

LETSHEGO HOLDINGS LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

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DIRECTORS' REPORT
For the period ended 30 June 2020

The Board of Directors is pleased to present their report to Shareholders together with the reviewed condensed consolidated financial statements for the period ended 30 June 2020.

1 Financial results

The condensed consolidated financial statements adequately disclose the results of the Group's operations for period ended 30 June 2020.

2 Dividends

An interim dividend of 3.9 thebe per share (Prior year: 4.3 thebe per share) was declared on 27 August 2020.

3 The below were the changes that took place during the current period:

Directors name

Appointments

Ronald Hoekman
Andrew F Okai
Gwen Muteiwa

Non-executive Director
Group Chief Executive Officer
Group Chief Financial Officer

Dates

Appointed 22 January 2020
Appointed 01 February 2020
Appointed 24 March 2020

4 Independent auditors

Ernst and Young
2nd Floor, Plot 22
Khama Crescent
Gaborone, Botswana

5 Company secretary and registered office

Matshidiso Kimwaga
Letshego Place
Second Floor
Plot 22 Khama Crescent
Gaborone, Botswana

6 Transfer secretaries

PricewaterhouseCoopers (Pty) Ltd
Plot 50371
Fairgrounds Office Park
Gaborone, Botswana

7 Attorneys and legal advisors

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

8 Company registration

Registration Number: UIN BW00000877524

STATEMENT OF DIRECTORS' RESPONSIBILITY

For the period ended 30 June 2020

The directors of Letshego Holdings Limited are responsible for the condensed consolidated financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of these condensed consolidated financial statements using the framework principles, the recognition and measurement principles of IFRS and contain the presentation and disclosures required by IAS 34, 'Interim financial reporting'.

All companies within the Group maintain systems of internal control which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of the Group's assets. The directors are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the directors to indicate that any significant breakdown in the functioning of these systems has occurred during the period under review.

The going concern basis has been adopted in preparing the condensed consolidated financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

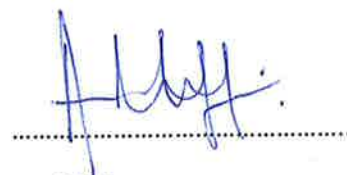
Our external auditors conduct an examination of the condensed consolidated financial statements in conformity with International Standards on Review Engagements. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Board of Directors and the Board Audit Committee.

The Board of Directors have reviewed and approved the accompanying condensed consolidated financial statements, set out on pages 5 to 22, for issue on 1 September 2020 and signed on their behalf by:



E Banda

Group Chairman



A F Okai

Group Chief Executive

Report on review of condensed consolidated interim financial information

To the shareholders of Letshego Holdings Limited

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Letshego Holdings Limited and its subsidiaries ("the Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes ("condensed consolidated interim financial information") set out on pages 5 to 22. Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at and for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.



Ernst & Young
Practising member: Francois J Roos
Partner
Membership number: 20010078
Certified Auditor
Gaborone

01 September 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2020

		At 30 June 2020 (Reviewed) P'000	At 30 June 2019 (Reviewed) P'000	At 31 December 2019 (Audited) P'000
	Note			
ASSETS				
Cash and cash equivalents	3	624,400	460,523	1,035,513
Advances to customers	4	9,256,212	9,116,141	9,071,484
Other receivables	5	185,835	239,849	247,996
Financial assets at fair value through other comprehensive income		53,591	53,591	53,591
Income tax receivable		42,310	24,956	39,499
Property, plant and equipment	6	97,726	93,701	99,671
Right-of-use assets	7	62,320	71,436	61,436
Intangible assets	8	45,649	47,874	45,221
Goodwill	9	68,860	95,632	68,233
Deferred tax assets		160,987	190,575	144,699
Total assets		10,597,890	10,394,278	10,867,343
LIABILITIES AND EQUITY				
Liabilities				
Customer deposits	10	499,002	305,877	426,673
Cash collateral	11	21,438	25,268	21,721
Trade and other payables	12	589,193	601,007	552,849
Lease liabilities	13	57,786	77,020	64,760
Income tax payable		98,173	242,053	239,743
Borrowings	14	4,809,385	4,795,550	4,982,175
Deferred tax liabilities		-	3,107	805
Total liabilities		6,074,977	6,049,882	6,288,726
Shareholders' equity				
Stated capital	15	872,170	862,621	862,621
Foreign currency translation reserve		(826,436)	(708,889)	(713,418)
Legal reserve		199,248	83,111	195,793
Share based payment reserve		22,012	21,324	24,304
Retained earnings		3,931,030	3,748,651	3,836,578
Total equity attributable to equity holders of the parent company		4,198,024	4,006,818	4,205,878
Non-controlling interests		324,889	337,578	372,739
Total shareholders' equity		4,522,913	4,344,396	4,578,617
Total liabilities and equity		10,597,890	10,394,278	10,867,343

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period ended 30 June 2020

		6 months ended 30 June 2020 (Reviewed) P'000	6 months ended 30 June 2019 (Reviewed) P'000	12 months ended 31 December 2019 (Audited) P'000
	Note			
Effective interest income	16	1,351,187	1,511,668	2,974,839
Effective interest expense	17	(378,300)	(474,804)	(931,164)
Net interest income		972,887	1,036,864	2,043,675
Fee and commission income		27,233	33,914	59,451
Other operating income	18	63,259	149,388	273,018
Operating income		1,063,379	1,220,166	2,376,144
Employee costs	19	(238,369)	(213,345)	(454,023)
Other operating expenses	20	(271,565)	(289,933)	(622,737)
Net income before impairment and taxation		553,445	716,888	1,299,384
Expected credit losses	21	(70,868)	(116,781)	(169,101)
Profit before taxation		482,577	600,107	1,130,283
Taxation		(204,520)	(236,414)	(438,781)
Profit for the period		278,057	363,693	691,502
Attributable to :				
Equity holders of the parent company		261,531	328,051	620,034
Non-controlling interests		16,526	35,642	71,468
Profit for the period		278,057	363,693	691,502
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences arising from foreign operations		(159,872)	(6,090)	(11,284)
Total comprehensive income for the period		118,185	357,603	680,218
Attributable to :				
Equity holders of the parent company		148,513	315,438	602,892
Non-controlling interests		(30,328)	42,165	77,326
Total comprehensive income for the period		118,185	357,603	680,218
Weighted average number of shares in issue during the period (millions)		2,129	2,124	2,125
Dilution effect - number of shares (millions)		99	40	40
Number of shares in issue at the end of the period (millions)		2,144	2,144	2,144
Basic earnings per share (thebe)		12.3	15.4	29.2
Fully diluted earnings per share (thebe)		11.7	15.2	28.6

