Letshego Holdings Limited

Annual Financial Statements
For the year ended 31 December 2018
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CORPORATE INFORMATION

Letshego Holdings Limited is incorporated in the Republic of Botswana
Registration number: Co. 98/442
Date of incorporation: 4 March 1998
A publicly listed commercial entity whose liability is limited by shares

Company Secretary and Registered Office
Lawrence Khupé (appointed 1 January 2018 and resigned 26 February 2019)
Dumisani Ndebele (26 February 2019 and resigned 27 March 2019)
Matshidiso Kimwaga (appointed 27 March 2019)
Second Floor
Letshego Place
Plot 22 Khamà Crescent
Gaborone, Botswana

Independent External Auditors
PricewaterhouseCoopers
Plot 50371
Fairground Office Park
Gaborone, Botswana

Transfer Secretaries
PricewaterhouseCoopers (Pty) Limited
Plot 50371
Fairground Office Park
Gaborone, Botswana

Attorneys and Legal Advisors
Armstrongs
Acacia House
Plot 53438
Cnr Khama Crescent Extension and PG Matante Road
Gaborone, Botswana

Bankers
Standard Chartered Bank Botswana Limited
Barclays Bank Botswana Limited
First National Bank Botswana Limited
First National Bank of South Africa Limited
Stanbic Bank Botswana Limited
DIRECTORS’ REPORT

The Directors have pleasure in submitting to the Shareholders their report and the audited financial statements of Letshego Holdings Limited (the Company) for the year ended 31 December 2018.

Nature of business
The Company is engaged in investment in foreign and local operations involved in financial services.

Stated capital
Stated Capital of the Group at 31 December 2018 amounted to P862,621,720 (31 December 2017: P849,845,234).

On 28 March 2018, 5,345,810 ordinary shares were issued in terms of the Group’s Long Term Incentive Plan. These were issued from shares currently held as treasury shares and the remaining treasury shares at the end of the year were 19,054,190 (2017: 24,400,000). This resulted in an increase in stated capital by P12,776,486.

In the prior period on 01 March 2017, 9,281,250 ordinary shares were issued at various prices in terms of the Group’s Long Term Incentive Plan. In addition, 24,400,000 ordinary shares were repurchased by the company in October 2017 and are currently held as treasury shares. This resulted in a net decrease in stated capital by P25,793,992.

Dividends
An interim dividend of 8.7 thebe per share (prior year: 8.5 thebe per share) was declared on 29 August 2018.

A second and final dividend of 3.3 thebe per share (prior year: 9.0 thebe per share and an additional special dividend of 4.1 thebe per share as distribution of proceeds from the Namibia IPO) was declared on 1 March 2019 and will be paid on 2 April 2019.

Directors
The following persons were directors of the company during the year:

Non-executive

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>E.N Banda</td>
<td>Chairman</td>
<td>South Africa</td>
</tr>
<tr>
<td>S. Price</td>
<td></td>
<td>UK</td>
</tr>
<tr>
<td>R. Thornton</td>
<td>Resigned 2 August 2018</td>
<td>USA</td>
</tr>
<tr>
<td>H. Karuhanga</td>
<td></td>
<td>Uganda</td>
</tr>
<tr>
<td>J.de Kock</td>
<td>Resigned and appointed as Acting Group Chief Financial Officer on 5 March 2019</td>
<td>South Africa</td>
</tr>
<tr>
<td>Dr G.Somolekae</td>
<td></td>
<td>Botswana</td>
</tr>
<tr>
<td>C. G. Van Schalkwyk</td>
<td></td>
<td>South Africa</td>
</tr>
<tr>
<td>R. N. Alam</td>
<td>Appointed 19 January 2018</td>
<td>USA</td>
</tr>
<tr>
<td>C. Lesetedi</td>
<td></td>
<td>Botswana</td>
</tr>
<tr>
<td>G. Van Heerde</td>
<td></td>
<td>South Africa</td>
</tr>
</tbody>
</table>
Directors (continued)

Executive

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.C.M. Low</td>
<td>Group Chief Executive Officer – resigned 2 August 2018</td>
<td>UK</td>
</tr>
<tr>
<td>P.J.S Crouse</td>
<td>Group Chief Executive Officer – appointed 24 September 2018 – resigned 27 March 2019</td>
<td>South Africa</td>
</tr>
<tr>
<td>C. W. Patterson</td>
<td>Group Chief Financial Officer – resigned 2 March 2019</td>
<td>Ireland</td>
</tr>
<tr>
<td>D. Ndebele</td>
<td>Interim Chief Executive Officer – appointed 27 March 2019</td>
<td>Botswana</td>
</tr>
</tbody>
</table>

Directors’ shareholdings

The aggregate number of shares held directly by Directors at 31 December 2018 were at 28,987 (31 December 2017 6,568,775). Full details of this shareholding are available at the registered office of the company or at the office of the transfer secretaries.

Long Term Incentive Plan

The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP), which was approved by Shareholders at an Extraordinary General Meeting held on 20 December 2005. Under the plan, conditional share awards are granted to management and key employees. The estimation of shares to vest for a year is based on internal projections as to the specified non-market conditions being achieved. Shares are awarded in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange.
DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the financial statements of Letshego Holdings Limited, comprising the statement of financial position at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, 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 effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

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

The independent external auditor is responsible for reporting on whether the financial statements of the Company give a true and fair view in accordance with International Financial Reporting Standards.

Approval of the financial statements of the Company:

The financial statements of the Company, as identified in the first paragraph, were approved by the Board of Directors on 16 April 2019 and are signed on its behalf by:

E. BANDA  
CHAIRMAN

S. PRICE  
DIRECTOR
INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF LETSHEGO HOLDINGS LIMITED

Our opinion
In our opinion, the separate financial statements give a true and fair view of the separate financial position of Letshego Holdings Limited (the “Company”) as at 31 December 2018, and of its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

What we have audited
Letshego Holdings Limited’s separate financial statements set out on pages 11 to 47 comprise:
- the statement of financial position as at 31 December 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the significant accounting policies; and
- the notes to the financial statements.

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 separate financial statements section of our report.

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

Independence
We are independent of the Company in accordance with the Botswana Institute of Chartered Accountants’ Code of Ethics (the “BICA Code”) and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (Parts A and B).
Key audit matters

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

<table>
<thead>
<tr>
<th>Key audit matter</th>
<th>How our audit addressed the key audit matter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition of deferred tax asset on tax losses</td>
<td>Management provided us with a written summary of tax planning opportunities which the Company intends to implement in order to utilise available income tax losses before these expire. These tax planning opportunities relate mainly to the raising of charges by the Company on the subsidiaries.</td>
</tr>
</tbody>
</table>

The Company recognised a deferred tax asset of P62 million in its statement of financial position. Deferred tax assets arise from the recoverable tax losses and temporary differences such as staff cost provisions.

The ultimate realisation of such deferred tax assets depend largely on the ability of the Company to generate taxable income in order to utilise these losses and differences.

Out of the total deferred tax asset, P50 million relates to the tax losses. The Company did not recognise deferred tax assets on tax losses amounting to P31 million as it was uncertain whether there were opportunities to generate sufficient taxable profits before these losses expire.

Historically, the Company did not generate sufficient taxable income as its most significant revenue source (dividend income) does not form part of taxable income, nor does the existing operating model for the Company indicate that sufficient taxable income will be generated in the immediate future.

Accordingly, the Company assesses the recoverability of the deferred tax asset based on available tax planning opportunities, which will allow the Company to increase taxable income before the expiry of tax losses (being five years from the originating tax year).

The discretionary nature of implementation of such tax planning opportunities increases the risk that the recognised deferred tax asset may not be fully realised before it expires.

We also:
- obtained confirmation from the Board of directors that it has approved implementation of the proposed tax planning opportunities, commencing from the financial year ending 31 December 2019;
- obtained written representation from the Executive Management that the Company will start implementation of the proposed tax planning opportunities during the financial year ending 31 December 2019 and that the Company has the necessary capacity and managerial ability to complete implementation of these plans to allow for the utilisation of income tax losses before these expire; and
- compared management's past intention to recover the recognised deferred tax asset on tax losses against the plans implemented during the year and noted that all planned actions had been either implemented or where not implemented, have been explained with proposed actions to implement them going forward.
The quantum of the deferred tax asset on tax losses, combined with the significant uncertainties in the measurement of the asset, resulted in this being a matter of most significance to the audit.

The disclosures associated with deferred taxes are set out in the financial statements in note 2.2 – Use of Estimates and Judgements, Deferred tax asset (page 53), and note 19.1 – Deferred tax asset (page 45).

The results of our procedures supported management’s assertion that the Company demonstrably had the intent and ability to implement the proposed tax planning strategies to recover the deferred tax asset recognised.

Other information
The directors are responsible for the other information. The other information comprises the information included in the Leshego Holdings Limited Annual Financial Statements for the year ended 31 December 2018, which we obtained prior to the date of this auditor’s report, and the other sections of the Leshego 2018 Integrated Annual Report which is expected to be made available to us after that date. Other information does not include the separate financial statements and our auditor’s report thereon.

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

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

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

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

In preparing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the separate financial statements
Our objectives are to obtain reasonable assurance about whether the 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 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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 we determine not to disclose a particular matter because providing more detail would be misleading. Description of key audit matters in an audit report may identify a material misstatement risk.

Practicing Member: Lalithkumar Mahesan  
Membership number: 20030046  
Gaborone  
30 April 2019
### Statement of Financial Position

#### FOR THE YEAR ENDED 31 DECEMBER 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>2018 December</th>
<th>2017 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents 3</td>
<td>58,721</td>
<td>59,768</td>
</tr>
<tr>
<td>Other receivables 4</td>
<td>18,758</td>
<td>17,312</td>
</tr>
<tr>
<td>Investment in subsidiary companies 6 (a)</td>
<td>2,199,443</td>
<td>1,678,736</td>
</tr>
<tr>
<td>Loans to subsidiary companies 6 (c)</td>
<td>1,038,703</td>
<td>1,720,565</td>
</tr>
<tr>
<td>Available-for-sale financial asset 7</td>
<td>53,591</td>
<td>53,591</td>
</tr>
<tr>
<td>Property, plant and equipment 8</td>
<td>4,148</td>
<td>7,512</td>
</tr>
<tr>
<td>Intangible assets 9</td>
<td>29,714</td>
<td>35,897</td>
</tr>
<tr>
<td>Deferred tax asset 19.1</td>
<td>62,260</td>
<td>109,892</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>3,465,338</strong></td>
<td><strong>3,683,273</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>LIABILITIES AND EQUITY</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables 10</td>
<td>313,592</td>
<td>349,463</td>
</tr>
<tr>
<td>Financial instruments held at fair value 5</td>
<td>12,726</td>
<td>4,113</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>118,288</td>
<td>118,288</td>
</tr>
<tr>
<td>Borrowings 11</td>
<td>2,167,986</td>
<td>2,233,611</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>2,612,592</strong></td>
<td><strong>2,705,475</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Shareholders’ equity</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stated capital 12</td>
<td>862,621</td>
<td>849,845</td>
</tr>
<tr>
<td>Share based payment reserve 13</td>
<td>15,069</td>
<td>27,966</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>(24,943)</td>
<td>99,987</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td><strong>852,746</strong></td>
<td><strong>977,798</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Total liabilities and equity</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>3,465,338</strong></td>
<td><strong>3,683,273</strong></td>
</tr>
</tbody>
</table>
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>31 December 2018 (P'000)</th>
<th>31 December 2017 (P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>14</td>
<td>320,878</td>
</tr>
<tr>
<td>Interest expense</td>
<td>15</td>
<td>(250,466)</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td></td>
<td><strong>70,412</strong></td>
</tr>
<tr>
<td>Other operating income</td>
<td>16</td>
<td>744,296</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td></td>
<td><strong>814,708</strong></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>17</td>
<td>(126,459)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>18</td>
<td>(195,150)</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td></td>
<td><strong>493,099</strong></td>
</tr>
<tr>
<td>Taxation</td>
<td>19</td>
<td>(154,741)</td>
</tr>
<tr>
<td><strong>Profit after taxation</strong></td>
<td></td>
<td><strong>338,358</strong></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td></td>
<td><strong>338,358</strong></td>
</tr>
</tbody>
</table>
# LETSHEGO HOLDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>Stated Capital P'000</th>
<th>Retained Earnings P'000</th>
<th>Share Based Payment Reserve P'000</th>
<th>Total P'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2018</td>
<td>849,845</td>
<td>99,987</td>
<td>27,966</td>
<td>977,798</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td>338,358</td>
</tr>
<tr>
<td>Transactions with owners, recorded directly in equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New shares issued from long term incentive scheme</td>
<td>13</td>
<td>12,776</td>
<td>-</td>
<td>(12,776)</td>
</tr>
<tr>
<td>Allocation to share based payment reserve</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>(121)</td>
</tr>
<tr>
<td>Dividends to equity holders</td>
<td>20</td>
<td>-</td>
<td>(463,289)</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 31 December 2018</td>
<td>862,621</td>
<td>(24,943)</td>
<td>15,069</td>
<td>852,746</td>
</tr>
</tbody>
</table>

