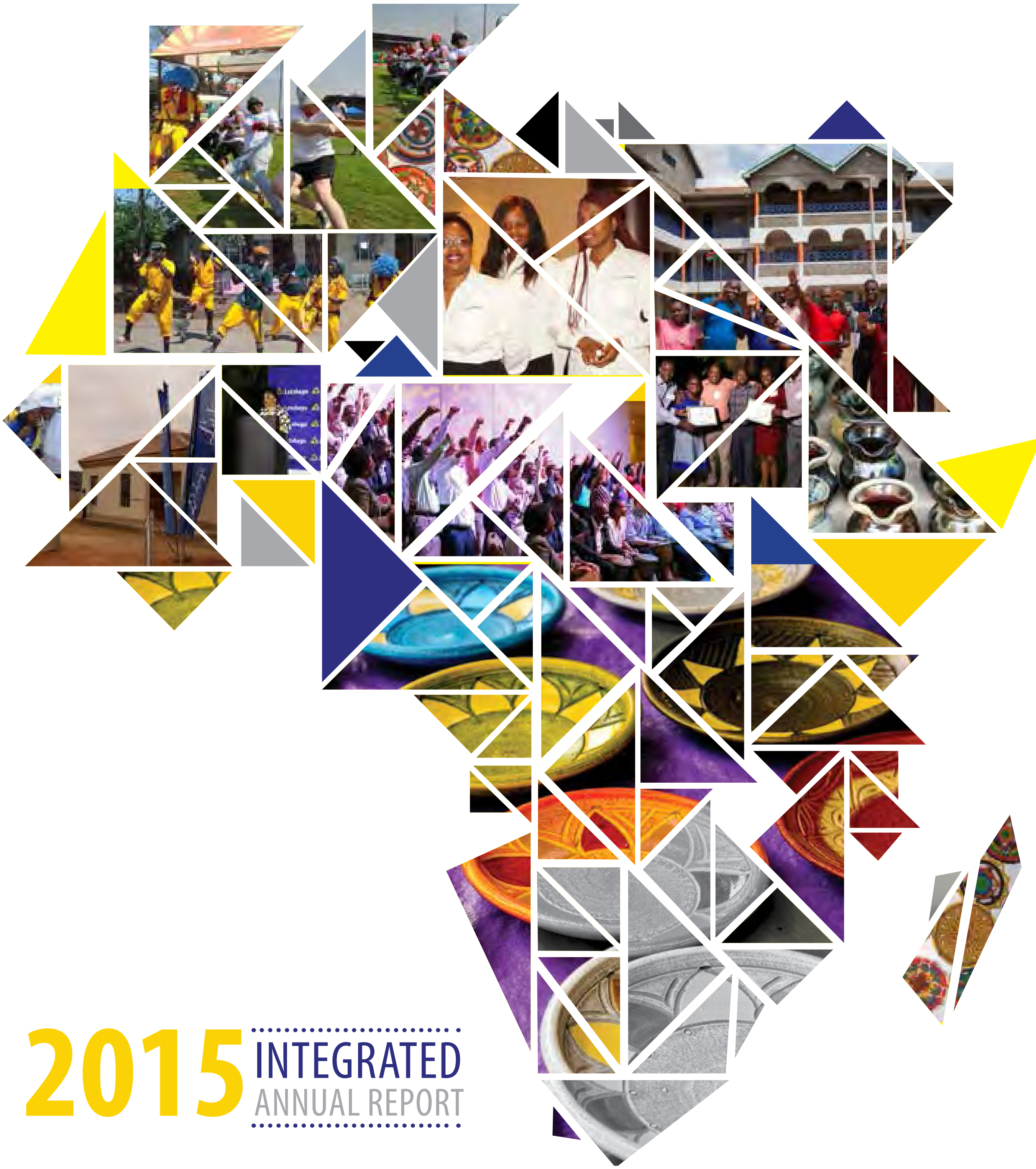
Letshego



2015 INTEGRATED ANNUAL REPORT

Letshego Holdings Limited was incorporated in 1998, is headquartered in Gaborone and was publicly listed on the Botswana Stock Exchange (BSE) in 2002. It is a Botswana International Financial Services Centre-accredited holding company with lending and deposit-taking subsidiaries across ten countries in Southern, East and West Africa.

We are the largest indigenous company on the BSE by market capitalisation (in excess of US$634 million as at 31 December 2015) and profitability (in excess of US$104 million profit before tax for the full year 2015) and we rank among the top 40 market value sub-Saharan Africa companies (excluding South Africa). We are a truly pan-African financial services provider and are committed to skills development – the Group employs over 2,300 staff, representing more than 20 nationalities. 775 of the Letshego team comprise its commission-based sales force. We have 268 representation points across our footprint, servicing a base of over 300,000 borrowers and 100,000 savers.

We are positioned to have a positive socio-economic impact in the countries within which we operate and we understand that the success of our stakeholders is fundamental to our commercial sustainability.

ABOUT THIS REPORT

Letshego Holdings Limited's Directors are pleased to present the Integrated Annual Report for 2015. This describes our strategic intent to be a leading African financial services group, as well as our commitment to financial inclusion, responsible lending, and sustainable value creation for all our stakeholders.

Our integrated annual report aims to provide a balanced, concise, and transparent commentary on our strategy, performance, operations, governance, and reporting progress. It has been developed in accordance with BSE Listing Requirements as well as King III, GRI, and IIRC reporting guidelines. While directed primarily at shareholders and providers of capital, also, it should prove of interest to all our other stakeholders, including our staff members, customers, strategic partners, and the communities in which we operate.

SCOPE AND BOUNDARY

The 2015 integrated annual report covers the period 1 January 2015 to 31 December 2015, and encompasses our business operations across our 10-country footprint: Botswana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania, and Uganda. The central theme of the report is sustainable value creation and we offer an integrated account of our financial and non-financial performance in 2015.

In line with the central theme of sustainable value creation for all our stakeholders, the report includes a discussion of the material issues affecting our organisation. We consider as material those issues, opportunities, and challenges that are likely to impact our strategic intent and ability to create value in the short, medium, or long-term.

The material issues presented in the report were identified through an extensive stakeholder engagement process that included formal and informal interviews with investors, sector analysts, executive and non-executive Letshego staff members, as well as selected Letshego customers.

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7 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Board of Directors believes that the Integrated Annual Report adequately addresses the material issues faced by Letshego and approved it on 26 April 2016.

HOW TO USE THIS REPORT

PRINTED SECTION
Refer here to read more

This icon indicates where readers can find more information in the printed integrated annual report

ONLINE SECTION
Selected extracts of this report are available on the Group's website www.letshego.com

This icon indicates where readers can find more information on the group's website

CASE STUDY SECTION
Letshego customers and other success stories are available on the Group's website www.letshego.com

This icon indicates where readers can find more information on the case studies

1 ABOUT LETSHEGO

ABOUT LETSHEGO

Over the last five years, we have experienced a period of rapid transformation from our roots as a Botswana consumer finance company established in 1998, with a single product, into a pan-African broader based financial institution.

FINANCIAL PERFORMANCE HIGHLIGHTS

All key financial metric trends for 2015 are positive - we delivered good growth, performance and returns.

TOTAL OPERATING INCOME

BWP1.7bn

2014: BWP1.5 billion

PROFIT BEFORE TAX

BWP1bn

2014: BWP970 million

NET ADVANCES TO CUSTOMERS

BWP6.3bn

2014: BWP5.7billion

FEE AND COMMISSION INCOME

BWP257m

2014: BWP207million

ROAA

10%

2014: 14%

ROAE

19%

2014: 21%

BASIC EPS

35

2014: 33

DIVIDEND PER SHARE

17.0 thebe

2014: 16.5 thebe

DEBT TO EQUITY RATIO

66%

2014: 47%

COST TO INCOME RATIO

29%

2014: 29%

NON-PERFORMING LOANS TO AVERAGE ADVANCES

2%

2014: 2%

2014 was an 11 month period and measures reported here have been annualised where applicable

Below are our five-year key financial indicators:

FIGURE 1: FINANCIAL PERFORMANCE AT A GLANCE OVER THE YEARS

Indicator	JAN 2012	JAN 2013	JAN 2014	DEC 2014*	DEC 2015
Total operating income	991	1,184	1,370	1,494	1,685
Profit before tax (BWP' million)	771	841	850	970	1,036
Net advances to customers (BWP' million)	3,035	3,336	4,428	5,687	6,312
ROAA (%)	21%	18%	14%	14%	10%
ROAE (%)	29%	25%	20%	21%	19%
Basic EPS (thebe)	30	33	30	33	35
Dividend per share (thebe)	2.5	8.2	7.4	16.5	17.0
Debt to equity ratio	35%	46%	36%	47%	66%
Cost to income ratio	24%	26%	33%	29%	29%
Non-performing loans NPLs to average advances	2%	1%	2%	2%	2%

* 11 month period

OUR BUSINESS

Established in 1998 in Gaborone, Botswana, Letshego Holdings Limited has been listed on the Botswana Stock Exchange since 2002.

