**(4,122)**	**(17,597)**	**(66,378)**
Carrying amount	**573**	**1,937**	**6,078**	**-**	**4,127**	**5,660**	**18,375**
At 31 December 2021							
Opening net amount at 1 January 2021	**829**	**1,370**	**9,013**	**64**	**1,662**	**9,306**	**22,244**
Additions	**197**	**1,194**	**4,098**	**-**	**3,332**	**2,761**	**11,582**
Depreciation charge	**(453)**	**(627)**	**(7,033)**	**(64)**	**(867)**	**(6,407)**	**(15,451)**
Carrying amount	**573**	**1,937**	**6,078**	**-**	**4,127**	**5,660**	**18,375**
At 31 December 2020							
Cost	5,125	6,900	35,251	482	4,917	20,496	73,172
Accumulated depreciation	(4,296)	(5,530)	(26,238)	(418)	(3,255)	(11,190)	(50,928)
Carrying amount	829	1,370	9,013	64	1,662	9,306	22,244
At 31 December 2020							
Opening net amount at 1 January 2020	1,203	1,612	14,009	149	1,534	13,165	31,672
Additions	40	509	1,622	-	781	2,728	5,680
Depreciation charge	(414)	(751)	(6,618)	(85)	(653)	(6,587)	(15,108)
Carrying amount	829	1,370	9,013	64	1,662	9,306	22,244

COMPANY

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

	Group		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
12. Trade and other payables				
Financial				
- Trade payables	**80,880**	55,855	**16**	82
- Accruals	**2,724**	478	**3**	-
- Other payables	**5,822**	4,101	**68,621**	31,233
- Dividend payable	**129,069**	71,312	**-**	-
Non-financial				
- Audit fee provision	**1,870**	1,173	**220**	87
- Personnel related	**13,261**	12,738	**-**	-
- Value Added Taxation	**1,827**	113	**-**	-
- Withholding Tax	**3,297**	3,670	**-**	-
	238,750	149,440	**68,860**	31,402

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

13. Lease liabilities
Amounts recognised in the statement of financial position

Current lease liabilities	**4,006**	6,512	**-**	-
Non-current lease liabilities	**3,633**	4,650	**-**	-
	7,639	11,162	**-**	-

Reconciliation of lease liabilities

Opening balance	**11,162**	14,207	**-**	-
Additions/modification	**3,141**	2,728	**-**	-
Interest expense	**71**	1,703	**-**	-
Payments	**(6,735)**	(7,476)	**-**	-
Closing balance	**7,639**	**11,162**	**-**	-

The Group leases various office buildings. Rental contracts are typically made for fixed periods of 2 years to 5 years but may have extension options.
Refer to note 4(d)(i) for more information on the accounting policy for leases.
There were additions of N$3,141 (2020: N$2,728) to right-of-use assets during the 2021 financial year.

The company measures the lease liabilities at the present value of the lease payments discounted by using the incremental borrowing rate of 7.5% p.a.

Amounts recognised in the statement of comprehensive income

Depreciation charge on right-of-use assets - Buildings	**6,407**	6,587	**-**	-
Interest expense on lease liabilities	**71**	1,703	**-**	-
Expense relating to leases of low value assets	**734**	962	**-**	-
Expense relating to short-term leases	**-**	80	**-**	-
	7,212	9,332	**-**	-

14. Taxation

14.1 Income tax expense				
Current tax expense [1]	**54,744**	78,628	**-**	2
Deferred tax (income)/expense :				
- Origination and reversal of temporary differences	**(2,170)**	4,430	**(538)**	-
Total Income tax expense	**52,574**	83,058	**(538)**	2
14.2 Reconciliation of current taxation				
Profit before taxation	**355,803**	403,947	**213,950**	49,582
Tax calculated at standard rate - 32%	**113,857**	129,263	**68,464**	15,866
Income not subject to tax - dividends	**(93,791)**	(50,004)	**(69,639)**	(16,501)
Non-deductible expenses	**32,508**	3,799	**637**	637
	52,574	83,058	**(538)**	2
Effective tax rate	**14.78%**	20.56%	**(0.25%)**	0.00%

1 The cell captive dividends were incorrectly recorded gross of tax paid in the 2020 financial year. As a result of this, the tax paid was overstated by the tax that was paid by the insurance provider on the cell captive dividends prior to distribution to Lesthego. As such, the comparative has been restated to correct this presentation disclosure by decreasing the other operating income (and consequently profit before tax) and decreasing the tax paid amount by N$19,176 (company: N$7,837). The total profit after tax and net cashflows from operating activities remain unchanged. Please see note 3 for more details.