| Balance at 1 January 2017 | 875,639 | 380,943 | 24,277 | 1,280,859 |
| Total comprehensive income for the period | | | | 40,651 |
| Profit for the period | | | | 40,651 |
| Transactions with owners, recorded directly in equity | | | | |
| New shares issued from long term incentive scheme | 13 | 22,274 | - | (22,274) |
| Allocation to share based payment reserve | 12 | - | - | 25,963 |
| Share buy back | 12 | (48,068) | - | - |
| Dividends to equity holders | 20 | - | (321,607) | - |
| Balance at 31 December 2017 | 849,845 | 99,987 | 27,966 | 977,798 |
### LETHEGO HOLDINGS LIMITED
### STATEMENT OF CASH FLOWS
### FOR THE YEAR ENDED 31 DECEMBER 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>493,099</td>
<td>68,317</td>
</tr>
<tr>
<td><strong>Adjustments for :</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Net interest income</td>
<td>(70,412)</td>
<td>(74,563)</td>
</tr>
<tr>
<td>- Net gain from disposal of/sale of interest in subsidiaries</td>
<td>-</td>
<td>(74,432)</td>
</tr>
<tr>
<td>- Amortisation of intangible assets</td>
<td>9,401</td>
<td>5,470</td>
</tr>
<tr>
<td>- Depreciation</td>
<td>3,031</td>
<td>3,728</td>
</tr>
<tr>
<td>- Disposal and write off</td>
<td>3,407</td>
<td>-</td>
</tr>
<tr>
<td>- Impairment on investment</td>
<td>61,394</td>
<td>25,963</td>
</tr>
<tr>
<td>- Long term incentive plan provision</td>
<td>(121)</td>
<td>1,966</td>
</tr>
<tr>
<td>- Unrealised losses</td>
<td>8,613</td>
<td>(9,132)</td>
</tr>
<tr>
<td>- Dividends received</td>
<td>(599,231)</td>
<td>(9,132)</td>
</tr>
<tr>
<td><strong>Changes in working capital :</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movement in other receivables</td>
<td>(1,447)</td>
<td>23,682</td>
</tr>
<tr>
<td>Movement in trade and other payables</td>
<td>18,639</td>
<td>(3,553)</td>
</tr>
<tr>
<td><strong>Cash (used in) operations</strong></td>
<td>(77,627)</td>
<td>(36,486)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(107,109)</td>
<td>(4,822)</td>
</tr>
<tr>
<td>Interest received</td>
<td>320,878</td>
<td>295,979</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(250,466)</td>
<td>(221,416)</td>
</tr>
<tr>
<td><strong>Net cash flows (used in) / from operating activities</strong></td>
<td>(114,324)</td>
<td>33,255</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for acquisition of interest in / a subsidiary</td>
<td>6</td>
<td>(15,483)</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>(61,679)</td>
<td>-</td>
</tr>
<tr>
<td>Disposal / transfers of investment in subsidiaries</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from sales of interest in a subsidiary</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Amounts advanced from subsidiaries</td>
<td>10.2</td>
<td>(54,510)</td>
</tr>
<tr>
<td>Loans to subsidiaries</td>
<td>6</td>
<td>(114,865)</td>
</tr>
<tr>
<td>Loans repayment by subsidiaries</td>
<td>148,843</td>
<td>148,537</td>
</tr>
<tr>
<td>Redemption of preference shares</td>
<td>6</td>
<td>142,946</td>
</tr>
<tr>
<td>Purchase of plant and equipment</td>
<td>8</td>
<td>(1,734)</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(558)</td>
<td>-</td>
</tr>
<tr>
<td>Dividends received</td>
<td>16</td>
<td>599,231</td>
</tr>
<tr>
<td><strong>Net cash flows from / (used) in investing activities</strong></td>
<td>642,191</td>
<td>(178,045)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>20</td>
<td>(463,289)</td>
</tr>
<tr>
<td>Share buy back</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>Finance repaid to third parties</td>
<td>11</td>
<td>(441,723)</td>
</tr>
<tr>
<td>Finance obtained from third parties</td>
<td>11</td>
<td>376,098</td>
</tr>
<tr>
<td><strong>Net cash flows (used in) / from financing activities</strong></td>
<td>(528,914)</td>
<td>53,093</td>
</tr>
<tr>
<td><strong>Net movement in cash and cash equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1,048)</td>
<td>(91,697)</td>
</tr>
</tbody>
</table>

### Movement in cash and cash equivalents
- **At the beginning of the year**
  - 59,768
- **Movement during the year**
  - (1,048)
- **At the end of the year**
  - 58,721
LETSHEGO HOLDINGS LIMITED
SIGNIFICANT ACCOUNTING POLICIES
For the year ended 31 December 2018

Reporting entity
Letshego Holdings Limited (the “Company”) is a company incorporated in Botswana. The address of the Company, which is a limited liability company, is Letshego Place, Plot 22 Khama Crescent, Gaborone, Botswana. The Company is primarily engaged in the provision of financial and administrative services to subsidiaries and third parties.

The Company financial statements for the period ended 31 December 2018 have been approved for issue by the Board of Directors on 16 April 2019.

The following principal accounting policies, which are consistent with prior years, have been adopted in the preparation of these financial statements except for the adoption of new / amended accounting standards:

Separate financial statements
The following are the holding company “Letshego Holdings Limited” stand alone annual financial statements and the Consolidation has been prepared and presented separately.

Statement of compliance
The annual financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation
The financial statements are presented in Botswana Pula, which is the Company’s reporting currency. Except where indicated, financial information presented in Pula has been rounded to the nearest thousand.

The financial statements have been prepared on the historical cost basis except where otherwise stated.

Use of judgements and estimates
The preparation of annual financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Significant judgements made by management in the application of International Financial Reporting Standards consist mainly on share based payment calculations. Judgement is also applied to the probability of having sufficient taxable profits against which deferred tax assets may be utilised (note 2).

Plant and equipment
Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment / losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the plant and equipment. The estimated useful lives for current and prior periods are as follows:

<table>
<thead>
<tr>
<th>Plant and equipment</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>3 years</td>
</tr>
<tr>
<td>Office furniture</td>
<td>4 years</td>
</tr>
<tr>
<td>Office equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>5 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>4 years</td>
</tr>
</tbody>
</table>
Plant and equipment (continued)

The residual value and useful life of each part of plant and equipment, if not insignificant, is reassessed annually. Depreciation costs are recognised on a prorate basis from the date the asset is available for use.

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

Gains and losses on disposal of plant and equipment items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

Work in progress
Work in progress comprises of:

- Costs incurred in the system development currently on-going in respect of the customised lending and financial reporting module of the Company. The costs associated with this development process is recognised as work in progress until a time the systems are available for use at which point the respective element will be transferred to appropriate category of equipment and/or intangible assets and depreciated over the useful life of the asset.
- Costs incurred in acquisition and development of property until the property is available for use, at which point the respective property will be transferred to an appropriate property category and depreciated over the estimated life of the property.

Foreign currency transactions
Transactions conducted in foreign currencies are translated to Pula at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula using the closing exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss.

Operating leases
The Company classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Intangible assets – computer software
Software acquired by the Company is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is measured at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software for current and prior periods is three to ten years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.
Provisions
Provisions are recognised when the Company has a present legal obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using tax rates enacted at the reporting date, and any adjustment of tax payable for previous years.

Deferred tax
Deferred tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination. The effect on tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Revenue recognition
Interest income is recognised in profit or loss at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and administration charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest from bank deposits
Interest from bank deposit is earned on an accruals basis at the agreed interest rate with the respective financial institution.

Other income
Other income comprises profit share and once-off joining fees. Profit share is recognised as profits are declared by the insurer on a notification basis. Once off joining fees are recognised in profit or loss on a cash basis in the month a member takes insurance cover.
Dividend income
The Company recognises dividends when the Group’s right to receive payment is established. This is on the ‘last day to trade’ for listed shares, and on the ‘date of declaration’ for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares. Dividend income is presented in statement of profit or loss.

Finance costs
The Company’s finance costs include interest expense, foreign currency gain loss on financial assets and financial liabilities and these are recognised in profit or loss as incurred.

Stated capital
Stated capital is recognised at the fair value of the consideration received. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instrument.

Treasury shares is where the Company purchases its own equity share capital. The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders’ equity as treasury shares until they are re-issued or sold. Where the shares are subsequently sold or re-issued, any consideration received net of any directly attributable incremental costs, is included in shareholders equity.

Dividends paid
Dividends on ordinary shares are recognised against equity in the period in which they are approved by the directors. Dividends declared after the reporting date, are not recognised as a liability in the statement of financial position.

Employee benefits
Short term employee benefits are expensed as the related services are provided. Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is recognised for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. The Company operates a defined contribution retirement benefit fund. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in profit or loss as an expense when they are due in respect of service rendered before the end of the reporting period. Under the defined contribution plans in which the Company and its employees participate, the Company and the employees contribute fixed percentages of gross basic salary on a monthly basis.

The Company also operates a staff incentive bonus scheme. The provision for employee bonus incentive is based on a predetermined company policy and is recognised in trade and other payables. The accrual for employee bonus incentives is expected to be settled within 12 months to 36 months.

Share-based payment transactions
The Company operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. The number of vesting awards is subject to achievement of non-market conditions. The grant date fair value of awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Company revises its estimate of the number of options expected to vest.

The Company recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through profit or loss. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share based payment reserve and credited against retained earnings.
Share-based payment transactions (continued)

The proceeds received net of any attributable transaction costs are credited to stated capital when the options are exercised.

Determination of fair value of equity instruments granted

The share price of Letshego Holdings Limited (as quoted on the Botswana Stock Exchange) of the Company’s equity instruments at grant date is the estimated fair value of the share options granted. No adjustments are made for non-market vesting conditions as there are none. Therefore, no valuation techniques are therefore used (Monte Carlo / Black Scholes etc.) as the quoted price at grant date is the fair value.

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

Related party transactions
Related parties comprise Directors and key management personnel of the Company and companies with common ownership and/or Directors.

Investment in subsidiaries
The Company accounts for investments in subsidiaries at cost, which includes transaction costs, less accumulated impairment losses. A listing of the entities subsidiaries are reflected in note 6 of the annual financial statements.

Investments in subsidiaries are assessed for impairment when indicators of impairment are identified. Such impairment indicators include, but are not limited to, for example:

- Sustained deterioration in financial results of operations and / or financial position of a subsidiary;
- Changes in the operating environment of a subsidiary, including regulatory and economic changes, market entry by new competitors, etc. and
- Inability of a subsidiary to obtain finance required to sustain or expand operations.

Where impairment indicators are identified, the recoverable value of the subsidiary is measured at the lower of realisable value through sale less costs to sell, and value in use. Value in use is the present value of future cash flows expected to be derived from the subsidiary.

Where the recoverable value of a subsidiary is below the carrying amount, the carrying amount is reduced to the recoverable value through an impairment loss charged to the statement of comprehensive income.

Once an impairment loss has been recognised, the Company assesses at each year-end date whether there is an indication that the impairment loss previously recognised no longer exists or has decreased. If this is the case, the recoverable value of the subsidiary is remeasured and the impairment loss reversed or partially reversed as may be the case.

Financial assets and liabilities
The Company’s financial assets and liabilities consist of the following significant items.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables consists of advances to customers, other receivables and cash and cash equivalents.
Other receivables
Other receivables comprise prepayments, deposits and other recoverables which arise during the normal course of business. An assessment at the end of each reporting period is done to determine whether there is any objective evidence that a financial asset is impaired.

If an impairment loss has been identified, its amount is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

Cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with financial institutions. Bank overdrafts, which are repayable on demand and form an integral part of the group’s cash management, are included as a component of cash and cash equivalents. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Available-for-sale financial asset
Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Available-for-sale financial asset are subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Dividend received on available-for-sale equity instruments are recognised in the statement of comprehensive income when the company’s right to receive payment is established.

