Annual Report
2022

Norsad
CAPITAL

Contents

Chairperson's Message

Dr Frannie Léautier

On behalf of the board of directors, I am pleased to present Norsad Capital's annual report for the financial year ending 31 December 2022. Despite an especially challenging economic environment in Sub-Saharan Africa, we have remained steadfast in our commitment to creating positive social and environmental impact throughout the region.

The year posed significant challenges for Sub-Saharan Africa as it lagged behind more-developed nations in recovering from the far-reaching effects of the Covid-19 pandemic. Government budgets were strained due to ongoing expenditure on public healthcare and social support, while limited resources hampered investment and development opportunities. The region also faced the indirect impacts of the Russia-Ukraine war, resulting in higher global commodity prices, particularly wheat and energy. Intermittent trade disruptions, persistent energy shortages, food insecurity, global inflation and climate shocks further impeded growth and productivity, affecting job creation in African economies.

Sustainable new strategy

Amidst these challenges, as a thematic impact investor, Norsad Capital remains dedicated to addressing the social and environmental challenges faced in Sub-Saharan Africa. Our mission is to provide long-term risk capital to financially, socially and environmentally sustainable companies. With the long-term goal of impacting 100 million lives, we seek to promote economic, social and environmental progress across the region.

> "... we seek to promote economic, social and environmental progress across the region."

I am pleased to report that the board of directors approved eleven investments in 2022 totaling USD69.5 million, in line with the budgeted approval of USD69.9 million. These investments exemplify our strategic approach to financing companies that contribute to the long-term sustainability and development of the region. We are proud to report significant growth in our investment portfolio, which expanded by 26.2%. Our total assets have reached a remarkable milestone, growing to USD235 million. These achievements affirm our commitment to driving investment strategies and seizing opportunities that align with our mission.

Risks and opportunities

While we celebrate these successes, it is essential to acknowledge the challenges posed by the current market conditions. We have experienced a decline in asset quality, which has impacted our profitability. To address this issue head on, we have taken decisive action by increasing impairments and aligning them with the requirements of the International Financial Reporting Standards. Additionally, we are implementing a series of initiatives that are aimed at strengthening our control environment, under the leadership of our newly appointed Chief Risk Officer, as part of our reviewed Enterprise Risk Strategy.

Climate change is a pressing concern in Africa, with over 100 million Africans expected to experience the impacts of global warming by 2030. The COP27 climate change summit has highlighted Africa's priority areas, with small-scale farmers advocating for a fairer and more sustainable system of food production and decarbonisation influencing plans for green energy generation. Investments in clean energy now represent the majority of new investments in electricity generation across the continent.

We believe that private credit offers substantial global financing opportunities for climate change mitigation and clean energy development. Private credit can support renewable energy projects, energy efficiency initiatives and sustainable infrastructure through debt financing. Together with climate resilience and adaptation measures, investments in these areas contribute to reducing greenhouse gas emissions and accelerating the transition to a low-carbon economy. Norsad Capital has identified climate and clean energy as a core impact pillar and is committed to a just climate transition. Norsad will implement a comprehensive climate change policy in 2023 and will be positioned to increase its impact in the areas of climate change and clean energy.

Governance

Norsad upholds the highest standard of ethical and accountable business practices and complies with international corporate governance guidelines, supporting the corporate governance outcomes of King IV.

The Institute of Directors South Africa facilitated our governance assessment review, and the board is performing at a "good" level in line with the private sector benchmark. In accordance with the organisational value of seeking growth, the board is implementing an action plan to address all improvement areas identified in the report.

Ms Aurora Malene retired from the Norsad Capital board at the Annual General Meeting (AGM) on 22 April 2022. She chaired the Human Resources and Remuneration Committee and served as the Lead Independent Director (LID) on the board. Ms Yvonne Maitin was appointed to the board at the AGM, while Mr Andrew Madeswi was appointed as LID.

Conclusion

As we look to the future, we are confident in our capacity to navigate changing market dynamics, seize new opportunities and improve our operational efficiency. By maximising value for our stakeholders, we will remain at the forefront of positive change in the region.

In closing, I would like to express my sincere gratitude to our esteemed board members, dedicated management team and all our staff for their unwavering commitment and invaluable contributions to Norsad Capital's success.

Thank you,

Dr Frannie Léautier
Chairperson of the Board,
Norsad Capital

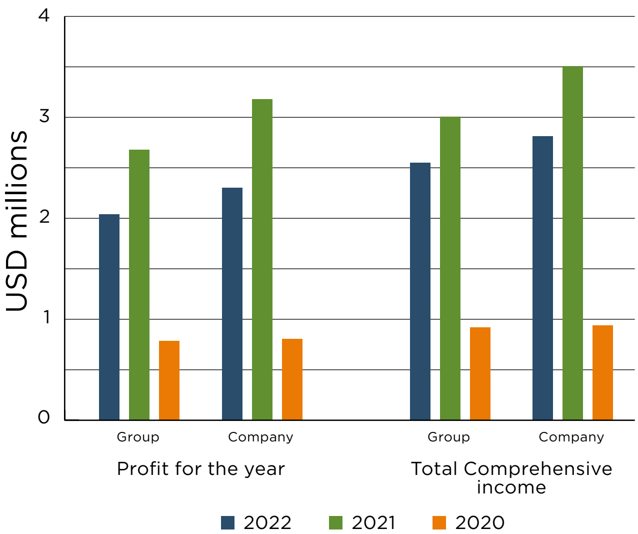
CEO'S Statement

Mr Kenny Nwosu

2022 marked a year of growth and expansion for Norsad Capital. Our strategic diversification into East and West Africa through new investments in Ghana and Uganda has allowed us to increase our footprint as impact investors on the continent. As of December 2022 Norsad had impacted 35.5 million lives, representing 35.5% of our ambitious target to impact 100 million African lives by 2030.

Our ability to make a positive difference in people's lives is closely intertwined with the success of our financial investments. In 2022 we disbursed USD56.6 million, invested in seven new companies, and our total comprehensive income for the year was USD2.6 million. These financial achievements are bolstered by our record of USD235.3 million in assets under management, a substantial increase from USD179.1 million in 2021.

Total comprehensive income



Achieving our strategic goals

Aligned with our 2022-implemented Norsad 3.0 strategy, we are focused on increasing our assets under management (AUM) to USD350 million by 2026 and ultimately reaching USD1 billion by 2031. Expanding our AUM is crucial for achieving critical mass, diversifying risk and entering attractive market segments. This diversification will enhance our access to funding, broaden our impact and allow us to serve more lower-income countries in Sub-Saharan Africa.

By embracing the four growth levers of our new strategy, which include deepening our presence in the SADC market, exploring niche areas within the South African market, diversifying into Sub-Saharan Africa (East and West), and expanding into sustainable infrastructure finance, we have made significant progress towards our financial and impact goals.

Investment operations

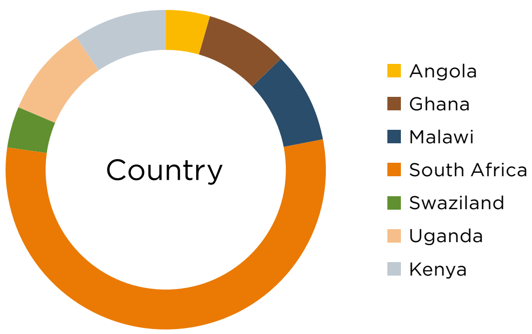
Our investment operations have aligned with our growth strategy, with approved and disbursed investments spanning across all focus sectors. Notably, we extended our geographical footprint through investments in Watu Credit, an asset finance fintech company in Uganda, and Servaco, a mining services company in Ghana. Watu Credit has already created over 3 000 direct jobs, provided over 750 000 loans, and positively impacted the lives of more than 4.5 million people. Additionally, we made our pioneering investment in healthcare through RH Bophelo Limited, a South African healthcare company listed on the JSE. This investment will support the expansion and renovation of three medical facilities, creating over 1 000 thousand jobs, with approximately 75% of them held by women.

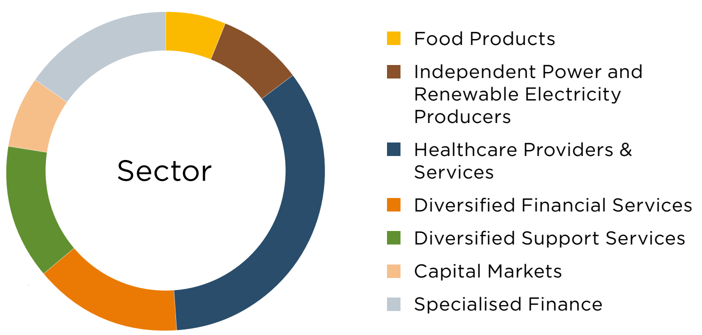
Furthermore, our investment team has successfully secured new partnership-based business opportunities, expanding our deal flow. Notably, our partnership with Verdant Capital and TLG Capital has led to the establishment of the Norsad Alliance, managing assets worth over USD400 million. This alliance aims to unlock the potential in the African private credit space through co-investment opportunities and leveraging the broader mandates of our alliance partners.

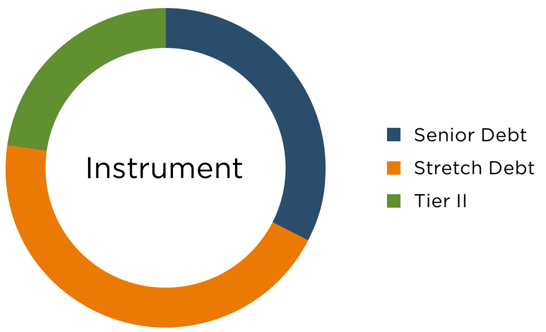
Investment approvals

In 2022 the Norsad board approved 11 transactions (10 in 2021) valued at USD69.5 million (USD66.9 million in 2021), which was consistent with the budget of USD69.9 million. The average size of an investment was USD6.3 million (USD6.7 million in 2021). The following charts illustrate approved investments in 2022 by country, sector and instrument:

Approved investments in 2022 by country, sector and instrument





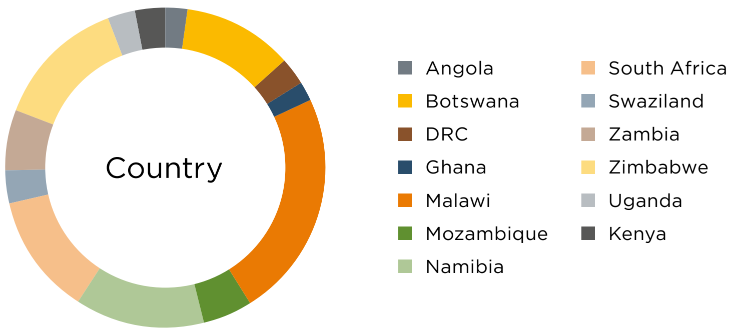


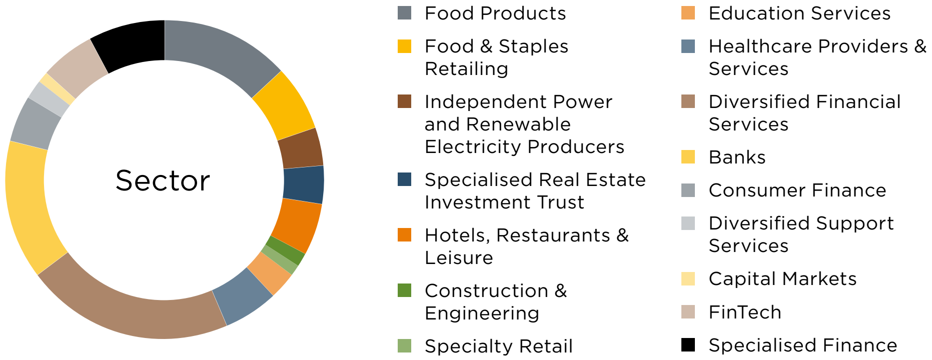
Investment disbursements

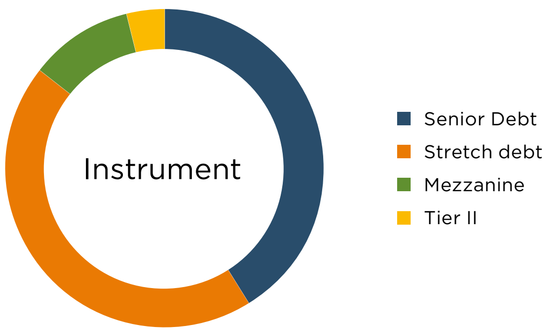
As of 31 December 2022, our total assets reached USD235 million, demonstrating our continued growth and success. Disbursements in 2022 amounted to USD56.6 million, slightly lower than the budgeted total of USD62.9 million. However, undisbursed commitments amounted to USD26.9 million, reflecting our ongoing commitment to strategic investments.

The following charts illustrate disbursements in 2022 by country, sector and instrument:

Disbursements in 2022 by country, sector and instrument



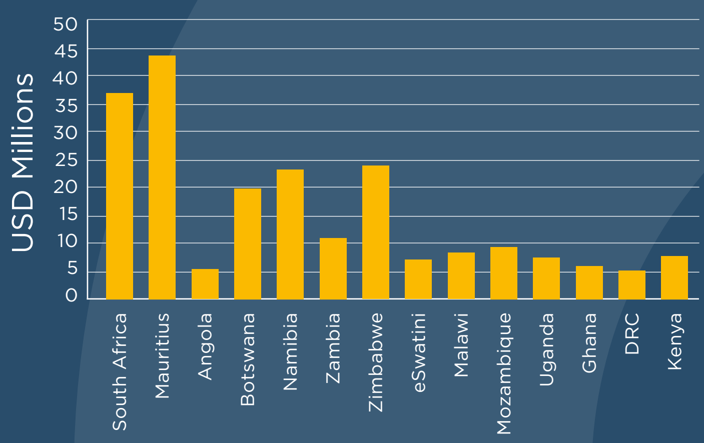




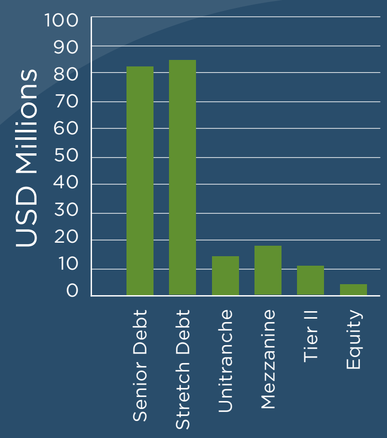
Investment portfolio

The investment portfolio exhibits good diversification across countries and sectors. The top five exposure countries include Mauritius, South Africa, Botswana, Namibia and Zimbabwe, while the largest client group consists of diversified financial services. This allocation aligns with our risk appetite and impact strategy. We are pleased to report that our net investment portfolio grew by 26.2%, reaching USD187.8 million from USD148.8 million in 2021. These figures reflect our commitment to our growth trajectory and strategic plan, positioning Norsad for ongoing success in the future.

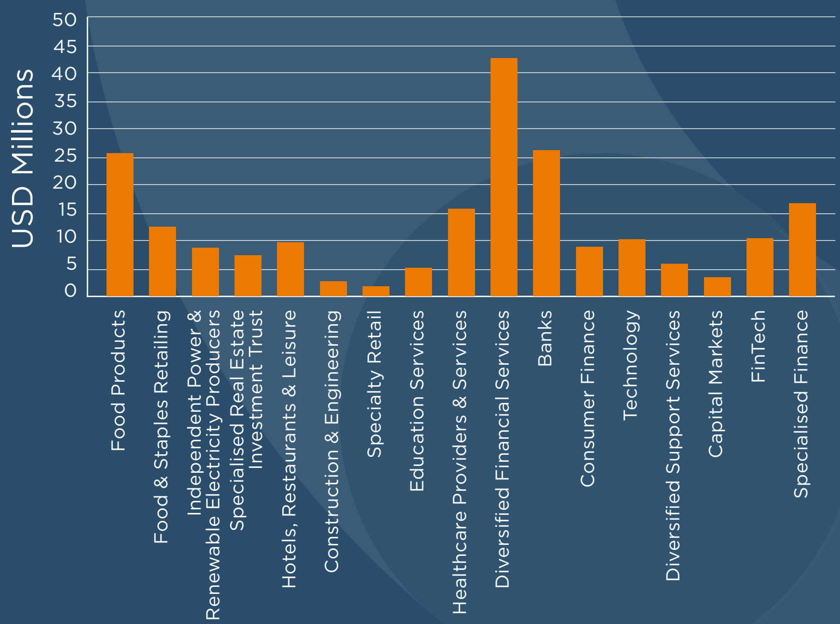
Norsad portfolio and commitments as at 31 December 2022 – **country analysis**



Norsad portfolio and commitments as at 31 December 2022 – **facility type analysis**



Norsad portfolio and commitments as at 31 December 2022 – **sector analysis**



Making an impact

To implement the Norsad 3.0 strategy and achieve our ambitious goal of positively impacting 100 million African lives by 2030, we have developed a targeted impact strategy. Our new theory of change guides us in deliberately creating positive transformations across our four impact themes: Sustainable Livelihoods, Financial Inclusion, Gender Equality, and Climate and Clean Energy.

Climate change remains a critical global concern, particularly in Africa, which is one of the most vulnerable regions. Our newly established Climate Statement reaffirms our commitment to combatting climate change, and we are actively collaborating with our shareholders to finalise our climate policy and strategy by 2023.

By adopting gender lens investing (GLI) practices, we can strategically invest in women-owned or led enterprises. Two of our investment directors participated in a GLI Immersion Programme with Swedfund & Value for Women training, and we are currently developing a comprehensive GLI road map, slated for completion in 2023. GLI also enables us to address several United Nations Sustainable Development Goals (SDGs), including SDG 5: Gender equality, SDG 8: Decent work and economic growth, and SDG 10: Reduced inequality.

Our unwavering commitment to achieving the SDGs drives us to promote inclusive growth and equality through our investments and partnerships with investee companies.

The following are significant impact numbers in our portfolio:

15 140
jobs supported

1 737
new jobs created in 2022

2 605
youth jobs supported

5 818
employees trained

$1 295 794
employee training spend

Community Development (CSI)

133
community development programmes or initiatives were carried out in 2022

298 894
beneficiaries supported

$1 775 747
CSI spend across the portfolio

Climate and clean energy

Climate change poses a significant threat to humanity and our planet. At Norsad, we firmly believe that every facet of society must contribute to reducing greenhouse gas emissions (GHGs). Norsad is committed to a "just climate transition" where those that have emitted the largest share of GHGs have a comparably larger role in reducing GHGs and assisting developing nations to achieve their targets and adapt to climate change effects.

We hold ourselves accountable for making a meaningful and positive impact on the climate crisis. In the spirit of transparency, we eagerly anticipate publicly reporting on our progress in this vital endeavour as we address this global challenge and strive for a sustainable future.

