LETSHEGO HOLDINGS LIMITED
REVIEWED CONDENSED CONSOLIDATED FINANCIALS
FOR THE YEAR ENDED 31 DECEMBER 2022

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DIRECTORS' REPORT
For the year ended 31 December 2022

The Board of Directors is pleased to present their report to Shareholders together with the reviewed condensed consolidated financial statements for the year ended 31 December 2022.

1 Financial results

The condensed consolidated financial statements adequately disclose the results of the Group's operations for the year ended 31 December 2022.

2 Dividends

An interim dividend of 5.8 thebe per share (prior year: 7.3 thebe per share) was declared on 23 August 2022.

A second and final dividend of 9.7 thebe per share (prior year: 9.7 thebe per share) was declared on 28 February 2023 and will be paid on or around 26 June 2023.

3 The below are changes that took place during the current year:

Directors

Resignations and Retirement:

Director's name	Designation	Resignation/Reirement Date
Runa Alam	Non-Executive Director	Resigned on 23 March 2022
Enos Banda	Independent Non-Executive Director	Resigned on 22 June 2022
Hannington Karuhanga	Independent Non-Executive Director	Resigned on 22 June 2022
Gloria Somolekae	Independent Non-Executive Director	Resigned on 22 June 2022
Stephen Price	Independent Non-Executive Director	Retired on 23 June 2022

Appointments:

Director's name	Designation	Appointment Date
Jayaraman Ramesh	Independent Non-Executive Director	Appointed on 11 August 2022
Christopher Mokgware	Independent Non-Executive Director	Appointed on 11 August 2022
Ketlhalefile Motshegwa	Non-Executive Director	Appointed on 16 August 2022
Prof. Emmanuel Botlhale	Independent Non-Executive Director	Appointed on 16 August 2022

4 Independent auditors

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

5 Company secretary and registered office

Lebogang Rathedi (Interim)
Tower C, Zambezi Towers
Plot 54352, Central Business District
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

Building a better working world

Firm of Chartered Accountants
2nd Floor
Plot 22, Khama Crescent
P O Box 41015
Gaborone, Botswana

Tel: +267 397 4078/ 365 4000
Fax: +267 397 4079
Email: eybotswana@za.ey.com
Partnership registered in Botswana
Registration No: 10829
VAT No: P03625401112
www.ey.com

Report on review of condensed consolidated 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") at 31 December 2022 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory notes ("condensed consolidated financial information") set out on pages 5 to 25. Management is responsible for the preparation and presentation of the condensed consolidated financial information using the framework principles, and the recognition and measurement principles of International Financial Reporting Standards and ensure that the condensed consolidated financial statements contain the presentation and disclosures required by International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated 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 financial information consists of making inquiries, primarily of persons responsible for 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 financial information as at and for the year ended 31 December 2022 is not prepared, in all material respects, in accordance with the framework principles, and the recognition and measurement principles of International Financial Reporting Standards and do not contain the presentation and disclosures required by the International Accounting Standard 34, 'Interim Financial Reporting'.

Ernst + Young

Ernst & Young

Practicing Member: Francois Roos

Partner

Certified Auditor

Membership Number: CAP 0013 2022

Gaborone

02 March 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	At 31 December 2022 (Reviewed) P'000	At 31 December 2021 (Audited) P'000
ASSETS			
Cash and similar instruments	2	1,020,771	1,413,500
Investment securities	3	692,101	859,496
Financial assets at fair value through profit or loss*	4	1,178,969	826,092
Advances to customers	5	12,727,475	11,875,595
Other receivables	6	479,533	413,411
Financial assets at fair value through other comprehensive income	7	43,107	71,499
Income tax receivable		81,454	134,767
Property and equipment	8	116,761	172,822
Right-of-use assets	9	101,654	98,756
Intangible assets	10	305,798	30,040
Goodwill	11	31,910	67,715
Deferred tax assets		129,083	95,748
Total assets		16,908,616	16,059,441
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities at fair value through profit or loss	12	1,201,095	808,621
Customer deposits	13	1,120,827	1,175,586
Cash collateral	14	18,476	21,522
Income tax payable*		68,426	96,268
Trade and other payables	15	715,490	965,860
Lease liabilities	16	97,953	99,646
Borrowings	17	8,027,840	7,380,768
Deferred tax liabilities		339	5,168
Total liabilities		11,250,446	10,553,439
Shareholders' equity			
Stated capital	18	899,571	882,224
Foreign currency translation reserve		(492,653)	(557,341)
Legal reserve		313,780	265,244
Fair value adjustment reserve		(13,144)	15,248
Share based payment reserve		42,474	39,907
Retained earnings		4,442,209	4,421,568
Total equity attributable to equity holders of the parent company		5,192,237	5,066,850
Non-controlling interests		465,933	439,152
Total shareholders' equity		5,658,170	5,506,002
Total liabilities and equity		16,908,616	16,059,441

*The order of liquidity on the Statement of Financial Position of the above items has been amended in the current financial year in order to better reflect their nature in relation to other items on the Statement of Financial Position. The indicated amendment is anticipated to enhance users' undertsanding of the financial statements of the Group.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Note	12 months ended 31 December 2022 (Reviewed) P'000	12 months ended 31 December 2021 (Audited) P'000
Interest income at effective interest rate	19	3,145,672	3,110,511
Interest expense at effective interest rate	20	(1,376,678)	(1,119,108)
Other interest expense	20.1	(12,524)	(14,930)
Net interest income		1,756,470	1,976,473
Fee and commission income	21	89,554	83,681
Other operating income	22	439,803	286,604
Operating income		2,285,827	2,346,758
Expected credit losses	23	(98,706)	17,196
Net operating income		2,187,121	2,363,954
Employee costs	24	(585,939)	(546,241)
Other operating expenses	25	(799,927)	(670,969)
Total operating expenses		(1,385,866)	(1,217,210)
Profit before taxation		801,255	1,146,744
Taxation		(332,311)	(417,243)
Profit for the year		468,944	729,501
Attributable to :			
Equity holders of the parent company		401,903	671,554
Non-controlling interests		67,041	57,947
Profit for the year		468,944	729,501
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Fair value (loss)/gain on financial asset designated at fair value through other comprehensive income	7	(28,392)	9,431
Foreign currency translation differences arising from foreign operations		75,425	329,824
Total comprehensive income for the year		515,977	1,068,756
Attributable to :			
Equity holders of the parent company		438,199	1,009,317
Non-controlling interests		77,778	59,439
Total comprehensive income for the year		515,977	1,068,756
Weighted average number of shares in issue during the year (millions)		2,147	2,134
Dilution effect - number of shares (millions)		133	149
Number of shares in issue at the end of the year (millions)		2,149	2,144
Basic earnings per share (thebe)		18.7	31.5
Diluted earnings per share (thebe)		17.6	29.4

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 year ended 31 December 2022

	Stated capital P'000	Retained earnings P'000	Share-based payment reserve P'000	Fair value reserve of financial assets at FVOCI P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non-controlling interest P'000	Total P'000
Balance at 1 January 2021	872,169	4,133,314	31,295	5,817	(885,673)	214,835	417,819	4,789,576
Total comprehensive income for the year								
Profit for the year	-	671,554	-	-	-	-	57,947	729,501
Other comprehensive income, net of income tax								
Fair value adjustment of financial asset	-	-	-	9,431	-	-	-	9,431
Foreign currency translation reserve	-	-	-	-	328,332	-	1,492	329,824
Transactions with owners, recorded directly in equity								-
Allocation to legal reserve	-	(50,409)	-	-	-	50,409	-	-
Recognition of share based payment reserve movement	-	-	18,667	-	-	-	-	18,667
New shares issued from long term incentive scheme	10,055	-	(10,055)	-	-	-	-	-
Dividends paid by subsidiary to minority interests	-	-	-	-	-	-	(38,106)	(38,106)
Dividends paid to equity holders	-	(332,891)	-	-	-	-	-	(332,891)
Balance at 31 December 2021 - Audited	882,224	4,421,568	39,907	15,248	(557,341)	265,244	439,152	5,506,002
Total comprehensive income for the year								
Profit for the year	-	401,903	-	-	-	-	67,041	468,944
Other comprehensive income, net of income tax								
Fair value adjustment of financial asset	-	-	-	(28,392)	-	-	-	(28,392)
Foreign currency translation reserve	-	-	-	-	64,688	-	10,737	75,425
Transactions with owners, recorded directly in equity								
Allocation from legal reserve	-	(48,536)	-	-	-	48,536	-	-
Recognition of share based payment reserve movement	-	-	19,914	-	-	-	-	19,914
New shares issued from long term incentive scheme	17,347	-	(17,347)	-	-	-	-	-
Dividends paid by subsidiary to minority interests	-	-	-	-	-	-	(50,997)	(50,997)
Dividends paid to equity holders	-	(332,726)	-	-	-	-	-	(332,726)
Balance at 31 December 2022 - Reviewed	899,571	4,442,209	42,474	(13,144)	(492,653)	313,780	465,933	5,658,170