Financial liabilities at amortised cost
Financial liabilities at amortised cost includes borrowings and trade and other payables.

Borrowings
Borrowings are the Company’s source of funding; they are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Trade and other payables
Liabilities for trade and other amounts payable, which are normally settled on 30 to 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Recognition
The Company initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Derecognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.
Derecognition (continued)

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Company retains rights to service a transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing rights, depending on whether the servicing fee is more than adequate to cover servicing expenses (asset) or is less than adequate for performing the servicing (liability).

Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Company’s trading activity.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques.

Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Company uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

For more complex instruments, the Company would use proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions.

When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase, in fair value indicated by valuation techniques is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value.
Financial assets and liabilities (continued)

Identification and measurement of impairment
At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment the Company uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets’ original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to statement of comprehensive income.

When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through the statement of comprehensive income.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in the statement of changes in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Designation at fair value through profit or loss
The Company has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.
New standards or amendments become effective for the first time during the year

**IFRS 9 Financial Instruments**

IFRS 9, published in July 2015, replaces the existing guidance in IAS 39: *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. In addition, IFRS 9 will include changes in the measurement bases of the Company’s financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. IFRS 9 did not have a material impact on the Company’s financial statement.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for revenue recognition. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 was effective from 1 January 2018 and the overall impact to Company was immaterial.

Other than the above there were no new standards or amendments that had a material impact on the operations of the Company.

**Standards issued but not yet effective at year end**

A number of new standards and amendments to standards are issued but not yet effective for period ended 31 December 2018. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

**IFRS 16 Leases**

IASB and FASB decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee’s assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee’s financial leverage and capital employed. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019 and the Company is in the process of assessing the potential impact to the financial statements.

**Other standards/amendments**

The following new or amended standards are not expected to have a significant impact of the Company’s annual financial statements:

- Presentation of financial statements Amendments to IAS 1 – effective 1 January 2020.
- Employee benefits Amendments to IAS 19 – effective 1 January 2019
- Uncertainty over income tax treatments IFRIC 23 – effective 1 January 2019
- Amendments to IFRS 3 – Business combinations – effective 1 January 2020
- Amendments to IFRS 9 – Financial instruments – effective 1 January 2019
1 FINANCIAL RISK MANAGEMENT

1.1 Introduction and overview

Letsho Holdings Limited continued to improve its Enterprise-wide Risk Management (ERM) framework to ensure that risks faced by the Company are managed in an integrated, consistent and comprehensive manner given the changing operating environment across its footprint.

The ERM framework emphasises the five key pillars of a sound risk management framework, namely; adequate board oversight, adequate senior management oversight, sound risk management policies and operating procedures, strong risk measurement, monitoring and control capabilities and adequate internal controls.

The Group Board of Directors has the ultimate responsibility for ensuring that an adequate risk management system is established and maintained. The Board delegated its responsibilities to the following Board Committees and the terms of reference are outlined in the Board Charter:

- Group Audit Committee
- Group Risk Committee
- Group Governance, Nominations and Social Ethics Committee
- Group Remuneration Committee
- Group Investment Committee

In addition to the above board committees, the Group established the following Management Committees to assist the Board in the effective management of risk:

- Group Management Committee / Eco
- Group Risk Management Committee
- Group Innovation Management Committee
- Group Business Growth Committee
- Group Asset and Liability Management Committee
- Group Technical and Operations Committee
- Group Sustainability Committee

As part of the Company’s strategy to enhance its governance structures, the Group Risk and Assurance function and the Legal and Compliance Function were restructured during the year to report under the Group Governance, Risk, Legal and Compliance Function. This function remains independent of the business functions with the Group Internal Audit function reporting directly to the Group Audit Committee. The Group Head of Governance, Risk, Legal and Compliance assumed the responsibility for the implementation of the Group ERM framework (that includes the Legal and Compliance Framework) and the Group Governance Framework approved by the Board. Group Internal Audit is responsible for providing independent assurance that the overall Governance, ERM and IT Governance frameworks are adequately designed, implemented and monitored. Within the regular audit activity, Group Internal Audit is also responsible for providing assurance that the systems of internal control are operating effectively.

Significant progress was made during the year in embedding the enhanced Enterprise-wide Risk Management (ERM) framework across the Group. The ERM framework emphasises the five key elements that the Group would like to achieve and maintain namely, adequate board oversight, adequate senior management oversight, sound risk management policies and operating procedures, strong risk measurement, monitoring and control capabilities and adequate internal controls.

The primary risks to which the Company is exposed and which it continues to effectively manage are detailed below.

1.2 Strategic risk

Strategic risk refers to the current and/or prospective impact on the Company’s earnings, capital or business viability arising from adverse business decisions and implementation of strategies which are inconsistent with internal factors and the external environment.

In line with the Company’s Enterprise Risk Management framework, strategic risk management enables the mitigation of risks and protects the stability of the Company. It also acts as a tool for planning systematically about the future and identifying opportunities.
1.2 Strategic risk (continued)

In order to effectively manage strategic risk, the Board of Directors and the Group Management Committee / Exco have established appropriate internal structures for implementation of strategic plans. The Company's strategic plans are supported by appropriate organisational and functional structures, skilled and experienced personnel, as well as risk monitoring and controlling systems.

According to the Company's reporting structures, reputational risk is a primary risk categorized under strategic risk. Reputational risk arises when a situation, occurrence, business practice or event has the potential to materially influence the public and stakeholder’s perceived trust and confidence in the Group or its subsidiaries. This risk may also result from the Company’s failure to effectively manage any or all of the other risk types.

1.3 Financial risk

According to the Company's enhanced ERM framework, financial risk includes credit risk, interest rate risk, liquidity risk and market risk.

1.3.1 Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet obligations in accordance with agreed terms. The Company is exposed to credit risk from a number of financial instruments such as loans to subsidiaries, investment in preference shares in subsidiaries, placing with banks and other receivables.

Approach to managing credit risk

The Board of Directors is ultimately responsible for the management of credit risk and has delegated responsibility for the oversight of credit risk to the CEO. It is the responsibility of the CEO to ensure that the Company's policies regarding credit risk are complied with at all times.

Impairment methodology

The Company's accounting policy for losses arising from the impairment of loans to subsidiaries represents management’s best estimate of losses incurred at the reporting date. In assessing this, the Company considers defaults, extended payment terms and the overall financial well being of each subsidiary.
1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Write-off policy
The Company writes off loan balances, and any related allowances for impairment losses, when there is determination that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower’s financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Maximum exposure to credit risk
The table below presents the maximum exposure to credit risk of financial instruments recognised on the statement of financial position and exposures not recognised in the statement of financial position, after taking account of any collateral held.

<table>
<thead>
<tr>
<th>Maximum exposure to credit risk at 31 December 2018</th>
<th>Loans to subsidiary companies</th>
<th>Provision</th>
<th>Net</th>
<th>Security Held</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>868,746</td>
<td>-</td>
<td>868,746</td>
<td>-</td>
</tr>
<tr>
<td>East &amp; West Africa</td>
<td>169,957</td>
<td>-</td>
<td>169,957</td>
<td>-</td>
</tr>
<tr>
<td>Total at 31 December 2018</td>
<td>1,038,703</td>
<td>-</td>
<td>1,038,703</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Maximum exposure to credit risk at 31 December 2017</th>
<th>Loans to subsidiary companies</th>
<th>Provision</th>
<th>Net</th>
<th>Security Held</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>1,569,386</td>
<td>-</td>
<td>1,569,386</td>
<td>-</td>
</tr>
<tr>
<td>East &amp; West Africa</td>
<td>151,179</td>
<td>-</td>
<td>151,179</td>
<td>-</td>
</tr>
<tr>
<td>Total at 31 December 2017</td>
<td>1,720,565</td>
<td>-</td>
<td>1,720,565</td>
<td>-</td>
</tr>
</tbody>
</table>

Investment in subsidiaries
All subsidiaries are under the control of the Company, which includes overall management and control of cash flows. All subsidiary companies are assessed for impairment and general credit risk at regular intervals, and no assessment of increased levels of credit risk was noted at the financial year end.

Other exposures to credit risk

<table>
<thead>
<tr>
<th></th>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>58,721</td>
<td>59,768</td>
</tr>
<tr>
<td>Other receivables</td>
<td>15,405</td>
<td>13,885</td>
</tr>
<tr>
<td></td>
<td>74,126</td>
<td>73,653</td>
</tr>
</tbody>
</table>

Cash and cash equivalents
All cash at banks is held with reputable institutions with good credit history and are regulated by the relevant national regulatory authority. As a result, the probability of loss due to credit risk is assessed as low.

Other receivables
Other receivables includes insurance and deposits with reputable institutions. The risk of loss due to credit risk is assessed as low.
1.3.2 Interest rate risk

The Company is exposed to 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. Generally interest on borrowings is floating. The table below summarises the exposure to interest rate risk. Included in the table are the Company’s assets and liabilities at carrying amounts, categorised by the earlier of repricing or maturity dates.

### 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>From 1 to 12 months</th>
<th>From 1 year to 3 years</th>
<th>From 3 years and above</th>
<th>Non interest bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>58,721</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>58,721</td>
</tr>
<tr>
<td>Loans to subsidiaries</td>
<td>1,038,703</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,038,703</td>
</tr>
<tr>
<td>Available-for-sale financial asset</td>
<td>53,591</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53,591</td>
</tr>
<tr>
<td>Other receivables</td>
<td>-</td>
<td>-</td>
<td>18,758</td>
<td>-</td>
<td>18,758</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,151,015</td>
<td>-</td>
<td>-</td>
<td>18,758</td>
<td>1,169,773</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>-</td>
<td>-</td>
<td>273,501</td>
<td>-</td>
<td>273,501</td>
</tr>
<tr>
<td>Financial Instrument held at fair value</td>
<td>-</td>
<td>-</td>
<td>12,726</td>
<td>-</td>
<td>12,726</td>
</tr>
<tr>
<td>Borrowings</td>
<td>772,881</td>
<td>894,650</td>
<td>500,455</td>
<td>-</td>
<td>2,167,986</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>772,881</td>
<td>894,650</td>
<td>500,455</td>
<td>-</td>
<td>2,454,213</td>
</tr>
<tr>
<td><strong>Net interest sensitivity gap</strong></td>
<td><strong>378,135</strong></td>
<td><strong>(894,650)</strong></td>
<td><strong>(500,455)</strong></td>
<td><strong>(267,469)</strong></td>
<td><strong>(1,284,440)</strong></td>
</tr>
</tbody>
</table>

### 31 December 2017

<table>
<thead>
<tr>
<th></th>
<th>From 1 to 12 months</th>
<th>From 1 year to 3 years</th>
<th>From 3 years and above</th>
<th>Non interest bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>59,768</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>59,768</td>
</tr>
<tr>
<td>Loans to subsidiaries</td>
<td>1,720,565</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,720,565</td>
</tr>
<tr>
<td>Available-for-sale financial asset</td>
<td>53,591</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53,591</td>
</tr>
<tr>
<td>Other receivables</td>
<td>-</td>
<td>-</td>
<td>17,312</td>
<td>-</td>
<td>17,312</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,833,924</td>
<td>-</td>
<td>-</td>
<td>17,312</td>
<td>1,851,236</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>-</td>
<td>-</td>
<td>321,556</td>
<td>-</td>
<td>321,556</td>
</tr>
<tr>
<td>Financial Instrument held at fair value</td>
<td>-</td>
<td>-</td>
<td>4,113</td>
<td>-</td>
<td>4,113</td>
</tr>
<tr>
<td>Borrowings</td>
<td>454,089</td>
<td>1,000,868</td>
<td>778,654</td>
<td>-</td>
<td>2,233,611</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>454,089</td>
<td>1,000,868</td>
<td>778,654</td>
<td>-</td>
<td>2,559,280</td>
</tr>
<tr>
<td><strong>Net interest sensitivity gap</strong></td>
<td><strong>1,379,835</strong></td>
<td><strong>(1,000,868)</strong></td>
<td><strong>(778,654)</strong></td>
<td><strong>(308,357)</strong></td>
<td><strong>(708,044)</strong></td>
</tr>
</tbody>
</table>
1.3.2 Interest rate risk (continued)

The majority of the Company’s borrowings are linked to variable interest rates.