Today, we are the largest indigenous company on the Botswana Stock Exchange with over half our shareholders being local investors. With this proudly Botswana heritage and a dedicated as well as committed team of people from across Africa we have enjoyed consistent growth for almost two decades as we have expanded our footprint across the continent.

We are now established in Botswana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda – with a growing financial inclusion agenda that is aligned to supporting local government initiatives. The provision of consumer finance to our customers, primarily government employees through the deduction at source model, remains our core business.

OUR LETSHEGO

Letshego is a Setswana term meaning **'support'.** At Letshego we provide financial support to our customers.

Our new brand mark is a stronger, bolder and more modern depiction of the Letshego tripod - it represents the "delta" or difference we deliver, built on three principles:

1
A STRONG BASE

this represents the fact that our operations are built on a strong foundation of operational experience and stability

2
UPWARD AND FORWARD MOTION

we are committed to our customers and aim to grow our franchise both to achieve financial success and to improve life through the provision of simple, appropriate and affordable solutions

3
PARTNERSHIPS WITH STAKEHOLDERS

our approach to growth is built on nurturing partnerships with stakeholders that are instrumental in enabling us to achieve our vision to be a leading African financial services provider

GROUP STRUCTURE

Figure 2: Letshego's Group structure as at 31 December 2015

Non-controlling interest in all our subsidiaries are held by citizen investors, with the exception of Advans Bank Tanzania, that is held by Advans Group, a French microfinance group.

NOTES

1. Bank of Namibia approved structure - implemented in 2016
2. To rebrand in 2016 (FBN & Advans)
3. Not trading
4. Changed from 87% to 100% on 30 November 2015

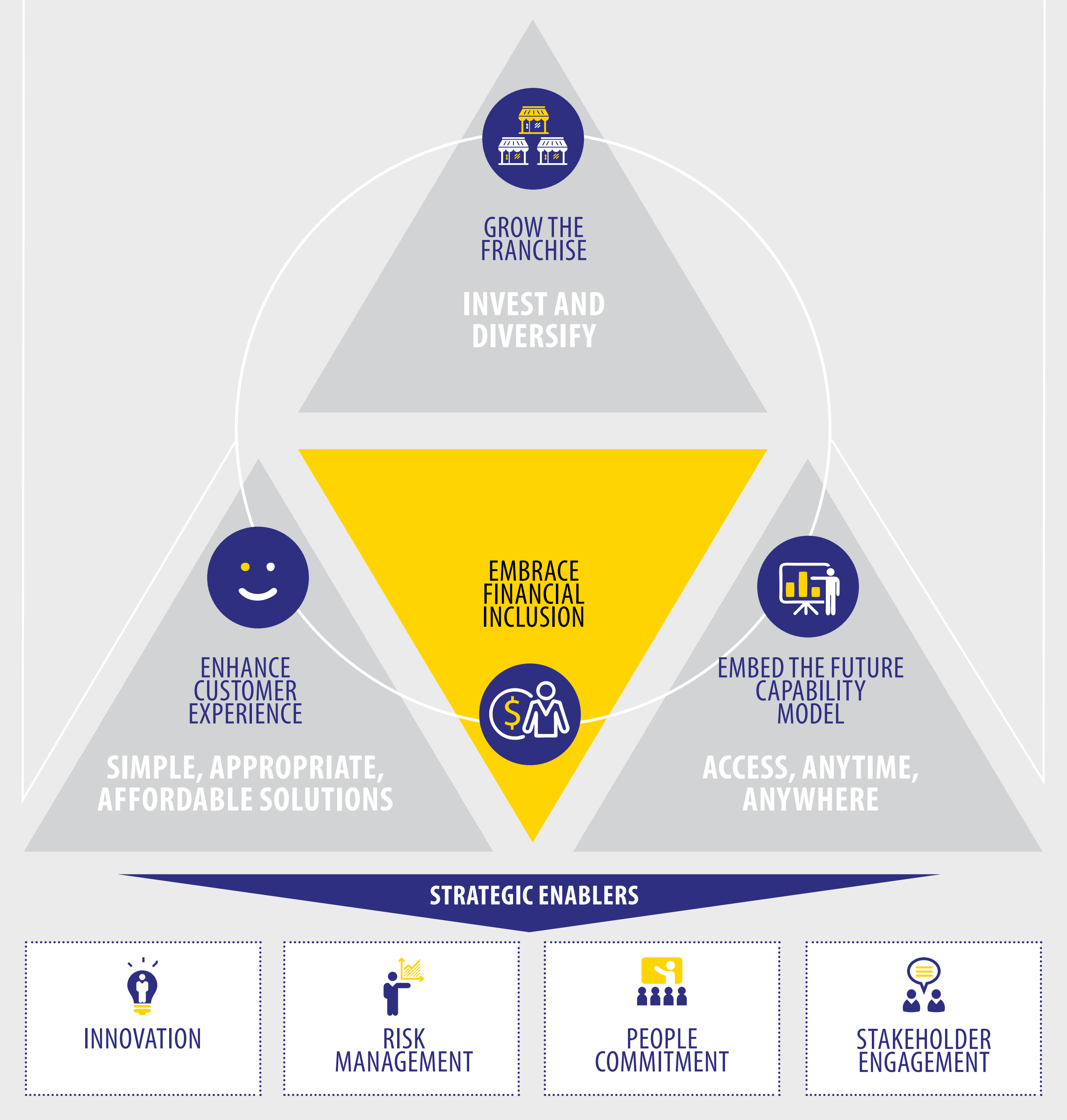
2 OVERVIEW

OVERVIEW

Over the last five years, we have experienced a period of rapid transformation from our roots as a Botswana consumer finance company established in 1998, with a single product, into a pan-African broader based financial institution.

OUR STRATEGY

FIGURE 3: STRATEGY FOR GROWTH, PERFORMANCE AND RETURNS



Our strategic intent is to build a leading African financial services group with a focus on financial inclusion. To achieve this ambition, we have identified four strategic imperatives, and are building our capabilities to deliver on this.

EMBRACE FINANCIAL INCLUSION

This will see us leading the delivery of solutions to segments of society that have limited or no access to financial services. Letshego is positioned to assist governments with their financial deepening and inclusion agendas and the Group continues to seek deposit-taking licences to help facilitate its financial inclusion approach.

GROW THE FRANCHISE: INVEST AND DIVERSIFY

We aim to continue to grow in our existing markets and to diversify into new African markets in terms of geography, customer and product mix as well as through introducing new capabilities. The Group has registered good growth in all of its markets in 2015, through the introduction of a number of new and enhanced financial solutions – all in response to customer needs. Accelerated potential exists in Nigeria and Tanzania given the existing business microfinance banking models acquired there in 2015. Such diversification is core to Letshego's strategy.

ENHANCE CUSTOMER EXPERIENCE AND DELIVER SIMPLE, APPROPRIATE AND AFFORDABLE SOLUTIONS

We aim to be a customer needs driven provider of financial solutions. Continued investment in people and systems has created a unique platform to build our customer offerings. These solutions will be responsively and ethically provided at a cost that ensures affordability as well as appropriateness to the needs of our customers.

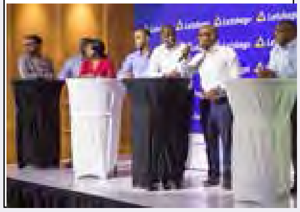
EMBED THE FUTURE CAPABILITY MODEL AND PROVIDE 'ACCESS, ANYTIME, ANYWHERE'

We are committed to using technology to provide financial access to the underserved and unbanked populations of our markets. Point-of-service enhancements are important in ensuring exceptional customer experience. Mobile services are well embedded in Kenya. Also, in order to be continuously accessible, Letshego is developing agency banking, mobile banking, payment services and internet banking models, with Mozambique, Namibia, Rwanda and Tanzania taking the lead on this.

To deliver on our four strategic priorities, we have committed to building sustainable, competitive capabilities through four strategic enabling focus areas:

1 INNOVATION

2 RISK MANAGEMENT



3 PEOPLE COMMITMENT

4 STAKEHOLDER ENGAGEMENT

LETTER FROM THE CHAIRMAN

LOANS AND ADVANCES TO CUSTOMERS

+14%

We continue to seek opportunities for further diversification of the business where there are financial inclusion imperatives and a need for productive lending.

OUR FOOTPRINT AND AFRICA'S POTENTIAL

5%

GDP GROWTH RATE

Africa is the second fastest growing region in the world.

J.A. Burbridge, Chairman

We are well on our way to becoming a leading African financial services Group, with a focus on financial inclusion."

GROWTH, PROFIT AND RETURNS

Over the last five years, we have experienced a period of rapid transformation from our roots as a Botswana consumer finance company established in 1998, with a single product, into a pan-African broader based financial institution.

We have achieved geographic and product diversification with subsidiaries across ten countries in Southern, East and West Africa - Botswana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda.