18.75 GWh

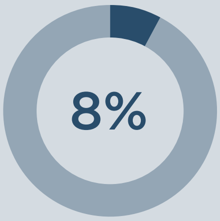
energy generated through renewable energy portfolio

300 tCO_2e CO_2

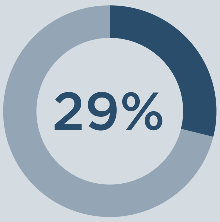
emissions avoided

45 000

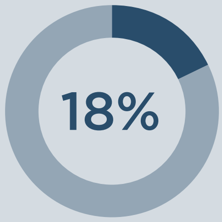
households powered through renewable energy generated



Contribution of our renewable energy portfolio to national energy supply



of our portfolio uses renewable energy



of our portfolio measured their carbon footprint

428.06 tCO_2e

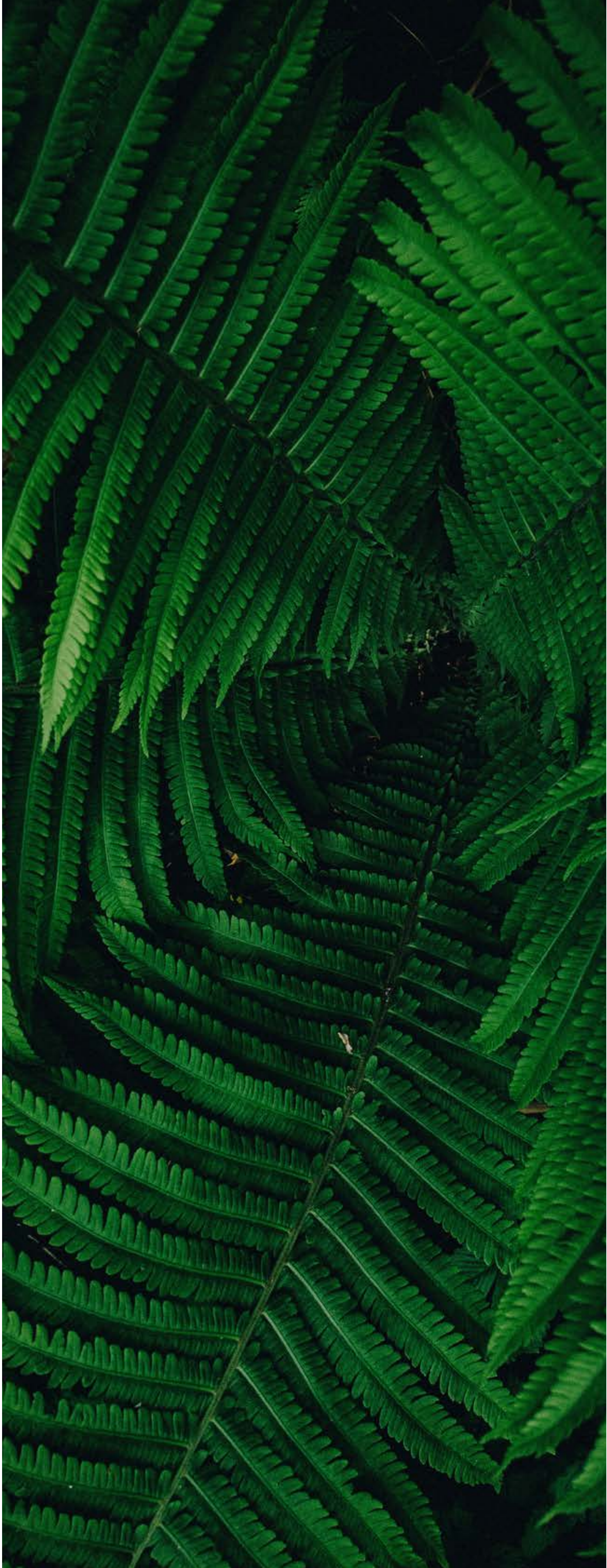
Scope 1 emissions

1321.66 tCO_2e

Scope 2 emissions

Our new Climate Statement reaffirms our commitment to combatting climate change. To further support this commitment, we are actively pursuing additional funding that will enable us to provide climate-risk screening and carbon-footprinting services to our clients. We anticipate commencing these knowledge-sharing initiatives during 2023, empowering our stakeholders with valuable insights to address climate-related challenges and foster sustainability.

Read our Climate Statement.



Recognition

We are extremely proud of Norsad's outstanding performance at the Reuters Events: Responsible Business Awards 2022. These prestigious awards honour outstanding sustainability strategies and recognise companies that have a tangible impact on business, society and the environment. Winning the ESG Investment – Social Leadership of the Year Award demonstrates that Norsad Capital is becoming a role model for sustainable business practices in the 21st century.

Looking ahead

Inspired by our notable growth in 2022, we approach the future with optimism. I extend my heartfelt gratitude to the entire Norsad Capital team for their unwavering commitment and resilience in driving our business and impact across Africa.

I would also like to sincerely thank our investors and partner companies who have collaborated closely with us, bringing us closer to our ambitious goal of positively impacting 100 million African lives by 2030.

Kenny Nwosu
Chief Executive Officer,
Norsad Capital

Our profile

As an impact investor and private credit provider, Norsad has invested over USD700 million in more than 170 companies in various sectors and countries in Africa. We offer flexible debt-financing solutions to profitable growth-stage companies that deliver desirable social impact. Our investments cover Sub-Saharan Africa, with our principal operational area being Southern Africa. We currently have 31 companies in our diversified portfolio.

> "Norsad has invested over USD700 million in more than 170 companies"

With a typical investment holding period of four to seven years, we work with sponsors, entrepreneurs and management teams to provide tailor-made financing solutions that enable their companies to achieve their strategic goals. Our direct debt financing offers from USD5 million to USD15 million to mid-market companies for growth and development.

Our rigorous investment approach is guided by and measured against international environmental, social and governance (ESG) standards, the United Nations SDGs and regional development priorities. This ensures that we provide long-term risk capital only to those companies and financial service providers that are financially, socially and environmentally sustainable.

Our purpose

Our core purpose is to

"build a better Africa"

Norsad supports the growth of profitable companies in Africa through tailor-made debt finance solutions, enabling them to continue to have substantial social impact through the services and employment they provide.

Our values

Be Passionate

We are inspired to build a better Africa, and committed to positively impacting our communities and the environment.

Be Authentic

Be yourself. We keep it real with humility, conduct ourselves professionally and are guided by high ethical standards.

Seek Growth

We are active learners and constantly seek to improve, learning from others and our experiences.

Cultivate Adaptability

We are determined to be innovative in our thinking and execution, as we find ways to provide solutions and act on opportunities.

Embrace Collaboration

Together we make the difference, and our diversity and partnerships make us stronger.

Impacting 100 million African lives

Our aspiration is to positively impact the lives of 100 million Africans by 2030. We seek to do this by strengthening the market positioning and capabilities of the companies in which we invest and contributing to the growth of the economies in which our partner companies operate. Central to this goal is an emphasis on sustainable, innovative and inclusive job creation.

In 2022 we measured the number of lives impacted (the number of people reached via the provision of credit by Norsad Capital through its portfolio companies) from inception to 2021. Specific data was collected and analysed, including:

- disbursements per sector per annum (USD)
- number of jobs (permanent, temporary, construction) created by the sector
- number of customers/ clients served by the sector.

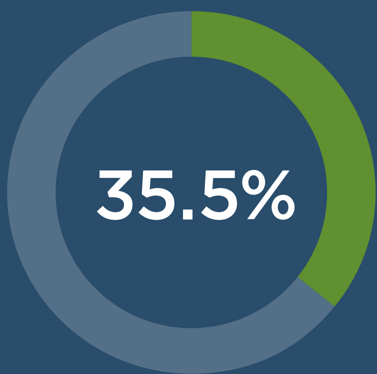
Researching and reviewing academic sources allowed us to collate and apply sector-specific impact multipliers to our investments.

As of December 2022:

Norsad has impacted

35.5

million lives.



This is 35.5% of our 2030 target.

Based on our current trajectory and growth strategy, we are cautiously optimistic that our target of impacting 100 million lives by 2030 can be achieved.

Our new strategy

This decade at Norsad will be defined by the following words:

responsible growth and impact

After extensive engagement with market participants, we have developed a medium- to long- term strategy based on four levers for growth:

0 >

Deepen into the SADC market:

First horizon: Move up and down value chains of existing customers and work closely with local DFI shareholders to syndicate deals.

Second horizon: Test models of SME support in SADC to later take to scale.

1 >

Deepen into niche areas in the South African market:

Target attractive niches in impact investing, such as food-value-chain development and social infrastructure and mezzanine finance provision in South Africa's large private credit market.

2 >

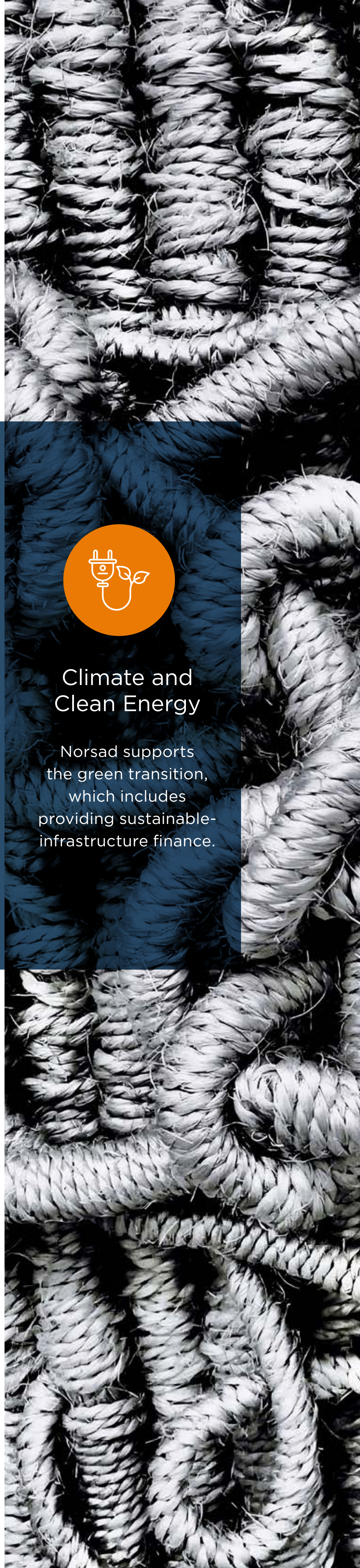
Diversify into Sub-Saharan Africa (East and West):

Take advantage of strong and growing demand for private capital, including credit from mid-sized growth companies in key East and West African markets.

3

Expand into sustainable infrastructure finance:

Move into financing of small to mid-sized infrastructure (mainly soft infrastructure) that supports sustainable growth across Sub-Saharan Africa.



We focus on generating impact across four themes, which are strongly aligned with our shareholders' priorities and the SDGs:

Sustainable Livelihoods

Norsad contributes to employment creation and increases people's capacity to provide for themselves.

Financial Inclusion

Norsad extends credit to companies that provide individuals and businesses with access to useful and affordable financial services.

Gender Equality

Norsad strives to cultivate a diverse and inclusive workplace. We have adopted a GLI approach across our investments to ensure women consideration and benefit remains central in our impact.

Climate and Clean Energy

Norsad supports the green transition, which includes providing sustainable-infrastructure finance.

In alignment with our impact themes, we aim to achieve positive economic, social and environmental impact through our sectoral focus. The following high-impact sectors are key to unlocking financial inclusion, the development and growth of SMEs, job creation, infrastructure development and climate change:

- financial institutions
- food value chain
- soft and social infrastructure
- industrials and manufacturing

Achieving the strategy

We need to grow our AUM to reach critical mass, to diversify our risk and to move into attractive market segments. Diversification will also improve access to funding, increase the scale of our impact and serve more lower-middle income countries in Sub-Saharan Africa.

Our targets:

$350 million in AUM by 2026

$1 billion by 2031

Impacting **100** million lives by 2030

We recognise ourselves as a sustainable investor that demonstrates social value, but we aspire to become a thematic impact investor that selects investments that clearly contribute to solving social or environmental challenges.

Our footprint and new investments

As part of our strategy, we expanded our footprint outside the SADC region in 2022 by investing in Ghana and Uganda for the first time. Additional investments in South Africa and Zimbabwe solidified our presence in the SADC market.

Diversifying into East Africa

Norsad invested in Uganda for the first time in 2022 with a USD5 million disbursement to Watu Credit, an asset FinTech company that provides access to affordable and flexible financing for motorbikes. These vehicles play a significant role in Uganda's transport industry and contribute towards its socio-economic growth.

New investments

$235.5 million USD in AUM

$56.5 million USD in disbursements

11 transactions approved

Deepening into niche areas in the South African Market

Norsad made its first healthcare investment in South Africa in 2022. The South African public healthcare system is not coping with increasing demand, so there's a need for affordable and accessible private healthcare. RH Bophelo is a pan-African investment company with the mandate of advancing healthcare in Africa through strategic investments. Norsad invested in RH Bophelo in 2022 for the expansion and renovation of the RH Bell Clinic, the Vryburg Private Hospital and the Medicare Private Hospital.

125 000 patient consultations in the last reporting period

74% of which 74 736 were women

1 137 jobs created

74% of which are held by women

100% Black-owned and entirely African

520 beds in total

Listed on the **Johannesburg Stock Exchange** and the RSE

Watu Credit's achievements to date:

3 000+ direct jobs created

75 000 loans provided

Impacted the lives of more than **4.5** million people

Our timeline

Inception and growth

1990
Norsad Fund is established with USD33.5 million capital.

1993
Norsad transitions into a DFI with a primary focus on small to medium-sized enterprises (SMEs) joint financing ventures between SADC and Nordic countries.

2000
Norsad celebrates its 10th anniversary.

Fund milestone

2004
Norsad Fund grows beyond USD80 million.

Consolidation and focused growth

2005
Norsad adopts a primary focus to support SME businesses through intermediary financial institutions.

2009
Norsad reaches a finance milestone of 81 projects and disbursement of USD114 million since inception.

2010
Norsad celebrates its 20th anniversary.

2011
Norsad Finance Limited is established.

Fund milestone

Innovation and refinement

2012 — Norsad's capital base increases to over USD100 million, and the business relocates to Gaborone, Botswana.

2016 — Norsad invests in their first renewable energy project.

2017 — Norsad joins the UNPRI and GIIN.

2020 — Norsad celebrates its 30th anniversary.

2021 — Norsad wins the UNPRI's Emerging Markets Initiative of the Year Award.

2022 — Norsad Finance Limited becomes Norsad Capital.

Our value proposition

We are a Permanent Capital Vehicle (PCV)
with a solid track record and an agile African team.

Solid Track Record

Pioneers with 33+ years track record of investing in Africa. We have invested over USD700m in 170+ companies in various sectors and countries in Africa.

Flexible and fast

We are accessible, agile and responsive. We have a quick turnaround time and a simplified decision-making structure that supports the urgency of investment needs.

Affinity

We are Easy to work with and keep our promises. We are professional, pragmatic and we listen.

Strong capital base with reputable shareholders

We are backed by Nordic and SADC development finance institutions, with an established regional partnership network. We have also developed a large and growing network of regional and international funding partners.

Truly African

We have a solid market knowledge of funding businesses in the region. Led and staffed by African professionals of diverse nationalities and backgrounds, with strong execution capability. We understand Africa.

Our investment philosophy

Norsad Capital aims to provide innovative and flexible solutions for financing, and risk sharing to achieve the commercially viable expansion of investments and reach sustainable development outcomes. To achieve our purpose of "building a better Africa", we invest in companies and projects that have significant social, environmental and developmental impact, while delivering attractive returns.

Norsad's solutions are complementary to other sources of funding and are layered between senior debt and pure equity of a company's capital structure. Our range of investment products include senior, stretched senior, unitranche, second-lien, subordinated and mezzanine debt financing. The private credit solutions we offer constitute an innovative funding component (complementary to bank financing or an alternative sustainable financing solution), which can be better structured to the needs of growing mid-sized companies.

We partner with banks, other financial institutions and investors by providing complementary financing that allows them to stay within their core lending mandates and investment policies while unlocking potential future lending capacity for their clients.

We customise financing solutions to each individual client, depending on their business needs and capital structure. We prioritised and focused on the following four sectors:

financial institutions

food value chain

soft and social infrastructure

industrials and manufacturing

In 2022

11 transactions approved by the board (10 in 2021)

valued at

$69.5 million USD
66.9 million in 2021

$56.6 million USD in disbursements
61.2 million in 2021

247 pipeline deals
the deal funnel remained quite broad

30 transactions presented to the Credit Committee

16 transactions approved to proceed to due diligence

Our robust investment philosophy and processes have ensured that we have a diverse portfolio, have remained relevant and have created social impact through our investee companies in the region.

Manor Health Services

Country: South Africa
Industry: Healthcare
Product: Assisted-living and frail-care

Norsad Capital structured a ZAR70 million debt facility for Manor Health Services to fund the development of their assisted-living and frail-care operations in the Helderberg Manor retirement village in Somerset West, South Africa. Norsad's funding commitment played a catalytic role in raising a local funding line for the construction of 50 assisted-living units and a 40-bed modern frail-care centre.

Assisted living and frail care completes the ecosystem of the 257-unit retirement village and the future planning of mature-lifestyle residents. This investment offers dedicated care to elderly and vulnerable residents seeking quality and swift healthcare services, thereby supporting families to provide suitable care for their elderly family members.

Hein Ehlers, the founder and CEO of Devmark Property Group, said, “Devmark, through its subsidiary Manor Health Services, took a strategic decision to invest in the health sector and specifically in assisted and frail care. Norsad Capital immediately understood the strategic nature and growth potential of the health services in this sector. We found their approach refreshingly different.”

Devmark is an award-winning property group specialising in retirement, residential and commercial developments. They have completed the development of six retirement villages in South Africa and are currently developing Langebaan Manor, Plettenberg Manor and Helderberg Manor. Medwell South Africa will manage and operate the healthcare facilities at the Helderberg Manor retirement village.

Central Africa Building Society

Country: Zimbabwe
Industry: Financial institutions
Product: Banking – export loans

Norsad Capital provided the Central Africa Building Society (CABS), Zimbabwe, with a USD10 million credit facility to support the bank's growth strategy. The medium-term funding is earmarked for lending to CABS' export clients, particularly in the agricultural sector.

The investment falls within Norsad's Financial Institutions sector and under its Sustainable Livelihoods and Financial Inclusion impact themes. It will capacitate Zimbabwe's export industry by providing working capital and capital expenditure facilities to sectors in agriculture, manufacturing, mining and tourism.