NOTE: The diluted EPS has been calculated based on the total number of shares that may vest in terms of the Group's long term staff incentive scheme.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2020

	Stated capital	Retained earnings	Share based payment reserve	Foreign currency translation reserve	Legal reserve	Non- controlling interest	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Balance at 31 December 2018 - Audited	862,621	3,500,317	18,089	(696,276)	73,519	316,392	4,074,662
Total comprehensive income for the period							
Profit for the period	-	328,051	-	-	-	35,642	363,693
Other comprehensive income, net of income tax							
Foreign currency translation reserve	-	-	-	(12,613)	-	6,523	(6,090)
Transactions with owners, recorded directly in equity							
Allocation to legal reserve	-	(9,592)	-	-	9,592	-	-
Recognition of share based payment reserve movement	-	-	3,235	-	-	-	3,235
Dividends paid by subsidiary to minority interests	-	-	-	-	-	(20,979)	(20,979)
Dividends paid to equity holders	-	(70,125)	-	-	-	-	(70,125)
Balance at 30 June 2019 - Reviewed	862,621	3,748,651	21,324	(708,889)	83,111	337,578	4,344,396
Total comprehensive income for the period							
Profit for the period	-	291,983	-	-	-	35,826	327,809
Other comprehensive income, net of income tax							
Foreign currency translation reserve	-	-	-	(4,529)	-	(665)	(5,194)
Transactions with owners, recorded directly in equity							
Allocation to legal reserve	-	(112,682)	-	-	112,682	-	-
Recognition of share based payment reserve movement	-	-	2,980	-	-	-	2,980
Dividends paid to equity holders	-	(91,374)	-	-	-	-	(91,374)
Balance at 31 December 2019 - Audited	862,621	3,836,578	24,304	(713,418)	195,793	372,739	4,578,617
Total comprehensive income for the period							
Profit for the period	-	261,531	-	-	-	16,526	278,057
Other comprehensive income, net of income tax							
Foreign currency translation reserve	-	-	-	(113,018)	-	(46,854)	(159,872)
Transactions with owners, recorded directly in equity							
Allocation to legal reserve	-	(3,455)	-	-	3,455	-	-
Recognition of share based payment reserve movement	-	-	7,257	-	-	-	7,257
New shares issued from long term incentive scheme	9,549	-	(9,549)	-	-	-	-
Dividends paid by subsidiary to minority interests	-	-	-	-	-	(17,522)	(17,522)
Dividends paid to equity holders	-	(163,624)	-	-	-	-	(163,624)
Balance at 30 June 2020 - Reviewed	872,170	3,931,030	22,012	(826,436)	199,248	324,889	4,522,913

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 June 2020

		6 months ended 30 June 2020 (Reviewed) P'000	6 months ended 30 June 2019 (Reviewed) P'000	12 months ended 31 December 2019 (Audited) P'000
	Note			
Operating activities				
Profit before taxation		482,577	600,107	1,130,283
Adjustments for :				
: Net interest income		(972,887)	(1,036,864)	(2,043,675)
: Amortisation, depreciation, right of use assets and disposals		40,393	40,193	84,972
: Impairment and write off charge		176,157	191,793	352,868
: Impairment of goodwill		-	12,000	38,737
Movement in working capital and other changes		(309,382)	(646,330)	(764,195)
Cash used in operations		(583,142)	(839,101)	(1,201,010)
Interest received		1,351,187	1,511,668	2,974,839
Interest paid		(375,078)	(471,762)	(920,748)
Income tax paid		(365,998)	(211,330)	(387,043)
Net cash flows generated from / (used in) operating activities		26,969	(10,525)	466,038
Investing activities				
Proceeds on disposal of plant and equipment		-	-	54
Purchase of property, plant and equipment and intangible assets		(26,474)	(36,550)	(69,960)
Net cash flows used in investing activities		(26,474)	(36,550)	(69,906)
Financing activities				
Dividends paid to equity holders and non-controlling interest		(181,146)	(91,104)	(182,478)
Conditional subsequent payment relating to the investment in AFB Ghana		-	(2,577)	(2,577)
Lease payments	13	(27,074)	(12,955)	(42,565)
Finance obtained from third parties		167,351	654,106	1,135,522
Repayment of borrowings		(371,303)	(1,183,181)	(1,415,529)
Net cash flows used in financing activities		(412,172)	(635,711)	(507,627)
Net movement in cash and cash equivalents		(411,677)	(682,786)	(111,495)
Cash and cash equivalents at the beginning of the period		972,123	1,100,342	1,100,342
Effect of exchange rate changes on cash and cash equivalents		6,654	(8,864)	(16,724)
Cash and cash equivalents at the end of the period	3	567,100	408,692	972,123

SEGMENTAL REPORTING

For the period ended 30 June 2020

Operating segments are reported in accordance with the internal reporting provided to the Group Chief Executive Officer (the Chief Operating Decision-Maker), who is responsible for allocating resources to the reportable segments and assessing performance. All operating segments used by the Group meet the definition of a reportable segment.