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P’000</td>
<td>P’000</td>
</tr>
<tr>
<td>The average cost of borrowing in percentage terms was (excluding the impact of foreign exchange gains or losses)</td>
<td>13.4%</td>
<td>11.2%</td>
</tr>
<tr>
<td>The impact of a 1% increase in variable lending rates on interest expense would be adverse (P’000)</td>
<td>19,894</td>
<td>20,924</td>
</tr>
<tr>
<td>% change in profit before tax</td>
<td>4%</td>
<td>31%</td>
</tr>
</tbody>
</table>

The effect of a 1% decrease in interest rate would result in an equal and opposite decrease in interest expense.

1.4 Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the statement of financial position, the funding requirements of the Company and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Company and also from available financial institution facilities.

The following table shows the undiscounted cash flows on the Company’s financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Company’s expected cash flows on these instruments may vary from this analysis. For example, regular meetings and updates are provided to the financiers so as to ensure that facilities and lines of credit remain open and unrecognised loan commitments are not all expected to be drawn down immediately.

### 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>From 1 to 12 months</th>
<th>From 1 year to 3 years</th>
<th>From 3 years and above</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P’000</td>
<td>P’000</td>
<td>P’000</td>
<td>P’000</td>
</tr>
<tr>
<td>Contractual maturities of financial liabilities;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>273,501</td>
<td>-</td>
<td>-</td>
<td>273,501</td>
</tr>
<tr>
<td>Borrowings</td>
<td>946,615</td>
<td>1,175,521</td>
<td>538,403</td>
<td>2,660,539</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,220,116</strong></td>
<td><strong>1,175,521</strong></td>
<td><strong>538,403</strong></td>
<td><strong>2,934,040</strong></td>
</tr>
</tbody>
</table>

### 31 December 2017

<table>
<thead>
<tr>
<th></th>
<th>From 1 to 12 months</th>
<th>From 1 year to 3 years</th>
<th>From 3 years and above</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P’000</td>
<td>P’000</td>
<td>P’000</td>
<td>P’000</td>
</tr>
<tr>
<td>Contractual maturities of financial liabilities;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>321,556</td>
<td>-</td>
<td>-</td>
<td>321,556</td>
</tr>
<tr>
<td>Borrowings</td>
<td>751,390</td>
<td>993,313</td>
<td>778,654</td>
<td>2,523,357</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,072,946</strong></td>
<td><strong>993,313</strong></td>
<td><strong>778,654</strong></td>
<td><strong>2,844,913</strong></td>
</tr>
</tbody>
</table>
1.5 Market risk
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks
Overall responsibility for managing market risk rests with the Group Risk Committee. Management is responsible for the development of detailed risk management policies (subject to review by the Group Risk Committee) and for the day to day implementation of those policies.

Currency risk
The result of foreign exchange positions on the Company's net investments in foreign subsidiaries is recognised in other comprehensive income. Foreign currency risk arises as a result of fluctuations in exchange rates and the resultant impact on the Company's position.
1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Market risks (continued)

The following table shows the assets and liabilities of the Company in the respective currencies (Pula equivalent) at the reporting date.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>7,060</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>188</td>
<td>43,496</td>
<td>7,929</td>
<td>-</td>
<td>48</td>
<td>58,721</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans to subsidiaries</td>
<td>-</td>
<td>197,166</td>
<td>110,907</td>
<td>162,196</td>
<td>17,157</td>
<td>26,507</td>
<td>96,743</td>
<td>86,939</td>
<td>19,996</td>
<td>-</td>
<td>312,640</td>
<td>-</td>
<td>8,452</td>
<td>-</td>
<td>1,038,703</td>
</tr>
<tr>
<td>Total assets</td>
<td>7,060</td>
<td>197,166</td>
<td>110,907</td>
<td>162,196</td>
<td>17,157</td>
<td>26,507</td>
<td>96,743</td>
<td>86,939</td>
<td>19,996</td>
<td>188</td>
<td>356,136</td>
<td>7,929</td>
<td>8,452</td>
<td>-</td>
<td>1,087,424</td>
</tr>
<tr>
<td>Borrowings</td>
<td>573,963</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100,414</td>
<td>1,403,687</td>
<td>-</td>
<td>89,922</td>
<td>-</td>
<td>2,167,986</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>573,963</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100,414</td>
<td>1,403,687</td>
<td>-</td>
<td>89,922</td>
<td>-</td>
<td>2,167,986</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net exposure</td>
<td>(966,903)</td>
<td>197,166</td>
<td>110,907</td>
<td>162,196</td>
<td>17,157</td>
<td>26,507</td>
<td>96,743</td>
<td>86,939</td>
<td>19,996</td>
<td>188</td>
<td>255,722</td>
<td>(1,395,758)</td>
<td>8,452</td>
<td>(89,874)</td>
<td>(1,070,582)</td>
</tr>
</tbody>
</table>

*Note that investment in ordinary shares and preference shares have not been included in this, as it is not subject to exchange movements.

Exchange rates at 31 December 2018 - mid rates: BWP 1.00 =

<table>
<thead>
<tr>
<th>31 December 2017</th>
<th>SA Rand</th>
<th>Swaziland Emalangeni</th>
<th>Namibian Dollar</th>
<th>Lesotho Loti</th>
<th>Tanzanian Shillings</th>
<th>Ugandan Shillings</th>
<th>Mozambican Meticais</th>
<th>Kenya Shillings</th>
<th>Rwandan Francs</th>
<th>Great Britain Pound</th>
<th>United States Dollars</th>
<th>Botswana Pula</th>
<th>Ghana Cedi</th>
<th>Eurozone</th>
<th>Total Pula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>34,853</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,025</td>
<td>36,171</td>
<td>(12,327)</td>
<td>-</td>
<td>46</td>
<td>59,768</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans to subsidiaries</td>
<td>-</td>
<td>186,632</td>
<td>740,763</td>
<td>300,726</td>
<td>2,988</td>
<td>11,510</td>
<td>64,090</td>
<td>133,613</td>
<td>-</td>
<td>277,174</td>
<td>-</td>
<td>3,069</td>
<td>-</td>
<td>1,720,565</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>34,853</td>
<td>186,632</td>
<td>740,763</td>
<td>300,726</td>
<td>2,988</td>
<td>11,510</td>
<td>64,090</td>
<td>133,613</td>
<td>-</td>
<td>1,025</td>
<td>313,345</td>
<td>-</td>
<td>12,327</td>
<td>3,069</td>
<td>46</td>
</tr>
<tr>
<td>Borrowings</td>
<td>641,094</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,194</td>
<td>-</td>
<td>-</td>
<td>1,669,161</td>
<td>-</td>
<td>-</td>
<td>2,518,449</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>641,094</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,194</td>
<td>-</td>
<td>-</td>
<td>1,669,161</td>
<td>-</td>
<td>-</td>
<td>2,518,449</td>
<td></td>
</tr>
<tr>
<td>Net exposure</td>
<td>(606,241)</td>
<td>186,632</td>
<td>740,763</td>
<td>300,726</td>
<td>2,988</td>
<td>11,510</td>
<td>64,090</td>
<td>133,613</td>
<td>(8,194)</td>
<td>1,025</td>
<td>313,345</td>
<td>(1,881,488)</td>
<td>-</td>
<td>3,069</td>
<td>46</td>
</tr>
</tbody>
</table>

*Note that Share capital (ordinary shares and preference shares) has not been included in this, as it is not subject to exchange movements.

Exchange rates at 31 December 2017 - mid rates: BWP 1.00 =

| 1.26 | 1.26 | 1.26 | 1.26 | 227.53 | 369.19 | 5.99 | 10.48 | 85.78 | 0.08 | 0.10 | 1.00 | 0.46 | 0.08 |
1.6 Operational risks
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Company’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:
- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks exposure and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation including insurance where this is effective.

Compliance with Company’s standards is supported by a programme of periodic reviews undertaken by the Risk and Compliance Department. The results of reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Group Risk Committee and senior management of the Company.

1.7 Financial assets and liabilities measured at fair value and disclosed by category
The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<table>
<thead>
<tr>
<th>31 December 2018</th>
<th>Carrying amount</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Available-for-sale financial asset</td>
<td>P’000</td>
<td>P’000</td>
<td>P’000</td>
<td>P’000</td>
<td>P’000</td>
</tr>
<tr>
<td>Financial assets measured at fair value</td>
<td>-</td>
<td>53,591</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53,591</td>
</tr>
<tr>
<td>Loans to subsidiaries</td>
<td>-</td>
<td>-</td>
<td>1,038,703</td>
<td>-</td>
<td>-</td>
<td>1,038,703</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>-</td>
<td>58,721</td>
<td>-</td>
<td>-</td>
<td>58,721</td>
</tr>
<tr>
<td>Other receivables</td>
<td>-</td>
<td>-</td>
<td>15,405</td>
<td>-</td>
<td>-</td>
<td>15,405</td>
</tr>
<tr>
<td>Financial liabilities at amortised cost</td>
<td>-</td>
<td>-</td>
<td>1,112,829</td>
<td>-</td>
<td>-</td>
<td>1,112,829</td>
</tr>
<tr>
<td>Financial assets not measured at fair value</td>
<td>53,591</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53,591</td>
</tr>
<tr>
<td>Loans to subsidiaries</td>
<td>-</td>
<td>-</td>
<td>1,720,565</td>
<td>-</td>
<td>-</td>
<td>1,720,565</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>-</td>
<td>59,768</td>
<td>-</td>
<td>-</td>
<td>59,768</td>
</tr>
<tr>
<td>Other receivables</td>
<td>-</td>
<td>-</td>
<td>13,885</td>
<td>-</td>
<td>-</td>
<td>13,885</td>
</tr>
<tr>
<td>Financial liabilities at amortised cost</td>
<td>-</td>
<td>-</td>
<td>1,794,219</td>
<td>-</td>
<td>-</td>
<td>1,794,219</td>
</tr>
</tbody>
</table>

| Financial liabilities measured at fair value | 12,726 | - | - | - | - | 12,726 |
| Interest rate swap | - | - | - | - | - | - |

<table>
<thead>
<tr>
<th>31 December 2017</th>
<th>Carrying amount</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Available-for-sale financial asset</td>
<td>P’000</td>
<td>P’000</td>
<td>P’000</td>
<td>P’000</td>
<td>P’000</td>
</tr>
<tr>
<td>Financial assets not measured at fair value</td>
<td>53,591</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53,591</td>
</tr>
<tr>
<td>Loans to subsidiaries</td>
<td>-</td>
<td>-</td>
<td>1,720,565</td>
<td>-</td>
<td>-</td>
<td>1,720,565</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>-</td>
<td>59,768</td>
<td>-</td>
<td>-</td>
<td>59,768</td>
</tr>
<tr>
<td>Other receivables</td>
<td>-</td>
<td>-</td>
<td>13,885</td>
<td>-</td>
<td>-</td>
<td>13,885</td>
</tr>
<tr>
<td>Financial liabilities at amortised cost</td>
<td>-</td>
<td>-</td>
<td>1,794,219</td>
<td>-</td>
<td>-</td>
<td>1,794,219</td>
</tr>
</tbody>
</table>

| Financial liabilities measured at fair value | 4,113 | - | - | - | - | 4,113 |
| Interest rate swap | - | - | - | - | - | - |

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.
1.7 Financial assets and liabilities measured at fair value and disclosed by category (continued)

Measurement of fair values
The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is observable but inputs are unobservable

The following tables show the valuation techniques used in measuring fair value levels, as well as significant unobservable inputs used.

<table>
<thead>
<tr>
<th>Type</th>
<th>Valuation technique</th>
<th>Significant unobservable inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swap</td>
<td>Fair value cash flow</td>
<td>Level 2 Discount factor used to derive present value of cashflow (12.5%)</td>
</tr>
<tr>
<td>Currency swap</td>
<td>Fair value cash flow</td>
<td>Level 2 Based on BWP, EUR and USD risk free rates</td>
</tr>
<tr>
<td>Available-for-sale financial asset</td>
<td>Since market values are not available from an observable market, as this is in private equity, the recent transaction price has been considered as an approximate to fair value.</td>
<td>Level 3 Based on recent sales price per share</td>
</tr>
</tbody>
</table>
## USE OF ESTIMATES AND JUDGMENTS

### 2.1 Share-based payment transactions

The Company operates an equity settled conditional Long Term Incentive Plan (LTIP). The plan is now only based on non-market conditions such as performance against budgets and achievement of other key performance indicators. These non-market performance conditions are determined by the Remuneration Committee. The number of awards to vest are assessed and adjusted for the attrition in participants as well as the extent of achievement of those conditions at the reporting dates. The assumptions are that there will be an 60% vesting probability. Although based on historical experience, the estimated achievement of conditions is considered accurate.