A member of the Old Mutual Group, CABS is one of the top three banks in Zimbabwe. It was established as a building society in 1949 before being granted approval by the Reserve Bank of Zimbabwe in 2011 to engage in full commercial banking operations. CABS has 38 operational branches, over 900 agents and a network of about 25 000 point-of-sale machines – the largest in the country. This is in addition to its digital offering, which includes mobile, internet and WhatsApp banking.

Corporate governance

Our board is committed to preserving the organisation's integrity and its capacity to manage risk and perform optimally. Therefore, we adhere to international corporate governance standards.

Norsad supports the corporate governance outcomes of King IV, and one of our strategic objectives is to strengthen governance. The Institute of Directors South Africa conducts periodic governance assessments; consequently, our board implements an improvement action plan and reviews the Board Charter on a regular basis to ensure alignment with King IV.

Code of ethics

Norsad promotes the principles of good ethical conduct, as set out in the group's code of ethics. The code of ethics reflects the group's commitment to integrity and good governance in all business dealings and informs its approach to combatting bribery and corruption. The group has zero tolerance for wilful and deliberate non-compliance. Employees are required to attest to the code of ethics and complete ethics training regularly. The board oversees the code of ethics and promotes ethical behaviour.

> "The code of ethics reflects the group's commitment to integrity and good governance"

Governance structure

The board performs its duties and responsibilities in terms of a Board Charter that is reviewed annually. In discharging its responsibilities, the board is empowered to delegate its responsibilities to committees and management. As such, the board is supported by board committees and senior management.

The board has concluded that it has collectively satisfied and fulfilled its responsibilities in accordance with the Board Charter. The board committees are satisfied that they have fulfilled their responsibilities in accordance with their respective terms of reference.

Combined assurance framework

The primary objective of combined assurance is to facilitate the integration, coordination and alignment of risk management and assurance activities within the organisation to optimise the level of risk and governance and control oversight of the organisation's risk landscape. The successful implementation of combined assurance is enabled through active participation and contributions from all assurance providers and the use of a common risk-rating methodology.

Read more about the combined assurance model.

Combined assurance allows Norsad to set priorities for assurance activities, which are harmonised across three parties. These are:

1. **Management assurance (IT, Operations, HR, etc.):** assumes ultimate responsibility for managing risks and controls
2. **Internal assurance providers (risk assessment, regulatory and risk management):** ongoing monitoring and oversight, support management through risk management, internal control and compliance functions
3. **External assurance providers (internal audit, external audit):** independent and objective assurance of the overall adequacy and effectiveness of governance, risk management and controls.

Risk governance

The Audit and Risk Committee of the Board oversees how management implements and monitors compliance with approved risk-management policies through the internal risk governance structure and continually reviews the adequacy of the risk-management framework.

In light of the challenging trading environment, the Board reevaluated the effectiveness of the risk management framework, focusing on secondline responsibilities that include oversight and challenge of risk management actions of the Investment operations. This will result in enhanced risk management guidance, independent oversight of end-to-end investment processes, and coordinated enterprise standards for performance measurement, compliance, workflow, system, and model automation. This will place the approach to risk management at the core of our strategy for achieving sustainable growth and performance.

Internal audit

Norsad has an independent in-house internal audit function that operates in terms of an approved charter. The risk-based audit plans are presented to the Audit and Risk Committee for approval on an annual basis.

During the year, the audit plan is reviewed and adjusted as necessary in response to changes in the business, risks, operations, systems and controls. Progress against the plan, as well as changes to the plan, are approved on a quarterly basis by the Audit and Risk Committee.

The internal audit function is headed by the Head of Audit and Compliance (HAC), who reports functionally to the Audit Committee chair and administratively to the CEO and has the mandate to communicate directly and freely with the Audit and Risk Committee. Where requisite skills are not available internally, internal audit co-sources these from external experts. Internal audit has a quality assurance and improvement programme, which ensures audit file quality conforms with the audit methodology and the International Professional Practices Framework of Internal Auditing.

Independent assessments of the internal audit function are also undertaken every five years to test conformance with the Institute of Internal Audit standards.

Chief executive officer

Kenny Nwosu was appointed CEO by the board on 1 January 2017 and is responsible for leading the implementation and execution of approved strategy, policies and operational planning. The CEO leads and directs the executive management and serves as the principal link between management and the board.

The CEO is accountable to the board for, among other things:

- developing and recommending the short-, medium- and long-term strategies
- managing the strategies, group performance and the vision
- ensuring that Norsad has an effective management team and management structures
- ensuring that appropriate policies are formulated and implemented
- ensuring that effective governance measures are deployed
- serving as Norsad's chief spokesperson.

The CEO does not have any significant work commitments outside of Norsad and its related companies. The contract of the CEO is subject to a three-month notice period, and there are no unusual contractual conditions related to his termination. A succession plan for the CEO is in place and is reviewed annually.

Company secretary

The company secretary is responsible to the board for, inter alia, acting as a central source of information and advice to the board on its duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations. Desert Secretarial Services were appointed as Norsad's company secretary in September 2011.

Aligned with good governance practice, the appointment and removal of the company secretary is a matter for the board. All directors have full access to the professional services and advice of the company secretary in all aspects of the board's mandate and operations. The board is satisfied that these arrangements are effective. An assessment of the performance of the company secretary is undertaken annually, as part of the board evaluation process.

The assessment confirmed that the company secretary:

- is competent, suitably qualified and experienced
- has the requisite skills, knowledge and experience to advise the board on good governance
- maintains an arm's-length relationship with the board and directors
- has discharged their responsibilities effectively during the current year under review.

Technology and information governance

Norsad has benefited from its current model of outsourcing IT delivery, which includes infrastructure management, security, and service desk operations. The IT environment remained resilient, with no material events recorded during a time when the technology revolution saw heightened cyber-security risks.

Cloud computing enables our employees to access data and work systems from any location, thereby facilitating flexible work arrangements. We continue to evaluate opportunities to improve and modernise our service through our technology partners, while promoting operational resilience and defences against emerging risks, particularly those arising from agile methods of work. Our disaster-recovery and business-continuity plans will be strengthened accordingly.

Compliance governance

Compliance with laws and regulations applicable to operations is critical to the group, as non-compliance May have potentially profound consequences.

The Audit and Risk Committee:

- approves compliance management policies, frameworks, strategies and processes
- monitors that the group takes appropriate action to manage its regulatory, tax and supervisory risks and complies with applicable laws, rules, codes and standards in a way that supports the group in being an ethical and good corporate citizen.

Key areas of focus:

- considered reports and presentations from group businesses and operational risk on the impact of Covid-19 and specific management actions taken to manage the additional risk, including tax risk and regulatory engagements
- reviewed and approved governance frameworks, charters and mandates, including taking into consideration membership of the committee to ensure there is adequate knowledge, skills and experience for effective risk management
- reviewed updates on operating business IT risk profiles and IT governance by the IT consultant
- reviewed policies, procedures and processes to ensure compliance with national laws and regulations
- reviewed statutory records to ensure compliance with the statutory requirements.

Compliance reviews are carried out on an annual basis, a report is issued on the outcomes and corrective action is monitored to ensure that the issues identified are addressed. Material issues identified are communicated to the board where appropriate. External reviews are also carried out by external parties to monitor the effectiveness of the compliance function. The committee is satisfied that the group has adequate resources, systems, skills and remuneration practices to facilitate the ongoing effectiveness of the risk and compliance functions.

Board of directors

The board serves as the focal point and custodian of corporate governance in the group. The board retains full and effective control of the company and is supported by senior management to discharge its fiduciary duties and governance role and responsibilities objectively and effectively in a manner that is consistent with the interests of all stakeholders invested in the success of Norsad. The board believes that its current size and composition – given the mix of knowledge, skill, experience, diversity and independence – is suitable to enable it to meet the group's strategic objectives.

As at 31 December 2022, Norsad had a board of seven members; five of the directors are classified as independent non-executive directors to facilitate effective oversight in terms of King IV.

The board is satisfied that all directors, whether classified as non-executive or independent non-executive, act independently, free of undue influence and in the best interests of Norsad.

The board and management collaborated effectively, ensuring continuity in effective governance and decision-making.

The board attends the scheduled quarterly board meetings, the monthly investment approvals meetings and a strategic conference. The board of directors held nine meetings in 2022, where attendance of directors was recorded at 97% (98% in 2021).

The board attendance register as at 31 December 2022 is presented in the following table:

Name	Approval of financial statements	Quarterly board meetings	Standing investments approval meetings
Number of meetings			
Chairperson			
Dr Ann Frannie Léautier	1	4	7
Independent non-executive directors			
Ms Yvonne Maitin	1	4	4
Mr Jørgen Høholt	1	4	7
Ms Anastasia Soula Proxenos	1	4	8
Mr Andrew Madeswi	1	4	8
Non-executive directors			
Mr Jacob Hagerman	1	4	8
Mr Molefi Leqhaoe	1	4	8

Chairperson

Dr Ann Frannie Léautier | Age 63
Independent non-executive chairperson

Appointed:
14 May 2020

Appointed chairperson:
22 April 2021

Qualifications:
- PhD in Infrastructure Systems
- Doctor in Law
  Master of Science in Transportation
- Bachelor of Science in Civil Engineering

Independent non-executive directors

Mr Jørgen Høholt | Age 64
Independent non-executive director

Appointed:
14 May 2020

Qualifications:
- Bachelor of Commerce

Ms Anastasia Soula Proxenos | Age 59
Independent non-executive director

Appointed:
14 May 2020

Qualifications:
- Master of Business Management and Administration
- Honours in Business and Administration
- Bachelor of Arts

Mr Andrew Madeswi | Age 44
Independent non-executive director

Appointed:
26 April 2017

Qualifications:
- Master of Business Administration
- Bachelor of Business Administration
- Associate Diploma in Banking

Ms Yvonne Maitin | Age 45
Independent non-executive director

Appointed:
21 April 2022

Qualifications:
- Master of Business Administration (Finance)

Non-executive directors

Mr Jacob Hagerman | Age 50
Non-executive director

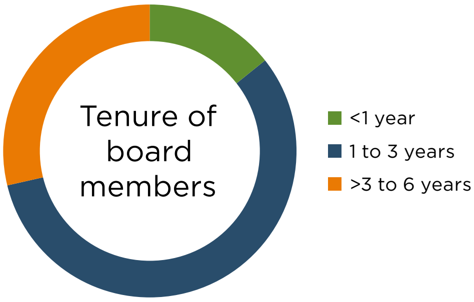
Appointed:
25 April 2019

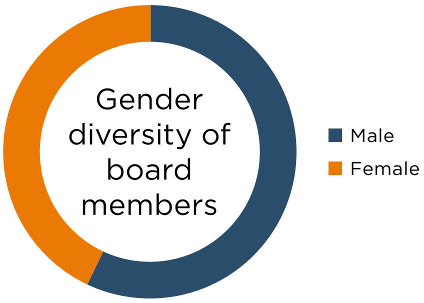
Qualifications:
- Master of Laws (International Finance Law)

Mr Molefi Leqhaoe | Age 49
Non-executive director

Appointed:
6 Dec 2021

Qualifications:
- Master of Business Administration
- Postgraduate Diploma in Corporate Governance and Legislation
- CIS Graduate Diploma





Appointments to the board

There is a clear policy in place detailing procedures for nominations, elections and appointments to the board to determine an optimally diverse board with the required skill set. Non-executive directors are expected to ensure that other professional commitments outside the company do not impinge on their ability to perform their duties as directors of Norsad Capital Limited and do not present any material conflicts of interest. The appointment of all directors to the board requires the approval of shareholders at the annual general meeting. All directors of the company must be assessed as fit and proper by the Non-Bank Financial Institutions Regulatory Authority.

The board acknowledges and recognises the benefits of diversity. The policy on the promotion of race and gender diversity is included in the Board Charter, which requires that, when appointing new directors, the nominations committee takes cognisance of the board's needs in terms of different skills and experience, as well as cultural and gender diversity. This is in addition to considering the board's effectiveness, together with the need to have a majority of independent non-executive directors. While no specific targets have been set, the board is committed to increasing its race and gender diversity at board and top-management level.

The board reviews the governance guidelines of the company on an annual basis. The following corporate governance guidelines were last amended and approved in June 2022:

1. Board Charter
2. Governance Committee Charter
3. Audit and Risk Committee Charter
4. Human Resources and Remuneration Committee Charter
5. The Ethical Code of Conduct for the Directors
6. Remuneration and Compensation of Expenses for Directors.

The composition of the board as at 31 December 2022 is presented in the table below.

Dr Ann Frannie Léautier was appointed as chairperson of the board on 22 April 2021 by the board of directors. Mr Andrew Madeswi was appointed as LID.

The total allowances paid to the directors during the year were as follows:

Member/s	USD
Chair	39 043
Board members	71 893
Committee members	36 567
Total	**147 503**

Director	Nationality	Personal alternate	Nationality
Mr Jacob Hagerman	Swedish	Mr Jakob Larsson	Swedish
Mr Jørgen Høholt	Danish	Mr Alexander Kronvall	Swedish
Dr Frannie Léautier(C)	Tanzanian	Mr Väinö Esilä	Finnish
Mr Molefi Leqhaoe	Mosotho	Mr Ganeshanlall Cheeneebash	Mauritian
Mr Andrew Madeswi	Motswana	Mr Erik de Waal	Namibian
Ms Yvonne Maitin	South African	Ms Ana Maria de Campos	Angolan
Ms Anastasia Soula Proxenos	South African	Ms Marianne Halvorsen	Norwegian

(C) – Chair

Board chair

Dr Frannie Léautier is the independent non-executive chairperson of the board. She has extensive experience in financial services in diverse industries, such as retail, manufacturing and IT services. The chairperson's duties and responsibilities are clearly defined in the board charter and are in accordance with the provisions of King IV.

In addition, Mr Andrew Madeswi, the independent non-executive LID is responsible for fulfilling the following roles and responsibilities:

- to lead in the absence of the chair
- to serve as a sounding board for the chair
- to act as an intermediary between the chair and other members of the governing body, if necessary
- to deal with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where such contact is inappropriate
- to strengthen independence of the governing body if the chair is not an independent non-executive member of the governing body
- to chair discussions and decision-making by the governing body on matters where the chair has a conflict of interest
- to lead the performance appraisal of the chair.

Succession plan

Norsad benefits from access to an extensive pool of directors with diverse experience and competence. Norsad continues to apply specific focus to succession planning at board level. The board is comfortable that its composition, and that of its committees, is appropriately constituted with the correct mix of knowledge, skill, experience, diversity and independence.

Induction

The directors are accountable and responsible for all actions of board committees. This is emphasised during the induction training provided to new directors.

Ongoing training

Other ongoing training and education courses allow directors to familiarise themselves with Norsad's operations, the business environment, fiduciary duties and responsibilities, and the board's expectations in respect of a director's commitment, ethical behaviour and keeping abreast of regulatory changes and trends. The Governance Committee oversees directors' induction and ongoing training programmes, and they will continue to make the professional development of its members a priority.

Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice on matters within the scope of their duties at Norsad's expense.

Annual assessment

The Governance Committee reviewed the annual evaluation and identified no material concerns in respect of the areas assessed. The committee, however, developed and tracked a board improvement action plan. The board is satisfied that the evaluation process continues to improve its performance and effectiveness.

The following areas were assessed:

- Board and committee governance, performance and effectiveness
- Performance and effectiveness of the board chairperson
- Performance and effectiveness of individual non-executive directors
- Performance and effectiveness of the CEO
- Performance and effectiveness of the company secretary.

Retirement and rotation of directors

The constitution of Norsad Capital stipulates that a director May be appointed for a term of up to three (3) years, but each such director shall be able to offer himself/herself up for re-election for one more term. Therefore, a director shall have a maximum term of six (6) years.

Independence

Norsad is guided by the criteria set out in King IV to assess the independence of directors and to ensure that no director wields unfettered power over the board or is likely to influence unduly or cause bias in decision-making when judged from the perspective of a reasonable and informed outside party. The board is satisfied that all directors, whether classified as non-executive or independent non-executive, act independently, free of undue influence and in the best interests of Norsad.

Conflict of interest

Policies are in place to manage any potential conflicts of interest. Directors sign annual declarations stating that they are not aware of any undeclared conflicts of interest that May exist due to their interests in, or association with, any other company. In addition, directors disclose interests in contracts and related party transactions for the board to assess whether such transactions are on arm's-length commercial terms. In instances where they are conflicted, directors will recuse themselves from the relevant deliberations.

Board committees

The board has three committees: the Governance Committee, the Audit and Risk Committee, and the Human Resources and Remuneration Committee to assist and support the board in discharging its duties. Each committee acts in terms of a formal charter. The charters were reviewed and approved during the year. The board and subcommittees are satisfied that they have executed their duties during the past financial year in accordance with their terms of reference.

Governance Committee

Summary of responsibilities

The purpose of the Governance Committee is to evaluate the adequacy, efficiency and appropriateness of the corporate governance practices of Norsad and assist the board in discharging its duties in respect of:

- governance and board effectiveness
- board continuity
- executive succession planning.

The committee fulfils its responsibilities as guided by King IV.

Composition	Record of attendance
Dr Frannie Léautier (C)	4
Mr Jacob Hagerman	4
Mr Molefi Leqhaoe	4

(C) – Chair

The Governance Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Audit and Risk Committee

Summary of responsibilities

The Audit and Risk Committee provides independent oversight of risk, compliance and portfolio-monitoring activities undertaken in the company. This includes ensuring that an effective policy and plan for risk management has been implemented to improve Norsad's ability to achieve its desired outcomes and that risk disclosures are timely, sufficiently detailed and relevant to the stakeholders. The fundamental role of an audit committee is to assist the board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems and internal and external audit functions.

Composition	Record of attendance
Mr Jørgen Høholt (C)	5
Mr Andrew Madeswi	5
Mr Molefi Leqhaoe	5

The committee has assessed the performance of the Head of Audit and Compliance and the arrangements of internal audit and is satisfied that the internal audit function is independent and appropriately resourced, and that the Head of Audit and Compliance has fulfilled the obligations of that position.

The committee reviewed and approved the annual internal audit plan. On a quarterly basis, the committee reviewed the status of the audit plan to ensure that it remained agile in the face of the changing risk landscape. The committee reviewed quarterly activity reports from internal audit, which covered audit plan progress, insights and opportunities for improvement, significant matters for escalation, a cumulative view on internal financial controls and risk-management processes, and a summary of audit observations with respective status updates on remediation efforts.

The committee is satisfied with the expertise, effectiveness and adequacy of arrangements in place for combined assurance. Further, the Audit and Risk Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Human Resources and Remuneration Committee

Summary of responsibilities

The Human Resources and Remuneration Committee oversees Norsad's remuneration and ensures that practices align employees and shareholders. The committee promotes fairness of remuneration by ensuring the principle of equal pay for work of equal value is applied, and that remuneration is market related and sustainable.