The Group's geographical operating segments are reported below:

Reportable segments 30 June 2020	Botswana	Namibia	Mozambique	Lesotho	Swaziland	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company or eliminations	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	311,501	206,101	151,885	42,990	35,037	72,910	2,212	70,802	76,175	29,214	99,154	(34,602)	1,063,379
Profit / (loss) before taxation	270,909	137,895	81,933	37,784	(23,141)	13,434	(3,118)	7,860	35,677	4,046	48,018	(128,720)	482,577
Taxation - consolidated													(204,520)
Profit - consolidated													278,057
Gross advances to customers	2,831,137	2,185,152	1,385,584	365,606	460,128	781,365	41,372	433,296	479,673	139,285	971,206	-	10,073,804
Impairment provisions	(138,616)	(26,797)	(34,461)	(28,663)	(50,151)	(181,247)	(5,598)	(64,462)	(88,110)	(22,179)	(177,308)	-	(817,592)
Net advances	2,692,521	2,158,355	1,351,123	336,943	409,977	600,118	35,774	368,834	391,563	117,106	793,898	-	9,256,212
Total assets	2,766,000	2,369,567	1,555,166	353,676	470,341	767,970	62,292	396,833	605,285	171,057	941,731	137,972	10,597,890
Borrowings	1,097,183	322,010	241,107	206,784	313,320	397,788	15,509	227,233	6,713	1,750	525,169	1,454,819	4,809,385
Total liabilities	1,176,631	454,009	618,982	217,669	325,027	538,498	42,873	240,792	94,095	57,668	795,223	1,513,510	6,074,977

SEGMENTAL REPORTING (CONT'D)
For the period ended 30 June 2020

Reportable segments 30 June 2019	Botswana	Namibia	Mozambique	Lesotho	Swaziland	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company or eliminations	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	327,743	291,673	157,939	44,635	31,499	81,896	4,571	69,171	86,304	26,363	170,699	(72,327)	1,220,166
Profit before taxation	259,012	220,308	95,905	16,554	15,583	26,364	501	25,670	55,551	3,371	15,266	(133,978)	600,107
Taxation - consolidated													(236,414)
Profit - consolidated													363,693
Gross advances to customers	2,818,648	2,036,911	1,351,345	407,320	501,997	730,463	49,973	382,580	526,222	130,268	1,102,737	-	10,038,464
Impairment provisions	(222,030)	(26,205)	(23,298)	(33,626)	(9,177)	(142,448)	(7,303)	(49,117)	(136,453)	(21,089)	(251,577)	-	(922,323)
Net advances	2,596,618	2,010,706	1,328,047	373,694	492,820	588,015	42,670	333,463	389,769	109,179	851,160	-	9,116,141
Total assets	2,696,203	2,324,665	1,453,933	400,203	526,309	687,024	81,113	362,504	528,642	132,273	970,108	231,301	10,394,278
Borrowings	1,085,585	280,020	381,695	276,262	336,474	339,811	26,127	197,470	17,237	11,692	516,630	1,326,547	4,795,550
Total liabilities	1,181,606	344,693	603,495	286,591	349,444	480,398	61,036	219,044	78,423	45,472	857,796	1,541,884	6,049,882

*Note that in the prior year the above had been disclosed as per the following segments: Botswana, Namibia, Mozambique, Other Southern Africa (included Lesotho, Swaziland and Letshego RSA), Tanzania, Other East Africa (included Kenya, Rwanda and Uganda) and West Africa (included Nigeria and Ghana). In the current year these have been disclosed at a country level and Letshego South Africa as part of the Holding Company. There has not been any impact on the balances previously reported.

SIGNIFICANT ACCOUNTING POLICIES

For the period ended 30 June 2020

Reporting entity

Letshego Holdings Limited (the Company) is a limited liability company incorporated in Botswana. The address of the company is Letshego Place, Plot 22 Khama Crescent, Gaborone, Botswana. The condensed consolidated financial statements as at and for the period ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the provision of short to medium-term unsecured loans to employees of the public, quasi-public and private sectors as well as provision of loans to MSE entities.

The condensed consolidated financial statements for the period ended 30 June 2020 have been approved for issue by the Board of Directors on 26 August 2020.

The accounting policies adopted are consistent with those of the previous financial period.

Basis of preparation

These condensed consolidated financial statements for the period ended 30 June 2020 have been prepared using the framework principles, the recognition and measurement principles of IFRS and contain the presentation and disclosures required by IAS 34, 'Interim financial reporting'. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the period ended 31 December 2019, which have been prepared in accordance with IFRS and the same accounting policies and methods of computation were applied in these Interim financial statements.

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are disclosed at fair value.

Use of judgements and estimates

The preparation of 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 by management on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated annual financial statements of the Group for the year ended 31 December 2019. The below new amendments and interpretations that took place during the period did not have a material impact on the condensed consolidated financial statements.

- Presentation of financial statements Amendments to IAS 1 – effective 1 January 2020
- Definition of Material – Amendments to IAS 1 and IAS 8 - effective 1 January 2020
- The Conceptual Framework of Financial Reporting - effective 1 January 2020
- Amendments to IFRS 3 – Business combinations – effective 1 January 2020
- Covid-19 Related rent concessions – Amendment to IFRS 16 - 1 June 2020 – effective 1 January 2020

SIGNIFICANT ACCOUNTING POLICIES
For the period ended 30 June 2020

Use of judgements and estimates (continued)

Goodwill impairment assessment

The key assumptions in the assessment of goodwill include inflation rates, growth rates and discount rates. Except for South Africa and some North African countries, inflation rates are relatively low in other African countries. However, the general impact of this pandemic on the world at large is expected to have a negative impact on African countries, through capital flight from Africa, inability to pay foreign debt and disrupted supply chains. This is expected to affect growth rates. The Group has assessed the recoverable amount of goodwill at 30 June 2020 and determined that there is sufficient headroom in respect of the cash-generating units to cushion any future variations or pressures. In this regard, any changes to the business operations is not expected to affect goodwill.

Deferred tax asset recoverability

The two main areas of judgement on deferred tax recoverability, which could be affected by the Covid 19 lockdowns, relate to the timing differences on portfolio provisions and recognition of deferred tax assets on tax losses. Based on our assessments and financial forecast to December 2020 the Group expects to generate sufficient taxable profits and utilise these temporary differences and tax losses before they fall away.