**Sensitivity analysis**

The table below details the impact on the profit following a deviation from the 60% vesting probability.

<table>
<thead>
<tr>
<th>Deviation</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% deviation</td>
<td>2,511</td>
<td>4,661</td>
</tr>
<tr>
<td>25% deviation</td>
<td>6,278</td>
<td>11,653</td>
</tr>
<tr>
<td>50% deviation</td>
<td>12,556</td>
<td>23,306</td>
</tr>
</tbody>
</table>

In the event that more than 60% of the shares vest the impact would be adverse to profit. In the event that less then 60% of the shares vest, the impact would be favourable to profit.

### 2.2 Deferred tax asset

The Company has recognised a deferred tax asset of P62 million (2017: P110 million) in its statement of financial position. Deferred tax assets arise from recoverable tax losses and temporary differences such as staff cost provisions. The ultimate realisation of such deferred tax assets depend largely on the ability of the Company to generate taxable income in order to utilise these losses and differences. A recoverability assessment of the carrying amount is done at each reporting period to validate the extent to which these can be realised.

Of the above deferred tax asset, P50 million (2017: P95 million) relates to tax losses in respect of the company. Tax losses in Botswana have to be utilised within five years from the year of origination and during the current financial year P18 million deferred tax asset fell away as the company did not generate sufficient taxable income. In addition the company did not recognise deferred tax assets on tax losses amounting to P31 million as it was uncertain whether there were opportunities to generate sufficient taxable profits before these losses expire.

The newly formed Group Tax Committee (GTC) has come up with robust strategies which will ensure that LHL generates substantial income in order to utilise the losses going forward. They will also be driving the review of the Transfer Pricing Policies to ensure that value is assigned where activities are performed in line with the Organisation for Economic Co-operation and Development (OECD) best practice. With the Group Tax Committee at the helm of driving tax compliance and tax excellence in the Group, the current strategies should see LHL generating adequate taxable income before the tax losses fall away. Refer to analysis below for Letshego Holdings Limited:

<table>
<thead>
<tr>
<th>Movement in deferred tax asset on tax losses</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>95,079</td>
<td>61,564</td>
</tr>
<tr>
<td>Recognised during the year</td>
<td>5,300</td>
<td>41,044</td>
</tr>
<tr>
<td>Utilised during the year</td>
<td>(1,414)</td>
<td>(7,529)</td>
</tr>
<tr>
<td>Tax losses not recognised</td>
<td>(30,636)</td>
<td>-</td>
</tr>
<tr>
<td>Tax losses fallen away</td>
<td>(18,403)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at the end of year</strong></td>
<td><strong>49,926</strong></td>
<td><strong>95,079</strong></td>
</tr>
</tbody>
</table>

### 2.3 Income tax expense

Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.
### 3 CASH AND CASH EQUivalENTS

<table>
<thead>
<tr>
<th></th>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>58,721</td>
<td>59,768</td>
</tr>
<tr>
<td></td>
<td>58,721</td>
<td>59,768</td>
</tr>
</tbody>
</table>

This is cash at bank is held with reputable financial institutions with good credit standing and reconciles to the statement of cash flows at the end of the financial year.

### 4 OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td>Deposits and prepayments</td>
<td>3,353</td>
<td>3,427</td>
</tr>
<tr>
<td>Receivable from other related parties</td>
<td>7,634</td>
<td>8,510</td>
</tr>
<tr>
<td>MTN programme deferred expenses</td>
<td>5,098</td>
<td>2,606</td>
</tr>
<tr>
<td>Other receivables</td>
<td>2,673</td>
<td>2,769</td>
</tr>
<tr>
<td></td>
<td>18,758</td>
<td>17,312</td>
</tr>
</tbody>
</table>

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

### 5 FINANCIAL INSTRUMENTS HELD AT FAIR VALUE

<table>
<thead>
<tr>
<th></th>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td>Interest rate swap liability</td>
<td>1,664</td>
<td>4,113</td>
</tr>
<tr>
<td>Currency swap liability</td>
<td>11,072</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>12,726</td>
<td>4,113</td>
</tr>
</tbody>
</table>

#### Interest rate swap liability

The company entered into an interest rate swap agreement with a Botswana financial institution under which it makes periodic payments on its behalf at an agreed period of time based on a nominal amount of ZAR 335 million. This swap allows for conversion of ZAR floating rate liability into a ZAR fixed rate liability. The interest rate swap hedges the variable factor of the interest coupons payable on the medium term note programme listed on the Johannesburg Stock Exchange.

Letshego Holdings Limited pays the coupon interest on these bonds every quarter and the counter party for the swap will settle the difference on the fixed rate per swap and the variable coupon payment. Management evaluate the effective cash flow and applicable payments on the bond coupon and discounts these to calculate the fair value of the interest rate swap. The fair value at 31 December 2018 is P1.7 million (31 December 2017: P4.1 million) and any movements are recognised through profit or loss.

#### Currency swap liability

In October 2018, the Company entered into currency swap agreements with a local financial institution in respect of foreign currency denominated funding listed below. The currency swap hedges the variable factor of the capital and interest coupons payable on these. Management evaluates the effective cash flow and applicable payments on the capital and coupon payments and discounts these to calculate the fair value of the currency swap.

<table>
<thead>
<tr>
<th>Entity</th>
<th>Currency</th>
<th>P'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letshego Holdings Limited</td>
<td>Euro</td>
<td>7,000</td>
</tr>
<tr>
<td>Letshego Holdings Limited</td>
<td>USD</td>
<td>9,000</td>
</tr>
</tbody>
</table>

The fair value as at 31 December 2018 is P11.07 million and this movement was recognised through profit or loss.
### 6 INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES

#### 6 (a) Investment in subsidiary companies

<table>
<thead>
<tr>
<th>Subsidiary Company</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letshego Financial Services (Proprietary) Ltd, Botswana - ordinary shares</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Letshego Kenya Limited - ordinary shares</td>
<td>196,834</td>
<td>59,944</td>
</tr>
<tr>
<td>Letshego Kenya Limited - preference shares</td>
<td>-</td>
<td>85,521</td>
</tr>
<tr>
<td>Letshego Financial Services Lesotho (Proprietary) Ltd - ordinary shares</td>
<td>3,061</td>
<td>3,061</td>
</tr>
<tr>
<td>Letshego Financial Services Mozambique - ordinary shares</td>
<td>115,565</td>
<td>56,888</td>
</tr>
<tr>
<td>Letshego Financial Services Mozambique - preference shares</td>
<td>591,692</td>
<td>650,369</td>
</tr>
<tr>
<td>Letshego Holdings (Namibia) Ltd - ordinary shares</td>
<td>63,123</td>
<td>63,123</td>
</tr>
<tr>
<td>Letshego Holdings (Namibia) Ltd - preference shares</td>
<td>850,295</td>
<td>207,411</td>
</tr>
<tr>
<td>Letshego Tanzania Limited - ordinary shares</td>
<td>55,506</td>
<td>55,506</td>
</tr>
<tr>
<td>Letshego Tanzania Limited - preference shares</td>
<td>-</td>
<td>103,394</td>
</tr>
<tr>
<td>Letshego Uganda Limited - ordinary shares</td>
<td>850</td>
<td>850</td>
</tr>
<tr>
<td>Letshego Uganda Limited - preference shares</td>
<td>95,906</td>
<td>135,459</td>
</tr>
<tr>
<td>ERF 8585 (Proprietary) Ltd - ordinary shares</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Letshego Bank Tanzania Limited - ordinary shares</td>
<td>33,454</td>
<td>79,365</td>
</tr>
<tr>
<td>Letshego Bank Tanzania Limited - preference shares</td>
<td>41,110</td>
<td>30,798</td>
</tr>
<tr>
<td>Letshego Mauritis Limited - ordinary shares</td>
<td>26,326</td>
<td>26,326</td>
</tr>
<tr>
<td>Letshego South Africa Limited - Investment account</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>AfB Ghana Plc - ordinary shares</td>
<td>2,199,443</td>
<td>1,678,736</td>
</tr>
</tbody>
</table>

Comprises of the following:

- Investment in subsidiary - Preference shares: 1,584,003 (2018), 1,212,952 (2017)

**Closing balance:**

<table>
<thead>
<tr>
<th>Subsidiary Company</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in subsidiary - Ordinary shares</td>
<td>615,440</td>
<td>465,784</td>
</tr>
<tr>
<td>Investment in subsidiary - Preference shares</td>
<td>1,584,003</td>
<td>1,212,952</td>
</tr>
</tbody>
</table>

**Movement in investment in subsidiary companies**

**Ordinary shares**

- Acquisition of / sale of interest in subsidiary: 15,483 (2018), (5,262) (2017)
- Disposals / transfers: (212,331)
- Impairment of investment in subsidiary: (61,394)

**Preference shares**

- Preference shares converted to ordinary shares: (144,196)
- Preference shares redeemed during the year: (142,946)

**Closing balance:**

<table>
<thead>
<tr>
<th>Subsidiary Company</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in subsidiary - Ordinary shares</td>
<td>615,440</td>
<td>465,784</td>
</tr>
<tr>
<td>Investment in subsidiary - Preference shares</td>
<td>1,584,003</td>
<td>1,212,952</td>
</tr>
</tbody>
</table>

#### 6 (b) Impairment of investment in subsidiary companies

At each reporting date the Company performs an impairment assessments of its investments in the subsidiaries, and any impairment loss would be charged to the profit and loss. In the current year investment in Letshego Bank Tanzania was found to be impaired and refer to the details below:

<table>
<thead>
<tr>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>P’000</td>
</tr>
<tr>
<td>Carrying amount of investment in subsidiary</td>
</tr>
<tr>
<td>Recoverable value of subsidiary at the reporting date</td>
</tr>
<tr>
<td>Impairment loss</td>
</tr>
</tbody>
</table>
6 INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES (continued)

6 (c) Loans to subsidiary companies

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td>Letshego Kenya Limited - loan account</td>
<td>86,939</td>
<td>133,613</td>
</tr>
<tr>
<td>Letshego Rwanda Limited - current / loan account</td>
<td>19,996</td>
<td>-</td>
</tr>
<tr>
<td>Letshego Financial Services Lesotho (Proprietary) Limited - term loan</td>
<td>162,196</td>
<td>300,726</td>
</tr>
<tr>
<td>Letshego Financial Services Mozambique - loan account</td>
<td>96,743</td>
<td>64,090</td>
</tr>
<tr>
<td>Letshego Micro Financial Services (Namibia) (Proprietary) Limited - term loan</td>
<td>88,918</td>
<td>720,240</td>
</tr>
<tr>
<td>Letshego Bank (Namibia) Limited - current account</td>
<td>818</td>
<td>399</td>
</tr>
<tr>
<td>Letshego Financial Services Swaziland (Proprietary) Limited - term loan</td>
<td>197,166</td>
<td>186,632</td>
</tr>
<tr>
<td>Letshego Tanzania Limited - term loan</td>
<td>6,326</td>
<td>2,988</td>
</tr>
<tr>
<td>Letshego Uganda Limited - term loan</td>
<td>26,507</td>
<td>11,510</td>
</tr>
<tr>
<td>ERF 8585 (Proprietary) Limited - loan account</td>
<td>21,171</td>
<td>20,124</td>
</tr>
<tr>
<td>Letshego Bank Tanzania Limited - loan account</td>
<td>10,831</td>
<td>-</td>
</tr>
<tr>
<td>Letshego Mauritius Limited - loan account</td>
<td>301,734</td>
<td>277,174</td>
</tr>
<tr>
<td>Letshego Nigeria Limited - loan account</td>
<td>10,906</td>
<td>-</td>
</tr>
<tr>
<td>AfB Ghana Plc - loan / current account</td>
<td>8,452</td>
<td>3,069</td>
</tr>
<tr>
<td></td>
<td><strong>1,038,703</strong></td>
<td><strong>1,720,565</strong></td>
</tr>
</tbody>
</table>

**Movement in loans to subsidiary companies**

- Balance at the beginning of the year: **1,720,565**
- Additions during the year: **626,716**
- Conversion to preference shares: **(83,392)**
- Repayments during the year: **(148,537)**
- Balance at the end of the year: **1,038,703**

**The maturity profile of loans to subsidiaries are as follows:**

- Maturing within 1 year: **26,507**
- Maturing within 1 - 3 years: **21,171**
- Maturing within 3 - 5 years: **817,923**
- Maturing after 5 years: **173,102**

**The maturity profile of preference shares to subsidiaries are as follows:**

- Maturing within 1 year: **14,897**
- Maturing within 1 - 3 years: **270,846**
- Maturing within 3 - 5 years: **1,134,096**
- Maturing after 5 years: **300,726**

**Loans to subsidiaries are not considered to be net investment in subsidiaries.**

**Conversion of loan to preference shares**

In March 2018, P647 million loan to Letshego Microfinance Services Namibia Limited was converted to preference shares.