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Note	12 months ended 31 December 2022 (Reviewed) P'000	12 months ended 31 December 2021 (Audited) P'000
Operating activities			
Profit before taxation		801,255	1,146,744
Adjustments for :			
: Interest income		(3,145,672)	(3,110,511)
: Interest expense		1,389,202	1,134,038
: Amortisation, depreciation, right of use assets and disposals		90,029	98,681
: Impairment and write off charge - advances to customers		245,249	161,121
: Impairment and write off charge - investment securities		36,027	-
: Impairment and write off charge - goodwill		35,805	-
Movement in working capital and other changes	26	(1,273,219)	(1,484,674)
Cash used in operations		(1,821,325)	(2,054,601)
Interest received		3,145,672	3,110,511
Interest paid		(1,376,678)	(1,119,108)
Income tax paid		(345,004)	(422,607)
Net cash flows used in operating activities		(397,335)	(485,805)
Investing activities			
Purchase of treasury bills		-	(859,496)
Proceeds from disposal of treasury bills		131,370	-
Purchase of property and equipment		(71,520)	(112,908)
Purchase of intangible assets		(222,531)	(2,926)
Net cash flows used in investing activities		(162,681)	(975,330)
Financing activities			
Dividends paid to equity holders and subsidiary non-controlling interest		(383,723)	(370,997)
Repayment of principal portion of lease liabilities		(45,997)	(48,039)
Repayment of interest portion of lease liabilities	16	(12,524)	(14,930)
Proceeds from borrowings		3,425,610	2,817,052
Repayment of borrowings		(2,778,539)	(636,976)
Net cash flows generated from financing activities		204,827	1,746,110
Net movement in cash and similar instruments		(355,188)	284,975
Cash and similar instruments at the beginning of the year		1,355,294	986,534
Effect of exchange rate changes on cash and cash equivalents		(5,524)	83,785
Cash and similar instruments at the end of the year	2	994,582	1,355,294

LETSHEGO HOLDINGS LIMITED

SEGMENTAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2022

Reportable segments

31 December 2022	Botswana	Namibia	Mozambique	Lesotho	Eswatini	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	710,990	565,913	444,404	81,908	108,284	107,757	19,948	158,278	154,456	81,632	207,446	(355,189)	2,285,827
Segment profit/(loss) before taxation	521,325	322,431	231,527	56,363	70,072	21,583	1,764	47,313	20,534	23,492	31,462	(546,611)	801,255
Taxation - consolidated													(332,311)
Profit - consolidated													468,944
Gross Advances to customers	3,335,195	3,605,877	2,094,444	430,432	564,812	635,150	150,069	535,146	469,824	203,061	1,107,850	-	13,131,860
Impairment provisions	(75,962)	(36,496)	(55,658)	(7,088)	(24,277)	(42,764)	(4,708)	(27,077)	(58,200)	(22,717)	(49,438)	-	(404,385)
Net Advances	3,259,233	3,569,381	2,038,786	423,344	540,535	592,386	145,361	508,069	411,624	180,344	1,058,412	-	12,727,475
Total assets	4,071,814	4,321,279	1,496,544	225,178	464,014	538,578	24,572	420,589	470,342	15,191	1,117,813	3,742,702	16,908,616
Borrowings	1,802,404	1,895,734	259,818	62,670	221,105	394,747	-	322,640	-	-	686,142	2,382,580	8,027,840
Total liabilities	2,423,918	2,486,490	896,555	76,732	236,096	435,978	53,927	333,271	67,938	58,006	1,068,194	3,113,341	11,250,446

31 December 2021	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	679,180	539,233	415,987	89,917	88,414	139,549	8,604	159,363	143,836	73,916	233,885	(225,126)	2,346,758
Segment profit/(loss) before taxation	495,615	331,030	284,717	47,613	30,103	149,352	361	52,915	15,171	6,252	95,968	(362,353)	1,146,744
Taxation - consolidated													(417,243)
Profit - consolidated													729,501
Gross Advances to customers	3,026,111	3,198,250	1,789,702	352,248	527,761	666,612	59,648	478,787	467,618	174,259	1,698,304	-	12,439,300
Impairment provisions	(106,595)	(34,463)	(19,350)	(21,680)	(39,191)	(49,056)	(3,063)	(30,682)	(49,632)	(30,784)	(179,209)	-	(563,705)
Net Advances	2,919,516	3,163,787	1,770,352	330,568	488,570	617,556	56,585	448,105	417,986	143,475	1,519,095	-	11,875,595
Total assets	3,363,272	4,087,930	2,074,472	384,151	522,744	774,337	87,122	503,703	589,318	178,903	2,312,965	1,180,524	16,059,441
Borrowings	1,389,936	1,488,326	269,826	77	138,240	404,207	-	201,042	-	-	1,246,823	2,242,291	7,380,768
Total liabilities	1,688,902	1,957,440	901,509	9,395	148,063	463,386	26,322	216,161	79,702	63,803	2,074,245	2,924,511	10,553,439

*Included in Holding company or eliminations are intragroup charges between the Holding Company and subsidiary entities.

LETSHEGO HOLDINGS LIMITED

SEGMENTAL INFORMATION (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

Disaggregated revenue information

	Botswana	Namibia	Mozambique	Lesotho	Eswatini	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
31 December 2022													
Interest income at effective interest rate	756,665	504,165	558,649	102,964	133,886	147,381	24,411	193,550	136,662	85,379	654,527	(152,567)	3,145,672
Interest expense at effective interest rate	(167,656)	(160,660)	(170,734)	(12,091)	(28,525)	(60,465)	(8,693)	(39,492)	(514)	(5,090)	(540,692)	(182,066)	(1,376,678)
Other interest expense	(2,000)	(526)	(2,579)	(1,225)	(544)	(1,491)	(285)	(303)	(105)	-	(500)	(2,966)	(12,524)
Net interest income	587,009	342,979	385,336	89,648	104,817	85,425	15,433	153,755	136,043	80,289	113,335	(337,599)	1,756,470
Fee and commission income	(2)	34,906	16,416	-	-	8,966	1,994	-	395	1,098	25,699	82	89,554
Other operating income	123,983	188,028	42,652	(7,740)	3,467	13,366	2,521	4,523	18,018	245	68,412	(17,672)	439,803
Operating income	710,990	565,913	444,404	81,908	108,284	107,757	19,948	158,278	154,456	81,632	207,446	(355,189)	2,285,827
31 December 2021													
Interest income at effective interest rate	711,832	453,990	507,471	117,931	107,812	171,827	10,591	182,005	130,193	76,960	750,534	(110,635)	3,110,511
Interest expense at effective interest rate	(125,822)	(90,842)	(138,165)	(22,756)	(29,604)	(55,786)	(2,186)	(34,620)	(612)	(3,913)	(546,625)	(68,177)	(1,119,108)
Other interest expense	(12,161)	(64)	(3,026)	(5,342)	(1,170)	(1,293)	(792)	7,769	3,547	313	(9,164)	6,453	(14,930)
Net interest income	573,849	363,084	366,280	89,833	77,038	114,748	7,613	155,154	133,128	73,360	194,745	(172,359)	1,976,473
Fee and commission income	-	4,778	28,439	-	-	12,050	269	-	139	556	37,450	-	83,681
Other operating income	105,331	171,371	21,268	84	11,376	12,751	722	4,209	10,569	-	1,690	(52,767)	286,604
Operating income	679,180	539,233	415,987	89,917	88,414	139,549	8,604	159,363	143,836	73,916	233,885	(225,126)	2,346,758

Reporting entity

Letshego Holdings Limited (the Company) is a limited liability company incorporated in Botswana. The address of the company is Tower C, Zambezi Towers, Plot 54352, Central Business District (CBD), Gaborone, Botswana. The condensed consolidated financial statements for the year ended 31 December 2022 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 year ended 31 December 2022 have been approved for issue by the Board of Directors on 28 February 2023.