Expected credit losses

The high level of uncertainties due to the unpredictable outcome of this pandemic make it difficult to estimate the financial effects of the outbreak. The significant estimates and judgements applied to determine the financial position at 30 June 2020 have been included as part of the accounting policies of the Group. The estimates applied, relating to the calculation of Expected Credit Losses, were based on forward looking factors referencing a range of forecast economic conditions as at that date. The outbreak of Covid-19 has resulted in disruption to business activities globally, since mid-January 2020 with a material impact being noted from March 2020.

All forward-looking statements in these condensed consolidated financial statements expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of the future development in the business environment and the future financial performance of Letshego Holdings Group and actual results may differ materially from those expressed in the forward-looking statements.

The estimates relating to the calculation of ECL are based on forward looking factors referencing a range of forecast economic conditions. The unpredictable and evolving outcomes of this pandemic therefore make it difficult to estimate the financial effects of the outbreak.

	Upside assumptions	Downside assumptions
Probability of default	A distribution of PDs for each portfolio was constructed and all the PDs were capped at the 25th percentile of each Portfolio's PD distribution, or better	A distribution of PDs for each portfolio was constructed and all the PDs were floored at the 75th percentile of each Portfolio's PD distribution, or worse
Loss given default	The LGDs for each portfolio were reduced by 10%	The LGDs for each portfolio were increased by 10%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the period ended 30 June 2020

1 Financial Instruments

Expected credit losses as at 30 June 2020

Below is a summary of the expected credit losses as at 30 June 2020

Operating Segments 30 June 2020 P'000	IFRS 9 ECL Provisions at 30 June 2020 - (Reviewed)				IFRS 9 ECL Provisions at 30 June 2019 - (Reviewed)			
	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit- impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 30 June 2020	Stage 1: 12- month ECL allowance	Stage 2: Lifetime ECL allowance – not credit- impaired	Stage 3: Lifetime ECL allowance – credit- impaired	Total ECL on 30 June 2019
Financial assets								
Botswana	28,624	4,626	105,366	138,616	29,273	11,673	181,084	222,030
Namibia	11,609	1,478	13,710	26,797	7,503	1,400	17,302	26,205
Mozambique	19,298	2,757	12,406	34,461	7,568	1,380	14,350	23,298
Lesotho	8,250	775	19,638	28,663	5,574	4,260	23,792	33,626
Swaziland	1,319	2,174	46,658	50,151	1,476	2,026	5,675	9,177
Kenya	18,531	9,849	152,867	181,247	11,201	6,663	124,584	142,448
Rwanda	298	1,138	4,162	5,598	2,950	976	3,377	7,303
Uganda	21,059	9,446	33,957	64,462	14,125	5,085	29,907	49,117
Tanzania	32,541	3,235	52,334	88,110	25,646	12,429	98,378	136,453
Nigeria	6,785	2,790	12,604	22,179	6,809	4,442	9,838	21,089
Ghana	83,782	37,421	56,105	177,308	108,537	47,736	95,304	251,577
Total	232,096	75,689	509,807	817,592	220,662	98,070	603,591	922,323

Note that in the prior year the above had been disclosed as per the following segments: Botswana, Namibia, Mozambique, Other Southern Africa, Tanzania, Other East Africa and West Africa. In the current year these have been disclosed as noted above to align with the reporting expectations of the new management team including the Chief Operating Decision Maker, which is the Group Chief Executive.

During the half year ended 30 June 2020, Covid-19 has resulted in the slowdown of most economies in Africa. Letshego's Medium-to-Small Enterprises (MSE) segment in East and West Africa suffered the greatest impact. As part of mitigation measures to sustain the portfolio, the Group introduced a three-month repayment holiday as well as Covid -19 related collection and recovery strategies. 70% of MSE customers mainly in the travel and tourism, manufacturing, trade and the education sectors applied for the repayment holiday. The MSE segment makes up 9% of the Group's total loan portfolio. The Deduction at Source (DAS) portfolio accounts for 88% of the loan portfolio and remained relatively resilient as governments have supported employees and sought to minimise retrenchments.

Expected Credit Losses reduced by P104.7 million from June 2019 to June 2020, driven by Mobile loans which reduced by P76.1m following implementation of our turnaround strategy which included scorecard optimisation.

Below is a summary of the mobile loans expected credit losses as at 30 June 2020

Expected credit losses (mobile lending)	Jun-19	Dec-19	Jun-20
Stage 1	77,677	39,911	48,613
Stage 2	44,101	39,641	33,517
Stage 3	64,927	50,420	28,460
Total	186,705	129,971	110,591

In August 2019 the Group made a decision to tighten affordability rules and increase focus on collections and recoveries. This led to ECL reducing from P922.3m in HY 2019 to P761.4m in FY 2019.

Covid-19 ECL – Stress testing led to staging amendments and therefore additional provision taken to cover 7% of Portfolio on repayment Holiday (P686m exposure at risk). MSE portfolio consisting 84% of the total accounts offered repayment holiday was impacted heavily at sector level with reduction in cashflows, constrained collections and recoveries environment during lockdowns, slowdown in the foreclosure processes and deterioration of forward looking outlook. However 88% of our portfolio is government deduction at source and we leveraged from government continue to pay salaries and offering subsidies.

Below is a summary of the accounts offered repayment holiday at 30 June 2020

In BWP '000	No of Accounts	Balance
MSE Total	9,917	575,400
DAS Total	8,090	108,200
Grand Total	18,007	683,600

Maximum exposure to credit risk

	At 30 June 2020 (IFRS 9) P'000	At 30 June 2019 (IFRS 9) P'000
Gross advances to customers	10,073,804	10,038,464
Of which stage 1 and 2	9,279,313	9,194,590
Of which stage 3	794,491	843,874
Expected credit loss provisions	(817,592)	(922,323)
Of which stage 1 and 2	(307,785)	(318,732)
Of which stage 3	(509,807)	(603,591)
Net advances to customers	9,256,212	9,116,141
Of which stage 1 and 2	8,971,528	8,875,858
Of which stage 3	284,684	240,283
Impairment (ECL) Coverage Ratio	8%	9%
Stage 3 Coverage Ratio	103%	109%

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3 Cash and cash equivalents

Cash at bank and in hand
Statutory cash reserve
Short term investments

At 30 June 2020 (Reviewed) P'000	At 30 June 2019 (Reviewed) P'000	At 31 December 2019 (Audited) P'000
530,377	313,514	944,882
57,300	51,831	63,390
36,723	95,178	27,241
624,400	460,523	1,035,513
567,100	408,692	972,123

Cash and cash equivalents for the purpose of the statement of cash flows

Statutory cash reserve relates to cash held by the Central Bank for the respective subsidiaries based on the average customer deposits and therefore not available for day to day operations.