Composition	Record of attendance
Mr Andrew Madeswi (C)	4
Ms Yvonne Maitin	4
Ms Anastasia Soula Proxenos	4

The committee is satisfied that it has executed its duties during the past financial year in accordance with its charter, relevant legislation, regulation and governance practices.

Overall, the board is satisfied that the composition of the committees of the board and the arrangements of delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of its duties.

Our People

The executive team

Mr Kenny Nwosu
Chief Executive Officer

Mr Nathaniel Nyika
Chief Investment Officer

Mr Jonathan Davies
Chief Financial Officer

The team

Amuchilani Bafana
Investment Analyst

Sinothile Bulose
Investment Associate

Shaka Dhlodhlo
Portfolio Manager

Gosegomang Modise
Head of Audit and Compliance

Ophrah Mogomotsi
Audit Assistant

Melissa Morapedi
Investment Analyst

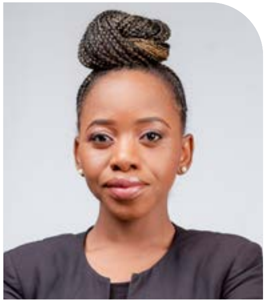
Mpho Ratladi
Finance Director

Nicholson Salani
Investment Analyst

Oteng Sebonego
Investment Director

Carol-Jean Harward
Investment Director

Charity Lesetedi
Administration Manager



Chedza Majaule
Administration Officer

Keoleboge Malela
Impact and ESG Manager

Mabedi Mphinyane
Portfolio Officer

Kuda Mukova
Head of Impact and Sustainability

Gorata Ogotseng
Corporate Communications Manager

Matthew Pratt
Investment Manager

Zubair Suliman
Investment Director

Thabo Toko
Administration Assistant

Mbaki Wotho
Investment Analyst

Alice Zulu
Investment Director

NORSAD CAPITAL LIMITED

Consolidated and separate financial statements

for the year ended 31 December 2022

Contents

Directors' responsibility statement
for the year ended 31 December 2022

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Norsad Capital Limited, comprising the statements of financial position at 31 December 2022, the income statements and statements of other comprehensive income, 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 and other explanatory notes, in accordance with International Financial Reporting Standards.

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. Nothing has come to the attention of the directors to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The directors have made an assessment of the ability of the company and its subsidiaries to continue a going concern and have no reason to believe that the group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The auditor conducts an examination of the financial statements in conformity with International Standards on Auditing. Discussions and meetings are held between the Auditor and Management, the Audit and Risk Committee and the Board of Directors.

Approval of Consolidated and Separate financial statements

The Consolidated and Separate financial statements of Norsad Capital Limited, as identified in the first paragraph, were approved by the Board of Directors on 10 April 2023 and signed on their behalf by:

Frannie Léautier Chair of the Board of Directors	Jorgen Hoholt Chair of the Audit & Risk Commitee

Independent auditor's report

to the shareholders of Norsad Capital Limited

Opinion

We have audited the consolidated and separate financial statements ('the financial statements') of Norsad Capital Limited ('the Company') and its subsidiaries ('the Group'), set out on pages 9 to 63, which comprise the consolidated and separate statements of financial position as at 31 December 2022, the consolidated and separate income statements and statements of other 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 the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at 31 December 2022, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We 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) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report cont.

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances to customers (consolidated and separate)	
The Group's core business is to provide loans and advances to corporate customers which form a significant portion of the Group's total assets. Expected credit losses (ECL) relating to loans and advances to customers represent the Directors' and Management's best estimate of the expected losses within the loan portfolio at the reporting date. Management calculates the ECL using statistical models. Due to the loans and advances to customers being material to the Group and the significant subjective judgement involved in determining the expected credit losses, this is considered to be a key audit matter. ***Modelled ECL provisions*** The development and execution of the ECL model requires significant management judgement, including estimation of the probability of default (PD), and loss given default (LGD) model parameters. Significant increases in credit risk (SICR) are assessed based on macroeconomic inputs and the current risk of default of an account relative to its risk of default at origination. This assessment incorporates judgement and estimation by Management. Significant judgements, estimates and assumptions are applied by Management to: • Evaluate the valuation and recoverability of collateral. • Estimate the timing of the future cash flows. In addition to the above, judgement is also applied to determine whether any out of model adjustments are required for credit risk elements which are not captured by the models. Refer to accounting policy Note 2(a), Note 39(b) on credit risk, Note 20 on loans and advances to customers and Note 14 on net impairment losses on financial instruments.	Our procedures included the following: • We evaluated the design and implementation of controls relating to credit origination, and stage calculation of arrears and days past due. We also tested operating effectiveness of controls relating to credit origination. • With the assistance of our quantitative specialists, we assessed the design and implementation of the ECL models, including assessing the significant assumptions applied with reference to the requirements of IFRS 9: Financial Instruments (IFRS 9). • We evaluated the design and implementation of key controls over the governance processes implemented for credit model and inputs into the ECL model and how the Directors ensure they have appropriate oversight of the ECL. • We assessed and challenged the Directors and Management on the data inputs and key assumptions into the ECL models, which includes the evaluation of SICR, estimated macroeconomic inputs, stage classification of exposures and the estimated probability of default, and loss given default. • We assessed the collateral valuation procedures and inspected a sample of legal agreements and supporting documentation to confirm the existence and legal right to collateral. • We evaluated the adequacy of the financial statement disclosures including key assumptions and judgements. In conclusion, we determined that the impairment of loans and advances is not materially misstated and the related disclosures are appropriate.

Independent auditor's report cont.

Other Matter

The consolidated and separate financial statements of the Company and the Group for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those financial statements on 24 June 2022.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Responsibility Statement and Directors' Report which we obtained prior to the date of this auditor's report as well as the Annual Report including the Statement of Corporate Governance which will be made available after the date of our independent auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

The Directors are responsible for overseeing the Group's and Company's financial reporting process. Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report cont.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 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 or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 Audit Committee 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, related safeguards.

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

Deloitte & Touche

Deloitte & Touche
Firm of Certified Auditors
Practicing Member:
Cecilia Veeta Ramatlapeng (CAP 008 2023)

18 April 2023
Gaborone

Directors' report

for the year ended 31 December 2022

The directors have pleasure in presenting their report to shareholders, together with the audited consolidated and separate financial statements for the year ended 31 December 2022.

Nature of business and principal activities

Norsad Capital Limited is a company domiciled and incorporated in Botswana on 23 November 2011 with company registration no BW00001164284. It is registered under the Botswana Companies Act and regulated by the Botswana Non-Bank Financial Institutions Regulatory Authority (NBFIRA). The company is accredited under the Botswana International Financial Services Centre (IFSC) which became the Botswana International Trade Centre (BITC). Principal activity is providing medium to long term risk capital to mid-market growth companies in sub-Saharan Africa that are financially, socially and environmentally sustainable. These financial statements represent the statutory financial statements.

Investment in Subsidiaries

Norsad Capital Limited holds 100% of the issued share capital of Norsad Finance (Botswana) Ltd, comprising 100 shares at no par value, a company incorporated in Botswana on 9 September 2013, (Company Registration No. BW00001350365). In addition, Norsad Capital Limited holds 100% of the issued stated capital of Norsad Finance (Pty) Ltd, comprising 100 shares at no par value, a company incorporated in South Africa on 24 March 2017, (Company Registration No. CO.2017/137409/07).

Amalgamation of Subsidiary with Parent Company

The formal process of amalgamating the subsidiary Norsad Finance (Botswana) Limited with Norsad Capital Limited within the terms of the relevant provisions of the Companies Act, 2003 were finalised and became effective on 7 December 2022. On or before that date, the assets and liabilities of the subsidiary were amalgamated into Norsad Capital Limited. Companies and Intellectual Properties Authority (CIPA) confirmed that the company had been removed by the registrar on 3 February 2023.

Review of the group's financial position and results

The financial statements incorporate the financial statements of the company, referred to as the "Company" and consolidated statement incorporating entities controlled by the company, reflect the financial statements of the company and its subsidiaries and are collectively referred to as the "Group".

The financial results and position are reflected in the financial statements set out on pages 52 to 94.

Currency of presentation

The consolidated and separate financial statements are presented in United States Dollars (USD), which is the group's functional and presentation currency.

Events after the reporting date

On 22 March 2023 a dividend of USD 50 (2021: 75) for each 9,172 ordinary share and USD 100 (2021: 150) for each 5,545 preference share was approved by the Board of Directors for the year ended 31 December 2022, for recommendation to the Shareholders at the Annual General Meeting.

On March 30, 2023, the court granted judgment in favour of Norsad and the Africa Agriculture and Trade Investment Fund placing African Banking Corporation Holdings Limited under provisional liquidation. Further details are reported in note 41.

A ZAR 123 million credit facility was concluded with Symbiotics SA and the facility was fully drawn on February 21, 2023.

Directors' report cont.

Property, plant and equipment
Details of changes in property, plant and equipment during the year are reflected in note 24.

Stated capital
Details of changes in the stated capital is disclosed in note 35.

Board of Directors
Hagerman, Jacob
Høholt, Jørgen
Léautier, Frannie
Leqhaoe, Molefi
Madeswi, Andrew
Maitin, Yvonne
Proxenos, Anastasia (Soula)

Alternate Directors
Larsson, Jakob
Kronvall, Alexander
Esilä, Väinö
Ganeshanlall Cheenebash
De Waal, Erik
De Campos, Ana Maria
To Be Confimed

Changes during the period
Malene, Aurora (Retired 22 April 2022)
Maitin, Yvonne (Appointed 22 April 2022)

Registered office
Plot 54366,
Western Commercial Road
Central Business District,
P.O. Box 1476 ABG,
Gaborone

Company Secretary
Desert Secretarial Services
(Proprietary) Limited
Plot 64518,
Fairgrounds Office Park,
Gaborone

Auditors
Deloitte & Touche
Plot 64518,
Fairgrounds Office Park,
Gaborone

Principal Bankers
Stanbic Bank Botswana Limited Head Office,
Stanbic House,
Plot 50672 Off Machel Drive,
Fairgrounds, Gaborone

Exchange Rates

		2022	2021
USD/ZAR	(ZAR = South African Rand)	16.9831	15.8899
USD/BWP	(BWP = Botswana Pula)	12.7714	11.7371
USD/EUR	(EUR = Euro)	0.9394	0.8831

Income statements and statements of other comprehensive income

for the year ended 31 December 2022

	Note	Consolidated Group 2022 USD	Consolidated Group 2021 USD	Company 2022 USD	Company 2021 USD
Operating income					
Interest received	5	20 735 386	14 266 278	19 932 827	13 010 172
Interest paid	6	(4 757 020)	(2 634 369)	(4 757 020)	(2 634 369)
Net interest income		**15 978 366**	**11 631 909**	**15 175 807**	**10 375 803**
Fees and similar charges received	7	63 460	794 804	63 460	794 804
Fees and similar charges paid	8	-	(138 264)	-	(138 264)
Net fee and charges income		**63 460**	**656 540**	**63 460**	**656 540**
Investment income	9	11 727	328 790	11 727	328 790
Other income	10	-	-	461 184	332 556
Fair value adjustment on FVPL assets	14	(318 204)	(748 345)	(318 204)	(748 345)
Other operating (deficit) income		**(306 477)**	**(419 555)**	**154 707**	**(86 999)**
Total Operating income		**15 735 349**	**11 868 894**	**15 393 974**	**10 945 344**
Operating expenses					
Personnel expenses	11	(3 698 728)	(2 880 538)	(3 288 696)	(2 614 501)
General and administration expenses	12	(366 310)	(270 001)	(357 331)	(235 079)
Depreciation charge	24	(57 432)	(99 654)	(55 682)	(97 832)
Amortisation expense	25	(129 360)	(145 731)	(118 257)	(133 225)
Other operating expenses	13	(2 079 641)	(1 111 937)	(2 380 942)	(1 307 441)
Total Operating expenses		**(6 331 471)**	**(4 507 861)**	**(6 200 908)**	**(4 388 078)**
Operating profit		**9 403 878**	**7 361 033**	**9 193 066**	**6 557 266**
Credit impairment losses	14	(6 029 205)	(3 133 315)	(4 327 688)	(1 832 273)
Credit impairment losses on subsidiary company	37	-	-	(1 226 635)	-
Foreign exchange losses	15	(262 636)	(176 961) 230)	(262 636)	(176 961) 230)
Profit before income tax		**3 112 037**	**4 050 757**	**3 376 107**	**4 548 032**
Direct taxation	16	(1 068 553)	(1 368 853)	(1 068 553)	(1 368 853)
Profit for the year		**2 043 484**	**2 681 904**	**2 307 554**	**3 179 179**
Other comprehensive income					
Unrealised net gain on equity investments	23	507 553	327 166	507 553	327 166
Total Other comprehensive income		**507 553**	**327 166**	**507 553**	**327 166**
Total Comprehensive income		**2 551 037**	**3 009 070**	**2 815 107**	**3 506 345**

Statements of financial position

at 31 December 2022

		Consolidated Group		Company	
		2022	2021	2022	2021
	Note	USD	USD	USD	USD
Assets					
Cash	*17*	27 628 739	6 570 919	27 171 769	6 179 168
Cash held as investments	*18*	18 768 483	11 756 756	18 768 483	11 756 756
Cash in transit	*19*	-	10 000 000	-	10 000 000
Loans and advances	*20*	184 906 374	147 526 161	184 906 374	136 795 513
Loans and advances to subsidiaries	*21*	-	-	406 246	11 330 202
Investment in subsidiaries	*22*	-	-	106	107
Investment securities	*23*	2 917 798	1 294 320	2 917 798	1 294 320
Property, plant and equipment	*24*	131 161	138 086	128 829	134 952
Right of Use Assets	*25*	126 682	274 436	104 459	238 273
Current tax assets	*26*	144 199	82 515	144 199	13 051
Deferred tax assets	*27*	333 113	14 207	327 138	6 876
Other assets	*28*	312 541	1 482 055	292 289	1 019 288
Total assets		**235 269 090**	**179 139 455**	**235 167 690**	**178 768 506**
Liabilities					
Secured and unsecured debt	*29*	102 050 107	46 903 454	102 050 107	46 903 454
Current tax liabilities	*30*	499	25 066	-	18 480
Lease Liabilities	*31*	160 487	326 771	133 086	285 327
Employee benefit obligations	*32*	1 254 652	-	1 254 652	-
Other liabilities	*33*	325 961	1 438 167	288 464	1 415 321
Total liabilities		**103 791 706**	**48 693 458**	**103 726 309**	**48 622 582**
Shareholders' equity					
Stated capital	*35*	122 165 817	122 165 817	122 165 817	122 165 817
Retained earnings		8 817 570	8 293 736	8 781 567	7 993 663
Other reserves		493 997	(13 556)	493 997	(13 556)
Total equity		**131 477 384**	**130 445 997**	**131 441 381**	**130 145 924**
Total liabilities and equity		**235 269 090**	**179 139 455**	**235 167 690**	**178 768 506**

Frannie Léautier
Chair of the Board of Directors

Jorgen Hoholt
Chair of the Audit & Risk Commitee

Kenny Nwosu
Chief Executive Officer

Statements of changes in equity
for the year ended 31 December 2022

	Stated capital		Investments revaluation reserve	Other Reserves	Retained Earnings	Total equity
	Ordinary shares	Preference shares				
	USD	USD	USD	USD	USD	USD
Consolidated Group						
Balance at 1 January 2021	**75 773 770**	**45 907 055**	**(340 722)**	**894 845**	**6 096 824**	**128 331 772**
Profit for the year	-	-	-	-	2 681 904	2 681 904
Other comprehensive income	-	-	327 166	-	-	327 166
Interest added	-	-	-	(894 845)	-	(894 845)
2020 Dividends settled by 54 Ordinary shares	484 992	-	-	-	(484 992)	-
Balance at 31 December 2021	**76 258 762**	**45 907 055**	**(13 556)**	**-**	**8 293 736**	**130 445 997**
Profit for the year	-	-	-	-	2 043 484	2 043 484
Other comprehensive income	-	-	507 553	-	-	507 553
2021 Dividends	-	-	-	-	(1 519 650)	(1 519 650)
Balance at 31 December 2022	**76 258 762**	**45 907 055**	**493 997**	**-**	**8 817 570**	**131 477 384**
Company						
Balance at 1 January 2021	**75 773 770**	**45 907 055**	**(340 722)**	**894 845**	**5 299 476**	**127 534 424**
Profit for the year	-	-	-	-	3 179 179	3 179 179
Other comprehensive income	-	-	327 166	-	-	327 166
Interest added	-	-	-	(894 845)	-	(894 845)
2020 Dividends settled by 54 Ordinary shares	484 992	-	-	-	(484 992)	-
Balance at 31 December 2021	**76 258 762**	**45 907 055**	**(13 556)**	**-**	**7 993 663**	**130 145 924**
Profit for the year	-	-	-	-	2 307 554	2 307 554
Other comprehensive income	-	-	507 553	-		507 553
2021 Dividends	-	-	-	-	(1 519 650)	(1 519 650)
Balance at 31 December 2022	**76 258 762**	**45 907 055**	**493 997**	**-**	**8 781 567**	**131 441 381**

Statements of cash flows

for the year ended 31 December 2022

	Note	Consolidated Group 2022	2021 (Restated)	Company 2022	2021 (Restated)
Operating activities		**USD**	**USD**	**USD**	**USD**
Cash used in operations before taxation and working capital changes	*34*	(5 418 420)	(3 656 590)	(5 494 701)	(3 221 820)
Interest received		9 218 237	8 708 472	9 655 751	9 319 577
Interest paid		(4 648 432)	(2 634 369)	(4 648 432)	(2 634 369)
Interest paid on leases liabilities		(17 860)	(31 199)	(15 456)	(27 958)
Movement in loans and advances		(34 207 818)	(18 440 768)	(34 207 002)	(19 460 768)
Movement in cash in transit	*19*	10 000 000	(10 000 000)	10 000 000	(10 000 000)
Movement in employee benefits		1 254 652	79 896	1 254 652	79 896
Movement in other assets		1 169 514	(399 310)	747 628	675 536
Movement in other liabilities		(1 287 101)	404 967	(1 311 637)	238 773
Amount pledged as financial guarantee		-	65 000	-	65 000
Taxation paid		(1 473 710)	(1 403 245)	(1 472 093)	(1 382 207)
Cash used in operating activities		**(25 410 938)**	**(27 307 146)**	**(25 491 290)**	**(26 348 340)**
Investing activities:					
Additions to investment securities	*23*	(1 183 350)	-	(1 183 350)	-
Sale proceeds of plant and equipment	*24*	3 954	14 711	3 954	14 711
Proceeds from disposal of cash investments		-	10 000 000	-	10 000 000
Additions to cash held as investments		(7 000 000)	(8 000 000)	(7 000 000)	(8 000 000)
Subsidiary loan additions		-	-	-	(1 213 494)
Subsidiary loan repayments		-	-	-	1 020 000
Acquisition of plant and equipment	*24*	(52 384)	(91 897)	(51 294)	(91 897)
Cash (used in) / generated from investing activities		**(8 231 780)**	**1 922 814**	**(8 230 690)**	**1 729 320**
Financing activities:					
Secured and unsecured debt advanced	*29*	69 993 124	13 716 532	69 993 124	13 716 532
Repayment of secured and unsecured debt	*29*	(13 492 383)	(9 894 452)	(13 492 383)	(9 894 452)
Lease rental payments		(166 284)	(176 543)	(152 241)	(159 437)
Dividends paid	*36*	(1 438 200)	-	(1 438 200)	-
Cash generated from financing activities		**54 896 257**	**3 645 537**	**54 910 300**	**3 662 643**
Movement in cash		**21 253 539**	**(21 738 795)**	**21 188 320**	**(20 956 377)**
Cash at the beginning of year	*17*	6 570 919	27 910 547	6 179 168	26 736 378
Effects of exchange rate changes on cash		(195 719)	399 167	(195 719)	399 167
Cash at end of year	*17*	**27 628 739**	**6 570 919**	**27 171 769**	**6 179 168**

Note: Prior-year comparatives have been restated due to misclassifications within the components of the cash flow statement. Refer to note 34.