Basis of preparation

These condensed consolidated financial statements for the year ended 31 December 2022 have been prepared using the framework principles, the recognition and measurement principles of IFRS and contain the presentation and disclosures required by IAS 34. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS and the accounting policies adopted are consistent with those of the previous financial year, expect for the adoption of new standards outlined below.

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

New Standards, Interpretations and Amendments adopted by Group

Standards issued and effective

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022:

Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Group has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous upon applying the revised accounting policy – i.e. there is no material impact to the group in resepct of this standard.

Reference to the Conceptual Framework – Amendments to IFRS 3

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. However, since no business combinations took place in the Group during the current financial year, the amendments have had no impact on the financial statements as at 31 December 2022.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year, which prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. In light of the business of the Group being that of provision of financial services, its property and equipment is not utilised for production of items for sale, and these amendments therefore had no impact on the financial statements of the Group.

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to the following standards, which are relevant to the Group's operations, but had no impact on the financial statements for the current reporting period:

IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 9 Financial Instruments
IFRS 16 Leases

Standards issued but not yet effective

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. A number of new and amended standards have been issued, but the majority are not expected to have a significant impact on the Group's financial statements apart from the following Standard:

Effective Date	New standards or amendments	Status
1 January 2023	IFRS 17 Insurance Contracts IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17. For loan contracts that meet the definition of insurance, but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable. The Group also has cell captive arrangements in its Namibia and Mozambique markets, which entail a scenario where the premiums are collected from customers and paid on to the insurer with the Group earning a fee or profit share.	Following an assessment performed on contracts held in order to determine those that result in a transfer of significant insurance risk to the Group, it was determined that the Group's cell captive arrangements are categorised as "third party" arrangements and it would be necessary for IFRS 17 to be applied in accounting for their implications. An assessment of the impact on the Group upon transition is still being performed.

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 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 occur mainly on loans and advances, impairments and share based payment calculations. Judgement is also applied to the valuation of goodwill recognised and probability of having sufficient taxable profits against which deferred tax assets may be utilised.

Impairment of advances to customers

The Group regularly reviews its loan portfolio (Note 5) and makes judgments in determining whether an impairment loss should be recognised in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and loss experience.

All forward-looking statements in these condensed consolidated financial statements expressing 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 the global economic environment and pandemics therefore make it difficult to estimate their likely financial effects.

	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%

Mobile loans Expect Credit Losses

A significant portion of the Ghana portfolio relates to mobile loans. A third party previously undertook the ECL model development and implementation of this portfolio. Since Letshego did not have a full view of historical data to develop an internal model, a conservative approach was taken to measure expected credit losses. In Q4 2022, Letshego was able to obtain access to historical data to develop an internal model. The data showed gradual improvements in default roll rates as well as evidence of recoveries to develop a Loss Given Default model. Management was then comfortable to remove the conservative estimate and instead apply the internal advanced approach, which implemented IFRS 9 compliant models to provide a more accurate position.

Management Overlays applied on calculation of Expect Credit Losses

In Ghana ,on a monthly basis, a significant portion of the portfolio in Ghana experiences a delay in receipt of funds from a single Employer. This results in technical arrears for affected customers, which does not correctly reflect their credit risk profile as payments would have been deducted from their accounts. An overlay adjustment is applied to manually update the loan listing to correct these technical arrears. After this adjustment for affected accounts, the Expected Credit Loss calculations are then computed.

As at Year end Mozambique had a once-off operational incident occurred where a large payment from the government had been processed but did not reflect on the Letshego system due to technical issues with the file. This was resolved on 5th January 2023 and the payments correctly reflected by 7th January 2023. The 7th of January 2023 position was used to calculate the December 2022 ECL.

Share-based payment transactions

The Group operates an equity settled conditional Long Term Incentive Plan (LTIP). The plan is now only based on non-market conditions. 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 assumption is that there will be a 55% (2021: 53%) vesting probability. Based on historical experience, the estimated achievement of conditions is considered accurate.

Goodwill impairment assessment

Key assumptions in the assessment of goodwill impairment include inflation rates, long-term economic growth and discount rates. At 31 December 2022, goodwill was assessed for the Namibia, Ghana, Kenya and Tanzania subsidiaries. Management took a conservative approach and recognised an impairment of the goodwill that was in the Kenya subsidiary (refer to Note 11). All other subsidiaries however appeared to be in a position to generate future profit, with positive growth rates expected, and indicated sufficient headroom to cushion against any future variations or economic pressures.

Deferred tax asset recoverability

The two main areas of judgement on deferred tax recoverability, relate to the timing differences on portfolio provisions and recognition of deferred tax assets on tax losses. Based on our assessments and financial forecast beyond December 2022 the Group expects to generate sufficient taxable profits and utilise these temporary differences and tax losses before they fall away. During the current reporting period the Group recognised additional deferred tax assets of approximately P41 million in its Tanzania operations owing to a revised outlook on the Group's ability to utilise assessed losses in that market.

1 Financial Instruments

1.1 Expected credit losses as at 31 December 2022
Below is a summary of the expected credit losses as at 31 December 2022 showing balance sheet provision levels.

Operating Segments 31 December 2022 P'000	IFRS 9 ECL Provisions at 31 December 2022 - (Reviewed)				IFRS 9 ECL Provisions at 31 December 2021 - (Audited)			
	Stage 1: 12-month ECL allowance	Stage 2: Lifetime **ECL allowance –** not credit-impaired	Stage 3: Lifetime ECL **allowance –** credit-impaired	Total ECL on 31 December 2022	Stage 1: 12-month ECL allowance	Stage 2: Lifetime **ECL allowance –** not credit-impaired	Stage 3: Lifetime ECL **allowance –** credit-impaired	Total ECL on 31 December 2021
Financial assets								
Botswana	37,101	6,606	32,255	75,962	29,302	3,420	73,873	106,595
Namibia	16,700	574	19,222	36,496	9,483	618	24,362	34,463
Mozambique	32,942	7,396	15,320	55,658	9,788	1,303	8,259	19,350
Lesotho	2,278	421	4,389	7,088	11,520	793	9,367	21,680
Eswatini	2,092	3,455	18,730	24,277	3,932	5,886	29,373	39,191
Kenya	17,097	3,929	21,738	42,764	9,338	3,118	36,600	49,056
Rwanda	4,099	201	408	4,708	2,493	368	202	3,063
Uganda	11,593	2,472	13,012	27,077	8,569	2,918	19,195	30,682
Tanzania	19,789	2,773	35,638	58,200	19,141	1,062	29,429	49,632
Nigeria	4,580	2,403	15,734	22,717	2,169	8,146	20,469	30,784
Ghana	16,208	12,367	20,863	49,438	25,078	82,561	71,570	179,209
Total	164,479	42,597	197,309	404,385	130,813	110,193	322,699	563,705

Overall Expected Credit Losses in December 2022 closed at P404.4 million, which is a decrease from P563.7 million in December 2021. This is in line with improvement in recoveries as evidenced by a decrease in Loss Given Defaults (LGD)s and collateralised LGDs across our markets.