4 Advances to customers

Gross loans and advances to customers
Less : Expected credit losses

- Stage 1
- Stage 2
- Stage 3

10,073,804 (817,592)	10,038,464 (922,323)	9,832,888 (761,404)
(232,096)	(220,662)	(148,664)
(75,689)	(98,070)	(92,123)
(509,807)	(603,591)	(520,617)
9,256,212	9,116,141	9,071,484
57,032	46,130	33,744
85,055	151,991	160,084
204	443	405
11,810	11,538	14,593
31,734	29,747	39,170
185,835	239,849	247,996

5 Other receivables

Deposits and prepayments
Receivable from insurance arrangements
Withholding tax and value added tax
Deferred arrangement fees
Clearing and other receivables

Due to the short - term nature of the current receivables, their carrying amount approximates their fair value.

6 Property, plant and equipment

	Carrying amount at 01 January 2020	Additions	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 30 June 2020
Motor vehicles	5,772	2,672	-	-	(1,134)	(480)	6,830
Computer equipment	42,111	8,071	(5,332)	(3)	(9,981)	(2,293)	32,573
Office furniture and equipment	25,949	6,099	1,320	(69)	(5,699)	1,202	28,802
Land and building	18,739	-	(1,320)	-	-	(1,598)	15,821
Work in progress	7,100	7,568	(82)	-	-	(886)	13,700
	99,671	24,410	(5,414)	(72)	(16,814)	(4,055)	97,726
	Carrying amount at 01 January 2019	Additions	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 30 June 2019
Motor vehicles	4,831	303	1,350	-	(1,109)	289	5,664
Computer equipment	24,201	29,689	272	-	(8,475)	(6,179)	39,508
Office furniture and equipment	27,514	3,629	1,053	(17)	(5,722)	(322)	26,135
Land and building	18,518	-	-	-	-	346	18,864
Work in progress	5,468	970	(2,675)	(200)	-	(33)	3,530
	80,532	34,591	-	(217)	(15,306)	(5,899)	93,701

Refer to the 31 December 2019 annual financial statements for the full year movements.

7 Right-of-use asset

	Carrying amount at 01 January 2020	Additions	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 30 June 2020
Property	61,436	15,952	-	-	(15,994)	926	62,320
	61,436	15,952	-	-	(15,994)	926	62,320
	Carrying amount at 01 January 2019	Implementation of IFRS 16	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 30 June 2020
Property	-	89,882	-	-	(18,538)	92	71,436
	-	89,882	-	-	(18,538)	92	71,436

Refer to the 31 December 2019 annual financial statements for the full year movements.

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8 Intangible assets

	Carrying amount at 01 January 2020	Additions	Transfers	Disposal	Amortization charge	Forex translation	Carrying amount at 30 June 2020
Computer software	40,848	2,064	5,414	-	(6,653)	(73)	41,600
Brand value	1,618	-	-	-	(431)	359	1,546
Core deposit	2,755	-	-	-	(429)	177	2,503
	45,221	2,064	5,414	-	(7,513)	463	45,649
	Carrying amount at 01 January 2019	Additions	Transfers	Disposal	Amortization charge	Forex translation	Carrying amount at 30 June 2019
Computer software	39,649	1,959	-	-	(5,580)	6,797	42,825
Brand value	2,363	-	-	-	(139)	(308)	1,916
Core deposit	3,476	-	-	-	(413)	70	3,133
	45,488	1,959	-	-	(6,132)	6,559	47,874

Refer to the 31 December 2019 annual financial statements for the full year movements.

9 Goodwill

Goodwill on the acquisition of:
 Letshego Holdings Namibia Limited
 Letshego Tanzania Limited
 Letshego Kenya Limited
 Letshego Bank (T) Limited
 Letshego Microfinance Bank Nigeria Limited
 AFB Ghana Plc

	At 30 June 2020 (Reviewed) P'000	At 30 June 2019 (Reviewed) P'000	At 31 December 2019 (Audited) P'000
	20,800	23,106	23,111
	2,063	1,876	1,874
	35,069	32,957	33,238
	-	7,012	-
	-	20,141	-
	10,928	10,540	10,010
	68,860	95,632	68,233

The Group performs its impairment test annually. The Group assesses the recoverable amount of goodwill in respect of all cash generating units to determine indications of impairment. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2019. Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies.

In light of current economic factors as a result of Covid 19 the Group performed an impairment assessment as at 30 June 2020 for all the above cash generating units and no indications of impairment were noted.

10 Customer deposits

Demand accounts
 Savings accounts
 Call and term deposits

	At 30 June 2020 (Reviewed) P'000	At 30 June 2019 (Reviewed) P'000	At 31 December 2019 (Audited) P'000
	71,009	36,911	67,155
	89,716	108,564	67,381
	338,277	160,402	292,137
	499,002	305,877	426,673
	21,438	25,268	21,721

11 Cash collateral

Cash collateral on loans and advances

Cash collateral represents payments made by customers as security for loans taken. The amounts are refundable upon the successful repayment of loans by customers or are utilised to cover loans in the event of default.

12 Trade and other payables

Insurance premium payable
 Payroll related accruals
 Staff incentive accrual
 Other provisions
 Guarantee funds
 Trade and other payables
 Value added tax / withholding tax payable

	At 30 June 2020 (Reviewed) P'000	At 30 June 2019 (Reviewed) P'000	At 31 December 2019 (Audited) P'000
	85,847	102,753	36,184
	22,293	23,561	37,201
	42,447	54,431	66,732
	59,061	89,139	59,573
	255,970	203,969	194,582
	103,032	114,827	119,677
	20,543	12,327	38,900
	589,193	601,007	552,849

Guarantee funds relates to deposits received by the Group from a strategic partner for the funding of mobile loans in Ghana and funds held as collateral for a Portfolio in Kenya. Trade and other payables relates to unpaid invoices at the reporting date and due to the short - term nature, their carrying amount approximates their fair value.