Whilst the business environment has remained competitive, we have continued to grow our market share via geographic expansion and acquisitions into new markets, and diversification with a broader product and services offering.

We are transforming into a full service financial services provider that offers working capital, low income housing, agriculture support, education and health loans, micro insurance services and savings capabilities to micro and small enterprises, Government and low income earning private sector employees.

The payroll deduction at source model continues to drive our regional portfolio representing 89% of the total loan book, whilst we continue to diversify our product and service offerings. Two important strategic acquisitions in Nigeria and Tanzania in 2015 have provided us with exciting opportunities to expand in these markets and increase our deposit taking licences to four.

This year's results continue to show good underlying growth in an environment of depreciating exchange rates against the Botswana Pula (BWP) for most of the markets that we operate in. After accounting for a foreign exchange loss for the year of BWP75.6 million, profit before tax was BWP1 billion. This marked a 5% increase over the prior period, with Letshego exceeding the BWP1 billion profit mark for the first time. Loans and advances to customers grew by 14%.

We continue to seek opportunities for further diversification of the business where there are financial inclusion imperatives and a need for productive lending.

We remain committed to extending our footprint into rural locations where access to financial services remains limited in many of our markets, whilst continuing to grow and extend the market reach of our lending business.

I am proud to report that our efforts and commitment to financial inclusion were recognised with an invitation to join the Alliance for Financial Inclusion (AFI) as a private sector partner in December 2015. Letshego is one of only five global companies, including BBVA, GSMA, Mastercard and Visa Inc., as well as the first Africa-focused private partner, to have been awarded this privilege.

AFI is a global network of financial policymakers from over 100 developing and emerging countries, covering the majority of Letshego's footprint – the AFI partnership status is important for the Group's sustainability objectives, and will enable accelerated dialogue with regulators sharing a common focus on creating policies conducive to financial inclusion.

IMPLEMENTATION OF STRATEGY

I am pleased to report that we are already starting to witness positive impacts due to the management team's successful implementation of the first phases of the new Five Year Strategy, as approved by the Board.

The development of a clear vision and strategy with measurable outcomes has resulted in an integrated Group focus, understanding and effort that has delivered good results within a relatively short period.

The new strategy has begun to lay the path for Letshego's diversification and has established a solid foundation on which to safely and effectively implement our expansion, thereby ensuring our sustainability in the long term.

Our strategy has four key imperatives, namely, diversification, embracing financial inclusion, delivering simple, appropriate and affordable solutions and providing 'access, anytime, anywhere'. We recognise that with diversification comes opportunities and risks and that the implementation of this broader, transformational strategy has, and will continue to require investment in order to build our capabilities and mitigate risks.

Letshego is making good progress in this regard as our capability requirements become clearer. We are focused on enhancing our customers' experience by improving branch standards through customer service training. Recently Letshego has implemented a brand refresh that is successfully creating brand uniformity across the Group.

We are working to tighten our risk management processes in order to improve our governance standards, funding, liquidity and balance sheet leverage. Also, we are in the process of

Letshego Botswana CEO, Frederick Mmelesi; Lands and Housing Minister, Honourable Prince Maele; and house winner, Goitse Klaas

implementing an enhanced Enterprise Risk Management (ERM) system.

Obviously, our staff members are vital to the successful implementation of our strategy and we continue to engage with them in order to develop their talents and skills as well as to manage their performance. Also, we are developing a future capability model across the Group.

We will continue to invest in information technology systems, the critical evaluation of available resources, and a thorough understanding of regulatory requirements in each country.

Letshego is committed to stakeholder engagement and continues to work closely with stakeholders in relation to local Strategic Social Investment (SSI) initiatives, investor relations, our financial inclusion agenda and media as well as public relations activities.

IMPROVING LIFE

Whilst we understand the need to achieve returns for our shareholders, our business model is based on sustainability principles.

We provide capital to those who have traditionally had no access to capital in order to address financial exclusion.

These funds are typically used for essential services such as education, housing, business growth and health; access to capital is therefore often life-changing for our customers.

We address social, environmental, ethical lending, and customer concerns in close co-operation with our stakeholders, and we are committed to being a responsible lender.

Moreover, we put aside up to 1% of our post-tax profit annually towards programmes in the health and education sectors as well as livelihood development, where resources are much-needed and can be effectively used for public benefit.

THE FUTURE

Africa is the second fastest growing region in the world with a GDP growth rate in excess of 5% over the last decade. We expect this growth trend to continue, and with expansion comes an increased demand for capital. 77% of Africans do not have an account at a formal financial institution, although there is large variation in account ownership across African countries. The servicing of this large 'unbanked' or under-served segment of the population provides Letshego with significant opportunities for the future.

The Group will continue to seek new markets and opportunities for expansion and to deliver simple, appropriate and affordable products and services as determined by our customers' wants and needs.

We are looking to achieve good performance and growth in the advances book and profitability during the 2016 financial year, considering prevailing economic conditions and forecast opportunities for growth.

Deposit-taking and micro finance businesses will continue to grow and will make an important contribution to our responsible financial inclusion agenda, while we continue to grow our payroll deduction at source model.

Mobile solutions and the provision of financial products and services to MSEs, groups, and low income earners offer considerable growth opportunities, and we will continue to extend our offerings in this regard.

We intend to continue exploring opportunities in government, health, education, housing, and agriculture.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Board of Directors and management are pleased to welcome Dr. Gloria Somolekae to the Letshego Holdings Limited Board, as a new independent Non-Executive Director (NED), effective as of 8 January 2016. Dr. Somolekae's addition to the team will further strengthen the calibre of oversight and governance at our growing Africa financial services Group. This brings the total number of Directors to ten, of which six are independent NEDs.

We continue to make progress towards full compliance with the King III Code on Corporate Governance and Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

GRATITUDE

My personal thanks go to my fellow Board members for their unwavering and loyal support and the skilled guidance that they provide to the Group as a whole.

Also, I would like to congratulate the entire management team across Africa for the way in which they have led the Group in these challenging yet exciting times.

Special mention must be made of the enormous contribution of our dedicated members of staff as, without them, none of the Group's achievements would have been possible.

Finally, our thanks go to our customers, regulators, investors and other stakeholders. We look forward to continuing and strengthening these relationships into the future, as we improve life.

J.A. Burbridge
Chairman, 26 April 2016

This statistic was sourced from the African Development Bank's publication: Financial Inclusion in Africa. Accessed on 1 March 2016, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Financial_Inclusion_in_Africa.pdf

GROUP MANAGING DIRECTOR'S REVIEW

PROFIT BEFORE TAX

for the first time exceeded

BWP1bn

TOTAL BORROWING CUSTOMERS

grew by 13% to

300,000

GROSS ADVANCES

grew by 14% to

BWP6.5bn

(or 18% in underlying currency terms)

CUSTOMER DEPOSITS

increased to

BWP154m

with 100,000 depositors added

NEW LOANS

were disbursed to the volume of

BWP2.37bn

COST TO INCOME RATIO

was contained at 29%

CONSERVATIVE RISK MANAGEMENT

limited impairments to 2.3% of the gross book

A DEBT EQUITY RATIO

of 66% was achieved, up from 47% in 2014

LETSHEGO TODAY: WORKING FOR FINANCIAL INCLUSION

It has been an exciting 12 months in my second year as the Group Managing Director of Letshego Holdings Limited and its subsidiaries (the 'Group'). Letshego remains the largest indigenous BSE-quoted company with a growing market capitalisation of just under BWP6 billion (US$550 million), firmly securing our place in the top 40 sub-Saharan Africa listed companies (excluding South Africa).

We have made good strides this year in terms of achieving our vision to become a leading pan-African financial services group, committed to financial inclusion and to improving lives. We employ over 2,300 highly engaged team members, representing more than 20 nationalities in 10 countries across South, East and now, West Africa.

We provide an ever-increasing range of financial services to our customer base of 300, 000 (up 13%, from 265, 000 borrowers in 2014) across more than 260 access points (up 8% on 2014) throughout our footprint, and remain committed to ensuring that we are a responsible lender that embraces financial inclusion. We believe that our consolidated impairment rate (2.3% of the gross loan book) demonstrates that we do not over-burden our customers and instead are an ethical and responsible lender.

Letshego continues to drive its financial inclusion strategy and to strengthen its operations through investment in people and technology as well as through strategic partnerships."

A. Christopher M. Low, Group Managing Director

This year we began a process of customer engagement that aims to provide quantitative data on our achievement of financial inclusion and will allow us to report more holistically on our social performance, including the proportion of funds that we disburse towards productive purposes, such as education, healthcare and business expansion. While we believe that we create a positive social impact, we recognise that the ability to demonstrate this empirically will assist in establishing Letshego as a market leader that recognises that financial stability and sustainable growth result from more than simply a sound portfolio.