	Group		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000

14.3 Deferred taxation

The Group has disclosed the deferred tax assets and the deferred tax liabilities separately.

	Group 2021	Group 2020	Company 2021	Company 2020
Deferred tax asset				
The balance comprises:				
- Property, equipment and right-of-use assets	**(3,625)**	(4,615)	**-**	-
- Prepayments	**(592)**	(492)	**-**	-
- Provisions	**6,105**	7,404	**538**	-
- Share based payments	**760**	784	**-**	-
- Income received in advance	**-**	614	**-**	-
- Lease liabilities	**2,445**	3,572	**-**	-
- EIR adjustment	**(2,143)**	(3,464)	**-**	-
- Assessed loss	**538**	-	**-**	-
	3,488	3,803	**538**	-

	Group 2021	Group 2020	Company 2021	Company 2020
Deferred tax liabilities				
The balance comprises:				
- Prepayments and deferred expenses	**(4,841)**	(3,224)	**-**	-
- Provisions	**2,701**	3,190	**-**	-
- Income received in advance	**-**	9	**-**	-
- EIR adjustment	**(3,333)**	(8,643)	**-**	-
- Deferred arrangement fees	**(1,409)**	(699)	**-**	-
	(6,882)	(9,367)	**-**	-

Deferred income taxes for the Company and Group are calculated on all the temporary timing differences under the comprehensive method using a tax rate of 32% (2020: 32%) except where the initial recognition exemption applies. The profit or loss debits/credits are the result of timing differences between the accounting and tax treatments of items recognised in the statement of financial position.

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

14.4 Current taxation

	Group 2021	Group 2020	Company 2021	Company 2020
Opening balance	**(80,653)**	(77,213)	**(7,354)**	(7,204)
Charge to profit or loss	**54,744**	78,628	**-**	2
Payments made during the period	**(59,483)**	(82,068)	**-**	(152)
Refund received	**3,656**		**7**	
Taxation (asset)/liability	**(81,736)**	(80,653)	**(7,347)**	(7,354)

	Group		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
15. Borrowings				
Commercial Bank 1				
Facility 1	**150,000**	330,000	**-**	-
Facility 2	**250,000**	-	**-**	-
Facility 3	**250,000**	-	**-**	-
	650,000	330,000	**-**	-

Commercial Bank 1 are secured revolving credit facilities guaranteed by Letshego Holdings Limited and bear interest at Namibia Prime less 0.14% (facility 1), Namibia Prime less 0.32% (facility 2) and Namibia Prime less 0.52% (facility 3). Interest on the loan are repayable quarterly and the loans mature on 31 December 2022, 15 December 2024 and 15 December 2023 respectively. The Group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting year.

Commercial Bank 2				
Loan 1	**83,731**	10,000	**-**	-
Loan 2	**75,947**	502,465	**-**	-
Loan 3	**458,780**	-	**-**	-
	618,457	512,465	**-**	-

Commercial Bank 2 are secured term loans guaranteed by Letshego Holdings Limited and bear interest at Namibia Prime less 0.25% (loan 1), Namibia Prime less 0.3% (loan 2) and 3 month JIBAR plus 2.6% (loan 3) repayable in bi-annual instalments and mature on 7 June 2024, 31 January 2025 and 15 November 2022 respectively. The Group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting year.

Development Finance loan	**479,329**	-	**-**	-

Development Finance loan is a secured term loan guaranteed by Letshego Holdings Limited and bears interest at LIBOR plus 3.75%. Interest on the loan is repayable quarterly and the loan matures on 15 June 2026. The Company has complied with the financial covenants of its borrowing facilities during the 2021 reporting period.