Accounting Policies

for the year ended 31 December 2022

1. Basis of preparation

a. Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

b. Basis of measurement

The financial statements are prepared on the historical cost basis, except for certain financial instruments which are measured at fair value.

c. Functional and presentation currency

The financial statements are presented in US Dollar (USD), which is also the functional currency.

d. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the development, selection and disclosure of the group's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. 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 and in any future periods affected.

Information regarding estimates and judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are included in Notes 3 and 4.

2. Significant accounting policies

a. Financial assets and liabilities

Measurement methods

i. 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 throughout 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 and fees that are integral to the effective interest rate, such as origination fees.

Accounting Policies cont.

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.

ii. Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that 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). Should the investment fall into recovery status, interest is not calculated.

iii. Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

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

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.

Financial Assets

i. Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and credit lines.

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL.

Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how

Accounting Policies cont.

managers are compensated. For example, the Group's business model for the loan facility book is to hold to collect contractual cash flows. Another example is the cash held as investments, which are held by the Group as part of liquidity management and are generally classified within the hold to collect and sell business model.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3. 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. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'.
- **Fair value through profit or loss (FVPL):** 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 was designated at fair value or which is not held for trading, are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

ii. Investment Securities

Investment securities 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.

Accounting Policies cont.

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

iii. Impairment

The Group assesses the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost with the exposure arising from loan commitments. 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 39b provides more detail of how the expected credit loss allowance is measured.

iv. Modification and Derecognition of Loans

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cashflows 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

Accounting Policies cont.

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 impact of modifications of financial assets on the expected credit loss calculation is detailed in note 39b.

Financial Assets

i. Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost.

ii. Derecognition

Financial liabilities are derecognised when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires.

iii. Loan Commitments

The Group contractually recognizes loan commitments on the signing of the facility agreement. For loan commitments, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

b. Foreign currency

Foreign currency translations

Transactions in foreign currencies are translated into the functional currency of group at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period.

Accounting Policies cont.

c. **Investment in Subsidiaries**

i. **Subsidiary**

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

ii. **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the "company" and entities controlled by the company, its subsidiaries which are collectively referred to as the "Group".

d. **Fee and commissions**

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

e. **Dividends**

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in other operating income based on the underlying classification of the equity investment.

f. **Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

i. **Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

ii. **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Accounting Policies cont.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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 or their tax assets and liabilities will be realised simultaneously.

iii. Tax exposures

In determining the amount of current and deferred tax, the group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

g. Cash

Cash and cash equivalents include mainly highly liquid financial assets with original maturities of less than three months from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the company in the management of its short-term commitments Such assets are held with regulated banks that have risk ratings above "non-investment grade – Baa3, per Moody's ratings". Also included are notes and coins on hand.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

h. Cash held as investments

Fixed deposit investment are fixed term deposit investments with regulated banks that have risk ratings above "non-investment grade – Baa3, per Moody's ratings", with original maturities of one month or more from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the group in the management of its loan commitments.

Fixed deposit investments are carried at amortised cost in the statement of financial position.

i. Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the group holds to collect and does not intend to sell immediately or in the near term. They include both Investment loans to financial institutions and directly to customers.

The classification and recognition of loans and advances in explained under Financial Assets in note 2a (i).

j. Property, Plant and equipment

i. Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of plant or equipment

Accounting Policies cont.

have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Any gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

ii. Subsequent costs

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

iii. Depreciation

Items of plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use

Depreciation is calculated to write off the cost of items of plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in profit or loss. Significant items of plant and equipment are depreciated as follows:

Motor vehicles	20% reducing balance (2021: 25% reducing balance)
Computer equipment	33.3% straight line
Office equipment	10% straight line (2021: 20% straight line)

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The rates for motor vehicles and office equipment were adjusted in 2022.

k. Leases

The group leases various offices, houses and equipment. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options. 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.

- At inception the group recognises a Right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as lease assets with a value of USD 5 000 or less at the inception of the lease).
- Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
  - fixed payments (including in-substance fixed payments), less any lease incentives receivable
  - payments of penalties for terminating the lease

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's

Accounting Policies cont.

incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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

The asset is depreciated over the shorter of its useful life or its lease term on a straight-line basis, where ownership is not transferred at the end of the lease term.

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date

l. Impairment of non-financial assets

The group's non-financial assets are identified as plant & equipment and deferred taxation. Their carrying amounts are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. The recoverable amount of an asset or cash-generating unit 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 risk specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment was recognised.

m. Secured and Unsecured Debt

Borrowings are initially recognised at fair value and are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Accounting Policies cont.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

n. Other Liabilities and accruals

An accrual is recognised if, as a result of a past event, the group 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. Accruals 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. The unwinding of the discount is recognised as finance cost.

o. Employee benefits

i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

ii. Short-term employee benefits

The cost of short term benefit is recognised during the period in which the employee renders the related service.

Employee entitlements to incentive payments, medical aid and gratuity benefits are recognised when they accrue to employees and an accrual is recognised for the estimated liability as a result of services rendered by the employee up to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Employees who are not members of an approved pension scheme are entitled to gratuity benefits as stipulated in their employment contracts. An accrual is recognised for the estimated liability for services rendered by the employee up to the reporting date.

p. Stated capital and equity

i. Shares issued

Ordinary and preference shares are recognised as equity.

ii. Dividends

Dividends on ordinary and preference shares are recognised against equity.

iii. Other Reserves

Other reserves recognised by the group include reserves arising from valuation changes in available for sale equity investments and interest from investments not charged to the income statement until payment has been received from the client.

Use of Estimates and Judgements
for the year ended 31 December 2022

3. Use of Estimates and Judgements

Management discusses with the Audit and Risk Committee of the Board, the development, selection and disclosure of the group's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is disclosed below.

Measurement of the expected credit loss allowance

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 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 39b, 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 39b.

Fair value

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in the group's accounting policy in Note 2. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument.
- **Level 2:** Valuation techniques based on observable inputs, either directly or indirectly derived from prices. This category includes instruments valued using: quoted market

Use of Estimates and Judgements cont.

prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Due to the nature of the change in valuation for level 3 assets in 2022, the carrying amount of these assets was adjusted by any expected credit loss allowance recognised and measured as described in note 3. The sensitivity of inputs of these level 3 assets is not deemed to be significant.

The table below analyses the level of fair value hierarchy of financial instruments:

Group and Company **31 December 2022**	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities	*23*	631 582	-	2 286 216	**2 917 798**
Loans and advances	*20*	-	-	6 636 305	**6 636 305**
		631 582	**-**	**8 922 521**	**9 554 103**

Group and Company 31 December 2021	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities	*23*	874 908	-	419 412	**1 294 320**
Loans and advances	*20*	-	-	15 503 379	**15 503 379**
		874 908	**-**	**15 922 791**	**16 797 699**

The table below analyses the reconciliation of fair values of level 3 financial instruments:

Group and Company	**2022**		**2021**	
	Level 2	**Level 3**	**Level 2**	**Level 3**
Balance as at 1 January	-	15 922 791	-	16 400 885
Disbursements	-	1 235 249	-	-
Interest added	-	406 990	-	552 382
Fair value adjustments	-	313 351	-	(1 030 476)
Reclassified to loans and advances at amortised cost	-	(8 955 860)	-	-
Balance as at 31 December	**-**	**8 922 521**	**-**	**15 922 791**

Notes to the financial statements
for the year ended 31 December 2022

4. Financial Assets and Liabilities

Financial Assets

Consolidated Group 31 December 2022	*Note*	**Amortised Cost**	**FVPL**	**FVOCI**	**Total carrying amount & Fair Value**
Cash	*17*	27 628 739	-	-	**27 628 739**
Cash held as investments	*18*	18 768 483	-	-	**18 768 483**
Loans and advances	*20*	178 270 069	6 636 305	-	**184 906 374**
Investment securities	*23*	-	-	2 917 798	**2 917 798**
Other assets	*28*	90 757	-	-	**90 757**
		224 758 048	**6 636 305**	**2 917 798**	**234 312 151**

Financial Assets

Consolidated Group 31 December 2021	*Note*	**Amortised Cost**	**FVPL**	**FVOCI**	**Total carrying amount & Fair Value**
Cash	*17*	6 570 919	-	-	**6 570 919**
Cash held as investments	*18*	11 756 756	-	-	**11 756 756**
Cash in transit	*19*	10 000 000	-	-	**10 000 000**
Loans and advances	*20*	132 022 782	15 503 379	-	**147 526 161**
Investment securities	*23*	-	-	1 294 320	**1 294 320**
Other assets	*28*	68 248			**68 248**
		160 418 705	**15 503 379**	**1 294 320**	**177 216 404**

Financial Liabilities

Consolidated Group 31 December 2022	*Note*	**Amortised Cost**	**FVPL**	**FVOCI**	**Total carrying amount & Fair Value**
Secured and unsecured debt	*29*	102 050 107	-	-	102 050 107
Other liabilities	*33*	299 332	-	-	299 332
		102 349 439	**-**	**-**	**102 349 439**

Financial Liabilities

Consolidated Group 31 December 2021	*Note*	**Amortised Cost**	**FVPL**	**FVOCI**	**Total carrying amount & Fair Value**
Secured and unsecured debt	*29*	47 268 134	-	-	**47 268 134**
Other liabilities	*33*	211 298	-	-	**211 298**
		47 479 432	**-**	**-**	**47 479 432**

5. Interest charged

	Consolidated Group		**Company**	
	2022	**2021**	**2022**	**2021**
Loans and advances to financial institutions	10 996 985	9 218 870	10 518 154	8 229 353
Loans and advances direct to customers	9 465 001	5 047 408	8 460 947	4 295 030
Loans and advances to subsidiary companies	-		680 326	485 789
Deferred loan fees released	273 400	-	273 400	-
	20 735 386	**14 266 278**	**19 932 827**	**13 010 172**

Notes to the financial statements cont.

6. Interest paid

	Consolidated Group		Company	
	2022	**2021**	**2022**	**2021**
Interest on secured debt facilities	3 532 754	2 634 369	3 532 754	2 634 369
Interest on unsecured debt facilities	1 059 058	-	1 059 058	-
Deferred debt fees expensed	165 208	-	165 208	-
	4 757 020	**2 634 369**	**4 757 020**	**2 634 369**

7. Fees and similar charges received

Loans and advances to financial institutions	-	314 626	-	314 626
Loans and advances direct to customers	63 460	480 178	63 460	480 178
	63 460	**794 804**	**63 460**	**794 804**

8. Fees and similar charges paid

Fees on debt facilities	-	138 264	-	138 264
	-	**138 264**	**-**	**138 264**

9. Investment income

Interest on cash held as investments	11 727	328 790	11 727	328 790
	11 727	**328 790**	**11 727**	**328 790**

10. Other income

Expenses recharged to subsidiary	-	-	461 184	332 556
	-	**-**	**461 184**	**332 556**

11. Personnel expenses

Salaries and incentive payments	2 925 147	2 109 699	2 574 971	1 902 711
Pension and gratuity costs	212 791	201 828	181 690	181 129
Leave pay costs and provisions	(84 689)	43 745	(79 813)	37 281
Health insurance and staff welfare	202 853	181 017	181 713	160 989
Other employee costs	442 626	344 249	430 135	332 391
	3 698 728	**2 880 538**	**3 288 696**	**2 614 501**

At year end the number of staff employed by the group was 25 (2021: 23)

12. General and administrative expenses

Office expenses	58 503	46 527	49 666	21 218
Administration and ITC Costs	227 276	163 855	227 276	155 722
Communication expenses	72 821	60 985	72 821	59 505
Motor vehicle costs	9 787	10 110	9 787	10 110
Profit on sale of fixed assets	(2 077)	(11 476)	(2 219)	(11 476)
	366 310	**270 001**	**357 331**	**235 079**

13. Other operating expenses

Johannesburg Office Cost	-	-	483 730	390 722
Board of Director meeting costs	253 080	75 834	253 080	75 834
Travel and promotion expenses	628 441	204 304	615 670	161 096
Legal and consultancy expenses	905 108	493 231	774 700	408 662
Staff training costs	92 617	113 072	92 617	113 072
Auditor's remuneration	47 500	45 495	40 450	38 675
Other operating costs	152 895	180 001	120 695	119 380
	2 079 641	**1 111 937**	**2 380 942**	**1 307 441**

Included in group 2022 other operating costs is USD 15,456 (2021: USD 27,958) relating to interest on lease liabilities.

Notes to the financial statements cont.

14. Credit impairment losses

	Consolidated Group 2022	2021	Company 2022	2021
Expected credit losses	5 917 367	3 019 938	4 215 850	1 718 896
Committed investments impairment provision	111 838	113 377	111 838	113 377
	6 029 205	**3 133 315**	**4 327 688**	**1 832 273**
Expected Credit Loss Control Account				
Balance as at 1 January	10 236 787	8 483 149	8 332 945	7 880 349
Charge for the period	5 917 367	3 019 938	4 215 850	1 718 896
Committed impairment provision	113 377	-	113 377	-
Loan written off from books	-	(1 266 300)	-	(1 266 300)
Transferred from subsidiary company	-	-	3 605 359	-
Investment reclassified from fair value	1 297 249		1 297 249	
Balance as at 31 December	**17 564 780**	**10 236 787**	**17 564 780**	**8 332 945**
Fair value adjustment on FVPL assets	318 204	748 345	318 204	748 345
	318 204	**748 345**	**318 204**	**748 345**
Fair Value Adjustment Control Account				
Balance as at 1 January	2 426 516	1 678 171	2 426 516	1 678 171
Charge for the period	318 204	748 345	318 204	748 345
Investment reclassified to amortised cost	(1 297 249)	-	(1 297 249)	-
Balance as at 31 December	**1 447 471**	**2 426 516**	**1 447 471**	**2 426 516**

15. Foreign Exchange Losses

	Consolidated Group 2022	2021	Company 2022	2021
Total (loss) on loans and advances	(2 109 183)	(2 156 262)	(2 109 183)	(2 156 262)
Total gain on foreign currency borrowings	1 462 676	2 378 468	1 462 676	2 378 468
Total (loss) on foreign equity investment	(67 425)	-	(67 425)	-
Realised (loss) / gain on ZAR bank accounts	451 296	(399 167)	451 296	(399 167)
Net foreign exchange (loss)	**(262 636)**	**(176 961)**	**(262 636)**	**(176 961)**

16. Direct taxation

	Consolidated Group 2022	2021	Company 2022	2021
Current taxation				
Local income taxation	746 818	774 333	746 818	774 333
Foreign withholding tax restricted	640 641	603 579	641 997	594 822
	1 387 459	**1 377 912**	**1 388 815**	**1 369 155**
Deferred Taxation				
Accelerated Allowances of Plant & Equipment	3 730	(38 205)	3 730	(22 575)
Fair value and other related adjustments	(572 203)	-	(573 559)	-
Other temporary adjustments	(103 622)	29 146	(103 622)	22 273
Prior year under provision	353 189	-	353 189	-
	(318 906)	**(9 059)**	**(320 262)**	**(302)**
Total direct taxation expense	**1 068 553**	**1 368 853**	**1 068 553**	**1 368 853**
Taxation reconciliation				
Profit/(Loss) before taxation	3 112 037	4 050 767	3 376 107	4 548 032
Tax on taxable profit at statutory rate (15/22%)	483 611	607 615	524 647	682 205
Prior year under provision	353 189	-	353 189	-
Effect of items disallowed	231 753	761 238	190 717	686 648
Taxation per statement of profit or loss	**1 068 553**	**1 368 853**	**1 068 553**	**1 368 853**

Foreign withholding tax of USD 1,331,408 has been included in the interest and fee income for 2022 and was partially utilised against tax liabilities in the current year, up to a restricted total. Group income tax paid to taxation authorities in 2022 amounted to USD 135,255.

Notes to the financial statements cont.

17. Cash

	Consolidated Group 2022	2021	Company 2022	2021
Balances with banks	27 619 618	6 567 887	27 162 648	6 176 136
Petty cash	9 121	3 032	9 121	3 032
	27 628 739	**6 570 919**	**27 171 769**	**6 179 168**

18. Cash held as investments

Balances with banks	18 768 483	11 756 756	18 768 483	11 756 756
	18 768 483	**11 756 756**	**18 768 483**	**11 756 756**
Due within one year	15 011 732	8 000 000	15 011 732	8 000 000
Due between one and five years	3 756 751	3 756 756	3 756 751	3 756 756
	18 768 483	**11 756 756**	**18 768 483**	**11 756 756**

As at 31 December 2022 an amount of USD 18,768,483 (2021: USD 11,756,756) from the above total was encumbered to Stanbic as security on the debt facilities as highlighted in note 29.