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	Carrying amount at 01 January 2020	Additions	Interest expense	Cash payments	Forex translation	Carrying amount at 30 June 2020
13 Lease liabilities						
Lease liabilities	64,760	15,952	3,222	(27,074)	926	57,786
	Carrying amount at 01 January 2019	Implementation of IFRS 16	Interest expense	Cash payments	Forex translation	Carrying amount at 30 June 2019
Lease liabilities	-	89,882	-	(12,955)	93	77,020

Refer to the 31 December 2019 annual financial statements for the full year movements.

The following are the amounts recognised in the profit or loss:

	At 30 June 2020 (Reviewed) P'000	At 30 June 2019 (Reviewed) P'000	At 31 December 2019 (Audited) P'000
Depreciation expense of right of use asset	15,994	18,538	35,473
Interest expense on lease liabilities	3,222	3,042	10,416
Expense relating to short-term leases	2,457	2,212	9,018
Expense relating to low value assets	1,588	6,227	6,891
Total amount recognised in the profit or loss	23,261	30,019	61,798

14 Borrowings

Commercial banks	1,761,141	1,883,450	1,920,085
Note programmes	1,786,412	1,803,945	1,729,542
Development Financial Institutions	1,103,459	926,531	1,118,927
Pension funds	158,373	181,624	213,621
	4,809,385	4,795,550	4,982,175

The Group has issued secured debt by means of medium term note programmes under Security Sharing Arrangement (SSA), comprising P459 million (FY 2019: P511 million) listed on the Johannesburg Stock Exchange, and commercial bank loans of P1.384 billion (FY 2019 P1.394 billion).

These borrowings are secured by the advances to customers of:

- Letshego Micro Financial Services (Namibia) (Pty) Limited
- Letshego Financial Services (Pty) Limited (Botswana)
- Letshego Financial Services Swaziland (Pty) Limited

The aggregated net advances to customers of the above is P4.3 billion (FY 2019 P4.3 billion) by way of a Security Sharing Agreement.

The Group Security Sharing agreement has the following covenants:

- Bad debts ratio
- Cash collection ratio
- Capitalisation ratio and
- Secured property ratio

At 30 June 2020 there was a breach of the cash collection ratio for Eswatini. The SSA requires that each of the legal entities have a collection ratio exceeding 85%. At 30 June 2020 Eswatini's collection ratio was 81%. The breach was due to a single borrower, whose loan constitutes 13% of the loan book of Eswatini (Total Gross loan book P460 million), failing to make repayments according to the repayment schedule. The breach took place at employer level, where deductions have been made from employees' earnings, but the amounts have not been remitted to Letshego Financial Services Swaziland (LFSS). Had the credit been excluded from the collection ratio at 30 June 2020, the cash collection ratio for Eswatini would have been 92%.

The total of the medium term note programmes of P1.843 Billion are treated as current liabilities due to the breach and the maturity analysis of the borrowings is as follows:

	At 30 June 2020 P'000	At 30 June 2019 P'000	At 31 December 2019 P'000
Borrowings subject to breach	1,843,238	-	-
Borrowings < 1 year	825,869	1,549,667	1,882,077
Borrowings > 1 year	2,140,277	3,245,883	3,100,098
Total	4,809,385	4,795,550	4,982,175
15 Stated capital			
Issued: 2,144,045,175 ordinary shares of no par value (2019: 2,144,045,175) of which 14,571,140 shares (2019: 19,054,190) are held as treasury shares	872,170	862,621	862,621

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16 Effective interest income

Advances to customers
Interest income on risk informal / mobile loans
Interest income on non-risk informal / mobile loans
Deposits with banks

6 months ended 30 June 2020 (Reviewed) P'000	6 months ended 30 June 2019 (Reviewed) P'000	12 months ended 31 December 2019 (Audited) P'000
1,215,783	1,238,349	2,504,158
42,237	120,625	193,786
78,819	137,467	250,414
14,348	15,227	26,481
1,351,187	1,511,668	2,974,839

17 Effective interest expense

Overdraft facilities and term loans
Interest adjustment on non-risk informal / mobile loans
Interest expense on leases
Market to market adjustment on foreign currency swaps
Foreign exchange (gain) / loss

348,019	317,085	663,495
78,819	137,467	250,414
3,222	3,042	10,416
(22,544)	11,246	1,488
(29,216)	5,964	5,351
378,300	474,804	931,164

18 Other operating income

Early settlement fees
Income from insurance arrangements
Sundry income

16,447	20,275	52,627
41,518	113,058	195,026
5,294	16,055	25,365
63,259	149,388	273,018

19 Employee costs

Salaries and wages
Staff incentive
Staff recruitment costs
Staff pension fund contribution
Directors' remuneration – for management services (executive)
Long term incentive plan

173,626	169,979	364,146
37,738	26,316	40,280
33	1,291	8,152
14,178	9,201	27,106
5,537	3,323	8,124
7,257	3,235	6,215
238,369	213,345	454,023

For the period ended 30 June 2020

- Accounting and secretarial fees
- Advertising
- Audit fees
 - Audit services
 - Covenant compliance fees
 - Tax advisory services
- Bank charges
- Computer expenses
- Consultancy fees
- Corporate social responsibility
- Collection commission
- Direct costs
- Direct costs - informal loans
- Data centre decommissioning
- Depreciation and amortization
- Depreciation - right of use
- Directors' fees – non executive
- Directors' fees – subsidiary boards
- Government levies
- Insurance
- Impairment of goodwill
- Impairment of cash accounts
- Office expenses
- Short term leases and low value assets
- Other operating expenses
 - Entertainment
 - IT costs
 - Loss on disposal of fixed assets
 - Motor vehicle expenses
 - Printing and Stationery
 - Repairs and Maintenance
 - Storage costs
 - Subscriptions and licenses
 - Other expenses
- Payroll administration costs
- Professional fees
- Telephone and postage
- Travel