Expected credit losses for the year were low and aligned with the Group's credit risk profile with the leading portfolio being Deduction At Source (FY2022 -88% , FY2021 -86%). Deduction at Source is mainly constituted by government & quasi government employees with a sustained collection rate, above ninety percent. There were no concerns on provision adequacy given both historical collection statistics on Deduction At Source and credit default insurance cover in Mozambique and Namibia. In addition, fully secured portfolios have now factored in the collateral values to discount expected credit losses based on realization trends.

A significant portion of the Ghana portfolio relates to mobile loans. A third party previously undertook the ECL model development and implementation of this portfolio. Since Letshego did not have a full view of historical data to develop an internal model, a conservative approach was taken to measure expected credit losses. In Q4 2022, Letshego was able to obtain access to historical data to develop an internal model. The data showed gradual improvements in default roll rates as well as evidence of recoveries to develop a Loss Given Default model. Management was then comfortable to remove the conservative estimate and instead apply the internal advanced approach, which implemented IFRS 9 compliant models to provide a more accurate position.

Key Highlights

Measure	FY2022	FY2021	FY2020	FY2019	FY2018
Gross Loan Book Balance in P'm	13,133	12,439	10,740	9,833	9,542
Portfolio at risk – 30 days	9.2%	9.2%	8.3%	10.0%	10.4%
Portfolio at risk – 90 days (NPL)	6.5%	5.9%	5.3%	6.9%	7.1%
Post Write off Recoveries in the year in P'm	166	207	199	184	147
Loan loss rate – actual	0.5%	-0.1%	0.3%	1.7%	4.1%
Loan loss rate – excl. once-off items	0.5%	0.6%	1.8%	1.7%	2.0%
Non-performing loan coverage ratio	45%	73%	98%	112%	115%

*Non-performing loan coverage ratio = Total ECL provision/Gross carrying amount on NPL

Portfolio indicators are holding strong on the back of enhanced credit risk management capabilities, strengthened credit risk governance, and improving risk infrastructure. Group contained the extraneous risks to the portfolio in 2022 ensuring asset quality remained fairly stable with Non Performing Loans ratio (NPL) closing the year at 6.9% compared to 5.9% (December 2021). The growth in NPL was driven mainly by East and West African markets, where more vulnerable MSE portfolios are predominant. The portfolios in our large markets recorded improvement in NPL and recovery rates cumulatively improving the portfolio LGDs. As a result, our NPL impairment coverage ratio’s was 45%, relative to 73% in prior period. The Group’s credit risk mitigations in Mozambique and Namibia (comprehensive default insurance) remained in force and are effective.The impact of these credit risk mitigations were factored into our IFRS 9 loan impairment modelling during the year.

As at 31 December 2022, the Group did not consider any additional provisions as management actions were adequate to address any future impact of macroeconomic events such as the Ukraine/Russia war. Impact of external operational pressures affected most businesses across the continent and the world at large.The resultant impact was curbed by the nature of the Group's product offering. The loan book comprises 88% Deduction at Source (DAS), 9% Micro to Small Enterprises (MSE) and 3% informal loans. In the year 2022, no government in our countries of operation retrenched employees and a 96% collection rate was maintained for the DAS book.

1 Financial Instruments (continued)

1.2 Maximum exposure to credit risk

	At 31 December 2022 (IFRS 9)	At 31 December 2021 (IFRS 9)
	P'000	P'000
Gross advances to customers	13,131,860	12,439,300
Of which stage 1	11,229,003	10,993,504
Of which stage 2	1,006,469	677,666
Of which stage 3	896,388	768,130
Expected credit loss provisions	(404,385)	(563,705)
Of which stage 1	(164,479)	(130,813)
Of which stage 2	(42,597)	(110,193)
Of which stage 3	(197,309)	(322,699)
Net advances to customers	12,727,475	11,875,595
Of which stage 1	11,064,524	10,862,691
Of which stage 2	963,872	567,473
Of which stage 3	699,079	445,431
Impairment (ECL) Coverage Ratio	3%	5%
Stage 3 Coverage Ratio	45%	73%

1.3 Expected credit losses: Probability Weighted

As a largely Government Deduction at Source (DAS) retail business, the Group has remained resilient to the worst effects of macroeconomic events, however MSE Non Performing Loans in East and West African subsidaries have been influenced heavily by external operational pressures.

Model recalibrations are performed at two points, in April and October every year. Additionally Macroeconomic factors are updated to align to Fitch Solutions revised forecasts on a monthly basis.

Loss given default (LGD)

LGDs between H1 2022 and H2 2022 have decreased due to countries experiencing high recoveries as economies start to recover. We were therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake.

Probability of default (PD)

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

1.4 Macroeconomic analysis

According to 2023 forecasts by Fitch Solutions, economic growth is expected to remain subdued for most countries in SSA as well as increased inflationary pressures. However, this outlook is expected to differ across the region, depending on country circumstances.

1 Financial Instruments (continued)

1.4 Macroeconomic analysis (continued)

Inflation

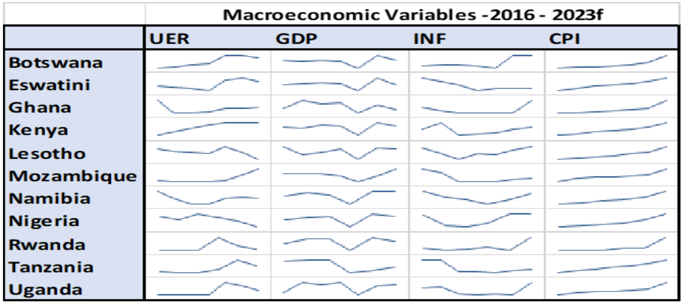
All countries within the Group to experience higher inflation in 2022 than 2021. However they are all forecast to see reductions in 2023. However, the consumer price index (CPI) continues on an upward trend across all the subsidiaries.

Gross domestic product (GDP)

Most countries across the Group are expected to experience subdued GDP growth rates up to 2023.

Unemployment rate

Most countries across the Group are forecast to experience reduced unemployment rates up to 2023.



Influence of economic on estimate of ECL

A behavioural scorecard is used to incorporate forward looking macroeconomic variables into lifetime PDs. A weighted score is calculated based on the outlook of economic conditions of each country and is updated whenever there is a change. These weighted scores are used to convert 12-month PDs into Lifetime PDs for accounts in Stage 2 (Stage 3 PD is standard at 100%).

A macro-induced regression analysis is used to model a Macro-Induced (MI) LGD for accounts in Stage 2 and 3. This involves identifying how economic conditions influence recovery rates and applying this to forecasted economic outlooks.

1.5 Expected credit losses: Forward looking

MSE portfolios were stressed Downside-heavy while the DAS book was stressed Base-heavy to reflect their respective sesitivities to macroeconomic conditions.

The table below summarises the ECL impact of the sensitivity analysis after application of forward looking factors for the year ending 31 December 2022:

BWP'000	Base case	Upside		Downside		Probability Weighted ECL	Weighted Impact*
	ECL	ECL	Impact	ECL	Impact	ECL	Impact
Consumer	287,060	51,194	(235,866)	525,739	238,679	255,523	(31,537)
MSE	123,442	28,755	(94,687)	193,365	69,923	109,776	(13,666)
Informal	35,026	12,679	(22,347)	56,987	21,961	39,086	4,060
Total	445,528	92,628	(352,900)	776,091	330,563	404,385	(41,143)

*The Probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used in the last reporting cycle were 50%, 20% and 30% respectively for Deduction at source portfolio that holds a low credit risk and 30%, 20% and 50% respectively for MSE and Informal portfolio. Refreshed assessment used the higher end of risk weightings hence as at December 2022 the weightings used are 30%,20%,50%.