**Conversion of preference shares to ordinary shares**

In March 2018, P59 million preference shares were converted into ordinary shares in Letshego Financial Services Mozambique.

**Acquisition of interest in a subsidiary:**

In September 2018, the Company acquired the remaining 25% of the issues shares of Letshego Bank Tanzania Limited for a purchase consideration of P15.5 million.

**Transfer of entities to Letshego Mauritius Limited:**

The Group has introduced an intermediate holding company structure in Mauritius. This will not result in any change in the ultimate ownership of the subsidiaries but will allow for a more tax efficient movement of dividends within the Group. Below are the entities that have been transferred in the prior year and no transfers were done during the current year:

- In August 2017 Letshego Holdings Limited transferred its ownership in Letshego Financial Services Swaziland to Letshego Mauritius Limited for a purchase consideration of P135 million. The cost of the investment was P85 and Letshego Holdings Limited recognised a gain of P135 million.
- In September 2017, Letshego Holdings Limited transferred its ownership in Letshego Microfinance Bank Nigeria to Letshego Mauritius Limited for a purchase consideration of P70 million. The cost of the investment was P212 million and Letshego Holdings Limited recognised a gain of P142 million.

**Sales of interest in Letshego Holdings Namibia Limited**

In the prior year on 28 September 2017 Letshego Holdings Namibia Limited (LHN) was successfully listed on the Namibia Stock exchange (NSX) and Company disposed of 7% interest out of the 85% interest held in LHN for a net consideration of P87 million. The cost of the investment was P5 million and Letshego Holdings Limited recognised a gain of P82 million.

**Sales proceeds**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P'000</td>
</tr>
<tr>
<td>Carrying amount of investment in subsidiaries disposed of</td>
<td>212,331</td>
</tr>
<tr>
<td>Net gain / (loss) on disposal of subsidiaries (note 16 &amp; 18)</td>
<td>(7,784)</td>
</tr>
<tr>
<td>Sales proceeds</td>
<td>204,547</td>
</tr>
</tbody>
</table>

**Sales of interest in Letshego Holdings Namibia Limited**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P'000</td>
</tr>
<tr>
<td>Carrying amount of investment in subsidiaries disposed of</td>
<td>82,216</td>
</tr>
<tr>
<td>Gain on disposal of interest in subsidiaries (note 16)</td>
<td>87,478</td>
</tr>
</tbody>
</table>
6 INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES (continued)

The nature of the businesses of the subsidiary companies and the ownership details are provided below:

<table>
<thead>
<tr>
<th>Subsidiary company</th>
<th>Country of incorporation</th>
<th>Nature of business</th>
<th>31 December 2018 % holding</th>
<th>31 December 2017 % holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letshego Financial Services (Proprietary) Limited</td>
<td>Botswana</td>
<td>Unsecured consumer lending</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AFB Ghana (Plc)</td>
<td>Ghana</td>
<td>Unsecured consumer lending and deposit licensed</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Letshego Kenya Limited</td>
<td>Kenya</td>
<td>Group lending, MSE and unsecured consumer lending</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Letshego Financial Services Lesotho Limited</td>
<td>Lesotho</td>
<td>Unsecured consumer lending</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>Letshego Financial Services Mozambique, SA</td>
<td>Mozambique</td>
<td>Unsecured consumer lending and deposit licensed</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>Letshego Holdings Namibia Limited</td>
<td>Namibia</td>
<td>Unsecured consumer lending and deposit licensed</td>
<td>78</td>
<td>78</td>
</tr>
<tr>
<td>ERF 8585 (Pty) Limited</td>
<td>Namibia</td>
<td>Property</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Letshego Microfinance Bank Nigeria Limited</td>
<td>Nigeria</td>
<td>Unsecured consumer lending and deposit licensed</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Letshego Financial Services Swaziland Limited</td>
<td>Swaziland</td>
<td>Unsecured consumer lending</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>Letshego Tanzania Limited</td>
<td>Tanzania</td>
<td>Unsecured consumer lending</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Letshego Bank (T) Limited</td>
<td>Tanzania</td>
<td>Unsecured consumer lending and deposit licensed</td>
<td>100</td>
<td>75</td>
</tr>
<tr>
<td>Letshego Uganda Limited</td>
<td>Uganda</td>
<td>Unsecured consumer lending</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>Letshego South Africa Limited</td>
<td>South Africa</td>
<td>Support services</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Letshego Mauritius Limited</td>
<td>Mauritius</td>
<td>Intermediary Holding Company</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

The terms and conditions attaching to subsidiary companies - other balances with Letshego Holdings Limited are detailed below:

**Letshego Kenya Limited**
The loans are multiple in number and are denominated in United States Dollar (USD), with the different loans bearing interest at Libor plus 4%. The loans are unsecured, have terms of 5 years and commenced at different intervals.
The loans are multiple in number and are denominated in Kenyan Shillings (KES), and bear interest at 15% per annum. The loans are unsecured and have terms of 5 years and commenced at different intervals.
The preference shares are redeemable, convertible, and bear interest at the rate of 15% per annum.

**Letshego Financial Services Mozambique, SA**
The loan is denominated in Maloti (M), bears interest of prime plus 8% per annum at 3 month Libor rate as published by First National Bank of Lesotho, is unsecured and repayable in 2027.
The Maloti (M) and the ZAR are both members of the Common Currency Area and have the same effective exchange rate.

**Letshego Financial Services Lesotho**
The loan is denominated in Maloti (M), bears interest at Mozambique Central Bank lending rate plus 4% per annum, is unsecured loan commencing 2013.
The preference shares are redeemable and bear non-cumulative interest at Mozambique Central Bank lending rate plus 4% per annum.
INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES (continued)

**Letshego Financial Services Swaziland (Proprietary) Limited**
The loan is denominated in South African Rand (ZAR), bears interest at Swaziland prime plus 6.5% per annum on a 3 month Jibar, is unsecured and maturing in 2022.
The Swazi Emalangeni (SEL) and the ZAR are both members of the Common Currency Area and have the same effective exchange rate.

**Letshego Uganda Limited**
The loan is denominated in Botswana Pula, bears interest at Namibian prime plus 2% per annum, is secured and has a term of 5 years commencing January 2016.

**Letshego Mauritius Limited**
The loan is denominated in USD, bears interest at 1 month Libor plus 6%, is unsecured and maturing in 2023.

**Letshego Micro Finance Bank Nigeria**
The loan is denominated in USD, bears interest at a 3 month Libor plus 5%, is unsecured and maturing in 2023.

**Letshego Bank Tanzania**
The loan is denominated in USD, bears interest at 1 month Libor plus 5% per annum, is unsecured and maturing in 2023.

**Letshego Rwanda Limited**
The loan is denominated in USD, bears interest at 1 month Libor plus 6%, is unsecured and maturing in 2023.

**AFB Ghana Plc**
The loan is denominated in Ghana Cedi, bears interest at fixed rate of 20% per annum, is unsecured and maturing in 2019.
### 7 AVAILABLE-FOR-SALE FINANCIAL ASSET

<table>
<thead>
<tr>
<th>Available-for-sale financial asset</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P’000</td>
<td>P’000</td>
</tr>
<tr>
<td></td>
<td>53,591</td>
<td>53,591</td>
</tr>
</tbody>
</table>

The Company holds 2.38% shareholding in a financial services organisation. The fair value of this investment at year end does not materially vary to its carrying value, hence no fair value gains or losses were recognised in the year.

### 8 PROPERTY, PLANT AND EQUIPMENT

#### Cost

<table>
<thead>
<tr>
<th></th>
<th>Motor vehicles P’000</th>
<th>Computer equipment P’000</th>
<th>Office furniture &amp; equipment P’000</th>
<th>Leasehold improvements P’000</th>
<th>Total P’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2017</td>
<td>144</td>
<td>12,085</td>
<td>2,864</td>
<td>3,831</td>
<td>18,924</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>4,375</td>
<td>515</td>
<td>298</td>
<td>5,188</td>
</tr>
<tr>
<td>Balance at 31 December 2017</td>
<td>144</td>
<td>16,460</td>
<td>3,379</td>
<td>4,129</td>
<td>24,112</td>
</tr>
</tbody>
</table>

#### Accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>Motor vehicles P’000</th>
<th>Computer equipment P’000</th>
<th>Office furniture &amp; equipment P’000</th>
<th>Leasehold improvements P’000</th>
<th>Total P’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2017</td>
<td>144</td>
<td>9,317</td>
<td>2,146</td>
<td>1,265</td>
<td>12,872</td>
</tr>
<tr>
<td>Depreciation charge for the period</td>
<td>-</td>
<td>2,610</td>
<td>374</td>
<td>744</td>
<td>3,728</td>
</tr>
<tr>
<td>Balance at 31 December 2017</td>
<td>144</td>
<td>11,927</td>
<td>2,520</td>
<td>2,009</td>
<td>16,600</td>
</tr>
</tbody>
</table>

#### Net book value at

<table>
<thead>
<tr>
<th></th>
<th>Motor vehicles P’000</th>
<th>Computer equipment P’000</th>
<th>Office furniture &amp; equipment P’000</th>
<th>Leasehold improvements P’000</th>
<th>Total P’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2017</td>
<td>-</td>
<td>4,533</td>
<td>859</td>
<td>2,120</td>
<td>7,512</td>
</tr>
</tbody>
</table>

#### Cost

<table>
<thead>
<tr>
<th></th>
<th>Motor vehicles P’000</th>
<th>Computer equipment P’000</th>
<th>Office furniture &amp; equipment P’000</th>
<th>Leasehold improvements P’000</th>
<th>Total P’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2018</td>
<td>144</td>
<td>16,460</td>
<td>3,379</td>
<td>4,129</td>
<td>24,112</td>
</tr>
<tr>
<td>Additions</td>
<td>684</td>
<td>678</td>
<td>372</td>
<td>-</td>
<td>1,734</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(4,689)</td>
<td>-</td>
<td>-</td>
<td>(4,689)</td>
</tr>
<tr>
<td>Balance at 31 December 2018</td>
<td>828</td>
<td>12,449</td>
<td>3,751</td>
<td>4,129</td>
<td>21,157</td>
</tr>
</tbody>
</table>

#### Accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>Motor vehicles P’000</th>
<th>Computer equipment P’000</th>
<th>Office furniture &amp; equipment P’000</th>
<th>Leasehold improvements P’000</th>
<th>Total P’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2018</td>
<td>144</td>
<td>11,927</td>
<td>2,520</td>
<td>2,009</td>
<td>16,600</td>
</tr>
<tr>
<td>Depreciation charge for the period</td>
<td>29</td>
<td>1,703</td>
<td>520</td>
<td>779</td>
<td>3,031</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(2,622)</td>
<td>-</td>
<td>-</td>
<td>(2,622)</td>
</tr>
<tr>
<td>Balance at 31 December 2018</td>
<td>173</td>
<td>11,008</td>
<td>3,040</td>
<td>2,788</td>
<td>17,009</td>
</tr>
</tbody>
</table>

#### Net book value at

<table>
<thead>
<tr>
<th></th>
<th>Motor vehicles P’000</th>
<th>Computer equipment P’000</th>
<th>Office furniture &amp; equipment P’000</th>
<th>Leasehold improvements P’000</th>
<th>Total P’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2018</td>
<td>655</td>
<td>1,441</td>
<td>711</td>
<td>1,341</td>
<td>4,148</td>
</tr>
</tbody>
</table>
## INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Computer software</strong></td>
<td><strong>P'000</strong></td>
<td><strong>P'000</strong></td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>57,674</td>
<td>57,674</td>
</tr>
<tr>
<td>Additions</td>
<td>558</td>
<td>-</td>
</tr>
<tr>
<td>Retired</td>
<td>(2,012)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing balance</strong></td>
<td>56,220</td>
<td>57,674</td>
</tr>
<tr>
<td><strong>Amortisation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>21,777</td>
<td>16,307</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>5,401</td>
<td>5,470</td>
</tr>
<tr>
<td>Disposal</td>
<td>(672)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing balance</strong></td>
<td>26,506</td>
<td>21,777</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td>29,714</td>
<td>35,897</td>
</tr>
</tbody>
</table>

Computer software relates to existing lending and financial reporting software acquired by the Company. Computer software is amortised over the expected useful life of the asset, which for off-the shelf software is 10 years.

## TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>42,835</td>
<td>36,380</td>
</tr>
<tr>
<td>Amount due to subsidiary companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Letshego Financial Services Botswana (Pty) Ltd</td>
<td>230,349</td>
<td>276,645</td>
</tr>
<tr>
<td>- Letshego Rwanda Limited</td>
<td>317</td>
<td>337</td>
</tr>
<tr>
<td>- Letshego South Africa Limited</td>
<td>39,115</td>
<td>25,955</td>
</tr>
<tr>
<td>Deferred income (note 10.2)</td>
<td>976</td>
<td>1,952</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>313,592</td>
<td>349,463</td>
</tr>
</tbody>
</table>

Trade and other payables, and amounts due to related parties are either short term in nature or expected to be settled within the next 12 months.

### 10.1 Movement in staff incentive provision

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>25,955</td>
<td>29,914</td>
</tr>
<tr>
<td>Current period charge (note 18)</td>
<td>25,465</td>
<td>8,892</td>
</tr>
<tr>
<td>Paid and released during the year</td>
<td>(12,305)</td>
<td>(12,851)</td>
</tr>
<tr>
<td><strong>Balance at the end of the year</strong></td>
<td>39,115</td>
<td>25,955</td>
</tr>
</tbody>
</table>

### 10.2 Movement in deferred income

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>1,952</td>
<td>2,919</td>
</tr>
<tr>
<td>Realised during the period</td>
<td>(976)</td>
<td>(967)</td>
</tr>
<tr>
<td><strong>Balance at the end of the year</strong></td>
<td>976</td>
<td>1,952</td>
</tr>
</tbody>
</table>

### 10.2 Movement in amount due to subsidiaries

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>285,176</td>
<td>190,292</td>
</tr>
<tr>
<td>Amount advanced from subsidiaries</td>
<td>(54,510)</td>
<td>94,884</td>
</tr>
<tr>
<td><strong>Balance at the end of the year</strong></td>
<td>230,666</td>
<td>285,176</td>
</tr>
</tbody>
</table>
### 11 BORROWINGS

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial banks</td>
<td>455,244</td>
<td>444,367</td>
</tr>
<tr>
<td>African Alliance Botswana Liquidity Fund</td>
<td>150,057</td>
<td>173,336</td>
</tr>
<tr>
<td>Medium Term Note - BSE Listed Bond BWP</td>
<td>351,515</td>
<td>324,530</td>
</tr>
<tr>
<td>Medium Term Note - JSE Listed Bond ZAR</td>
<td>560,920</td>
<td>636,644</td>
</tr>
<tr>
<td>Medium Term Note - Bond BWP</td>
<td>312,014</td>
<td>654,734</td>
</tr>
<tr>
<td>Development Financial Institutions</td>
<td>338,236</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,167,986</td>
<td>2,233,611</td>
</tr>
</tbody>
</table>

**Movement in borrowings**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>2,233,611</td>
<td>1,810,842</td>
</tr>
<tr>
<td>Finance repaid to third parties</td>
<td>376,098</td>
<td>491,718</td>
</tr>
<tr>
<td>Finance obtained from third parties</td>
<td>(441,723)</td>
<td>(68,949)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,167,986</td>
<td>2,233,611</td>
</tr>
</tbody>
</table>

**Maturity analysis**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturing within one year</td>
<td>785,607</td>
<td>454,089</td>
</tr>
<tr>
<td>Maturing after one year within five years</td>
<td>1,276,925</td>
<td>1,449,929</td>
</tr>
<tr>
<td>Maturing after five years</td>
<td>105,454</td>
<td>329,593</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,167,986</td>
<td>2,233,611</td>
</tr>
</tbody>
</table>

**African Alliance Botswana**

Promissory note facilities amounting to P150 million having terms ranging from 6 months to 60 months with fixed interest rates ranging from 5.75% to 10.40% per annum. The promissory notes are unsecured and are denominated in Botswana Pula. The notes are rolled over on maturity and as a result are revolving and long term in nature.

**Commercial banks**

This includes loans and overdraft facility obtained from Standard Chartered Bank. There is a loan facility of P400 million and attracts interest at Botswana prime per annum +1 and this is repayable in March 2019. In addition to this the Company has an overdraft facility of P70 million. The term loan and the overdraft facilities are secured by the terms of the security sharing agreement which includes:

- an unlimited pari passu cession of the loan and advances book of Letshego Financial Services (Proprietary) Limited (Botswana) and Letshego Micro Finance Services Namibia (Proprietary) Limited and Letshego Financial Services Swaziland Limited.
- an unlimited pari passu cession of the loan between Letshego Holdings Limited and Letshego Financial Services (Proprietary) Limited (Botswana), Letshego Holdings Limited and Letshego Holdings Namibia (Proprietary) Limited and between Letshego Holdings Limited and Letshego Financial Services Swaziland Limited.

**Medium Term Note - JSE Listed Bond**

The Company has listed Medium Term Note programmes with a combination of fixed and floating rates on the Johannesburg Stock Exchange.

Floating Rate bond - “LHL 26, LHL27 and LHL28” 3 - month JIBAR rate plus interest of 600, 450 and 590 basis points respectively, compounded quarterly and maturing in September 2020, February 2021 and February 2022

Fixed Rate bond - “LHL019” Interest of 14.30%, compounded semi annually and maturing November 2019.

All the above bonds are denominated in ZAR. They are secured by the loan and advances book of Letshego Financial Services (Proprietary) Limited (Botswana), Letshego Micro Financial Services (Namibia) (Proprietary) Limited and Letshego Financial Services Swaziland (Proprietary) Limited.

**Medium Term Note - BSE Listed Bond**

The Company completed the listing of a Medium Term Note programme with a combination of fixed and floating senior secured bonds on the Botswana Stock Exchange. This was issued on 8 November 2013 under the first tranche as follows:

- Fixed Rate bond - “LHL04” Fixed coupon of 10.50% compounded semi-annually and maturing December 2021
- Fixed Rate bond - “LHL06” Fixed coupon of 10.50% compounded semi-annually and maturing November 2023
- Fixed Rate bond - “LHL07” Fixed coupon of 10.50% compounded semi-annually and maturing November 2025
- Fixed Rate bond - “LHL08” Fixed coupon of 11.00% compounded semi-annually and maturing November 2027
11 BORROWINGS (continued)

Development Financial Institutions (DFI's)

During the year the Company received funding from development financial institutions which denominated in different currencies and have variable interest rate and tenures as follows:

DFI 1 - P143 million - fixed rate of 11.35% per annum and maturing on 15 March 2021
DFI 2 - USD 9 million - fixed rate of 11.58% per annum and maturing on 22 January 2022
DFI 3 - EUR 7 million - fixed rate of 10.96% per annum and maturing on 15 September 2021

The Company entered into a currency and interest rate swap for the above foreign denominated facilities against periodic capital and coupon payments (note 5).

12 STATED CAPITAL

Issued:
2,144,045,175 ordinary shares of no par value (2017: 2,144,045,175) of which 19,054,190 shares (2017: 24,400,000) are held as treasury shares.

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td>Issued</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of shares in</td>
<td>2,119,645</td>
<td>2,134,764</td>
</tr>
<tr>
<td>issue</td>
<td>Shares held</td>
<td>Shares held</td>
</tr>
<tr>
<td></td>
<td>as treasury</td>
<td>as treasury</td>
</tr>
<tr>
<td></td>
<td>shares</td>
<td>shares</td>
</tr>
<tr>
<td></td>
<td>Total number</td>
<td>Total number</td>
</tr>
<tr>
<td></td>
<td>of shares</td>
<td>of shares</td>
</tr>
<tr>
<td>Number of shares at</td>
<td>2,144,045</td>
<td>2,134,764</td>
</tr>
<tr>
<td>the beginning of the</td>
<td>Share buy back</td>
<td>Share buy back</td>
</tr>
<tr>
<td>year ('000)</td>
<td>('000)</td>
<td>('000)</td>
</tr>
<tr>
<td>Shares issued during</td>
<td>5,346</td>
<td>(24,400)</td>
</tr>
<tr>
<td>the year ('000)</td>
<td>(5,346)</td>
<td>(24,400)</td>
</tr>
<tr>
<td>Number of shares at</td>
<td>2,124,991</td>
<td>2,119,645</td>
</tr>
<tr>
<td>the end of the period (P'000)</td>
<td>19,054</td>
<td>24,400</td>
</tr>
<tr>
<td></td>
<td>2,144,045</td>
<td>2,144,045</td>
</tr>
</tbody>
</table>

In terms of the Group LTIP (note 13), shares with a value of P8.99 million (2017: P15.29 million) vested at Company level. The 5.35 million shares were issued from shares held as treasury shares and these reduced from 24.40 million to 19.05 million at the end of the year. In the prior year 9.28 million shares had been issued and these increased the number of shares in issue.

During the current year, there was no share back done. Whereas in the prior year 24.40 million ordinary shares were repurchased by the company at an average price of P1.97 per share amounting to P48.07 million and these are being held as treasury shares and therefore included in the number of shares above.

Every shareholder shall have one vote for every share held subject to the rights of the holders of any shares entitled to any priority, preference or special privileges. All dividends shall be declared and paid to the members in proportion to the shares held by them respectively.
12 STATED CAPITAL (continued)

CAPITAL MANAGEMENT
The Company considers both debt and equity to be capital. In managing its capital, the company monitors its debt to equity ratio as a key metric.

The Company’s objectives when managing capital, which is a broader concept than the ‘equity’ on the face of statement of financial position, are:
• To safeguard the Company’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
• To maintain a strong capital base to support the development of its business.

The Company's capital consists of shareholders’ funds (stated capital and reserves) and long term borrowings. The Company monitors the adequacy of its capital using internally measured benchmarks such as capital adequacy, return on equity, debt to equity and forecasts of asset and profitability performance. These measures are broadly in line with, or more stringent than, industry norm. A risk based approach is also adopted whereby balances with counterparties are required to be supported by capital to a greater extent than other internally held assets.

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt to equity</td>
<td>306%</td>
<td>277%</td>
</tr>
<tr>
<td>Return on equity</td>
<td>37%</td>
<td>4%</td>
</tr>
</tbody>
</table>

The Return on equity in 2018 is significantly high due to the substantial dividend that was received.

13 SHARE INCENTIVE SCHEME

Shares granted in terms of the Long Term Incentive Plan (LTIP) may not exceed 10% of the issued ordinary shares of the Company. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the Company.

As at 31 December 2018, 34,572,300 total awards were outstanding (31 December 2017: 32,602,800) at grant date share prices of P2.50, P2.13 and P1.88 for 2016, 2017 and 2018 awards respectively (31 December 2017: P2.39, P2.50 and P2.13 for 2015, 2016 and 2017 awards respectively).

<table>
<thead>
<tr>
<th>Reconciliation of outstanding awards</th>
<th>31 December 2018 Fair values</th>
<th>No. of awards</th>
<th>31 December 2017 Fair values</th>
<th>No. of awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at the beginning of the period</td>
<td>P2.39/P2.50/P2.13</td>
<td>32,602,800</td>
<td>P2.40/P2.39/P2.50</td>
<td>27,414,201</td>
</tr>
<tr>
<td>Granted during the year</td>
<td>P1.88</td>
<td>12,365,700</td>
<td>P2.13</td>
<td>17,113,200</td>
</tr>
<tr>
<td>Exercised during the year</td>
<td>P2.39</td>
<td>(3,760,781)</td>
<td>P2.40</td>
<td>(6,373,125)</td>
</tr>
<tr>
<td>Transfers during the year</td>
<td>P2.50/P2.13/P1.88</td>
<td>7,682,901</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Forfeited due to not meeting performance</td>
<td>P2.39</td>
<td>(4,006,219)</td>
<td>P2.40</td>
<td>(1,351,875)</td>
</tr>
<tr>
<td>Forfeited due to resignations</td>
<td>P2.50/P2.13/P1.88</td>
<td>(10,312,100)</td>
<td>P2.39/P2.50/P2.13</td>
<td>(4,199,601)</td>
</tr>
<tr>
<td>Outstanding at the end of the year</td>
<td>P2.50/P2.13/P1.88</td>
<td>34,572,301</td>
<td>P2.39/P2.50/P2.13</td>
<td>32,602,800</td>
</tr>
</tbody>
</table>

The share awards outstanding at 31 December 2018 have average vesting periods of 3,15 and 27 months. The expense recognised during the period is disclosed in note 17.