	6 months 30 June 2020 (Reviewed) P'000	6 months 30 June 2019 (Reviewed) P'000	12 months ended 31 December 2019 (Audited) P'000
	385	350	687
	6,909	4,930	15,941
	3,823	2,633	5,565
	3,745	2,561	5,265
	78	72	237
	-	-	63
	4,389	4,257	7,208
	7,153	2,207	12,317
	16,124	21,448	50,308
	4,049	1,672	3,266
	29,961	26,497	50,636
	25,021	18,659	39,844
	12,260	28,380	44,370
	-	(5,000)	-
	24,327	21,438	49,463
	15,994	18,538	35,473
	4,321	3,607	6,474
	3,195	2,132	5,832
	13,788	11,531	26,789
	5,883	5,179	9,359
	-	12,000	38,737
	-	-	6,039
	10,776	12,893	22,043
	4,045	8,439	15,909
	42,821	43,169	86,098
	85	174	576
	656	2,600	5,222
	-	-	36
	3,285	3,018	6,196
	2,791	2,599	8,145
	1,884	3,122	6,111
	804	855	1,940
	2,820	2,024	5,282
	30,496	28,777	52,590
	1,010	898	2,234
	7,434	15,613	27,465
	16,647	14,225	29,261
	11,250	14,238	31,419
	271,565	289,933	622,737
	119,969	112,605	434,599
	(105,289)	(75,012)	(183,767)
	56,188	79,188	(81,731)
	70,868	116,781	169,101

There are no significant contingent liabilities as at 30 June 2020.

At 30 June 2020 the commitments for capital expenditure under contract amounted to NIL (2019: P Nil).

There has been no significant change in the nature and quantum of related party transactions from those reported in the annual financial statements for the period ended 30 December 2019.

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25 Events occurring after reporting date

Dividend declaration

An interim dividend of 3.9 thebe per share was declared on 27 August 2020.

Borrowings

With reference to the SSA borrowings covenant breach as at 30 June 2020, the Group subsequently obtained waivers from the respective lenders. The waivers obtained from the respective lenders results in the waiver of the specific covenant breach for the period ended 30 June 2020, resulting in these borrowings not being called up by the respective lenders due to the covenant breach. As a result of the waivers, these borrowings reverted to the original payment terms subsequent to the reporting date.

Use of estimates and judgements

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements have been made in determining the Group's expected credit losses affected by the Covid-19 pandemic.

Expected credit losses: Forward looking

Macro economic forward looking factors were all stressed to downside heavy for Consumer Price Index (CPI), Inflation, Gross Domestic Product (GDP) and unemployment rate inline with Fitch Solutions' revised outlook for the period ending 31 December 2020.

The table below summarises the ECL impact of the sensitivity analysis after application of forward looking factors for the period ending 31 December 2020.

BWP'000	Base case	Upside		Downside		Probability Weighted ECL	Weighted Impact*
	ECL	ECL	Impact	ECL	Impact	ECL	Impact
Consumer	378,099	93,238	(284,861)	396,790	18,691	455,750	77,651
MSE	280,467	33,537	(246,930)	444,690	164,223	293,154	12,687
Informal	110,591	88,473	(22,118)	236,979	126,388	106,579	(4,012)
Total	769,157	215,248	(553,909)	1,078,459	309,302	855,483	86,326

*The probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used are 30%, 20% and 50% respectively.

The total weighted impact of P86m is distributed to operating subsidiaries as follows:

Country	Base ECL	Probability Weighting	Impact BWP'000
	BWP'000	BWP'000	
Botswana	137,154	163,952	26,798
Ghana	177,308	173,415	(3,893)
Kenya	165,619	190,124	24,505
Lesotho	28,663	29,839	1,176
Mozambique	34,461	45,269	10,808
Namibia	26,797	28,685	1,888
Nigeria	22,786	25,553	2,766
Rwanda	5,598	7,087	1,489
Swaziland	13,748	12,883	(864)
Tanzania - Bank	43,304	45,167	1,863
Tanzania - Faidika	48,814	50,899	2,085
Uganda	64,905	82,610	17,705
Group	769,157	855,483	86,326

The Group, therefore estimates an additional ECL Impact of P86million as at December 2020 should the Group not have any mitigation in place. Full ECL disclosures can be read in conjunction with 31 December 2019 financial statements and only where there has been significant changes disclosure were noted above.

Outlook towards the year-end

The economic outlook for the second half of this year remains uncertain due to the continuing COVID -19 pandemic. Earnings performance in this period will therefore continue to be exposed to its impact which affects market growth, the competitive landscape, changes in customer behavior around borrowing which in turn affects sales volumes and developments on expected credit losses.

Uncertainties in financial markets may increase rapidly if the pandemic worsens. Recession in the different markets may also affect the economies with a lag, even if the direct effects of the pandemic gradually decreased. A recession caused by the pandemic may therefore, have lagged effects on the Group, if customers' financial difficulties persist.

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26 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following risks from financial instruments:

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

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 Group Risk Management Committee and Country Management Committees. It is the responsibility of Group Credit Risk and each CEO to ensure that the Group's policies regarding credit risk, credit scoring, collateral contribution, affordability levels and minimum take home pay is complied with at all times. The Group manages credit risk in accordance with its credit risk policies, guidelines and procedures which provide for the maintenance of a strong culture of responsible lending that promotes inclusive finance. Full details of the Group credit risk disclosures should be read in conjunction with the group's annual financial statements as at 31 December 2019. In response to Covid -19 key procedures and processes were revised to address key challenges. These include the following:

- Revision of credit risk appetite and alignment of concentration risk and tolerance levels
- Monthly stress testing
- Revised collections and recoveries strategies inclusive of relationship officers and direct sales agents
- Stakeholder relationship management for government DAS book
- Regulatory relationship management
- Weekly and monthly portfolio quality reviews

Interest rate risk

Governments, including their central banks, have instituted measures to mitigate against the economic effects of the Covid-19 pandemic. A key lever used by those central banks has been the reduction in interest rates to stimulate their economies and these policies have a significant effect on the Group's results.