Listed Bond Programme	**233,012**	-	**233,012**	-

Bond note is a medium term loan guaranteed by Letshego Micro Financial Services (Namibia) (Pty) Ltd and bears interest at 3 month ZAR-JIBAR-SAFEX plus 3.55%. Interest on the loan is repayable quarterly and the loan matures on 17 May 2024. The Company has complied with the financial covenants of its borrowing facilities during the 2021 reporting period.

Total borrowings	**1,980,798**	842,465	**233,012**	-
- Current	**608,780**	512,465	**-**	-
- Non-current	**1,372,019**	330,000	**233,012**	-
	1,980,798	842,465	**233,012**	-

Risk exposures

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

16. Amounts due to Parent Company				
16.1 Amounts due to parent company - Letshego Holdings Limited	**191,210**	585,750	**-**	-
Reconciliation of Amounts due to parent company:				
Opening balance	**585,750**	614,295		
Movement in the current year	**(394,540)**	(28,545)		
Closing balance	**191,210**	585,750		

The loan from Letshego Holdings Limited is unsecured and interest is calculated monthly in arrears at a variable rate of Namibia prime plus 2%. The loan is repayable in variable instalments and matures on 10 May 2024.

16.2 Intercompany payable - Erf 8585 (Pty) Ltd	**518**	1,661	**-**	-

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

16.3 Intercompany payable - Letshego Micro Financial Services (Namibia) (Pty) Ltd	**-**	-	**-**	111,184

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

Total intercompany payables	**191,728**	587,411	**-**	111,184

	Group		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
17. Deposits due to customers				
Current accounts	**22,721**	102,609	**-**	-
Term deposits	**363,348**	85,284	**-**	-
Total deposits due to customers	**386,069**	187,893	**-**	-
18. Share capital				
Authorised share capital				
500 000 000 ordinary shares of 0.02 cents each (2020: 500 000 000 ordinary shares of 0.02 cents each)	**100**	100	**100**	100
Issued share capital				
500 000 000 ordinary shares of 0.02 cents each (2020: 500 000 000 ordinary shares of 0.02 cents each)	**100**	100	**100**	100

19. Equity settled share based payment reserve

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

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

The allocation of share awards under the plan relating to management of Letshego Bank (Namibia) Limited was made in 2019, 2020 and 2021 respectively. The vesting period of the share awards from grant date is three periods.

	Group			
	31 December 2021		**31 December 2020**	
	Number of share awards	Exercise price	Number of share awards	Exercise price
				NAD 3.40./2.90/2.56
Granted during prior years	**3,918**	NAD 2.56/2.24/0.97	**2,653**	
Granted in current year	**2,141**	NAD 0.99	**1,979**	NAD 0.97
Exercised during the year	**(478)**	NAD 2.50	**(393)**	NAD 2.90
				NAD 2.90
Forfeited during the period	**(391)**	NAD 2.50	**(321)**	
Exercisable and outstanding at the end of the year	**5,191**	NAD 2.56/2.24/0.99	**3,918**	NAD 2.56/2.24/0.97
Fair value of awards exercisable and outstanding at the end of the year	**2,376**		2,268	

	Group		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
20. Operating profit before taxation				
The following items have been recognised in arriving at profit before taxation:				
Advertising and promotions	**2,486**	2,130	**264**	98
Auditors' remuneration	**2,437**	2,279	**337**	309
Consultancy costs - professional services	**16,601**	10,196	**1,790**	1,422
Computer services costs	**1,533**	3,349	**-**	-
Depreciation	**15,451**	15,108	**-**	-
Directors' emoluments				
- for services as director	**1,409**	1,585	**-**	-
- for management services	**4,841**	4,322	**-**	-
Rental - low value and short-term leases	**2,523**	2,602	**-**	-
Employee benefit expense (excluding directors' remuneration - for management services)	**76,144**	66,107	**30**	3
21. Employee benefit expense				
Salaries	**46,484**	43,783	**30**	3
Key management personnel	**11,230**	9,557	**-**	-
Pension fund contributions	**5,175**	4,788	**-**	-
Medical aid contributions	**3,482**	3,228	**-**	-
Social security	**170**	154	**-**	-
Incentive bonuses	**14,304**	8,913	**-**	-
Staff training and welfare	**140**	6	**-**	-
	80,985	70,429	**30**	3