19. Cash in transit

Cash in transit to loan clients	-	10 000 000	-	10 000 000
	-	**10 000 000**	**-**	**10 000 000**

20. Loans and advances

Gross Loans and advances at amortised cost	195 537 385	142 259 569	195 537 385	129 625 079
Gross Loans and advances at FVPL	8 083 776	17 929 895	8 083 776	17 929 895
Gross Loan Balance as at 31 December	**203 621 161**	**160 189 464**	**203 621 161**	**147 554 974**
Accrued interest from loans and advances	891 837	-	891 837	-
Deferred loan fees received	(594 373)	-	(594 373)	-
Less specific allowance for impairment	(17 564 780)	(10 236 787)	(17 564 780)	(8 332 945)
Less fair value adjustment on FVPL assets	(1 447 471)	(2 426 516)	(1 447 471)	(2 426 516)
Net Loan Balance as at 31 December	**184 906 374**	**147 526 161**	**184 906 374**	**136 795 513**
Net Loans and advances at amortised cost	177 972 605	132 022 782	177 972 605	121 292 134
Accrued interest from loans and advances	891 837	-	891 837	-
Deferred loan fees received	(594 373)	-	(594 373)	-
Net Loan and advances at Amortised Cost	**178 270 069**	**132 022 782**	**178 270 069**	**121 292 134**
Net Loans and advances at FVPL	**6 636 305**	**15 503 379**	**6 636 305**	**15 503 379**
Loan Control Account				
Balance transferred at 1 January	160 189 464	140 145 054	147 554 974	128 873 931
Loan disbursements	55 434 296	51 157 754	55 434 296	51 157 754
Charged interest not received	10 625 312	5 176 204	8 704 913	3 812 837
Repayment of loan principal	(20 518 728)	(32 716 986)	(20 518 728)	(32 716 986)
Foreign exchange (losses)/gains on loans	(2 109 183)	(2 156 262)	(2 109 183)	(2 156 262)
Transfer from subsidiary company	-	-	14 554 889	-
Write-offs against provisions	-	(1 416 300)	-	(1 416 300)
Gross Loan Balance as at 31 December	**203 621 161**	**160 189 464**	**203 621 161**	**147 554 974**
Maturity Analysis				
Due within one year	60 851 362	42 888 955	60 851 362	36 363 480
Due between one and five years	112 396 229	98 658 096	112 396 229	94 452 923
Due after five years	11 658 783	5 979 110	11 658 783	5 979 110
	184 906 374	**147 526 161**	**184 906 374**	**136 795 513**

Notes to the financial statements cont.

21. Loans and advances to subsidiaries

	Consolidated Group		Company	
	2022	2021	2022	2021
Norsad Finance (Botswana) Limited	-	-	-	10 970 779
Norsad Finance Pty Limited	-	-	406 246	359 423
Net Loan Balance at 31 December	**-**	**-**	**406 246**	**11 330 202**
Control Account				
Opening balance at 1 January	-	-	11 330 202	11 134 775
Loan Interest charged to subsidiaries	-	-	680 326	485 789
Expenses recharged to subsidiaries	-	-	461 184	332 556
Other advances to subsidiaries	-	-	191 444	397 082
Loans and advances repaid by subsidiaries	-	-	(816)	(1 020 000)
Transfer from subsidiary company (Note 37)		-	(12 256 094)	-
Gross balance at 31 December	-	-	406 246	**11 330 202**
Less specific allowance for impairment	-	-	-	-
Net Loan Balance at 31 December	**-**	**-**	**406 246**	**11 330 202**
Due within one year	-	-	406 246	7 115 596
Due between one and five years	-	-	-	4 214 606
	-	**-**	**406 246**	**11 330 202**

The company holds a 100% share of its subsidiary company. The Directors of the holding company have indicated that they will not demand repayment of any loans to a subsidiary and will continue any necessary financial support. Having made an impairment assessment, no specific allowance for impairment was deemed necessary.

The formal process of amalgamating the subsidiary Norsad Finance (Botswana) Limited with Norsad Capital Limited within the terms of the relevant provisions of the Companies Act, 2003 was finalised and became effective on 7 December 2022. On or before that date, the assets and liabilities of the subsidiary were amalgamated into Norsad Capital Limited. Companies and Intellectual Properties Authority (CIPA) confirmed that the company had been removed by the registrar on 3 February 2023.

The advance given to Norsad Finance Pty Limited is for operational cost purposes, is free from interest with no security deemed necessary.

22. Investment in subsidiaries

Norsad Finance (Botswana) Limited	-	-	100	100
Norsad Finance Pty Limited	-	-	6	7
Investment at 31 December	-	-	106	107

The company has invested in 100% of the issued share capital of both subsidiaries.

23. Investment securities

Market value on 1 January	1 294 320	967 154	1 294 320	967 154
Disbursements during the year	1 183 350	-	1 183 350	-
Movements in value during the year	507 553	327 166	507 553	327 166
Exchange rate gain / (loss)	(67 425)	-	(67 425)	-
Market value on 31 December	**2 917 798**	**1 294 320**	**2 917 798**	**1 294 320**
Due within one year	631 582	874 908	631 582	874 908
Due between one and five years	2 286 216	419 412	2 286 216	419 412
Market value on 31 December	**2 917 798**	**1 294 320**	**2 917 798**	**1 294 320**

Norsad has subscribed to ordinary shares of a fund, initially at a value of USD 1,277,105. The investment is not self-liquidating, so the capital contribution plus other income and capital gains accruing during the life of the fund are payable at the end of the Fund's Life which is 10 years, subject to extension by 2 years. Hence, the value of the investment can rise or fall depending on the performance of the overall investment portfolio created by the Fund. The investment cannot be recalled with distributions being made after the Fund has exited from all investments made during its life and upon expiry of the Life of the Fund. In terms of valuation, this will be based on regular fund investor reports from the fund manager, in line with normal practices.

Notes to the financial statements cont.

24. Plant and equipment

Consolidated Group	Motor vehicles	Computer equipment	Office Equipment	Total
Cost				
Balance as at 31 December 2020	132 407	143 454	217 774	493 635
Additions	42 945	48 327	625	91 897
Disposals	(28 377)	-	(306)	(28 683)
Balance as at 31 December 2021	**146 975**	**191 781**	**218 093**	**556 849**
Additions	-	52 384	-	52 384
Disposals	-	(107 361)	-	(107 361)
Balance as at 31 December 2022	**146 975**	**136 804**	**218 093**	**501 872**
Accumulated depreciation				
Balance as at 31 December 2020	91 032	112 436	140 783	344 251
Charge for the period	20 685	42 424	36 545	99 654
Disposals	(25 142)	-	-	(25 142)
Balance as at 31 December 2021	**86 575**	**154 860**	**177 328**	**418 763**
Charge for the period	13 080	37 863	6 489	57 432
Disposals	-	(105 484)	-	(105 484)
Balance as at 31 December 2022	**99 655**	**87 239**	**183 817**	**370 711**

Plant and equipment was disposed of in 2022 at a value of USD 3,954 with a gain on disposal of USD 2,077.

Carrying amounts				
As at 31 December 2022	**47 320**	**49 565**	**34 276**	**131 161**
As at 31 December 2021	60 400	36 921	40 765	138 086

Cost				
Balance as at 31 December 2020	132 407	143 454	209 605	485 466
Additions	42 945	48 327	625	91 897
Disposals	(28 377)	-	-	(28 377)
Balance as at 31 December 2021	**146 975**	**191 781**	**210 230**	**548 986**
Additions	-	51 294	-	51 294
Disposals	-	(107 219)	-	(107 219)
Balance as at 31 December 2022	**146 975**	**135 856**	**210 230**	**493 061**
Accumulated depreciation				
Balance as at 31 December 2020	**91 032**	**112 436**	**137 876**	**341 344**
Charge for the period	20 685	42 424	34 723	97 832
Disposals	(25 142)	-	-	(25 142)
Balance as at 31 December 2021	**86 575**	**154 860**	**172 599**	**414 034**
Charge for the period	13 080	37 909	4 693	55 682
Disposals	-	(105 484)	-	(105 484)
Balance as at 31 December 2022	**99 655**	**87 285**	**177 292**	**364 232**
Carrying amounts				
As at 31 December 2022	**47 320**	**48 571**	**32 938**	**128 829**
As at 31 December 2021	60 400	36 921	37 631	134 952

Plant and equipment was disposed of in 2022 at a value of USD 3,954 with a gain on disposal of USD 2,219.

Notes to the financial statements cont.

25. Right of use assets

Consolidated Group	Buildings	Equipment	Total
Cost			
Balance as at 31 December 2020	**707 341**	**17 433**	**724 774**
Exchange Difference	(41 627)	(683)	(42 310)
Balance as at 31 December 2021	**665 714**	**16 750**	**682 464**
Exchange Difference	(18 074)	(320)	(18 394)
Balance as at 31 December 2022	**647 640**	**16 430**	**664 070**
Accumulated Amortisation			
Balance as at 31 December 2020	**252 729**	**9 568**	**262 297**
Charge for the period	141 258	4 473	145 731
Balance as at 31 December 2021	**393 987**	**14 041**	**408 028**
Charge for the period	127 408	1 952	129 360
Balance as at 31 December 2022	**521 395**	**15 993**	**537 388**
Carrying amounts			
As at 31 December 2022	**126 245**	**437**	**126 682**
As at 31 December 2021	271 247	3 189	274 436

Company	Buildings	Equipment	Total
Cost			
Balance as at 31 December 2020	**627 308**	**17 433**	**644 741**
Exchange Difference	(24 568)	(683)	(25 251)
Balance as at 31 December 2021	**602 740**	**16 750**	**619 490**
Exchange Difference	(15 237)	(320)	(15 557)
Balance as at 31 December 2022	**587 503**	**16 430**	**603 933**
Accumulated Amortisation			
Balance as at 31 December 2020	238 904	9 088	247 992
Charge for the period	128 752	4 473	133 225
Balance as at 31 December 2021	**367 656**	**13 561**	**381 217**
Charge for the period	115 825	2 432	118 257
Balance as at 31 December 2022	**483 481**	**15 993**	**499 474**
Carrying amounts			
As at 31 December 2022	**104 022**	**437**	**104 459**
As at 31 December 2021	**235 085**	**3 189**	**238 273**

The expense total in 2022 for low value assets was USD 10,195 (2021: USD 19,200)

26. Current tax assets

	Consolidated Group		Company	
	2022	**2021**	**2022**	**2021**
Income Tax	144 199	82 515	144 199	13 051
Asset at end of year	**144 199**	**82 515**	**144 199**	**13 051**

27. Deferred taxation

Movement in deferred taxation				
Asset at beginning of year	14 207	5 148	6 876	6 574
Movement per profit or loss	318 906	9 059	320 262	302
Asset at end of year	**333 113**	**14 207**	**327 138**	**6 876**
Analysis of deferred taxation				
Accelerated allowances on property, plant & equipment	2 593	4 331	1 361	5 091
Fair value & other related differences	220 370	-	220 370	-
Other temporary differences	110 150	9 876	105 407	1 785
Asset at end of year	**333 113**	**14 207**	**327 138**	**6 876**

Notes to the financial statements cont.

28. Other assets

	Consolidated Group		Company	
	2022	**2021**	**2022**	**2021**
Accrued interest from loans and advances	-	948 105	-	489 962
Loans and advances to employees	90 757	68 248	83 954	68 248
Prepayments and deposits	221 784	465 702	208 335	461 078
Balance as at 31 December	**312 541**	**1 482 055**	**292 289**	**1 019 288**
Current assets	296 046	1 464 496	275 794	1 001 729
Non-current assets	16 495	17 559	16 495	17 559
Asset at end of year	**312 541**	**1 482 055**	**292 289**	**1 019 288**

29. Secured and unsecured debt

Opening balance as at 1 January	46 903 454	45 459 842	46 903 454	45 459 842
Borrowing advanced	69 993 124	13 716 532	69 993 124	13 716 532
Borrowing repaid	(13 492 383)	(9 894 452)	(13 492 383)	(9 894 452)
Foreign exchange (gain)	(1 462 676)	(2 378 468)	(1 462 676)	(2 378 468)
Accrued Interest	732 172	-	732 172	-
Deferred debt fees paid	(623 584)	-	(623 584)	-
Closing balance as at 31 December	**102 050 107**	**46 903 454**	**102 050 107**	**46 903 454**
ABSA, Botswana	18 297 791	15 426 233	18 297 791	15 426 233
Stanbic Bank, Botswana	29 311 833	31 477 221	29 311 833	31 477 221
Symbiotics SA	14 331 895	-	14 331 895	-
BADEA	40 000 000	-	40 000 000	-
Accrued Interest	732 172	-	732 172	-
Deferred debt fees paid	(623 584)	-	(623 584)	-
Closing balance as at 31 December	**102 050 107**	**46 903 454**	**102 050 107**	**46 903 454**
Due within one year	24 080 933	24 118 708	24 080 933	24 118 708
Due between one and five years	61 969 174	22 784 746	61 969 174	22 784 746
Due after five years	16 000 000	-	16 000 000	-
Closing balance as at 31 December	**102 050 107**	**46 903 454**	**102 050 107**	**46 903 454**

One facility with ABSA is for ZAR 140,922,215 (2021, ZAR 245,121,298) being the equivalent of USD 8,297,791 and a second facility is for USD 10,000,000. They were both used for on-lending to customers and are repayable by March 2025 and June 2024, respectively. The loans are interest bearing, on commercial market related terms and are secured against the loan & advances portfolio.

One facility with Stanbic totals the equivalent USD 16,675,742 (2021, USD 23,688,428) and is repayable by 31 December 2025. A second facility is for ZAR 214,600,000 and is repayable in May 2023. Both facilities were used for on-lending to customers, are interest bearing, on commercial market related terms. Security for the facilities was given against the loan portfolio ranking pari passu with ABSA. In addition, an amount of USD 18,768,483 held in a fixed deposit account was encumbered to Stanbic as security on the facilities.

The facility with Symbiotics comprises ZAR 243,400,000 and was used for on-lending to customers and is repayable by one instalment in September 2026. The loan is interest bearing, on commercial market related terms and is unsecured.

The facility with BADEA comprises USD 40,000,000 and was used for on-lending to customers and is repayable by ten instalments commencing in March 2025 until September 2029. The loan is interest bearing, on commercial market related terms and is unsecured.

30. Current tax liabilities

	Consolidated Group		Company	
	2022	**2021**	**2022**	**2021**
Income Tax	499	25 066	-	18 450
Balance as at 31 December	**499**	**25 066**	**-**	**18 450**

Notes to the financial statements cont.

31. Lease liabilities

	Consolidated Group		Company	
	2022	**2021**	**2022**	**2021**
Balance as at 1 January	326 771	516 384	285 327	446 246
Lease payments	(160 029)	(176 543)	(148 654)	(159 437)
Interest charged to profit & loss	17 860	31 199	15 456	27 958
Exchange Difference	(24 115)	(44 269)	(19 043)	(29 440)
Balance as at 31 December	**160 487**	**326 771**	**133 086**	**285 327**

The lease of significance is related to head office premises.

Maturity analysis of group lease liabilities	**Carrying Amount**	**Within 1 Year**	**1 to 5 Years**
Balance as at 31 December 2022	**160 487**	**151 369**	**9 118**
Balance as at 31 December 2021	**326 771**	**157 838**	**168 933**

32. Employee benefit obligations

Performance incentive schemes accrued	875 755	-	875 755	-
Gratuity accrued	248 739	-	248 739	-
Payroll accruals	130 158	-	130 158	-
Balance as at 31 December	**1 254 652**	**-**	**1 254 652**	**-**
Current liabilities	278 562	-	278 562	-
Non-current liabilities	976 090	-	976 090	-
Balance as at 31 December	**1 254 652**	**-**	**1 254 652**	**-**

33. Other liabilities

Accruals and provisions	187 993	1 035 703	168 228	1 012 858
Expected Credit loss on commitments	111 838	113 377	111 838	113 377
Employee benefit obligations	-	289 087		289 086
VAT	26 130	-	8 398	-
Balance as at 31 December	**325 961**	**1 438 167**	**288 464**	**1 415 321**
Current liabilities	325 961	1 252 198	288 464	1 229 352
Non-current liabilities	-	185 969	-	185 969
Balance as at 31 December	**325 961**	**1 438 167**	**288 464**	**1 415 321**

Notes 32 and 33 have been split in 2022 as compared to 2021 when they were combined in one note. The change was to provide more detailed information.

34. Cash used in operations before taxation and working capital changes

	Consolidated Group		Company	
	2022	**2021**	**2022**	**2021**
Profit before taxation	3 112 038	4 050 757	3 376 107	4 548 032
Adjusted for:				
Depreciation	57 432	99 654	55 682	97 832
Amortisation	129 360	145 731	118 257	133 225
(Gain) on disposal of assets	(2 077)	(11 476)	(2 219)	(11 476)
Net Foreign exchange differences	909 651	(222 206)	909 651	(222 206)
Credit impairment losses	6 029 205	3 133 315	4 327 688	1 832 273
Credit impairment losses on subsidiary	-	-	1 226 635	-
Fair value adjustment on FVPL assets	318 204	748 345	318 204	748 345
Interest income	(20 735 386)	(14 266 278)	(19 932 827)	(13 010 172)
Interest on debt leverage	4 757 020	2 634 369	4 757 020	2 634 369
Interest on lease liabilities	17 860	31 199	15 456	27 958
Non-cash transactions with subsidiaries	-	-	(652 628)	
Investment income	(11 727)	-	(11 727)	-
Net cashflow to operating activities	**(5 418 420)**	**(3 656 590)**	**(5 494 701)**	**(3 221 820)**

Notes to the financial statements cont.

Prior Period Error

The Group identified a prior period error relating to the classification of cash flows in the financial statements for the year ended 31 December 2021. The Group misclassified certain cash flows from operations as cash flows used in investment activities.

As a result of this error, cash flows from operating activities were overstated by the aggregate amount of USD 33 933 574 (Company: USD 32 066 363), and the Group's cash flows used in investment activities were understated by the same amounts for the year ended 31 December 2021.

The Group determined that this error arose due to a misinterpretation of the relevant accounting standards and accounting policies have since been reviewed and revised.

To rectify this error, the prior period numbers have been restated. The statement of financial position and statement of profit or loss and other comprehensive income statement were not affected.

Statement of Cash Flows	**2021 - Consolidated Group**			**2021 - Company**		
	As previously stated	**Movement**	**Restated**	**As previously stated**	**Movement**	**Restated**
Cash flows from operating activities						
Interest received	14 266 278	(5 557 806)	8 708 472	13 010 172	(3 690 595)	9 319 577
Movement in loans and advances	-	(18 440 768)	(18 440 768)	-	(18 440 768)	(18 440 768)
Movement in cash in transit	-	(10 000 000)	(10 000 000)	-	(10 000 000)	(10 000 000)
Amount pledged as financial guarantee	-	65 000	65 000	-	65 000	65 000
Net Cashflow from operating activities	**6 626 428**[1]	**(33 933 574)**	**(27 307 146)**[1]	**5 718 023**[1]	**(32 066 363)**	**(26 348 340)**[1]
Cash flows from investing activities						
Interest added on loans and advances	(5 557 806)	5 557 806	-	(3 690 595)	3 690 595	-
Movement in loans and advances	(18 440 768)	18 440 768	-	(19 460 768)	18 440 768	-
Movement in cash in transit	(10 000 000)	10 000 000	-	(10 000 000)	10 000 000	-
Amounts pledged as financial guarantee	65,000	(65,000)	-	65,000	(65,000)	-
Net Cashflow from investing activities	**(32 010 760)**[1]	**33 933 574**	**1 922 814**[1]	**(30 337 043)**[1]	**32 066 363**	**1 729 320**

Note 1 – Balance per the statements of cash flows.