The first African private sector organisation granted Alliance for Financial Inclusion partnership status

We have continued to engage with regulators and to be active in industry forums with the goal of facilitating greater public-private dialogue and socially responsible lending practices. This year Letshego is proud to announce that we are the first African private sector organisation granted Alliance for Financial Inclusion (AFI) partnership status. AFI is a global network of financial policymakers from developing and emerging countries working together to increase access to financial services, bringing together policymakers and regulators from over 100 emerging market and developing countries. The partnership will allow us to continue strengthening relationships that promote financial inclusion policies and address implementation issues across sub-Saharan Africa. Partnerships such as these, which bring together similar agendas, while playing to our respective strengths and creating momentum for growth and development in Africa, are central to our business ethic.

Letshego's experience in successfully establishing and growing businesses in diverse and challenging economic climates will be shared and advocated through AFI to enhance and inform policy decisions at a country level. In particular, areas of commercially sustainable microfinance, digital financial services and data, measurements as well as trend identification offer significant opportunities for Letshego to share intellectual capital, while lobbying for enabling regulatory reforms.

GROUP MANAGING DIRECTOR'S REVIEW (CONTINUED)

Our services include lending to the formal and entrepreneurial sector, deposit-taking, and payment facilities. We have acquired extensive knowledge about our customers' needs and uniquely combine a financially sustainable focus with a keen emphasis on improving life for those at the base of the economic pyramid that typically are underserved by traditional banks and lenders. This is where we believe real contributions can be made to transformation, development, and economic growth on our continent.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2015

Overview

On the back of depreciating exchange rates against the Pula, Letshego achieved good financial results. Our profit before tax (PBT) exceeded BWP1 billion for the first time in Letshego's history, with total revenues exceeding BWP2 billion. Excluding foreign exchange differences, our 2015 PBT of BWP1 billion performance represents a 5% increase in underlying profitability. Profit after tax for the Group was at BWP768 million. These results were driven by continued growth in operational performance across the business in 2015.

Our Southern African subsidiaries (Botswana, Lesotho, Mozambique, Namibia and Swaziland) remain strong performers, collectively contributing 83% to the Group's PBT. In particular, Mozambique and Namibia have grown to a scale where they now make up over 40% of revenues, profit and advances. Ongoing geographic and product diversification are expected to result in a growing balance sheet going forward.

Our consumer finance (payroll) lending activities still present high growth opportunities as we broaden into non-Government employees across our footprint. Currently, Letshego operates consumer finance lending in eight of our ten countries and diversification of services off the payroll base is a focus - we are seeing growing market shares across these operations, with Namibia at 56%, as a case in point.

Our expanding microfinance network (Kenya, Rwanda, Uganda and most recently Nigeria and Tanzania) has helped to diversify our customer base and revenue mix, with relatively low incremental risk. Noteworthy performances in our microfinance division in 2015 include a 110% microfinance loan book growth in Kenya and 62% and 13% growth in Rwanda and Uganda respectively.

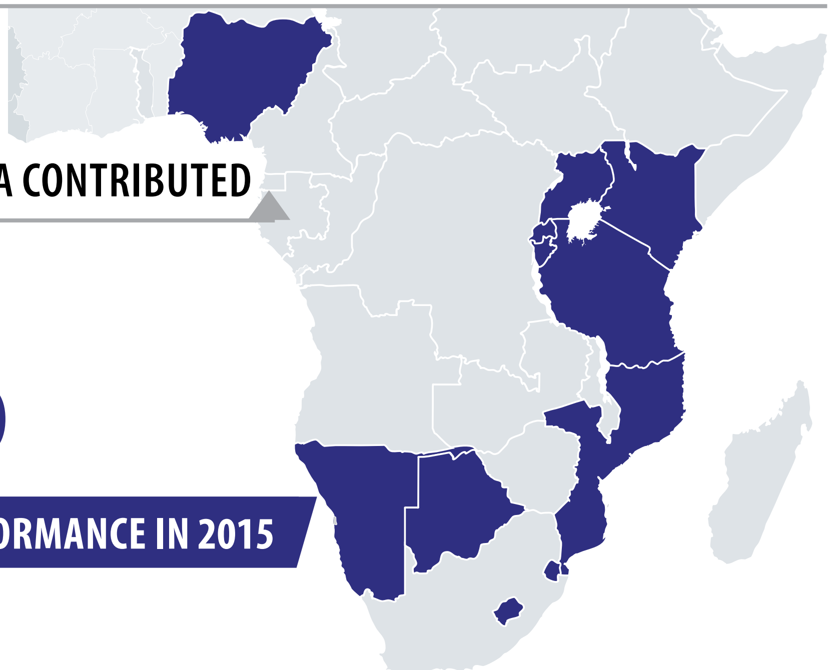
Geographic diversification into Tanzania and Nigeria

We have continued to diversify in terms of geographic, customer and product mix as well as through introducing new capabilities. We expanded our business through acquisitions in Tanzania (November 2015) and Nigeria (December 2015), with both operations having deposit-taking licences. These acquisitions bring our total customer count to over 300,000 borrowers and 100,000 savers.

Growth of deposit taking operations

We now hold deposit taking licences in four markets: Mozambique, Nigeria, Rwanda and Tanzania. The successful conversion of the provisional deposit-taking licence in Namibia is subject to finalisation of certain conditions set by the Bank of Namibia and is expected by mid-2016. Letshego Namibia will look to leverage its formal salaried customer experience into the informal sector, deepening financial inclusion in Namibia over time.

The evaluation of opportunities for licencing in other countries continues.



MOZAMBIQUE AND NAMIBIA CONTRIBUTED

40%

OF GROUP PERFORMANCE IN 2015

GEOGRAPHIC EXPANSION IN TANZANIA AND NIGERIA

TANZANIA:

As disclosed in November 2015, Letshego became a 75% shareholder of the commercial bank, Advans Bank Tanzania Limited (ABT), that specialises in micro finance.

The acquisition was effected through a subscription for new shares. This acquisition adds further savings, payments and micro small enterprise (MSE) borrowing capability to our footprint, in line with our financial inclusion strategy, driven by a diversified customer and revenue mix. Letshego already serves over 44,000 Tanzanians and covers 90% of government districts through our credit-only institution, Faidika. The leveraging of synergies between Advans and Faidika will position Letshego to be one of the leading financial services organisations in Tanzania over time.

NIGERIA:

In July 2015, Letshego announced its proposed acquisition of First Bank Nigeria (FBN) Microfinance Bank Limited, a microfinance bank, specialising in financing MSEs in Nigeria. The transaction was closed on 31 December 2015 and provides Letshego with a national micro finance licence that includes deposit taking. With over 80,000 depositors and approximately 10,000 MSE borrowing customers, the bank's operations are directly aligned to Letshego's financial inclusion agenda and provide a strong platform from which to grow our business in Nigeria. Despite current market stresses from low oil prices and a weakened Naira, growth prospects in the low-to-middle income customer and MSE segments have significant upside potential over time.

GROUP MANAGING DIRECTOR'S REVIEW (CONTINUED)

Letshego Directors, Group leadership and key stakeholders at Letshego's annual results presentation

While it is expected that deposit-taking will, in the long term, lower the Group's overall cost of funding, in the short to medium term, the benefits will lie in being able to access our customers' transactional accounts and thereby offer them a broader set of financial service solutions.

Expansion of our deposit-taking footprint saw customer deposits increase to BWP154 million, now comprising over 100, 000 savers.

Diversified funding sources

Capitalisation buffers remain well above regulatory requirements and funding continues to be a key area of focus. Capital management has mostly been centred on the optimal mix of debt and equity capital to support an expansionary business strategy and provide a higher return on equity to shareholders. Capital adequacy has been maintained at above 50% and our debt to equity ratio has increased to 66% (up from 47% in the prior reporting period).

A key part of the Group's strategy is to continue to diversify funding sources – in December 2015 Letshego refinanced ZAR475 million of maturing bonds and raised an additional ZAR180 million. Total bond issuance including commercial paper now stands at ZAR980 million.

In addition, the Group concluded various other refinancing initiatives and introduced new, predominantly Pula, funding lines, which, on a blended basis, reduced the annual cost of borrowing to 10.5% (from 11.3% in 2014). As a result, debt to equity levels improved in line with the strategic objective to optimise the Group's balance sheet and leverage growth opportunities.

DIVERSIFIED FUNDING

The Group concluded various refinancing initiatives, reducing the annual cost of borrowing to

10.5% p.a

2014: 11.3% p.a

44% of Letshego's debt funding is sourced from regional debt capital markets and in 2015 we issued our first medium term note (MTN) programme in Mozambique. Also, in Botswana we issued further medium term notes on the BSE, part of an existing note programme, supporting the growing debt capital market. This MTN has to date raised over BWP500 million.

Additional financial performance highlights

We retained the Group's Ba3 (Stable) Moody's credit rating during this reporting period. This was on the back of an established niche, sound asset quality, a diverse funding profile, good profitability and solid capitalisation.

"A number of new products were piloted or launched in 2015 including micro insurance, agriculture supply chain financing and asset financing. Moreover, we scaled up our provision of asset finance for 'green products,' established in 2012, such as biogas loans for dairy farmers, water tank ('Maji Nyumbani') loans, energy-efficient 'jiko' stove loans and solar power loans."