		Group		Company	
		31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
22.	**Operating expenses by nature**				
	Sales related expense	**9,752**	10,056	**264**	98
	Auditors remuneration - audit services	**2,437**	2,279	**337**	309
	Collection fees	**31,933**	29,103	**-**	-
	Consulting and secretarial	**16,601**	10,196	**1,790**	1,422
	Management fees	**56,444**	35,263	**-**	-
	Depreciation (note 11)	**15,451**	15,108	**-**	-
	Directors' remuneration - for services as directors	**1,409**	1,585	**-**	-
	Computer related expenses	**1,533**	3,349	**-**	-
	Office rental	**2,523**	2,602	**-**	-
	Travel and accommodation	**1,203**	1,473	**-**	13
	Social responsibility projects	**1,032**	1,347	**-**	-
	Telephone & Fax	**4,715**	3,650	**-**	-
	Guarantee fees	**7,631**	8,096	**-**	-
	Subscriptions	**12,334**	11,057	**169**	389
	VAT expense	**14,631**	7,510	**-**	-
	Security costs	**2,982**	2,055	**-**	-
	Insurance	**73,784**	9,329	**7,839**	13
	Bank charges	**11,198**	2,380	**-**	-
	Other operational expenses	**16,650**	7,328	**1,359**	2
	Withholding Tax - Management Fees	**222**	525	**-**	-
		284,465	164,291	**11,757**	2,246
23.	**Net interest income**				
	Interest income calculated using the effective interest income method - Advances to customers	**582,345**	620,240	**-**	-
	Other interest income:				
	- Interest received on short term bank deposits	**3,836**	5,464	**9**	6
	- Interest received on bonds	**2,343**	-		
	- Interest received on loans to related parties			**8,736**	
	Total interest income	**588,524**	625,704	**8,745**	6
	Interest paid:	**(121,232)**	(98,750)	**(10,425)**	-
	- Borrowings	**(61,215)**	(32,556)	**(10,425)**	-
	- Deposits due to customers (calculated using the effective interest method)	**(13,357)**	(4,766)	**-**	-
	- Lease liabilities	**(71)**	(1,703)	**-**	-
	- Shareholder's loan - LHL	**(46,589)**	(59,725)	**-**	-
	Net interest income	**467,292**	526,954	**(1,680)**	6
24.	**Fee income**				
	Postage fees	**127**	145	**-**	-
	Fees and commission earned from services to customers	**23,779**	6,652	**-**	-
		23,906	6,797	**-**	-
25.	**Other operating income**				
	Dividend income - cell captive	**204,568**	148,568	**65,855**	51,825
	Dividend received *	**-**	-	**161,562**	-
	Sundry Income	**8,963**	-	**-**	-
	Profit on disposal of plant and equipment	**4**	-	**-**	-
		213,535	148,568	**227,418**	51,825

* An ordinary dividend of N$162 million was received from Letshego Micro Financial Services (Namibia) (Pty) Ltd and Letshego Bank (Namibia) Limited during the current year.

26. Related parties

	Letshego Micro Financial Services (Namibia) (Proprietary) Limited (Subsidiary)
	Letshego Bank (Namibia) Limited (Subsidiary)
Lease agreements:	Erf Eight Five Eight Five (Proprietary) Limited (Subsidiary of Ultimate Parent Company)
Management services agreements:	Letshego Holdings Limited (Ultimate Parent Company)
Key management personnel:	Ester Kali (Chief Executive Officer) Karl-Stefan Altmann (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) James Damon (Head of Credit) Aletta Shifotoka (Chief Risk Officer) Barend Kruger (Head of Consumer Division) Diana Mokhatu (Head of Human Resources) Chriszelda Gontes (Company Secretary) Ayesha Tjiueza (Head of Marketing)
Directors:	Maryvonne Palanduz Ester Kali Karl-Stefan Altmann Rosalia Martins-Hausiku Sven von Blottnitz Maria Nakale Kamogelo Chiusiwa Kudzai Chigiji