35. Stated capital

	Consolidated Group		**Company**	
	2022	**2021**	**2022**	**2021**
Ordinary shares				
2020: 9 118 shares issued and fully paid	**75 773 770**	**75 773 770**	**75 773 770**	**75 773 770**
54 shares authorised and issued	484 992	484 992	484 992	484 992
2021: 9 172 shares issued and fully paid	**76 258 762**	**76 258 762**	**76 258 762**	**76 258 762**
No shares authorised and issued	-	-	-	-
2022: 9 172 shares issued and fully paid	**76 258 762**	**76 258 762**	**76 258 762**	**76 258 762**
Preference shares				
5 545 shares at USD 8 279 per share issued and fully paid	**45 907 055**	**45 907 055**	**45 907 055**	**45 907 055**
Total share capital	**122 165 817**	**122 165 817**	**122 165 817**	**122 165 817**

Notes to the financial statements cont.

For both class of shares being ordinary and preference, there were no issued shares that were not fully paid in 2022 or 2021. The holders of ordinary and preference shares are entitled to one vote per share at meetings of the group. The distribution of any dividends declared from time to time shall ensure that the amount paid to a preference share shall be twice the amount paid as dividend to an ordinary share. Preference shares rank in priority over ordinary shares with regard to the group's residual assets.

		31 December 2022 Number of shares	
Shareholder name	**Domicile**	**Ordinary**	**Preference**
Banco de Desenvolvimento de Angola	Angola	422	400
Citizen Entrepreneurial Development Agency	Botswana	413	128
National Industrial Development Cooperation of Eswatini	Eswatini	407	-
Development Bank of Namibia	Namibia	422	400
Development Bank of Zambia	Zambia	422	400
Export Development Fund	Malawi	407	-
Finnish Fund for Industrial Cooperation Ltd	Finland	1 021	906
Infrastructure Development Bank of Zimbabwe	Zimbabwe	407	-
Instituto de Gestão das Participações de Estado	Mozambique	407	-
Investment Fund for Developing Countries	Denmark	1 030	1 161
Lesotho Postbank Limited	Lesotho	407	-
Norwegian Investment Fund for Developing Countries	Norway	1 029	1 123
Swedfund International AB	Sweden	1 558	894
TIB Development Bank Ltd	Tanzania	413	133
The State Investment Corporation Ltd	Mauritius	407	-
		9 172	**5 545**

36. Dividends paid

	Consolidated Group		Company	
	2022	**2021**	**2022**	**2021**
Dividends paid during the year	1 438 200	-	1 438 200	-
Dividends accrued and paid in next year	81 450	-	81 450	-
Previous year's final dividend declared	**1 519 650**	**-**	**1 519 650**	**-**

Dividends accrued as at 31 December 2022 related to two shareholders, being TIB Development Bank Ltd for USD 50,925 and Instituto de Gestão das Participações de Estado for USD 30,525.

37. Related party transactions

Norsad Capital Limited holds a 100% share in Norsad Finance (Botswana) Limited and a 100% share in Norsad Finance (Pty) Ltd. Details of transactions including recharging of operational expenses, loan interest charged and year end balances that are eliminated on consolidation are reflected in notes 5, 10, 21 and 22.

The formal process of amalgamating the Norsad Finance (Botswana) Limited with its parent company, Norsad Capital Limited within the terms of the relevant provisions of the Companies Act, 2003 was finalised and became effective on 7 December 2022. On or before that date, the assets and liabilities of the Company were amalgamated into the Parent company Norsad Capital Limited. Companies and Intellectual Properties Authority (CIPA) confirmed that the company had been removed by the registrar on 3 February 2023.

The company tested its loan of USD 12,256,094 to Norsad Finance (Botswana) Ltd for impairment, which resulted in an expected credit loss of USD 1,226,635 which has been recorded in its income statement.

The assets and liabilities transferred to the parent company were as follows:

	USD
Loans and advances	10 949 530
Current tax assets	66 351
Other assets	20 629
Other liabilities	(7 050)

There have been no other related party transactions during 2021 or 2022.

Notes to the financial statements cont.

38. Key personnel

Members of the Board of Directors were paid USD 111,536 (2021: USD 39,200) for attending Board meetings during 2022 and USD 35,967 (2021: 13,500) for attending Board Committee meetings.

Total short-term benefits paid to Executive Management staff during 2022 were USD 1,025,413 (2021: USD 1,005,409) comprising salary of USD 668,088 (2021: USD 654,360) and other employee benefits of USD 357,325 (2021: USD 351,049).

39. Financial Risk Management

a. Introduction and overview

The group has exposure to various risks from financial instruments, the most significant of which are the following:

- credit risk
- liquidity risk
- market risks
- operational risks

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The group's risk management systems are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The Audit and Risk Committee of the Board oversees how management monitors compliance with the group's risk management systems and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

b. Credit risk

Credit risk is the risk of suffering financial loss, should any of the group's customers fail to fulfil their contractual obligations to the group and arises principally from the group's loans and advances to customers and other financial institutions. For risk management reporting purposes the group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). Credit risk is the single largest risk for the group's business, management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in an ALCO team which reports regularly to Audit and Risk Committee of the Board of Directors on matters of credit risk including:

- Formulating investment policies 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.
- The measurement of ECL under IFRS 9 uses the information and approaches that the group uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is outlined below.
- Limiting concentrations of loan portfolio exposure as follows:
  - Unhedged foreign currency facilities, limited to 5% of equity total.
  - Hedged foreign currency facilities, limited to 50% of equity total.
  - Single company or corporate group facilities, limited to 15% of equity total.

Notes to the financial statements cont.

  - Aggregate facilities per country, limited from 10% to a maximum of 30% of equity total.
  - Aggregate loans to a single sector other than financial, limited to 30% of equity total.
- Developing and maintaining the group's risk gradings in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. A risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of four grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation.
- Reviewing compliance with agreed exposure limits. Quarterly reports on the credit quality of portfolios are provided to Directors who may require corrective action to be taken.

The Investment team undertake the entire facility proposal process for potential customers including input from an internal screening committee, before they can be submitted to the Board of Directors for approval. On a continual basis the Portfolio team monitor the operations of the customers to assess their ability to make repayments.

i. 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 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).

ii. Credit Risk Grading

The group uses internal credit risk gradings that reflect its assessment of the probability of default of individual customer. The group use internal grading models tailored to the various categories of customers. Borrower and loan specific information collected at the time of application is fed into this grading model. This may be supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Portfolio and Risk team to be fed into the final internal credit grading for each investment. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between higher rating grade is lower than the difference in the PD between a lower rating grade. The major investment related risks associated with Norsad facilities and incorporated into its risk grading model include:

Political Risk: High levels of potential political risk may be mitigated through structuring and/or the acquisition of political risk insurance from the commercial or multilateral market. The political risk factors are fundamental to working in developing economies and are considered manageable.

Foreign Exchange Risk: Norsad favours export-oriented businesses and those with some earnings linked to convertible/hard currencies. This risk is considered manageable and Norsad is currently not extending any further unhedged local currency facilities.

Reputational Risk: Current worldwide attention to international best practice on sustainability issues and assessing and monitoring portfolio compliance with anti-money laundering and "know your client" (KYC) policies are undertaken at the time of due diligence and monitored through regular portfolio reviews and strengthened through "Social and Environmental" (S&E) plans.

Interest Rate Risk: Norsad is currently not directly exposed to significant interest rate risk as the Company is not extending fixed rates and the current pricing has a minimum margin. There is currently an indirect risk that higher rates could impact the asset quality of the Norsad portfolio. This risk is considered manageable and will be monitored more closely with increased leverage and/or interest rate increases.

Notes to the financial statements cont.

Commercial Risk: Other market risks. It is anticipated that through rigorous due diligence and regular monitoring other systematic risks (inflation, recessions, commodity risk etc.) will be managed. These day-to-day risks receive major attention from the Norsad Investment team.

Conflicts of Interest Risk: The role of the Board and Screening Committee in assessing conflicts of interest as part of the investment process, combined with the corporate governance of Norsad should minimize any potential conflict of interest risk.

The following are the risk grading classification and related rating and scoring as applied by the Company:

Risk Classification	Rating Grade	Risk Rating Score
Favourable	A1	95 - 100
	A2	92 - 94.9
	A3	90 - 91.9
Good	B1	80 - 89.9
	B2	75 - 79.9
	B3	70 - 74.9
Average	C1	65 - 69.9
	C2	60 - 64.9
	C3	55 - 59.9
	D1	50 - 54.9
	D2	45 - 49.9
	D3	40 - 44.9
Poor	E1	35 - 39.9
	E2	30 - 34.9
	F	0 - 29.9

To rate an investment, the risk grading model assesses a combined score relating to Client Risk Indicators (Financial Indicators, Business/Industry Risk, Management), Transaction Risk, Country Risk and ESG/Impact/Additionality. The company would not undertake an investment with a rating below D3.

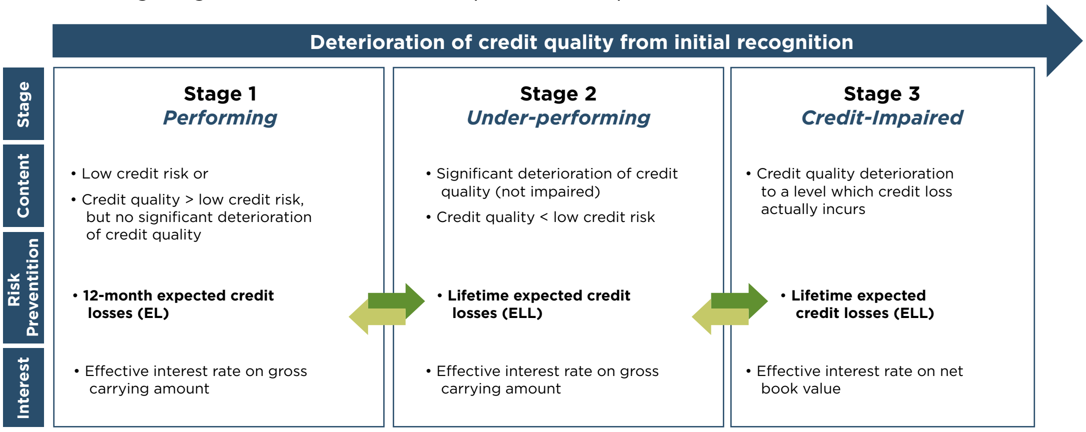
iii. Expected Credit Loss Measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition on disbursement, 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 note 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 note 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 note below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

Notes to the financial statements cont.

The following diagram summarises the impairment requirements under IFRS9:



iv. Significant Increase in Credit Risk

The group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

Quantitative criteria: its credit risk score moves 15 points or more downwards, or it has payments in arrears for 270 days and over. The facility may remain in stage 1 if its overall risk score is classified as average and there is other evidence that its overall risk classifies it as a stage 1.

Qualitative criteria: there is other evidence that its overall risk classifies it as a stage 2.

v. Credit Impaired and Default Definition

The group considers a financial instrument to be credit impaired and in default when one or more of the following quantitative or qualitative criteria have been met:

Quantitative criteria: its credit risk score moves 30 points or more downwards and there is other evidence of significant credit impairment.

Qualitative criteria: there is other evidence that its overall risk classifies it as a stage 3.

vi. Expected Credit Loss (ECL) – Inputs, Assumptions and Estimates

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

Probability of Default (PD) - represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12m PD), or over the remaining lifetime (Lifetime PD) of the obligation.

Exposure at Default (EAD) - is based on the amounts the group expects to be owed at the time of default, over the next 12 months (12m EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the group includes the current drawn balance plus any further amount that is expected to be drawn up to the current facility limit by the time of default.

Loss Given Default (LGD) - represents the group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of customer, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the

Notes to the financial statements cont.

percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the facility.

The ECL is determined by projecting the PD, LGD and EAD for each future quarter and for each individual facility exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier quarter). This effectively calculates an ECL for each future quarter, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12m PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loan facilities. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

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

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

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

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies.

Forward-looking information is incorporated with the company performing analysis and identifying the key economic variables impacting credit risk and expected credit losses for each investment These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Forecasts of these economic variables are provided by the Risk & Portfolio department and provide the best estimate view of the economy over the next five years. 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.

Notes to the financial statements cont.

Group and Company exposure to credit risk

Risk Grading and ECL Staging 31 December 2022

	Note	Financial Institutions	Direct Investments	Total
Per risk grading:				
Risk Grade 2 : **Good**		10 000 000	-	10 000 000
Risk Grade 3 : **Average**		72 383 656	66 585 053	138 968 709
Risk Grade 4 : **Poor**		17 153 240	37 499 212	54 652 452
Gross amount		**99 536 896**	**104 084 265**	**203 621 161**
Loss allowance	20	(10 179 519)	(8 832 732)	**(19 012 251)**
Accrued interest on loans	20	303 826	588 011	**891 837**
Deferred loan interest received	20	(220 854)	(373 519)	**(594 373)**
Carrying amount 2022	20	**89 440 349**	**95 466 025**	**184 906 374**
Per ECL staging:				
Stage 1		64 851 664	66 585 053	**131 436 717**
Stage 2		-	28 578 765	**28 578 765**
Stage 3		34 685 232	8 920 447	**43 605 679**
Gross amount		**99 536 896**	**104 084 265**	**203 621 161**
Loss allowance	20	(10 179 519)	(8 832 732)	**(19 012 251)**
Accrued interest on loans	20	303 826	588 011	**891 837**
Deferred loan interest received	20	(220 854)	(373 519)	**(594 373)**
Carrying amount 2022	20	**89 440 349**	**95 466 025**	**184 906 374**

Risk Grading and ECL Staging 31 December 2021

	Note	Financial Institutions	Direct Investments	Total
Per risk grading:				
Risk Grade 3 : **Average**		74 988 041	34 131 494	**109 119 535**
Risk Grade 4 : **Poor**		16 240 499	34 829 430	**51 069 929**
Gross amount		91 228 540	68 960 924	**160 189 464**
Loss allowance	20	(3 221 784)	(9 441 519)	**(12 663 303)**
Carrying amount 2021	20	88 006 756	59 519 405	**147 526 161**
Per ECL staging:				
Stage 1		74 988 041	34 131 494	109 119 535
Stage 2		5 845 880	25 908 983	31 754 863
Stage 3		10 394 619	8 920 447	19 315 066
Gross amount		**91 228 540**	**68 960 924**	**160 189 464**
Loss allowance	20	(3 221 784)	(9 441 519)	(12 663 303)
Carrying amount 2021	20	**88 006 756**	**59 519 405**	**147 526 161**

vii. Concentration of credit risk

An analysis of concentrations of credit risk from investments is shown below:

Country concentration 31 December 2022

	Total	Investments to Financial Institutions	Direct Investments	Investment securities	Cash held as Investments
Angola	**4 160 941**	-	2 605 707	1 555 234	-
Botswana	**38 576 270**	13 372 297	6 435 490	-	18 768 483
DRC	**5 133 771**	-	5 133 771	-	-
Eswatini	**5 983 901**	2 311 544	3 672 357	-	-
Kenya	**5 247 923**	-	5 247 923	-	-
Ghana	**3 714 506**	-	3 714 506	-	-
Malawi	**8 316 507**	-	8 316 507	-	-
Mauritius	**40 950 052**	23 133 559	17 816 493	-	-
Mozambique	**9 328 781**	-	9 328 781	-	-
Namibia	**23 183 337**	15 702 010	7 481 327	-	-
South Africa	**21 952 610**	9 231 919	11 989 709	730 982	-
Uganda	**4 968 196**	-	4 968 196	-	-
Zambia	**10 929 630**	-	10 929 630	-	-
Zimbabwe	**23 848 766**	20 637 852	2 579 332	631 582	-
	206 295 191	**84 389 181**	**100 219 729**	**2 917 798**	**18 768 483**
Accrued interest	**891 837**	303 826	588 011	**-**	**-**
Deferred loan fees	**(594 373)**	(220 854)	(373 519)	**-**	**-**
	206 592 655	**84 472 153**	**100 434 221**	**2 917 798**	**18 768 483**

Notes to the financial statements cont.

Country concentration 31 December 2021

	Total	Investments to Financial Institutions	Direct Investments	Investment securities	Cash held as Investments
Angola	**6 101 152**	2 998 052	2 683 688	419 412	-
Botswana	**31 253 505**	13 993 852	5 562 897	-	11 756 756
DRC	**4 943 654**		4 943 654	-	-
Eswatini	**8 827 560**	6 789 243	2 038 317	-	-
Kenya	**5 121 506**	-	5 121 506	-	-
Malawi	**7 812 103**	-	7 812 103	-	-
Mauritius	**22 217 579**	22 217 579	-	-	-
Mozambique	**8 955 860**	-	8 955 860	-	-
Namibia	**21 955 383**	14 975 164	6 980 219	-	-
South Africa	**16 326 989**	14 224 980	2 102 009	-	-
Zambia	**11 310 818**	-	11 310 818	-	-
Zimbabwe	**15 751 128**	10 940 752	3 935 468	874 908	-
	160 577 237	**86 139 622**	**61 446 539**	**1 294 320**	**11 756 756**

The group has extended six credit facilities in Zimbabwe with a gross value of USD 24,057,625, a country experiencing a restriction in terms of remittances of foreign currency. Two clients have faced difficulties remitting to Botswana, instead placing the full principal repayments and interest in local accounts. The gross value of such facilities was USD 3,099,292 (2021: USD 3,599,292).

There has been no significant increase in credit risk relating to these two facilities since disbursement and therefore they have been classified as stage 1 under IFRS 9. The risk is now repatriation of monies to Botswana. The Reserve Bank of Zimbabwe have confirmed that both debts have been approved with legacy debt status. Although these funds are fully expected to be remitted, a specific loss allowance in the form of a time value of money adjustment has been made in the 2022 financial statements, valued at USD 530,664. (2021: USD 685,856).

viii. Collateral and other credit enhancements

The group employs a range of policies and practices to mitigate credit risk. The group's loans and advances to corporate customers are subject to individual credit appraisal and impairment testing. The general credit worthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. In addition, the group secures collateral for facilities advanced. The group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The group prepares a valuation of the collateral obtained as part of the loan facility origination process. This assessment is reviewed periodically. The principal collateral types for loan facilities are charge over real estate, floating charges over all corporate assets, cash. guarantees and other liens.