The vesting conditions for the Group’s Long Term Incentive Plan is premised on non-market performance conditions. No specific market conditions are applied. Accordingly the share price of Letshego Holdings Limited shares (as quoted on the Botswana Stock Exchange) is used as the fair value of the share options granted.

The fair value of the services received in return for the share options granted is based on the fair value of the share options granted, measured using the Botswana Stock Exchange closing price of the Groups shares at the grant date.
<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 INTEREST INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other - deposits with banks</td>
<td>702</td>
<td>592</td>
</tr>
<tr>
<td>- interest from minority shareholders</td>
<td>-</td>
<td>1,709</td>
</tr>
<tr>
<td>- related party (note 21.1)</td>
<td>320,176</td>
<td>293,678</td>
</tr>
<tr>
<td></td>
<td>320,878</td>
<td>295,979</td>
</tr>
<tr>
<td>15 INTEREST EXPENSE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overdraft facilities and term loans</td>
<td>257,524</td>
<td>231,916</td>
</tr>
<tr>
<td>Market to market adjustment on currency and interest rate swap contracts</td>
<td>8,613</td>
<td>1,966</td>
</tr>
<tr>
<td>Foreign exchange gains</td>
<td>(15,671)</td>
<td>(12,466)</td>
</tr>
<tr>
<td></td>
<td>250,466</td>
<td>221,416</td>
</tr>
<tr>
<td>16 OTHER OPERATING INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management fees from related parties (note 21.1)</td>
<td>102,360</td>
<td>103,833</td>
</tr>
<tr>
<td>Guarantee fees from related parties (note 21.1)</td>
<td>40,226</td>
<td>31,550</td>
</tr>
<tr>
<td>Arrangement fees from related parties (note 21.1)</td>
<td>1,999</td>
<td>966</td>
</tr>
<tr>
<td>Other income</td>
<td>480</td>
<td>39</td>
</tr>
<tr>
<td>Dividend from related party (note 21.1)</td>
<td>599,231</td>
<td>9,132</td>
</tr>
<tr>
<td>Gain on disposal of investment in subsidiaries</td>
<td>-</td>
<td>216,762</td>
</tr>
<tr>
<td></td>
<td>744,296</td>
<td>362,282</td>
</tr>
<tr>
<td>17 EMPLOYEE BENEFITS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>92,289</td>
<td>68,773</td>
</tr>
<tr>
<td>Staff incentive (note 10.1)</td>
<td>25,465</td>
<td>8,892</td>
</tr>
<tr>
<td>Staff pension fund contribution</td>
<td>4,983</td>
<td>3,723</td>
</tr>
<tr>
<td>Directors' remuneration — for management services (executive)</td>
<td>9,725</td>
<td>8,317</td>
</tr>
<tr>
<td>Long term incentive plan</td>
<td>(6,003)</td>
<td>20,652</td>
</tr>
<tr>
<td></td>
<td>126,459</td>
<td>110,357</td>
</tr>
<tr>
<td>18 OTHER OPERATING EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting and secretarial fees</td>
<td>445</td>
<td>218</td>
</tr>
<tr>
<td>Advertising</td>
<td>2,862</td>
<td>4,541</td>
</tr>
<tr>
<td>Audit fees - audit services</td>
<td>670</td>
<td>673</td>
</tr>
<tr>
<td>- other fees paid to auditors</td>
<td>90</td>
<td>104</td>
</tr>
<tr>
<td>Bank charges</td>
<td>195</td>
<td>444</td>
</tr>
<tr>
<td>Computer expenses</td>
<td>1,636</td>
<td>5,807</td>
</tr>
<tr>
<td>Consultancy fees</td>
<td>53,156</td>
<td>36,287</td>
</tr>
<tr>
<td>Depreciation (note 9)</td>
<td>3,031</td>
<td>3,728</td>
</tr>
<tr>
<td>Amortisation of intangible assets (note 10)</td>
<td>5,401</td>
<td>5,470</td>
</tr>
<tr>
<td>Directors' fees – non executive</td>
<td>7,105</td>
<td>6,887</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,468</td>
<td>4,255</td>
</tr>
<tr>
<td>Impairment on investment (note 6 (b))</td>
<td>61,394</td>
<td>-</td>
</tr>
<tr>
<td>Loss on disposal of investment in subsidiary</td>
<td>-</td>
<td>142,330</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>3,387</td>
<td>-</td>
</tr>
<tr>
<td>Office expenses</td>
<td>1,157</td>
<td>925</td>
</tr>
<tr>
<td>Operating lease rentals - property</td>
<td>3,733</td>
<td>3,995</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>20,024</td>
<td>14,532</td>
</tr>
<tr>
<td>Subscriptions and publications</td>
<td>714</td>
<td>1,417</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>447</td>
<td>480</td>
</tr>
<tr>
<td>Professional fees</td>
<td>10,301</td>
<td>10,062</td>
</tr>
<tr>
<td>Telephone and postage</td>
<td>2,054</td>
<td>3,857</td>
</tr>
<tr>
<td>Travel</td>
<td>13,880</td>
<td>12,159</td>
</tr>
<tr>
<td></td>
<td>195,150</td>
<td>258,171</td>
</tr>
</tbody>
</table>
19 TAXATION

Company taxation
- Basic taxation - -
- Under provision from prior year - 337
- Withholding tax paid in other jurisdictions not claimed 57,810 64,149
- Withholding tax on dividend 49,300 -

107,110 64,486

Deferred taxation movement 47,631 (36,820)

154,741 27,666

The Company has the following tax losses that are available to be utilised in the future before they expire and these are summarised below:

<table>
<thead>
<tr>
<th>Arising from financial year</th>
<th>Tax loss</th>
<th>Year of expiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2015</td>
<td>123,131</td>
<td>2020</td>
</tr>
<tr>
<td>December 2016</td>
<td>126,069</td>
<td>2021</td>
</tr>
<tr>
<td>December 2017</td>
<td>96,440</td>
<td>2022</td>
</tr>
<tr>
<td>December 2018</td>
<td>170,459</td>
<td>2023</td>
</tr>
</tbody>
</table>

516,099

19.1 Deferred tax asset

| Balance at the beginning of the period | 109,892 | 73,072 |
| Current year movement | (47,632) | 36,820 |

| Balance at the end of the period | 62,260 | 109,892 |

The company expects to generate sufficient taxable profits to utilise the deferred tax asset based on historical profitability trends and management judgement on future business prospects.

Deferred taxation arises from temporary differences on the following:

| Plant and equipment | (6,890) | (4,846) |
| Leave provision | 900 | 867 |
| Share based payment provision | 3,315 | 6,153 |
| Staff incentive provision | 8,605 | 6,577 |
| Deferred rent provision | - | 101 |
| Deferred expenditure / income | (907) | (144) |
| Prepayments | (738) | (754) |
| Sundry provisions | 8,049 | 6,859 |
| Tax losses | 49,926 | 95,079 |

| Tax loss | 62,260 | 109,892 |

19.2 Reconciliation of current taxation

| Profit before taxation | 493,099 | 614,880 |
| Tax calculated at relevant tax rates | 108,482 | 15,030 |
| Under provision / write off in respect of prior periods | 24,710 | 337 |
| Effect of foreign income taxed at 15% | 12,795 | 11,245 |
| Withholding tax on dividends income | 57,810 | 64,149 |
| Withholding tax credit adjustments | 49,300 | - |
| Tax losses not recognised and losses fallen away | 49,039 | - |
| Expenses and revenues not deductible for tax purposes | (147,395) | (63,095) |

154,741 27,666

19.3 Income taxation payable

| Opening taxation payable | 118,288 | 58,624 |
| Movement in the year | - | 59,664 |

| Total | 118,288 | 118,288 |

20 DIVIDEND PAID

<table>
<thead>
<tr>
<th>31 December</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>P’000</td>
<td>P’000</td>
<td>P’000</td>
</tr>
<tr>
<td>Previous year final dividend paid during the year</td>
<td>278,373</td>
<td>139,363</td>
</tr>
<tr>
<td>Interim dividend paid</td>
<td>184,916</td>
<td>182,244</td>
</tr>
</tbody>
</table>

Total dividend paid to equity holders

| 463,289 | 321,607 |

Dividends per share : Interim (thebe) - paid
- Final (thebe) - proposed
- Special dividend (thebe) - paid

*In the prior year the Board declared and paid a special dividend of 4.1 thebe per share as distribution of the proceeds from the Namibia IPO to its Shareholders.
21 RELATED PARTY TRANSACTIONS

The Company identifies a related party if an entity or individual:
- directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the entity (this includes parent companies and subsidiaries);
- has an interest in the entity whether it gives it significant control or not;
- has control over the entity;
- is an associate company, joint venture or is jointly controlled; or
- is a member of key management personnel of the Group. Key management personnel comprise the Group Chief Executive Officer, the Group Risk and Compliance Director, the Group Chief Financial Officer, the Group Head Corporate Affairs, the Group Head Strategy and Transformation, the Group Chief Information Officer and the Group Head Human Resources, the Group Head Consumer Solutions, the Group Head Micro Finance, the Group Head Customer Experience.

The Company is listed on the Botswana Stock Exchange. Botswana Insurance Holdings Limited ("BIHL") is a shareholder of Letshego Holdings Limited.

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transactions with related parties</strong></td>
<td>P’000</td>
<td>P’000</td>
</tr>
<tr>
<td>21.1 Income received from subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income from subsidiaries (note 14)</td>
<td>320,176</td>
<td>293,678</td>
</tr>
<tr>
<td>Management fees from subsidiaries</td>
<td>102,360</td>
<td>103,833</td>
</tr>
<tr>
<td>Guarantee fees from subsidiaries</td>
<td>40,226</td>
<td>31,550</td>
</tr>
<tr>
<td>Arrangement fees from subsidiaries</td>
<td>1,999</td>
<td>966</td>
</tr>
<tr>
<td>Dividend from subsidiaries</td>
<td>599,231</td>
<td>9,132</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,063,992</td>
<td>439,159</td>
</tr>
<tr>
<td>21.2 Dividends paid to related parties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross dividend paid to BIHL</td>
<td>122,306</td>
<td>84,155</td>
</tr>
<tr>
<td>21.3 Compensation paid to key management personnel (executive directors)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid during the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term employee benefits</td>
<td>9,725</td>
<td>8,317</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21.4 Loans and current account balances with subsidiary companies - Refer note 6 and 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21.4 Sale of entity to subsidiary party</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In prior year in August 2017 Letshego Holdings Limited transferred its ownership in Letshego Financial Services Swaziland to Letshego Mauritius Limited for a purchase consideration of P135 million, resulting in a gain of P135 million included in Other operating income (note 16).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In the prior year in September 2017, Letshego Holdings Limited transferred its ownership in Letshego Microfinance Bank Nigeria to Letshego Mauritius Limited for a purchase consideration of P70 million resulting in a loss of P142 million included in Other operating expenses (note 18).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
22 OPERATING LEASE COMMITMENTS
Where the Company is the lessee, the future minimum lease payments under non-cancellable building operating leases are as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td>No later than 1 year</td>
<td>-</td>
<td>2,514</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>2,514</td>
</tr>
</tbody>
</table>

23 CAPITAL COMMITMENTS
Authorised by the directors:
- Not contracted for

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>11,692</td>
<td>10,106</td>
</tr>
</tbody>
</table>

The above commitments are wholly in respect of capital expenditure and funds to meet these will be provided from the Company's internal resources.

24 CONTINGENCIES
The Company has provided guarantees to various banks and financial institutions in respect of loan facilities of its subsidiaries which are denominated in various currencies. The amount guaranteed as of year end approximates to P2.6 billion (31 December 2017: P282 million).

25 SUBSEQUENT EVENTS
Dividend declaration
On the 27 March 2019 the Group Chief Executive Officer P.J.S Crouse resigned and D. Ndebele was appointed as the Interim Group Chief Executive Officer.

A second and final dividend of 3.3 thebe per share was declared on the 1 March 2019.

There were no other material changes in the affairs of the Company between the 31 December 2018 year end and the date of approval of these financial statements.