	Group		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
26. Related parties (continued)				
26.1 Related party balances				
Loan accounts - Receivables from related parties				
Letshego Micro Financial Services (Namibia) (Pty) Ltd			**93,715**	-
Letshego Bank (Namibia) Ltd			**106,875**	78,672
			200,590	78,672

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

	Group 2021	Group 2020	Company 2021	Company 2020
Loan accounts - Owing to related parties				
Letshego Holdings Limited - loan	**191,210**	585,750	**-**	-
Erf 8585 (Pty) Ltd	**518**	1,661	**-**	-
	191,728	587,411	**-**	-

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

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

	Group 2021	Group 2020	Company 2021	Company 2020
Advances				
Advances to key management personnel	**1,412**	237	**-**	-

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

	Group 2021	Group 2020	Company 2021	Company 2020
Deposits				
Deposits from key management personnel and directors	**205**	-	**-**	-

Deposits include current and savings accounts.

	Group 2021	Group 2020	Company 2021	Company 2020
26.2 Related party transactions				
Interest paid to related parties				
Letshego Holdings Limited	**46,589**	59,725	**-**	-
Key management personnel and directors	**-**	-	**-**	-
Interest received from related parties				
Letshego Bank (Namibia) Limited	**-**	-	**6,957**	-
Letshego Micro Financial Services (Namibia) (Pty) Ltd	**-**	-	**1,779**	-
Key management personnel	**50**	-	**-**	-
	50	-	**8,736**	-
Rent paid to related parties				
Erf Eight Five Eight Five (Proprietary) Limited	**2,335**	2,670	**-**	-
Guarantee fees paid to related parties				
Letshego Holdings Limited	**7,631**	8,096	**-**	-
Management fees paid to related parties				
Letshego Holdings Limited	**56,444**	35,263	**-**	-
Dividend received from related parties				
Letshego Bank (Namibia) Limited	**-**	-	**42,179**	-
Letshego Micro Financial Services (Namibia) (Pty) Ltd	**-**	-	**119,383**	-
	-	-	**161,562**	-

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

	Group 2021	Group 2020	Company 2021	Company 2020
Fees payable to Letshego Holdings Limited	**50,800**	31,737	**-**	-
Withholding tax paid on imported management services	**5,644**	3,526	**-**	-
	56,444	35,263	**-**	-

	Group		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
26.2 Related party transactions (continued)				
Compensation paid to key management personnel				
Salaries and short-term benefits	**11,230**	9,557	**-**	-
	11,230	9,557	**-**	-
Compensation paid to directors				
Sitting fees paid to non-executive directors	**1,409**	1,585	**-**	-
	1,409	1,585	**-**	-

27. Security

Letshego has exited the shared security arrangement with Fedrox (Pty) Ltd in Q2 of 2021 resulting in none of Letshego's loan books being pledged as security.

28. Capital reorganisation reserve

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

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

	N$'000 **Group** As at 01 January 2015:	N$'000 **Company** As at 01 January 2015:
Carrying value of assets and liabilities acquired:		
Cash	48,033	45,762
Other receivables	63,970	112,825
Intercompany receivable	20,517	53,552
Advances to customers	1,607,218	1,932,258
Deferred taxation	3,343	1,251
Current taxation	(14,819)	6,728
Property, plant and equipment	5,904	10,814
Trade and other payables	(53,894)	(32,263)
Intercompany payable	-	(1,198)
Borrowings	(764,064)	(785,476)
Non-controlling interest - Preference shares attributable to Ultimate Parent Company	(215,085)	-
Capital reorganisation reserve	(701,024)	(1,344,154)
Net assets acquired	100	100

	Group		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
Capital reorganisation reserve	**701,024**	701,024	**1,344,154**	1,344,154
29. Investment in subsidiaries			-	
Investment in Letshego Micro Financial Services Namibia (Pty) Ltd at cost	**-**	-	**570,200**	570,200
Investment in Letshego Bank Namibia Limited at cost	**-**	-	**1,344,154**	1,344,154
	-	-	**1,914,354**	1,914,354
30. Capital commitments				
Authorised but not contracted for	**41,411**	32,956	**-**	-