The group's policies regarding obtaining collateral have not significantly changed during the year.

Types of credit exposure

Principal type of collateral held for secured lending	Percentage collateralisation coverage arrangements over loan value			
Guarantees	**Consolidated Group**		**Company**	
	2022	**2021**	**2022**	**2021**
Direct Investments				
Charge over real estate	53%	53%	53%	57%
Guarantees	44%	57%	44%	56%
Notarial Bonds & Floating Charges	32%	25%	32%	29%
Total Coverage	**129%**	**135%**	**129%**	**142%**
Investments to financial institutions				
Cash	-	12%	-	13%
Charge over real estate	17%	15%	17%	16%
Guarantees	68%	75%	68%	77%
Notarial Bonds & Floating Charges	24%	20%	24%	21%
Total Coverage	**109%**	**122%**	**109%**	**127%**

Notes to the financial statements cont.

The group does not hold collateral against investment securities, and as such no collateral was held as at 31 December 2022.

The group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the group will take possession of collateral to mitigate potential credit losses. The realisation of security held by Norsad is in accordance with the client facility agreement and is also subject to the prevailing country laws. For the purpose of calculation of loss allowance, the value placed on the collateral shall be an estimate of the realisable value at the end of the collections process, after taking historic haircuts and recovery costs into account. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Group and company credit impaired assets 31 December 2022

	Gross Exposure	Impairment Allowance	Carrying Amount	Fair Value of Collateral Held
Investments to financial institutions				
Stage 2	-	-	-	-
Stage 3	34 685 232	(9 506 756)	25 178 476	19 088 751
Direct investments				
Stage 2	28 578 765	(4 497 987)	24 080 778	31 020 950
Stage 3	8 920 447	(3 508 946)	5 411 501	4 540 500
Total credit impaired assets	**72 184 444**	**(17 513 689)**	**54 670 755**	**54 650 201**

Group and company credit impaired assets 31 December 2021

	Gross Exposure	Impairment Allowance	Carrying Amount	Fair Value of Collateral Held
Investments to financial institutions				
Stage 2	5 845 880	(678 129)	5 167 751	3 500 000
Stage 3	10 394 619	(3 747 479)	6 647 140	-
Direct investments				
Stage 2	25 908 983	(3 578 123)	22 330 860	19 721 292
Stage 3	8 920 447	(3 157 271)	5 763 176	4 540 500
Total credit impaired assets	**51 069 929**	**(11 161 002)**	**39 908 927**	**27 761 792**

ix. Loss Allowance

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised 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.

Notes to the financial statements cont.

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

Loss Allowance	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
2022				
As at 1 January 2022	1 425 248	2 565 482	6 246 058	10 236 788
New Assets Originated	302 269	-	-	302 269
Movement in Stages	-	(755 183)	755 183	-
Changes in PD's, LGD's, EAD's	(228 955)	679 641	5 277 788	5 728 474
Reclassified to loans and advances at amortised cost	-	1 297 249	-	1 297 249
As at 31 December 2022	**1 498 562**	**3 787 189**	**12 279 029**	**17 564 780**
2021				
As at 1 January 2021	2 997 656	2 688 298	1 499 946	7 185 900
New Assets Originated	245 988	-	-	245 988
Movement in Stages	2 141 378	(2 305 285)	163 907	-
Changes in PD's, LGD's, EAD's	(3 959 774)	3 448 769	4 582 205	4 071 200
Assets derecognised	-	(1 266 300)	-	(1 266 300)
As at 31 December 2021	**1 425 248**	**2 565 482**	**6 246 058**	**10 236 788**

x. Write off policy

The group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The group may write-off financial assets that are still subject to enforcement activity. The group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

xi. Modification of financial assets

The group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements and payment holidays. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The group monitors the subsequent performance of modified assets. The group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six months or more.

The group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

xii. Cash and cash equivalents

At the year end the group held cash and cash equivalents of USD 27,628,739 (2021 USD 6,570,919). The cash and cash equivalents with banks are held with financial institution counterparties which are rated Baa3 (above non-investment grade) per Moody's ratings or which is approved by the Audit Committee.

Notes to the financial statements cont.

c. Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

i. Management of liquidity risk

The Board of Directors sets the group's strategy for managing liquidity risk and is responsible for the implementation of this policy. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The key elements of the group's liquidity strategy are as follows:

- carrying a portfolio of highly liquid assets, diversified by currency and maturity; and
- monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the group's financial assets and liabilities, and the extent to which the group's assets are encumbered and so not available as potential collateral for obtaining funding.

ii. Maturity analysis for financial assets and financial liabilities

The table below sets out the remaining contractual maturities of the group's financial assets and financial liabilities for 2022.

Exposure to liquidity risk

Consolidated Group 31 December 2022

	Note	**Carrying amount**	**Less than 1 month**	**Within 1 year**	**1 to 5 years**	**More than 5 years**
Asset by type						
Cash	*17*	**27 628 739**	27 628 739	-	-	-
Cash held as investments	*18*	**18 768 483**	-	15 011 732	3 756 751	-
Loans and advances	*20*	**184 906 374**	4 236 630	55 865 183	113 121 056	11 683 505
Investment securities	*23*	**2 917 798**	631 582	-	2 286 216	-
Other assets	*28*	**312 541**	-	296 046	16 495	
Total assets by maturity		**234 533 935**	**32 496 951**	**71 172 961**	**119 180 518**	**11 683 505**
Liability by type						
Secured and unsecured debt	*29*	**(122 733 470)**	-	(29 650 854)	(74 914 604)	(18 168 012)
Lease liabilities	*31*	**(133 086)**	-	(133 086)	-	-
Other liabilities	*33*	**(325 961)**	-	(325 961)	-	-
Total liabilities by maturity		**(123 192 517)**	**-**	**(30 109 901)**	**(74 914 604)**	**(18 168 012)**
Maturity surplus		**111 341 418**	**32 496 951**	**41 063 060**	**44 265 914**	**(6 484 507)**

Consolidated Group 31 December 2021

	Note	**Carrying amount**	**Less than 1 month**	**Within 1 year**	**1 to 5 years**	**More than 5 years**
Asset by type						
Cash	*17*	**6 570 919**	6 570 919	-	-	-
Cash held as investments	*18*	**11 756 756**	-	8 000 000	3 756 756	-
Cash in transit	*19*	**10 000 000**	10 000 000			
Loans and advances	*20*	**147 526 161**	1 236 030	41 652 925	98 658 097	5 979 109
Investment securities	*23*	**1 294 320**	874 908	-	419 412	-
Other assets	*28*	**1 482 055**	-	1 464 496	17 559	
Total assets by maturity		**178 630 211**	18 681 857	51 117 421	102 851 824	5 979 109
Liability by type						
Secured and unsecured debt	*29*	**(52 371 890)**	-	(21 897 311)	(30 474 579)	-
Lease liabilities	*31*	**(326 771)**	-	(157 838)	(168 933)	-
Other liabilities	*33*	**(1 073 487)**	-	(887 518)	(185 969)	-
Total liabilities by maturity		**(53 772 148)**	**-**	**(22 942 667)**	**(30 829 481)**	**-**
Maturity surplus		**124 858 063**	**18 681 857**	**28 174 754**	**72 022 343**	**5 979 109**

Notes to the financial statements cont.

The above tables show the cash flows on the group's non-derivative financial assets and liabilities on the basis of their earliest possible contractual maturity. As part of the management of its liquidity risk arising from financial liabilities, the group holds liquid assets comprising cash and cash equivalents for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements.

iii. Commitments

At the year end the group had ten approved investments to the value of USD 42,288,203 (2021 Eight investments, USD 32,099,008), that were awaiting disbursement to clients, upon the conditions precedent of the loan facilities, being met.

d. Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the group's income or the value of its holdings of financial instruments. The objective of the group's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the group's solvency while optimising the return on risk.

i. Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss; and
- fair value reserves arising from increases or decreases in fair values of financial instruments reported directly in equity

Interest rate sensitivity analysis	**31 December 2022**	**31 December 2021**
Floating rate assets (loans and advances)	160 312 946	140 874 398
Floating rate liabilities (secured debt)	(102 050 107)	(47 268 134)
Interest sensitivity gap	58 262 839	93 606 264
Increase in profit due to increase in annual average interest rates:		
1%	582 628	936 063
2%	1 165 257	1 872 125
Decrease in profit due to decrease in annual average interest rates:		
1%	(582 628)	(936 063)
2%	(1 165 257)	(1 872 125)

ii. Exposure to price risk

The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet as fair value through other comprehensive income. Of the total held in the balance sheet at USD 2,917,798 the total exposed to price risk is USD 631,582.

In terms of sensitivity, should the market price move 5%, the other comprehensive income total will either increase or decrease by USD 31,579. A 10% price move would result in the other comprehensive income total increasing or decreasing by USD 63,158.

Notes to the financial statements cont.

iii. Exposure to foreign currency risk

Both the company's and group's exposure to foreign currency risk, expressed in USD was as follows:

	31 December 2022			31 December 2021		
	ZAR	**EUR**	**BWP**	**ZAR**	**EUR**	**BWP**
Cash	8 490 364	10 549	432 131	4 002 530	6 903	167 170
Loans & advances	34 686 856	-	3 895 831	32 086 341	-	2 129 998
Investment securities	730 982	-	-	-	-	-
Current tax assets	-	-	144 199	-	-	166 372
Other assets	-	-	62 642	36 163	-	336 113
Secured debt	(42 941 519)	-	-	(34 153 454)	-	-
Current tax liabilities	-	-	-499	-	-	(25 066)
Employee benefits	-	-	(64 973)	-	-	-
Other liabilities	-	-	(26 629)	(41 444)		(285 327)
Total net exposure	966 683	10 549	4 442 702	1 930 136	6 903	2 489 260

Exchange rate sensitivity analysis

	31 December 2022	31 December 2021
Increase in profit due to foreign exchange appreciation against the USD:		
5%	227 685	202 771
10%	480 668	428 073
Decrease in profit due to foreign exchange devaluation against the USD:		
5%	(206 001)	(183 460)
10%	(393 274)	(350 241)

The foreign currency exposure of these assets and liabilities has not been hedged.

Aggregate net foreign exchange gains and losses recognised in the Profit and loss account were:

	Note	**2022**	**2021**
Forex gain on foreign currency borrowings	*31*	1 462 676	2 378 468
Forex (loss) on foreign currency loans and advances	*21*	(2 109 183)	(2 156 262)
Forex loss on foreign equity investment	*24*	(67 425)	-
Forex gain/(loss) on foreign currency bank accounts		451 296	(399 167)
Total Foreign exchange (loss) / gain		(262 636)	(176 961)

iv. Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, the group monitors capital on the basis of the following gearing ratio: Total Leverage debt divided by Total equity, both as recorded in the balance sheet.

During 2022, the group's policy which was unchanged from 2021 was to maintain a maximum gearing ratio of 100%.

Consolidated Group & Company

	2022	**2021**
Secured & Unsecured debt	102 050 107	47 268 134
Total Equity	131 477 384	130 445 977
Debt to Equity ratio	78%	36%

e. Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes, personnel, technology and infrastructure, and from other external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Notes to the financial statements cont.

The group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the group's reputation with overall cost effectiveness and innovation. In all cases, the group policy requires compliance with all applicable legal and regulatory requirements

40. New Accounting Pronouncements

At the date of authorisation of the Consolidated and Separate financial statements of Norsad Capital Limited for the year ended 31 December 2022, the following standards, amendments to standards and interpretations, were in issue and effective. On assessment, there was no significant impact of these standards, in the current year.

Standard/ Interpretation	Effective date	Executive Summary
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. There was no material impact on the financial statements.
Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. No material impact on the financial statements expected.
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. • IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value. No material impact on the financial statements expected.
Amendment to IFRS 3, 'Business combinations'	Annual periods beginning on or after 1 January 2022	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. No material impact on the financial statements expected.

Notes to the financial statements cont.

Standard/ Interpretation	Effective date	Executive Summary
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022	• The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. • No material impact on the financial statements expected.

At the date of authorisation of the consolidated and separate financial statements of Norsad Capital Limited for the year ended 31 December 2022 , the following standards, amendments to standards and interpretations that apply to the Company and company, were in issue but not yet effective for 31 December 2022. The Company does not plan to adopt these standards early, but in the period that they become mandatory. On assessment, these standards are not expected to have a material impact on the group's financial statements for the periods they will become effective.

Standard/ Interpretation	Effective date	Executive Summary
Amendment to IFRS 17 'Insurance Contracts	Annual periods beginning on or after 1 January 2023	The amendment changes the mandatory effective date of IFRS 17, so that entities are required to apply IFRS 17 for annual periods beginning on or after 1 January 2023 (from the original effective date of 1 January 2021). The Board also amended the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments (see our IFRS in Focus for more detail on the temporary exemption), so that entities will be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023. No material impact on the financial statements expected.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). No material impact on the financial statements expected.

Notes to the financial statements cont.

Standard/ Interpretation	Effective date	Executive Summary
Amendment to IAS 1 and IFRS Practice Statement 2 with regard to the disclosure of accounting policies	Annual periods beginning on or after 1 January 2023	The Board concluded that the concept of materiality could be applied in making decisions about the disclosure of accounting policies. Therefore, the Board decided to amend IAS 1 to replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. In the Board’s view, accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. No material impact on the financial statements expected. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. For example, standardised information or information that only duplicates or summarises the requirements of IFRS Standards are less useful to users of financial statements. The Board concluded that these amendments would help entities reduce immaterial accounting policy disclosures in their financial statements. The Board made it clear that if an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information. No material impact on the financial statements expected.
Amendment to IFRS 12 ‘Deferred tax related to Assets and Liabilities arising from a single transaction”	Annual periods beginning on or after 1 January 2023	The Board amends IAS 12 to provide a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 Leases at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. No material impact on the financial statements expected.
Amendment to IFRS 8 ‘Definition of Accounting estimates”	Annual periods beginning on or after 1 January 2023	The changes to IAS 8 focus entirely on accounting estimates and clarify the following: • The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. • Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. • The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. No material impact on the financial statements expected. The changes to IAS 8 focus entirely on accounting estimates and clarify the following: • A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. No material impact on the financial statements expected.

Standard/ Interpretation	Effective date	Executive Summary
Amendment to IAS 1 'Non-current liabilities with covenants"	Annual periods beginning on or after 1 January 2023	The 2022 amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The IASB also specifies that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. No material impact on the financial statements expected.

41. Events after the reporting date

Dividends

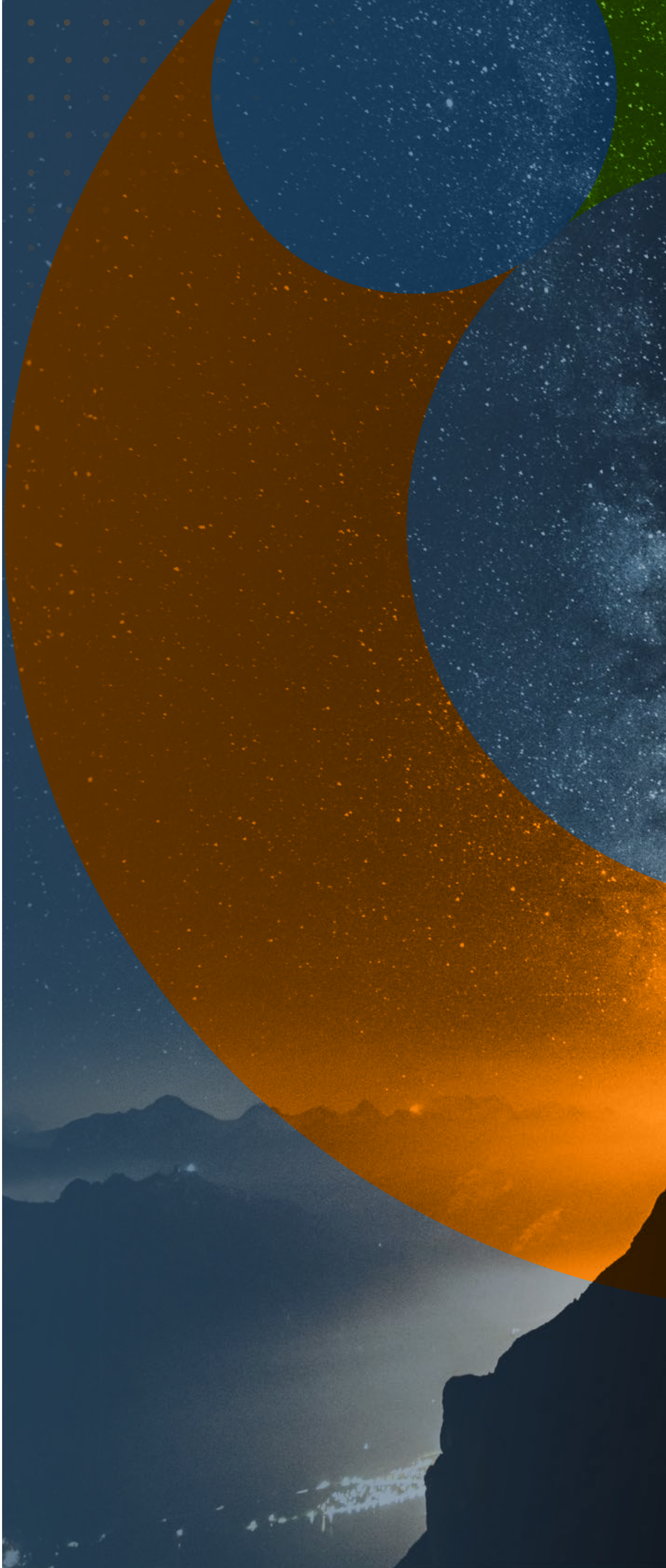
On 22 March 2023 a dividend of USD 50 (2021: 75) for each 9,172 ordinary share and USD 100 (2021: 150) for each 5,545 preference share was approved by the Board of Directors for the year ended 31 December 2022, for recommendation to the Shareholders at the Annual General Meeting.

Litigation settlements

Included in loan and advances and related credit impairment losses per note 14 is a credit loan to African Banking Corporation Holdings Limited (ABCH), which as at year-end was subject to court proceedings wherein Norsad was the first petitioner. A ruling in this matter was due to be handed down by the High Court in Botswana on March 16, 2023. On March 30, 2023, the court granted judgment in favour of Norsad and the Africa Agriculture and Trade Investment Fund (AATIF; second partitioner), placing ABCH under provisional liquidation. Accordingly, the court ruling is not expected to have any financial effects beyond what has already been recognised in credit impairment losses related to ABCH.

Secured and unsecured debt

In February 2023, a ZAR 123 million credit facility was concluded with Symbiotics SA. The facility was fully drawn on February 21, 2023; it has a bullet structure and matures on February 15, 2027.



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