Foreign exchange losses for the year totalled BWP76 million, principally as a result of the weakening of the South African Rand, that affected the linked Namibian Dollar, Swaziland Lilangeni and Lesotho Loti against the Botswana Pula. In addition, the Mozambique Metical weakened significantly against the Pula. While these currencies have recovered slightly in early 2016, we expect to close out the Metical and the Rand positions in 2016. We plan to achieve this via a combination of introducing new local currency funding, rebalancing of existing inter-Group lending portfolios and the introduction of hedging arrangements.

Impairments increased 39% in absolute terms. However, on a total cost of risk percentage basis, the 2015 measure of 2.3% is aligned with the Group's appetite of less than 3%. This underlines the Group's continued focus on maintaining high levels of credit quality.

Return on equity (19%) and return on assets (10%) remain at short-term targeted levels.

Earnings per share closed off at 35.2 thebe per share during the reporting period and total dividends per share were at 17 thebe per share.

SHARE BUYBACK

In May 2015 the Group received shareholder approval for a share buyback. However, as a result of the acquisitions in Nigeria and Tanzania the company was restricted from implementing the buyback due to being in successive closed periods while the acquisitions were taking place. The Group will continue to assess the viability of this aspect of its balance sheet management process, subject to funding being available.

SOUTH SUDAN EXIT

As communicated in last year's report, the Board decided to exit its investment in South Sudan. This was concluded during March 2015 through sale to a European based developmental financial institution as a going concern.

RISK MANAGEMENT

Our risk management agenda has been focused on strong controls, effective decision making and accountability. An enhanced Enterprise-wide Risk Management (ERM) framework was approved at a Board level during the year. Internal controls were strengthened for all countries and effective preventative, corrective and detective controls are in place to reduce the scope of identified strategic, financial, operational and compliance risks.

We have comprehensive customer credit insurance in place in Mozambique, Namibia and Swaziland, covering loss of employment, life and other possible risks held on the portfolio. In Botswana, Kenya, Lesotho, Rwanda and Uganda loans are protected by death and disability cover. Additionally, we have strengthened our collections and recoveries infrastructure and concentrated on building internal capacity in these divisions across our markets to further improve portfolio performance. A Group Credit Risk Manager was appointed in 2015.

INNOVATION AND DIFFERENTIATION

In line with our financial inclusion strategy, Letshego continues to seek opportunities to provide innovative financial service solutions to rural, underserved and unbanked populations. We have already penetrated many underserved markets in Africa, including 90% of government districts in Tanzania and 80% in Mozambique.

GROUP MANAGING DIRECTOR'S REVIEW (CONTINUED)

Needs based approach to customer experience
We provide a unique experience for our customers by ensuring that we are constantly seeking opportunities to deliver simple, appropriate and affordable solutions. As such, we continue to set ourselves apart from our peers as a full service financial services provider delivering a wide range of solutions including consumer finance (deduction at source) lending, group, MSE, housing, microfinance, agriculture, education and healthcare microloans, as well as deposit taking and payment services.

Our business model is built on personal relationships and our loan officers and sales staff regularly visit customers to understand their individual needs and circumstances in order for us to provide tailored products that address specific needs.

A number of new products were piloted or launched in 2015 including micro insurance, agriculture supply chain financing and asset financing. Moreover, we scaled up our provision of asset finance for 'green products,' established in 2012, such as biogas loans for dairy farmers, water tank ('Maji Nyumbani') loans, energy-efficient 'jiko' stove loans and solar power loans.

The enhancement of existing products to ensure continued market relevance continues while, for MSEs, agriculture, health and education, solutions have been piloted in East Africa, with the intent to migrate these into Southern and West Africa.

Technology
A standardised IT platform has been rolled out in seven of our subsidiaries and early benefits of this are already being realised, most notably streamlined operations and reduced support costs. In 2016 two more subsidiaries are planned to fully join this platform, with our Tanzanian and Nigerian acquisitions scheduled to make the transition in 2017.

Also, we have continued to enhance existing products, for example, through the use of USSD technology to provide pre-approved loans to existing customers in Kenya and broader mobile banking solutions in Mozambique. Additional customer solutions in partnership with a mobile operator in Mozambique are planned for 2016, with similar initiatives being progressed in other deposit-taking countries: Nigeria, Rwanda, and Tanzania.

Third party agency banking via sms is working well across the remote border regions of southern Tanzania and northern Mozambique. This service aligns with our strategy to achieve growth and financial inclusion through targeting the unbanked in rural locations. Small traders, fishermen and farmers are able to trade, access capital and raise loans, all through sms technology and this pilot initiative is expected to be expanded in other underserved regions.

We continue to strive towards providing access, anytime, anywhere through enhancements to customer access points and leveraging technological advances across the Letshego footprint. Mobile money in Kenya continues to perform very well and additional opportunities to expand the use of our USSD code in this subsidiary are being explored. Similar initiatives in other geographies with suitable environments will be pursued, particularly in locations where dedicated Letshego short code numbers have now been secured.

Africa is a young population, and adoption of innovative technology-based solutions is expected to be relatively low risk.

Agency model
Innovation will underpin our financial inclusion agenda and as such, we have employed the direct sales agent model to create deeper and more convenient access versus the traditional brick and mortar models.

We will continue to provide services through third party agents and we have registered Faidika's 105 customer access points in Tanzania as agencies for the newly acquired Advans Bank.

Housing enterprise finance model
A housing enterprise finance model developed in Kenya, Rwanda and Uganda enables those without formal employment or regular salaries to gain access to credit for building basic low-cost units, generating rental income within six months to a year.

Letshego Swaziland team members proudly wearing the refreshed brand at the brand launch event

Letshego Leadership Team at a conference designed to empower senior management

STRATEGIC SOCIAL INVESTMENT

To deliver on our commitment to improve lives, we have rolled out a number of initiatives across our footprint to address five of the core challenges that we have identified to achieving our financial inclusion agenda. These include financial illiteracy, technology mistrust, inappropriate products and services, poor financial governance infrastructure and outdated regulations. These initiatives include a 3 year commitment with the Department of Public Service Management in Botswana to deliver financial literacy to government employees; financial enterprise skills training in Tanzania; and financial literacy community workshops for public servants in rural Uganda.

As part of our Strategic Social Investment agenda, we have started piloting an agency model sms system to improve healthcare across our footprint. Pilot programmes in rural areas of at least four Letshego countries aim to improve the quality of diagnosis and treatment at grassroots levels, significantly reducing loss of life and general illness. The expected result will be a dramatic increase in the productivity of populations with measurably improved economic outcomes.

LOOKING FORWARD

Letshego continues to drive its financial inclusion strategy and strengthen its operations through investment in people and technology as well as through strategic partnerships. Our leadership, supported by our Board, are confident that the Group is well positioned to benefit from the growing markets in which we are active and views inorganic expansion via acquisitions as important to the acceleration of our strategy. As such we will continue to seek and review options for the Group to pursue, and look forward to an equally ambitious and exciting year ahead.

A. Christopher M. Low
Group Managing Director
26 April 2016

BOARD OF DIRECTORS

JOHN ALEXANDER BURBIDGE (65)
Chairman
Chairman of the Nominations Committee
Chartered Accountant

John qualified as a Chartered Accountant in the UK and served in various senior management and Board positions over a 27 year period with the African Life Group. These included the role of Managing Director, Executive Director, Chief Financial Officer and Company Secretary during his career with Botswana Insurance Holdings Limited and the African Life Group. In 1999 he was appointed to the Board of the African Life Group being responsible for the development and management of the African expansion which included operations in Botswana, Lesotho, Namibia, Kenya, Zambia, Ghana and Tanzania. He held this position until his retirement in 2007. Also, Mr. Burbidge served as Director of FSG Limited and currently serves on the board of African Reinsurance Corporation.

Appointed to the Board: 2002
Nationality: UK
Residence: George, RSA

GAFFAR HASSAM (40)
Non-Executive Director
Member of the Investment Committee and the Nominations Committee
FCCA, MBA (Oxford Brookes)

Gaffar was the Chief Executive Officer of Botswana Insurance Holdings Limited until 29 February 2016 and represents the company on the Letshego Board. He has held various roles with Botswana Insurance Holdings Limited since joining the company in 2003. Prior to this, Gaffar worked with PricewaterhouseCoopers in Malawi and Botswana. He took up his post as Executive: Sanlam Emerging Markets South on the 1st of March 2016.

Appointed to the Board: 2009
Nationality: Malawi
Residence: Johannesburg, RSA

IDRIS MOHAMMED (45)
Non-Executive Director
Member of HR Committee, Investment Committee and Group Audit and Risk Committee
Subsequent to 31 December 2015, Idris was appointed to the Group Nominations Committee.
CFA, BSc (Industrial Engineering); MBA (Finance and Strategic Management, Wharton School, University of Pennsylvania)

Idris is a Partner at Development Partners International, a leading pan-African private equity management firm based in London. He was previously a Vice President at WPA Inc., the fund manager for Africa International Financial Holdings. Before that, Idris was a Vice President in the Special Situations Group at Goldman Sachs. He began his financial career at Core States Financial Corp (now part of Wells Fargo) in the asset management business. Subsequently he held positions in treasury and asset/liability management.