** Model output which is Probability weighted and base for stress testing

1 Financial Instruments (continued)

1.5 Expected credit losses: Forward looking (continued)

The total weighted impact of P32.6m is distributed to operating subsidiaries as follows:

Country	Base ECL	Probability Weighting	Impact BWP'000
	BWP'000	**BWP'000**	
Botswana	75,962	112,913	36,951
Eswatini *	24,277	36,515	12,238
Ghana	49,438	64,172	14,734
Kenya	42,764	86,658	43,894
Lesotho	7,088	18,014	10,926
Mozambique	55,658	70,173	14,515
Namibia	36,496	48,231	11,735
Nigeria	22,717	42,518	19,801
Rwanda	4,708	6,851	2,143
Tanzania	58,200	80,572	22,372
Uganda	27,077	49,428	22,351
Group	404,385	616,045	211,660

**** Base ECL is propability weighted refer to Note 1.5***

The Group applied probability weighted ECL as at December 2022. Stressed outcome is the worst case scenario .

	At 31 Dec 2022 (Reviewed) P'000	At 31 Dec 2021 (Audited) P'000
2 Cash and similar instruments		
Cash at bank and in hand	779,699	1,217,269
Statutory cash reserve	26,189	58,206
Short term investments	214,883	138,025
	1,020,771	1,413,500
Cash and cash equivalents for the purpose of the statement of cash flows	994,582	1,355,294
3 Investment securities		
Government and Corporate bonds : 2 - 5 year fixed rate notes	703,604	832,116
Government and Corporate bonds : Above 5 year fixed rate notes	24,524	27,380
	728,128	859,496
Less : Expected credit losses	(36,027)	-
	692,101	859,496

Treasury bonds are classified as financial assets measured at amortised cost as the business model is to hold financial assets to collect contractual cash flows, representing solely payments of principal and interest. These were issued by the central bank, government and corporates in Ghana and Namibia. The expected credit loss for the instruments held in Namibia were assessed to be insignificant at the reporting date.

In light of economic challenges currently being faced in Ghana, the government announced a Domestic Debt Exchange Program (the GDDXP) in December 2022, which involved an invitation to holders of domestic notes and bonds to exchange these for a set of four new bond issuances maturing in 2027, 2029, 2032 and 2037. The government of Ghana however, did not make any pronouncements to the market concerning US dollar denominated bonds, apart from indicating an intention to restructure these in the future. On the 19th of December 2022, Letshego Ghana submitted an exchange offer to the government of Ghana, whereby domestic bonds with a principal and unpaid accrued interest value amounting to the equivalent of P41.3 million were offered to be exchanged for the new bonds. The settlement date when the Republic of Ghana issued the new bonds to eligible holders was the 21st of February 2023. At 31 December 2022, the old bonds were considered to be "credit-impaired" and expected credit losses of P12.5 million (2021: nil) were computed and recognised.

Although a restructure of US dollar denominated bonds is yet to occur, Letshego Ghana, which held bonds amounting to the equivalent of P196.4 million at the reporting date conducted an ECL assessment on the USD denominated bonds. Following the assessment, the Group categorised these bonds as "credit-impaired" and expected credit losses of the equivalent of P23.5 million were recognised in light of the repayment of these instruments being likely to be affected by the government of Ghana's current financial challenges. In arriving at the expected credit losses, a benchmarking exercise that took into consideration other comparable economies that went into a similar domestic debt restructuring, where; there was no previous default history before debt restructure, no loss of principal values and the existence of an active market for the bonds.

	At 31 Dec 2022 (Reviewed) P'000	At 31 Dec 2021 (Audited) P'000
4 Financial assets at fair value through profit or loss		
Cross currency swaps	1,178,969	826,092
	1,178,969	826,092

This relates to short-term foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amount in another currency to reduce its exposure on currency risk. These were translated using reporting date exchange rates to reflect the changes in foreign currencies. The related financial liability at fair value through profit or loss is in Note 12.

	At 31 Dec 2022 (Reviewed) P'000	At 31 Dec 2021 (Audited) P'000
5 Advances to customers		
Gross loans and advances to customers	13,131,860	12,439,300
Less : Expected credit losses	(404,385)	(563,705)
- Stage 1	(164,479)	(130,813)
- Stage 2	(42,597)	(110,193)
- Stage 3	(197,309)	(322,699)
Net advances to customers	12,727,475	11,875,595
6 Other receivables		
Deposits and prepayments	74,304	89,437
Receivable from insurance arrangements	316,000	269,544
Withholding tax and value added tax	992	880
Deferred arrangement fees	33,173	29,767
Settlement and clearing accounts	47,030	19,742
Other receivables	8,034	4,041
	479,533	413,411
Due to the short - term nature of the other receivables, their carrying amount approximates their fair value.		
7 Financial assets at fair value through other comprehensive income		
Balance at the beginning of the year	71,499	59,408
Fair value (loss)/gain recognised through other comprehensive income	(28,392)	12,091
	43,107	71,499
Fair value (loss)/gain recognised through other comprehensive income, net of tax	(28,392)	9,431

The Group entered into a strategic partnership with a financial services organisation in 2016 and acquired a stake in the enterprise at the time for P53.6 million. A fair value assessment of the investment is performed annually. At 31 December 2022, based on a pre-money valuation of a pending rights issue transaction of the financial services organisation, the value of the Group's equity stake was determined to be approximately P43.1 million. This resulted in a fair value loss of P28.4 million being recognised through other comprehensive income in the current year. The fair value loss has been attributed to the general global economic conditions that have led to the collapse of technology company stocks in the recent past. No deferred tax asset was recognised on the fair value loss in light of the fact that it was considered that it would not be probable that the unused capital loss arising could be utilised for capital gains tax purposes in the future.

8 Property and equipment

	Carrying amount at 01 Jan 2022	Additions	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2022
Motor vehicles	5,309	4,246	-	-	(3,204)	(331)	6,020
Computer equipment	25,721	30,604	-	-	(20,759)	(7,932)	27,634
Office furniture and equipment	30,201	20,481	28,011	-	(12,943)	(1,063)	64,687
Land and building	16,887	-	-	-	-	1,533	18,420
Work in progress	94,704	16,189	(110,893)	-	-	-	-
	172,822	71,520	(82,882)	-	(36,906)	(7,793)	116,761

Transfers include the carrying amount of work-in-progress costs amounting to P66.7 million associated with internally generated assets, which were re-classified to intangible assets (Note 10) during the period, following their hardware and software components becoming more apparent with the ongoing development of the entity's digital transformation platforms, as well as an amount of P44.2 million relating to leasehold improvements and furniture and fittings that were brought into use, following commissioning of the Group's head office premises in Gaborone, Botswana.

	Carrying amount at 01 Jan 2021	Additions	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2021
Motor vehicles	5,093	2,750	-	(595)	(2,643)	704	5,309
Computer equipment	32,511	15,218	446	(305)	(24,378)	2,229	25,721
Office furniture and equipment	29,409	10,283	(13)	(1,424)	(10,617)	2,563	30,201
Land and building	16,824	-	-	-	-	63	16,887
Work in progress	10,392	84,657	(715)	-	-	370	94,704
	94,229	112,908	(282)	(2,324)	(37,638)	5,929	172,822

9 Right-of-use assets

	Carrying amount at 01 Jan 2022	Additions	Modifications	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2022
Property	98,756	42,803	-	-	(41,407)	1,502	101,654
	98,756	42,803	-	-	(41,407)	1,502	101,654

	Carrying amount at 01 Jan 2021	Additions	Modifications	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2021
Property	131,703	26,328	(14,601)	-	(47,255)	2,581	98,756
	131,703	26,328	(14,601)	-	(47,255)	2,581	98,756

10 Intangible assets

	Carrying amount at 01 Jan 2022	Additions	Transfers	Disposal	Amortization charge	Forex translation	Carrying amount at 31 Dec 2022
Computer software	27,892	3,117	51	-	(10,776)	(1,622)	18,662
Brand value	826	-	-	-	(330)	(93)	403
Core deposit	1,322	-	-	-	(610)	(92)	620
Work in progress	-	219,414	66,699	-	-	-	286,113
	30,040	222,531	66,750	-	(11,716)	(1,807)	305,798

Refer to Note 8 for details of transfers into intangible assets from property and equipment recognised during the period.