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

	Group		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000

31. Segment information

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

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

31.1 Entity-wide disclosures

31.1. Products and Services

Operating segment
• Banking operations

Brand
• Letshego

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

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

31.1.: Geographical segments

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

31.1.: Major customers

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

32. Net debt reconciliation

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

	Group 2021	Group 2020	Company 2021	Company 2020
Cash and cash equivalents	**287,048**	468,253	**329**	59
Borrowings repayable within one year (including lease liabilities)	**(612,786)**	(524,241)	**-**	-
Borrowings repayable after one year (including lease liabilities)	**(1,375,652)**	(916,797)	**(233,012)**	-
Net debt	**(1,701,390)**	(972,785)	**(232,682)**	59
Cash and cash equivalents	**287,048**	468,253	**329**	59
Gross debt - fixed interest rates	**-**	-	**-**	-
Gross debt - variable interest rates	**(1,988,437)**	(1,441,038)	**(233,012)**	-
Net debt	**(1,701,390)**	(972,785)	**(232,682)**	59

33. Earnings and headline earnings per share

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

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

	Group 2021	Group 2020	Company 2021	Company 2020
Earnings				
Profit for the year	**303,229**	320,889	**214,488**	49,580
Headline adjustments	**-**	-	**-**	-
Remeasurement included in equity accounted earnings	**-**	-	**-**	-
Headline earnings	**303,229**	320,889	**214,488**	49,580
Number of ordinary shares in issue at year end (note 18)	**500,000**	500,000	**500,000**	500,000
Weighted average number of ordinary shares in issue during the year	**500,000**	500,000	**500,000**	500,000
Diluted weighted average number of ordinary shares in issue during the year	**500,000**	500,000	**500,000**	500,000
Earnings per ordinary share (cents)				
Basic	**61**	64	**43**	10
Fully diluted	**61**	64	**43**	10
Headline earnings per ordinary share (cents)				
Basic	**61**	64	**43**	10
Fully diluted	**61**	64	**43**	10

	Group		Company	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
	N$'000	N$'000	**N$'000**	N$'000

34. Changes in liabilities arising from financing activities

The table below details changes in the liabilities arising from the financing activities, including both cash and non-cash changes. Liabilities arising from the financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

GROUP	**Lease liabilities N$'000**	**Loans from related parties N$'000**	**Interest bearing borrowings N$'000**	**Total N$'000**
Balance at 01 January 2021	11,162	587,411	842,465	1,441,038
Cash flows				
Financing cash inflow	-	-	1,667,465	1,667,465
Financing cash outflow	(6,355)	(395,683)	(636,936)	(1,038,974)
Non-cash flow changes				
Revaluation of foreign currency borrowing	-	-	92,910	92,910
Movement in accrued interest	-	-	14,894	14,894
Re-assessment of leases	2,832	-	-	2,832
Balance at 31 December 2021	**7,639**	**191,728**	**1,980,798**	**2,180,165**

COMPANY	**Loans to / from related parties N$'000**	**Interest bearing borrowings N$'000**	**Total N$'000**
Balance at 01 January 2021	**32,512**	**-**	**32,512**
Loans from related parties	111,184	-	111,184
Loans to related parties	(78,672)		(78,672)
Net payable to related parties	32,512		32,512
Cash flows			
Financing cash inflow	-	233,012	233,012
Financing cash outflow	(233,102)	(10,425)	(243,527)
Non-cash flow changes			
Revaluation of foreign currency borrowing			
Movement in accrued interest	-	10,425	
Re-assessment of leases			
Balance at 31 December 2021	**(200,590)**	**233,012**	**32,422**
Loans from related parties	-	-	-
Loans to related parties	(200,590)	-	(200,590)
Net receivable from related parties	(200,590)		(200,590)

35. Events occurring after the reporting date

A dividend of 29.52 cents per ordinary share has been declared subsequent to the reporting date and will be paid 03 June 2022.

Last date to trade cum dividend - Friday 13 May 2022
First date to trade ex-dividend - Monday 16 May 2022
Last date to register - Friday 20 May 2022
Dividend payment date - Friday 03 June 2022

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