Appointed to the Board: 2010
Nationality: USA
Residence: London, UK

JOSIAS DE KOCK (56)
Independent Non-Executive Director
Chairman of the Investment Committee and member of the Group Audit and Risk Committee
B Comm (Acc), B Acc (Honours), CA (SA), Higher Diploma in Taxation, Executive Development Programme (University of Manchester)

Josias joined the Letshego Board in 2013 with a wealth of experience as a Chartered Accountant and as member of the SA Institute of Chartered Accountants. His extensive background working within the banking, insurance and commercial industry has seen Josias serve, most recently, as Chief Financial Officer at Premier Foods and prior to that as Chief Risk Officer of the Sanlam Group for a number of years. Over the span of his career, various senior roles regarding risk (credit and market) management and specialised finance were fulfilled at different financial institutions. These institutions included Rand Merchant Bank, Firstcorp Merchant Bank and BOE Bank.

Appointed to the Board: 2013
Nationality: RSA
Residence: Stellenbosch, RSA

STEPHEN PRICE (63)
Independent Non-Executive Director
Chairman of the Group Audit and Risk Committee and member of the Nominations Committee
BA (Hons) Chemical Engineering, ACA (England and Wales)

Stephen was appointed to the Letshego Board in 2013. A UK native currently residing in Dubai, Stephen is a fellow of the Institute of Chartered Accountants in England and Wales. Previously an 18-year partner at Ernst & Young UK, he is a co-founding partner of AXYS Corporate Advisory (formerly FSI Capital), an advisory team that supports investment into the financial services sector in emerging markets around the world. Stephen has extensive experience of providing M&A, transaction advisory and consulting services to banks and other financial institutions in the UK and internationally, having focused for the last 20 years on emerging markets. His project experience spans more than 40 countries in Asia Pacific, Central and Eastern Europe, the Middle East, the Sub-Continent and the Caribbean.

Appointed to the Board: 2013
Nationality: UK
Residence: Dubai, UAE

ROBERT THORNTON (63)
Independent Non-Executive Director
Chairman of the HR Committee and member of the Investment Committee
BA (Hons) History and German

Robert joined the Letshego Board in 2013. Robert's previous experience includes roles at: SSB Bank Ltd in Ghana; Bridge Bank Group in the Ivory Coast; and Citibank. Most recently, he was appointed CEO of West Africa Enterprise Capital in the Ivory Coast. As CEO of West Africa Enterprise Capital, Robert plays an integral role in numerous short term assignments for offshore investment funds, including Blakeney Management and Dangote Group. Most of the work involves due diligence and investment follow up at various financial institutions. Robert has trained extensively with Citibank in areas such as strategy, risk, marketing, and HR management. He has many years of banking and consulting experience with extensive African experience and cross-cultural skills.

Appointed to the Board: 2013
Nationality: USA
Residence: North Carolina, USA

BOARD OF DIRECTORS (CONTINUED)

GERRIT LODEWYK VAN HEERDE (48)
Non-Executive Director
Member of the Group Audit and Risk Committee and the HR Committee
Hons B.Com, Fellow of the Institute and Faculty of Actuaries

Gerrit represents Botswana Insurance Holdings Limited on the Letshego Board. He is the Group Executive for Client and Product Strategy for Sanlam Emerging Markets, part of the Sanlam Group which holds a controlling shareholding in Botswana Insurance Holdings Limited. His responsibilities include Life- and General insurance, Asset Management, and Credit.

Prior to his current position he held various roles within the Sanlam Group, which included CFO for SEM and the oversight responsibility for Sanlam Home Loans, Sanlam Personal Loans and Anglo African Finance.

He is a Director of Sanlam Emerging Markets and represents Sanlam Emerging Markets on various other Boards and committees.

Appointed to the Board: 2014
Nationality: South Africa
Residence: Cape Town, RSA

HANNINGTON R. KARUHANGA (56)
Independent Non-Executive Director
Member of the Group Audit and Risk Committee, HR Committee and the Nominations Committee
Subsequent to 31 December 2015, he was appointed to the Group Investment Committee.
BA (Hons) Makerere University, Uganda; MBA (University of Wales, Cardiff Business School) (UK)

Hannington joined Letshego in October 2013 as an independent non-Executive Director. Before joining Letshego, he was Board Chairman of Stanbic Bank (Uganda) Ltd from 2008 where he was a Board member since 2004. Currently, he is the Managing Director of Savannah Commodities Co Ltd, a position he has held since 2004. His current roles include: member of the Board, Airtel Uganda Ltd since 1996 and currently Chairman; Director, Uganda Coffee Development Authority since 2009; Chairman of the Board Capital, Radio Ltd since 2002; Member of the Board, Lion Assurance Company Ltd since 2004.

Hannington's career spans more than 25 years in commodities trading, of which more than 15 years has been at executive level as Group Managing Director for Sucafina S.A Group of Companies, a commodity trading group that operates mostly in East Africa. He previously worked for Uganda Coffee Marketing Board Ltd as Marketing Manager for 9 years.

Appointed to the Board: 2013
Nationality: Uganda
Residence: Kampala, Uganda

DR. GLORIA SOMOLEKAE (58)

Independent Non-Executive Director

Subsequent to 31 December 2015, Dr. G Somolekae was appointed to the Group Human Resources Committee.

BA University of Botswana, MA Public Policy and Administration (Institute of Social Studies) The Hague, Holland, PhD in Public Administration (Maxwell School of Syracuse University) USA

Dr. Somolekae has built an illustrious career spanning over 30 years that has included being in academia, philanthropy (in a private foundation) and the public sector.

As an academic, Dr. Somolekae has expertise in public policy analysis, development management, public sector governance, capacity building, and sustainable development. Her work in the private foundation space involved grant making in a number of areas, including in the area of micro-finance that is an area into which Letshego is increasingly diversifying.

In 2011 she was appointed as a specially elected Member of the Botswana Parliament. This appointment culminated in cabinet appointments as the first female Assistant Minister of Finance and Development Planning, Assistant Minister in the Office of the President and Assistant Minister of Health.

Appointed to the Board: 2016
Nationality: Botswana
Residence: Gaborone, Botswana

CHRISTOPHER LOW (56)

Group Managing Director
Executive Director
Chairman of the Group Management Committee

MA Zoology (Oxford University, St Peters' College), ACA (England and Wales)

Chris was appointed Letshego Holdings Limited Group Managing Director in November 2013.

He trained as a Chartered Accountant with Arthur Andersen & Company (London) before moving to Goldman Sachs (London) as Vice President of Finance. He moved on to Standard Chartered plc where, over an eighteen year period, he held senior positions in Africa and Asia, followed by three years in the role of Deputy Chief Executive Officer at the National Bank of Kuwait's International Banking Division.
Chris has been responsible for start-up businesses, new market entry, customer and franchise development, governance and risk management as well as for consumer and wholesale banking operations. In his role as Group Managing Director of the Letshego Group, Chris is responsible for ensuring the Group meets its strategic objective of becoming a leading African financial services group, committed to financial inclusion.

Appointed to the Board: 2013
Nationality: UK
Residence: Gaborone, Botswana

GROUP MANAGEMENT COMMITTEE

CHRISTOPHER LOW (56)
Group Managing Director
Executive Director
Member of the Group Investment Committee, Chairman of the Group Management Committee
MA Zoology (Oxford University, St Peters' College), ACA (England and Wales)

Please refer to page 29 under Board of Directors for summary

Nationality: UK
Shareholding: 1,453,659
Joined Letshego: 2013

COLM PATTERSON (44)
Group Chief Financial Officer
FCA (Ireland), FCPA (Botswana)

Colm started his career in Ireland at McQuillan Kelly & Co in 1991, where he did his articles and later moved to Green Issacson & Co in 1995, where he was appointed audit senior. Thereafter he worked for Pricewaterhouse Coopers for ten years until 2007 as associate director in the assurance and audit division before joining Letshego as Group Chief Financial Officer.

He has overall responsibility for the Group's financial strategy, which encompasses issues of liquidity and balance sheet management, financial evaluation and reporting as well as support for growth strategies, tax planning and all regulatory compliance and risk issues for the Letshego Group.

Nationality: Ireland
Shareholding: 2,080,587
Joined Letshego: 2007

DUMISANI NDEBELE (49)
Group Head of Governance and Compliance
BAcc Hons, MBA (University of Derby UK), CIMA (UK) FCPA (Botswana).
Member of the Institute of Directors (IoD – RSA), the Information Systems Audit and Control Association (ISACA), and the Institute of Internal Auditors.