	Carrying amount at 01 Jan 2021	Additions	Transfers	Disposal	Amortization charge	Forex translation	Carrying amount at 31 Dec 2021
Computer software	35,926	2,926	284	(138)	(12,684)	1,578	27,892
Brand value	1,197	-	-	-	(392)	21	826
Core deposit	1,968	-	-	-	(712)	66	1,322
	39,091	2,926	284	(138)	(13,788)	1,665	30,040

	At 31 Dec 2022 (Reviewed) P'000	At 31 Dec 2021 (Audited) P'000
11 Goodwill		
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	22,958	22,537
Letshego Tanzania Limited	2,221	2,066
Letshego Kenya Limited	-	32,885
AFB Ghana Plc	6,731	10,227
	31,910	67,715

The Group performs its impairment test annually. The Group assesses the recoverable amount of goodwill in respect of all cash generating units in order to determine indications of impairment. The key assumptions used to determine the recoverable amount for the different cash generating units are projected cash flows, pre-tax discount rates and a growth rate to extrapolate any cash flows anticipated beyond a 5 year period. Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies. An assessment was done at year end using the respective entities value-in-use to determine recoverable amount and there were no indications of impairment for the above cash generating units, apart from Letshego Kenya Limited. The Group has embarked on a significant repositioning of its business in Kenya, whereby the entity will shift its focus to growing a predominantly Deduction-at-Source (DAS) and Instant Loans book, with significant leverage on the digital platform that the Group is currently developing. Prior to this, the entity in Kenya was more involved in servicing the medium-to-small enterprise (MSE) sector, and this will be scaled down in a concerted manner to pave way for the new business model. The projected cash flows for the entity were updated to reflect the relatively longer period in which the new business model could take to begin to generate cash flows in excess of the historical performance of the former business. As a result of the assessment, management decided to be recognise an impairment charge against the carrying amount of the entire goodwill in the entity, which was previously measured at P32.9 million. This was following management taking note that the goodwill that was in place was recognised when the underlying entity in Kenya was acquired in 2012 and although the new business model that the subsidiary is embarking on has been successful for the Group in other markets, management decided to be prudent and acknowledge the business challenges that could come about from replicating the model in a new market. In the assumptions for the value-in-use, management used a discount rate of 29% and a growth rate of 5% to project cash flows beyond 5 years and arrive at the discounted cash flows of the business.

	At 31 Dec 2022 (Reviewed) P'000	At 31 Dec 2021 (Audited) P'000
12 Financial liabilities at fair value through profit or loss		
Cross currency swaps	1,201,095	808,621
	1,201,095	808,621

The above pertain to short-term foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amount in another currency to reduce its exposure on currency risk (the derivative assets related to this are disclosed in Note 6).

13 Customer deposits		
Demand accounts	60,904	38,501
Savings accounts	422,290	395,319
Call and term deposits	637,633	741,766
	1,120,827	1,175,586
14 Cash collateral		
Cash collateral on loans and advances	18,476	21,522

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.

	At 31 Dec 2022 (Reviewed) P'000	At 31 Dec 2021 (Audited) P'000
15 Trade and other payables		
Insurance premium payable	185,981	142,839
Payroll related accruals	23,662	14,400
Staff incentive accrual	74,300	87,888
Other provisions	20,272	29,295
Guarantee funds	318,691	546,039
Trade and other payables	73,407	124,493
Value added tax / withholding tax payable	19,177	20,906
	715,490	965,860

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

16 Lease liabilities	Carrying amount at 01 Jan 2022	Additions	Modifications	Interest expense	Cash payments	Forex translation	Carrying amount at 31 December 2022
Lease liabilities	99,646	42,803	-	12,524	(58,521)	1,501	97,953

	Carrying amount at 01 Jan 2021	Additions	Modifications	Interest expense	Cash payments	Forex translation	Carrying amount at 31 December 2021
Lease liabilities	133,377	26,328	(14,601)	14,930	(62,969)	2,581	99,646

	31 Dec 2022 (Reviewed) P'000	31 Dec 2021 (Audited) P'000
The following are the amounts recognised in the profit or loss:		
Depreciation expense of right of use asset	41,407	47,255
Interest expense on lease liabilities	12,524	14,930
Expense relating to short-term leases	6,862	6,638
Expense relating to low value assets	849	1,414
Total amount recognised in the profit or loss	61,642	70,237
17 Borrowings		
Commercial banks	4,283,243	3,015,603
Note programmes	1,677,771	2,070,285
Development Financial Institutions	2,066,826	2,294,880
	8,027,840	7,380,768

As at the reporting date, the Group was in breach of certain loan covenants in certain subsidiary entities. These were Kenya (on obligations amounting to P231m relating to non-performing loans ratio, provisioning, profitability – return on assets), Uganda (on obligations amounting to P210m in relation to portfolio quality - non performing loans ratio and PAR 30), Botswana (on obligations of P96m in relation to Letshego Holdings as the guarantor with respect to the net open foreign currency position on a consolidated basis. This arose as a result of the Group's increased asset base denominated in foreign currency), and Ghana (on obligations of P193m in relation to portfolio at risk, provisioning, open loan exposure, operating self-sufficiency, current ratio and forex exposure limit ratio). At the point of reporting, letters of no action were received from respective funders catering for obligations amounting to P373m and discussions were ongoing to remediate the remaining breaches. All instances are anticipated to have been rectified by the end of the first half of 2023.

	31 Dec 2022	31 Dec 2021
18 Stated capital		
Issued: 2,149,114,056 ordinary shares of no par value (2021: 2,144,045,175) of which 3,989,970 shares (2021: 9,222,720) are held as treasury shares.	899,571	882,224

In terms of the Group's long term incentive plan, shares of P17.3 million (December 2021: P10.06 million) vested at Group level during the year.

		12 months ended 31 Dec 2022 (Reviewed) P'000	12 months ended 31 Dec 2021 (Audited) P'000
19	Interest income at effective interest rate		
	Advances to customers	2,620,123	2,588,409
	Interest income on risk informal / mobile loans	96,874	92,879
	Interest income on non-risk informal / mobile loans	349,122	387,166
	Interest income from deposits with banks, including investment securities	79,553	42,057
		3,145,672	3,110,511
20	Interest expense at effective interest rate		
	Overdraft facilities and term loans	1,027,556	731,942
	Interest adjustment on non-risk informal / mobile loans	349,122	387,166
		1,376,678	1,119,108
20.1	Other interest expense		
	Interest expense on leases	12,524	14,930
21	Fee and commission income		
	Administration fees - lending	83,979	68,310
	Credit life insurance commission	5,575	15,371
		89,554	83,681
22	Other operating income		
	Early settlement fees	60,248	53,805
	Income from insurance arrangements	243,496	200,664
	Mark-to-market gain on foreign currency swaps	8,210	13,226
	Net foreign exchange gain	90,696	2,361
	Sundry income	37,153	16,548
		439,803	286,604
23	Expected credit losses		
	Amounts written off	368,542	175,403
	Recoveries during the year	(146,543)	(178,317)
	Expected credit losses reversed during the year	(123,293)	(14,282)
		98,706	(17,196)
24	Employee costs		
	Salaries and wages	454,637	411,292
	Staff incentive	61,734	74,905
	Staff recruitment costs	1,096	1,861
	Staff pension fund contribution	38,282	31,538
	Directors' remuneration – for management services (executive)	10,276	7,978
	Long term incentive plan	19,914	18,667
		585,939	546,241
25	Other operating expenses		
	Accounting and secretarial fees	227	764
	Advertising	40,441	26,656
	Audit fees	7,358	6,661
	- Audit services	7,191	6,514
	- Covenant compliance fees	167	147
	Bank charges	8,859	8,693
	Computer expenses	9,755	13,139
	Consultancy fees	56,163	49,805
	Corporate social responsibility	1,961	1,689
	Collection commission	72,159	75,909
	Direct costs	29,343	36,844
	Direct costs - informal loans	36,142	23,922
	Depreciation and amortization - property and equipment, intangibles	48,622	51,426
	Depreciation - right-of-use assets	41,407	47,255
	Directors' fees – non executive	9,985	9,850
	Directors' fees – subsidiary boards	8,184	9,253
	Government levies	22,673	31,024
	Impairment of goodwill	32,795	-
	Insurance	17,989	16,798
	Insurance fees - customer short term	60,074	55,194
	Office expenses	24,638	22,500
	Rental expense for low value assets	6,862	6,638
	Short term leases	849	1,414
	Other operating expenses	155,639	91,156
	- Entertainment	531	305
	- IT costs	505	6,454
	- Loss on disposal of intangible assets and plant and equipment	-	2,462
	- Motor vehicle expenses	11,715	8,516
	- Printing and Stationery	6,775	7,996
	- Repairs and Maintenance	10,250	6,060
	- Storage costs	3,324	2,848
	- Subscriptions and licenses	27,179	8,099
	- Other expenses	95,360	48,416
	Payroll administration costs	2,131	1,093
	Professional fees	46,704	34,596
	Telephone and postage	36,536	32,418
	Travel	22,431	16,272
		799,927	670,969