The Group's loans and advances to customers are fixed rate in nature. The Group's borrowings amounted to P4.8 billion at 30 June 2020, 58% of which have a variable interest rate. The Group conducted a sensitivity analysis to assess the impact that 100 basis points adjustment to reference floating rates would have on the Group's net interest margin. The monthly impact of a 1% increase in borrowing rates would result in P2.293 million monthly decrease in net interest margin. The impact to 31 December 2020 would amount to P13.759 million decrease in net interest margin for the remaining six-month period. Conversely, a reduction of 1% would lead to an increase in net interest margin of a similar [same] amount.

The table below shows the effect on profit before taxation, of changes in reference rates from December 2019 to June 2020 assuming borrowings remained the same.

Reference Rate	Rate 31/12/19	Rate 30/06/20	Impact on Profit
			BWP
3-month US Libor	1.91%	0.30%	69,864
3-month SAFEX Rate	3.20%	3.96%	(42,210)
3-month JIBAR	6.80%	4.51%	1,207,124
Botswana Bank Rate	4.75%	4.25%	31,972
Botswana Prime	6.25%	5.75%	374,765
Ghana 182day T bill	15.15%	14.02%	427,901
Kenya CBR	8.50%	7.00%	106,203
Lesotho Prime	10.92%	8.50%	70,792
Mozambique Prime	18.00%	16.70%	396,532
Namibia Prime	10.25%	7.75%	83,834
Rwanda Prime	16.47%	16.06%	1,279
eSwatini Prime	10.30%	7.50%	288,797
Uganda Bank Base	18.00%	18.84%	(71,760)
Total			2,945,093

The Group therefore estimates that had the outstanding balances on borrowings at 31 December 2019 remained the same to 30 June 2020, the net interest margin as at 30 June 2020 would have been BWP 2.9million higher because of the reduction in reference rates, largely driven by the impact of the COVID – 19 pandemic.

Currency risk

As currencies came under pressure due to the Covid 19, the Rand, which is the Group's main foreign currency exposure, as well as Rand-linked currencies weakened against the Pula in the first three months of the year with some recovery from the month of May, into June 2020 which contributed significantly to the year to date forex gain of P29 million on a net liability position of ZAR186m.

Based on this trend, if the Rand appreciates by 1% to 5% against the Pula, this would result in a foreign exchange loss of P22 million to P108 million. Similarly, if the Rand depreciates against the Pula by 1% to 5%, this would result in a foreign exchange gain of P22 million to P108 million.

Other risks

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2019. There have been no changes in the risk management department or in any risk management policies since 31 December 2019.

26.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. read in conjunction with the group's annual financial statements as at 31 December 2019.

The Board has established the Group Audit and Risk Committee ("GARC"), Group Remuneration Committee ("Remco"), Investment Committee, Group Executive Committee ("Exco") and subsidiary companies' Country Management Committees ("CMC") which are responsible for developing and monitoring Group risk management policies in their respective areas. All Board committees have both executive and non-executive members, apart from the Exco which comprises of executive directors and senior management and reports regularly to the Board of Directors and its sub committees on their activities.

The Group's Enterprise Risk Management framework is established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and responsibilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
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26 FINANCIAL RISK MANAGEMENT

26.2 Financial assets and liabilities measured at fair value

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 includes 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.

- Level 1 - Quoted (unadjusted) market prices in active markets for identifiable assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value is observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Financial instruments measured at fair value

Type	Valuation technique		Significant observable / unobservable inputs						
Currency swap	Fair value cash flow	Level 2	Based on BWP, EURO and USD risk free rates.						
Financial assets at fair value through OCI	Since market values are not available from an observable market, as this is an investment in private equity, the recent transaction price has been considered as an approximate to fair value	Level 3	Based on company valuation from a right issue						
	Fair value - through OCI	Fair value - through profit and loss	Carrying amount Financial Assets at amortised cost	Financial Liability at amortised cost	Total	Level 1	Fair value Level 2	Level 3	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
30 June 2020									
Financial assets measured at fair value									
Financial assets at fair value through OCI	53,591	-	-	-	53,591	-	-	53,591	53,591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	624,400	-	624,400				
Advances to customers	-	-	9,256,212	-	9,256,212				
Other receivables	-	-	128,599	-	128,599				
	-	-	10,009,211	-	10,009,211				
Financial liabilities measured at fair value									
Borrowings - currency swap	-	(6,337)	-	-	(6,337)	-	(6,337)	-	(6,337)
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	526,203	526,203				
Customer deposits	-	-	-	499,002	499,002				
Cash collateral	-	-	-	21,438	21,438				
Borrowings	-	-	-	4,815,722	4,815,722				
	-	-	-	5,862,365	5,862,365				

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26 FINANCIAL RISK MANAGEMENT

26.2 Financial assets and liabilities measured at fair value (continued)

			Carrying amount						
	Fair value -	Fair value -	Financial Assets at	Financial	Total	Level 1	Fair value	Level 3	Total
	through OCI	through profit	amortised cost	Liability at			Level 2		
		and loss		amortised					
	P'000	P'000	P'000	cost	P'000	P'000	P'000	P'000	P'000
				P'000					
30 June 2019									
Financial assets measured at fair value									
Financial assets at fair value through OCI	53,591	-	-	-	53,591	-	-	53,591	53,591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	460,523	-	460,523				
Advances to customers	-	-	9,116,141	-	9,116,141				
Other receivables	-	-	193,276	-	193,276				
	-	-	9,769,940	-	9,769,940				
Financial liabilities measured at fair value									
Borrowings - currency swap	-	12,733	-	-	12,733	-	12,733	-	12,733
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	534,249	534,249				
Customer deposits	-	-	-	305,877	305,877				
Cash collateral	-	-	-	25,268	25,268				
Borrowings	-	-	-	4,782,817	4,782,817				
	-	-	-	5,648,211	5,648,211				

The carrying amount of items measured at amortized cost approximate their fair values.