Dumi joined Letshego in February 1999 as finance and administration manager and went on to hold several senior positions in the Group before his current appointment as Group Head of Governance and Compliance.

His previous experience includes roles at PricewaterhouseCoopers Zimbabwe and Botswana, Cash Bazaar Holdings Botswana, Anglo American Botswana and De Beers Botswana. He trained with PricewaterhouseCoopers in Zimbabwe for his articles under the Institute of Chartered Accountants of Zimbabwe.

Nationality: Botswana
Shareholding: 3,199,303
Joined Letshego: 1999

MYTHRI SAMBASIVAN-GEORGE (37)
Group Head of Corporate Affairs
FCCA (UK), CIMA (UK), FCPA (Botswana)

Mythri joined Letshego in 2010 as Group Finance Manager with a mandate to streamline operational, process and reporting control and quality across the Group's footprint. This included overseeing the implementation of an integrated banking and financial reporting system from the Group's finance and ICT shared service centre.

In 2014, Mythri moved to Letshego's newly created Group Corporate Affairs function. She is responsible for driving the stakeholder engagement and communications agenda, championing brand equity and directing the Group's corporate social investment. Prior to joining Letshego, Mythri gained over 10 years' experience in the accounting and advisory profession, the last 7 of which were in senior management in KPMG's Audit and Assurance division.

Nationality: India
Shareholding: 895,212
Joined Letshego: 2010

TIM MWAI (58)
Group Head of Human Resources
MSc Agricultural Economics (University of Idaho USA)

Tim has over 24 years' experience in managing human capital.

He was formerly Executive Director of Standard Chartered Bank Kenya as well as Regional Head of Human Resources for Africa. As Regional Head, he was in charge of thirteen African countries. Tim began his career with Unilever as a management trainee, rising to become Head of Human Resources before joining Citibank as the Head of Human Resources, followed by Marshalls East Africa as Director of Human Resources.

After a successful career in the corporate world, Tim entered the consultancy sector and has supported several organisations in aligning their people strategy to their corporate strategy.

Nationality: Kenya
Shareholding: None
Joined Letshego: 2014

TOM KOCSIS (46)
Group Head of Micro Finance and East Africa
BSc Engineering (University of Rochester, New York)

Tom oversees the strategic and operational effectiveness of five country operations, namely Kenya, Rwanda, Tanzania, Uganda and Nigeria as well as heading the microfinance division.

He has over 18 years' experience in retail banking and the financial services industry. Tom began his career in the United States with M&T Bank, before moving to JP Morgan Chase where he grew in the retail banking division until 2008. Prior to his current role, Tom served as Chief Executive Officer of FINCA, a regulated microfinance institution, both in the Democratic Republic of Congo and then Tanzania. He has experience in consumer, microfinance and SME banking operations, deposit mobilisation, delivery channel and product development, and institutional transformation.

Nationality: USA
Shareholding: None
Joined Letshego: 2014

JAMES WAINAINA (49)
Group Head of Customer Experience
BA Hons Maths and Economics (Kenyatta University), various management certificates from eCornell

James joined Letshego in 2015. His primary responsibility is to work with all country teams to inculcate a sales and service led culture that is driven by customer needs. James has twenty four years of experience, primarily in sales and general management functions in the retail and corporate sectors. His most recent role was with MasterCard as Vice President and Area Business Head, East and Southern Africa, where he had overall responsibility for the entire business delivery. Highlights have included driving NIC Group's pioneering launch of the direct interface between bank accounts and the M-Pesa mobile wallet.

Apart from reviewing the look and feel of all customer access points in line with Group-wide sales and service standards, James will also be responsible for ensuring that we develop the right mix of access points and appropriate marketing approaches with a view to increasing market share and improving customer retention.

Nationality: Kenya
Shareholding: None
Joined Letshego: 2015

DUDUETSANG OLSEN-NAMANYANE (38)
Group Head of Technology and Operations
Bachelor of Business (Kent State University, USA) and MSc Strategic Management (University of Derby)

Dudu started her career in 2000 with Deloitte as a Consultant in Columbus, Ohio USA. She relocated back to Botswana in 2003 and transferred to the Deloitte practice in Gaborone where she was instrumental in the establishment of the local Risk Advisory division. She led the practice on technology and operations risk, assurance and advisory engagements of the firm's strategic clients in the financial services sector and other industries. She joined Letshego Holdings Limited as the Group's Business Process Manager tasked with the development and standardisation of the operational policies, procedures and products throughout the Group. She later took on the role of Group Chief Information Officer and was responsible for implementing the Group's Transformation Strategy of centralising and standardising all subsidiary systems and technological platforms into one cohesive integrated core banking system and network.

Nationality: Botswana
Shareholding: 1,022,301
Joined Letshego: 2009

GROUP FUNCTION HEADS

BENJAMIN MUKETHA (50)
Head of Group Microfinance Operations
BA Economics, MBA

Nationality: Kenya
Shareholding: None
Joined Letshego: 2015

BARATI RWELENGERA (38)
Head of Group Internal Audit
AAT, ACCA, ACPA (BICA)

Nationality: Botswana
Shareholding: 648,845
Joined Letshego: 2008

PETER CHADWICK (53)
Head of Group Banking Operations
Master of Business & Technology

Nationality: Australia
Shareholding: None
Joined Letshego: 2015

NEVILLE PERRY (50)
Chief Information Officer
MSc ITM

Nationality: South Africa
Shareholding: None
Joined Letshego: 2016

NOEL MARIMIRA (47)
Group Head of Risk and Assurance
MBA, BBA and B.Com in Risk Management, Associate of the Institute of Bankers (Zimbabwe)

Nationality: Zimbabwe
Shareholding: None
Joined Letshego: 2015

FERGUS FERGUSON (35)
Head of Group Credit Risk
BCom Accounting, MDP

Nationality: Botswana
Shareholding: None
Joined Letshego: 2015

BOIKANYO KGOSIDINTSI (45)
Group Head of Investor Relations
LLB, MDP, Various capital markets and investor relations accreditation courses

Nationality: Botswana
Shareholding: None
Joined Letshego: 2014

CHIEF EXECUTIVE OFFICERS

DOREEN VAN TONDER (64)
CEO, Lesotho
BSc Business Administration / Accounting, MSc Business Administration

Nationality: Lesotho
Joined Letshego: 2013
Shareholding: None

CHIPILIRO KATUNDU (39)
CEO, Mozambique
Bachelor of Social Sciences, MBA Business Leadership

Nationality: Malawi
Joined Letshego: 2013
Shareholding: None

YOHANE KADUMA (41)
CEO, Tanzania (Advans Bank Tanzania)
BEng Hon, Civil Engineering

Nationality: Tanzania
Joined Letshego: 2016
Shareholding: None

CHARLES HLATSHWAYO (38)
CEO, Swaziland
BCom, MBA Business Leadership

Nationality: Swaziland
Joined Letshego: 2016
Shareholding: None

CHARLES NJOROGE (46)
CEO, Kenya
BA, MSc Microfinance, MBA

Nationality: Kenya
Joined Letshego: 2012
Shareholding: None

MBUSO DLAMINI (39)
CEO, Tanzania (Faidika)
BCom, CA (SA)

Nationality: Swaziland
Joined Letshego: 2010
Shareholding: 799,214

JOEL UWIZEYE (33)
CEO, Rwanda
BA Economics MBA Banking and Finance, various professional courses in banking.

Nationality: Rwanda
Joined Letshego: 2015
Shareholding: None

FREDERICK MMELESI (47)
CEO, Botswana
AAT, MBA, Executive Development Programme

Nationality: Botswana
Joined Letshego: 1999
Shareholding: 1,577,013

GEOFFREY KITAKULE (47)
CEO, Uganda
Bachelor of Statistics, MBA Finance, MSc Computer Science, LLM in Information Technology and Telecommunications