	12 months ended 31 Dec 2022 (Reviewed) P'000	12 months ended 31 Dec 2021 (Audited) P'000
26 Additional cash flow information		
Movement in working capital and other changes:		
Movement in advances to customers	(1,097,129)	(1,876,058)
Movement in other receivables	(17,972)	(150,209)
Movement in trade and other payables	(250,370)	251,312
Movement in customer deposits	(54,759)	511,193
Movement in cash collateral	(3,046)	2,684
Net change in financial assets at fair value through profit or loss	39,597	(29,522)
Long-term incentive plan provision	19,914	18,667
Loss on disposal and write off of property and equipment	-	2,324
Loss on disposal and write off of intangible assets	-	138
Net foreign exchange differences	90,547	(215,203)
	(1,273,219)	(1,484,674)

27 Contingent liabilities

Management were not aware of any significant contingent liabilities that existed as at 31 December 2022.

28 Capital commitments

At 31 December 2022 the commitments for capital expenditure under contract amounted to P347m (2021: P311m).

29 Related party transactions

The Company 'Letshego Holdings Limited' is listed on the Botswana Stock Exchange. The Group partnered with Sanlam (SEM) to be its preferred insurance provider by offering innovative stand alone and embedded insurance solution. Sanlam owns 59% of Botswana Insurance Holdings Limited (BIHL) which is a shareholder of Letshego Holdings Limited and there were no transactions with BIHL. However loans and advances of Letshego Financial Services Botswana (Pty) Ltd (LFSB) are insured through Botswana Life Insurance Limited which is a subsidiary of BIHL and commission of P15 million was earned by LFSB during the year (2021: nil).

	12 months ended 31 Dec 2022 (Reviewed) P'000	12 months ended 31 Dec 2021 (Audited) P'000
Compensation paid to key management personnel (executive directors)		
Paid during the period		
- Short-term employee benefits	10,276	7,978
	10,276	7,978

In terms of the Long Term Incentive Scheme 6,161,972 awards vested and 5,457,386 awards were granted to executive directors relating to the 31 December 2022 financial year (2021: nil awards vested, 9,771,320 awards were granted).

30 Events occurring after reporting date

Ghana investment in government securities

Reference is be made to Note 3, where the Group's Ghana subsidiary submitted an exchange offer for old government bonds amounting to P41.3 million under the country's Domestic Debt Exchange Program (GDDXP) on 19 December 2022. Subsequent to this, on 21 February 2023, the government of Ghana accepted the offer by issuing new bonds to Letshego Ghana. The derecognition of the old bonds, subsequent recognition of the new bonds and accounting for any derecognition loss in profit or loss as a result of the renegotiation or modification of the contractual cash flows of the bonds has been determined to be a non-adjusting event after the reporting period. Management are still in the process of quantifying the impact of the modification. However, as at the balance sheet date, an expected credit loss allowance was recognised pertaining to the old bonds held (refer to Note 3).

Dividend declaration

A final dividend of 9.7 thebe per share was declared on 28 February 2023.

31 Outlook post year-end

Sub-Saharan Africa's economic recovery was disrupted in 2022 by a range of internal and external shocks, including adverse weather conditions, rapidly rising rates of inflation, higher borrowing costs and softer demand in major export markets. It would appear that some of these factors will further subdue growth prospects in the year ahead, but the region is overall expected to hold steady rather than suffer a major downturn in economic growth. However, heightened geopolitical tensions, the lingering effects of the Covid-19 pandemic, ongoing supply-chain disruption, business and consumer price pressures, the rising cost of international and domestic finance, disruptive national elections, social grievances and adverse weather events are all present and could create an unsettled backdrop for the continent throughout 2023.

Most African currencies lost substantial value against the US dollar during 2022 and exchange-rate weaknesses are expected to continue into 2023, albeit to a lesser degree. A large number of African states also increased their domestic policy interest rates in 2022 in order to curb inflation and ease pressure on exchange rates, and the majority of Africa is likely to raise domestic policy rates further in 2023. The national debt-servicing burden will likely become more uncomfortable because of higher interest rates, weaker currencies against the US dollar and softer capital inflows, while rolling over existing debt or accruing new debt will become much more of a challenge. A widespread external debt crisis across the continent however seems unlikely, but some highly leveraged states may face acute financing difficulties and a rather uncertain time period.

32 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 2022.

Interest rate risk

The development of vaccines reduced the influence of COVID-19 in 2022 and made a global recovery possible. However, Russia's invasion of Ukraine upended this, severely setting back global economic prospects. As a result, economic risks rose sharply, with inflation in many countries exceeding central bank targets. In order to reign in on rising inflation, central banks persistently revised their policy rates upwards. Increases in rates had a significant impact due to the Group`s significant exposure to variable-rate funding. Inflation remains elevated in many jurisdictions which may result in further policy rate increases in 2023.

The Group had significant exposure to interest rate risk due to the nature of the business model and the footprint. While the loans are predominantly on fixed rates, the funding that the Group accesses is variable to a greater extent. At the end of the year, 59% of the funding was on variable terms. The Group puts in place hedges in the form of swaps and caps to mitigate against the risk.

The Group conducted a sensitivity analysis to assess the impact that a 300 basis points adjustment to reference floating rates would have on the Group's net interest margin and determined that the monthly impact of a 3% increase in floating reference rates of borrowings would result in a P7.7 million monthly decrease in net interest margin. The annualised impact would amount to a P92 million decrease in net interest margin. Conversely, a reduction of 3% would lead to an increase in net interest margin of a similar value. This is shown in the table below:

Country	Impact on Profit @300bps P'000
Botswana	19,810
Ghana	9,356
Lesotho	8,262
Mozambique	9,528
Eswatini	7,706
Namibia	34,628
Others	2,899

Average cost of borrowings during Dec 2022 was 11.6%. Annualised impact of increase in borrowing costs ranging between 2% - 3% due to uncertainties would be P61m – P92m. This would impact Profit before tax for the year ended 31 December 2022 by 13% - 20%.

Currency risk

Except for South African Rand (ZAR) pegged currencies that made slight gains against the Pula at the end of the fourth quarter of 2022, all the other currencies of the countries where the Group operates depreciated against the Pula (BWP).

The Group actively manages foreign currency exposures. During the year, there were positions in foreign currency that were converted into alternate currencies on short term deliverable basis to manage the risk of negative foreign currency movement against the base currency (Botswana Pula). These were ZAR and USD positions translated into Pula and disclosed in the annual financial statements as foreign currency swaps.

The Group's main foreign currency exposure on both assets and liabilities is to the ZAR. The ZAR appreciated by 1% against the BWP from the end of 2021 to 31 December 2022. This impacted the Group's profits by less than 1%. If the ZAR depreciates by 1% - 5% , this would result in foreign exchange losses of P28m – P142m. Similarly if the ZAR appreciated at the same levels, the impact on the Group's profit before taxation would an increase of P28m – P142m.

Other risks

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

32.1 Risk management framework

The Group's approach to managing risk is to implement simple and appropriate fit for purpose risk mmanagement practices that assist the originators of risk events to understand their inherent risk and reduce their risk profile, in line with the Group's risk appetite, while maximizing on sustainable shareholder value.

All non-financial risks that are at primary risk level have risk type frameworks and supporting policies that outline the overall risk management approach for the respective non-financial risk and ensure that an effective risk management and measurement process is adopted throughout the Group. The risk frameworks per primary risk type are maintained by the Risk Owners and formally reviewed after every two years in line with the Group's risk appetite. Furthermore, the approval authority for these Risk Frameworks and revisions thereto are mandated to the Group Risk, Social and Ethics Committee (GRSEC). The GRSEC meets on a quarterly basis to review all other major risks including non-financial risks. At management level, the Group Management Risk Committee reviews and monitors significant risk events and ensures that the control environment is adequate to prevent recurrence.

32 FINANCIAL RISK MANAGEMENT

32.2 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

Reconcilation of fair value measurement categorises within level 3 of the fair value hierachy

	31 December 2022 P'000	31 December 2021 P'000
Financial assets - Level 3		
Opening balance	71,499	59,408
(Loss)/gain in other comprehensive income	(28,392)	12,091
	43,107	71,499

In December 2022 a company valuation of the financial services organisation was carried out for purposes of a proposed rights issue and based on this, the value of the Group's investment was P43.1 million. This resulted in a fair value loss of P28.4 million noted above and recognised in other comprehensive income.

Sensitivity of fair value measurements to changes in unobservable market data.
Based on the above, a change in the value per share (based on company valuation, which is usually conducted during a rights issue and changes by 1% - 5%) will result in a fair value gain or loss of P0.4m and P2.2m respectively.

Financial instruments measured at fair value

Type	Valuation technique		Significant observable / unobservable inputs
Financial assets and liabilities at fair value through profit or loss	Valued by discounting the future cash flows using market interest rate applicable at that time. The sum of the cash flows denoted in the foreign currencies are converted with the spot rate applicable at the reporting date.	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 approximation to fair value. The investment has been valued based on the recent price per share determined during a rights issue scheduled to occur in February 2023. The inputs include the number of shares and the price per share	Level 3	Based on the value per share from a company valuation that was done for an imminent right issue transaction.

31-Dec-22	Carrying amount					Fair value			
	Fair value -through OCI	Fair value -through profit and loss	Financial Assets at amortised cost	Financial liability at amortised cost	Total	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial assets measured at fair value									
through OCI	43,107	-	-	-	43,107	-	-	43,107	43,107
through profit or loss	-	1,178,969	-	-	1,178,969	-	1,178,969	-	1,178,969
	43,107	1,178,969	-	-	1,222,076	-	1,178,969	43,107	1,222,076
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1,020,771	-	1,020,771	-	1,020,771	-	1,020,771
Advances to customers	-	-	12,727,475	-	12,727,475	-	12,727,475	-	12,727,475
Other receivables	-	-	404,237	-	404,237	-	404,237	-	404,237
	-	-	14,152,483	-	14,152,483	-	14,152,483	-	14,152,483
Financial liabilities measured at fair value									
through profit or loss	-	1,201,095	-		1,201,095	-	1,201,095	-	1,201,095
	-	1,201,095	-	-	1,201,095	-	1,201,095	-	1,201,095
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	349,167	349,167	-	349,167	-	349,167
Customer deposits	-	-	-	1,120,827	1,120,827	-	1,120,827	-	1,120,827
Cash collateral	-	-	-	18,476	18,476	-	18,476	-	18,476
Borrowings	-	-	-	8,027,840	8,027,840	-	8,027,840	-	8,027,840
	-	-	-	9,516,310	9,516,310	-	9,516,310	-	9,516,310

32 FINANCIAL RISK MANAGEMENT

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

	Carrying amount					Fair value			
31-Dec-21	Fair value -through OCI	Fair value -through profit and loss	Financial Assets at amortised cost	Financial liability at amortised cost	Total	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial assets measured at fair value									
Financial assets at fair value through OCI	71,499	-	-	-	71,499	-	-	71,499	71,499
Financial assets at fair value through profit or loss	-	826,092	-	-	826,092	-	826,092	-	826,092
	71,499	826,092	-	-	897,591	-	826,092	71,499	897,591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1,413,500	-	1,413,500	-	1,413,500	-	1,413,500
Advances to customers	-	-	11,875,595	-	11,875,595	-	11,875,595	-	11,875,595
Other receivables	-	-	323,094	-	323,094	-	323,094	-	323,094
	-	-	13,612,189	-	13,612,189	-	13,612,189	-	13,612,189
Financial liabilities measured at fair value through profit or loss	-	808,621	-	-	808,621	-	808,621	-	808,621
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	857,066	857,066	-	857,066	-	857,066
Customer deposits	-	-	-	1,175,586	1,175,586	-	1,175,586	-	1,175,586
Cash collateral	-	-	-	21,522	21,522	-	21,522	-	21,522
Borrowings	-	-	-	7,380,768	7,380,768	-	7,380,768	-	7,380,768
	-	-	-	9,434,942	9,434,942	-	9,434,942	-	9,434,942

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

32 FINANCIAL RISK MANAGEMENT

32.3 Interest rate benchmark reform

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has borrowings that reference to USD LIBOR, EURIBOR and JIBAR.

The Group considers its risk exposure arising from IBOR reform to predominantly stem from its 3-month USD LIBOR, 6-month USD LIBOR and 3-months JIBAR exposures. In 2021, the Group commenced the process of implementing appropriate fallback clauses for indexed facilities that were up for renewal. These clauses automatically switch the instrument from USD LIBOR to Secured Overnight Financing Rate (SOFR) as and when USD LIBOR ceases. According to the September 2022 announcement by the Financial Conduct Authority (FCA), USD LIBOR will continue to be published on a non-synthetic basis up to mid-2023. It is however anticipated that JIBAR will only be discontinued at some future date to be determined by the South Africa Reserve Bank (as the administrator of JIBAR).

The Group does not consider there to be risk arising from IBOR reform in respect of EURIBOR as at 31 December 2022. This is because the calculation methodology of EURIBOR changed during 2019 and the reform of EURIBOR appears to be complete. In July 2019, the Belgian Financial Services and Markets Authority (as the administrator of EURIBOR) granted authorisation with respect to EURIBOR under the European Union Benchmarks Regulation. This allows market participants to continue to use EURIBOR for both existing and new contracts and the Group expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future.

Non-derivative Financial Liabilities

The Group's IBOR exposures to non-derivative financial liabilities are in floating-rate borrowings indexed to USD LIBOR and in bonds indexed to JIBAR. As indicated above, in 2021 the Group commenced the process of amending contractual terms for all USD LIBOR indexed exposures to incorporate fallback clauses that introduce SOFR.

Derivatives

The Group holds cross currency swaps and a total return swap for risk management purposes that are designated in hedging relationships. The cross currency swaps have floating legs that are indexed to USD LIBOR and the total return swap is indexed to JIBAR. All of the Group's derivative instruments are governed by contracts based on International Swaps and Derivatives Assocoations (ISDA)'s master agreements.

The following tables summarise the significant non-derivative and derivative exposures impacted by interest rate benchmark reform as at 31 December 2022:

	USD LIBOR P'000	JIBAR P'000	TOTAL P'000
Non-derivative financial liabilities			
Debt securities in issue	1,648,100	703,852	2,351,952
	1,648,100	703,852	2,351,952

The table above represents the non-derivative exposures to interest rate benchmark reform by balance sheet account, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2022. Balances reported at amortised cost are disclosed at their gross carrying value, prior to any expected credit losses that may be held against them.

	USD LIBOR P'000	JIBAR P'000	TOTAL P'000
Derivatives held for risk management			
Total return swap	-	357,575	357,575
Cross currency swaps	981,497	-	981,497
	981,497	357,575	1,339,072

The table above represents the derivative exposures to interest rate benchmark reform, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2022. Derivatives are reported by using the notional contract amount and where derivatives have both pay and receive legs with exposure to benchmark reform, the notional contract amount is disclosed for both legs.