Nationality: Uganda
Joined Letshego: 2008
Shareholding: 67,441

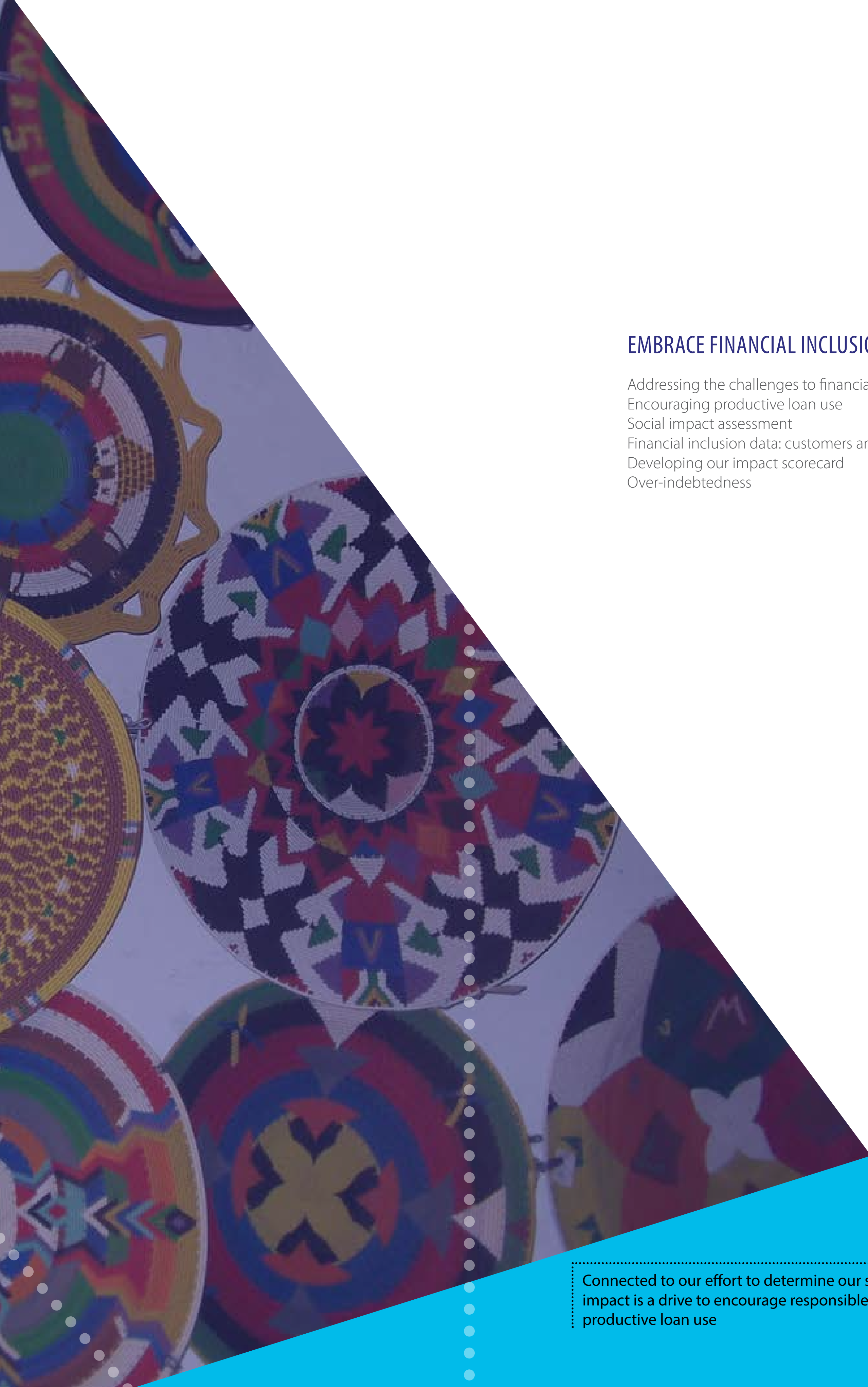
ESTER KALI (48)
CEO, Namibia
MBA, Leadership Development Programme

Nationality: Namibia
Joined Letshego: 2014
Shareholding: None

JOHN EJENAVI OLOGE (56)
Acting CEO, Nigeria
BSc Economics, MBA Management, MSc Petroleum Economics

Nationality: Nigeria
Joined: 2015
Shareholding: None

3 EMBRACE FINANCIAL INCLUSION



EMBRACE FINANCIAL INCLUSION

Connected to our effort to determine our social impact is a drive to encourage responsible and productive loan use

EMBRACE FINANCIAL INCLUSION

Letshego is intent on operating a profitable business on a sustainable basis and is committed to contributing to Africa's growth and prosperity, as well as to improving the lives of its customers.

We recognise that financial inclusion is a catalyst to achieving broad based economic development and poverty eradication. Therefore it is an essential and integrated part of our strategy.

At Letshego, we believe that financial inclusion requires the provision of simple, appropriate and affordable financial services to those who have historically been excluded from the formal financial sector. Most countries in Africa have experienced strong economic growth over the past decade yet this has often not translated into sufficient improvements to the living standards of many on the continent. In part, this is due to the high levels of financial exclusion, the disparate concentration of wealth and high levels of income inequality.

In order for growth to be sustainable, it must be based on social and financial inclusion that addresses the needs of all people, regardless of status, position or financial means.

We understand that tension in financial security can lead to social and political stresses, thereby creating an unstable environment that is not conducive to economic development for the continent. It is this unequal access to financial mechanisms that Letshego wants to address. We want to ensure that we continue to play a pivotal role in the development of the markets we serve and the continent as a whole.

Less than one in four adults in Africa has access to a bank account at a formal financial institution. Also, one out of two African enterprises has no access to credit, micro and small enterprises (MSEs), although they provide for over 58% of employment levels. Further, MSEs generate 33% of the continent's GDP, thus are arguably the lifeblood of the continent.

Meeting this challenge will require companies that are committed to ensuring financial inclusion and that are able to develop innovative products and services. Our 18-year track record of success ensures that we are well-positioned to address enhanced financial inclusion now and into the future.

LETSHEGO AND THE ALLIANCE FOR FINANCIAL INCLUSION

In recognition of our commitment to financial inclusion, Letshego has become the first African private partner to join the Alliance for Financial Inclusion (AFI).

AFI is a global network of financial policymakers from developing and emerging countries working together to increase access to financial services, bringing together policymakers and regulators from over 100 emerging market and developing countries.

We were invited to attend the AFI Global Policy Forum held in Maputo in September 2015. Also, earlier in the year we were invited to speak at the AFI's African Mobile Phone Financial Services Policy Forum (AMPI) forum in Cote d'Ivoire. As an acknowledgement of our continued engagements with regulators and our ongoing commitment to lead industry forums in support of financial inclusion, AFI granted Letshego partnership status in December 2015. This makes us the fifth private sector AFI partner, and the first in Africa.

AFI facilitates various programmes in affordable micro finance, including working groups and an annual global policy forum. These activities result in a better understanding of financial inclusion and related issues due to information interchange and assist in the formulation and implementation of effective policy by members in their home countries.

Our partnership with AFI provides us with a platform to innovate and lobby governments and regulators for improved regulations and enablers for responsible financial inclusion.

THE MAYA DECLARATION

Letshego is largely aligned to The Maya Declaration, a commitment to unlock the economic and social potential of the world's unbanked through financial inclusion.

As such, we commit to delivering concrete financial inclusion outcomes across our Sub-Sahara African footprint by providing sustainable, relevant, cost-effective, and meaningful financial services for financially unserved populations.

Seven of ten countries in which Letshego operates in Sub-Saharan Africa have committed, at a government level, to the Maya declaration as of December 2015.

ADDRESSING THE CHALLENGES TO FINANCIAL INCLUSION

We have identified the following challenges to achieving financial inclusion in Africa, and are making active contributions towards addressing these:

African Development Bank Group, "Financial Inclusion in Africa" Ed. Triki, Thouraya and Faye, Issa, 2013. Available online at: http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Financial_Inclusion_in_Africa.pdf

FIGURE 4

CHALLENGES	STRATEGIC ACTIONS TAKEN BY LETSHEGO
FINANCIAL ILLITERACY	• Piloting a 3-year Botswana financial education campaign • Exploring replication of Botswana financial education campaign model across all Letshego countries • Conducting Group-wide employee campaigns regarding Letshego's focus on financial education • Providing financial education, with related technical assistance to Letshego employees and sales staff
TECHNOLOGY MISTRUST	• Developing new technologies with phased release into Mozambique, Namibia and Rwanda • Implementing new technology education and on-boarding campaigns
INAPPROPRIATE PRODUCTS AND SERVICES	• Evaluating results of, and developing responses to, the results of the market research recently conducted across Letshego countries • Continually incorporating customer feedback into customer value chains • Reviewing products internally by the Group Innovation and Change Committee of Letshego to inform development of appropriate products and services within each country • Aiming to digitise very low-value transactions, in commercial terms
FUNDING AND LIQUIDITY	• Commencing the establishment of an ESG and sustainability framework, including sustainability strategies and quantification measures • Dialoguing with impact funders regarding ESG and sustainability issues, and sharing emerging ESG findings
POOR FINANCIAL AND GOVERNANCE INFRASTRUCTURE	• Collaborating with MNOs and other distribution channels is a constant focus • Advocating for Central Registries and other private sector interventions to improve financial sector governance in all Letshego countries has continued through the year
OUTDATED OR 'WORK IN PROGRESS' REGULATIONS	• Advocating for improvements in regulations continues • Advocating through the Alliance for Financial Inclusion (AFI) will now commence subsequent to Letshego being granted Private Partner status by AFI in December 2015
LIMITED PHYSICAL INFRASTRUCTURE	• Continuing advocacy for physical infrastructure development • Supporting water tank, bio-gas and solar products through our financial products • Driving "hub and spoke" sales delivery model

EMBRACE FINANCIAL INCLUSION (CONTINUED)

Financial illiteracy
One of the core financial inclusion themes is the inadequate level of financial literacy and skills on the African continent. Financial literacy is more than simply understanding how money works; it is the ability to comprehend the power of effective and prudent financial management and how to access and use money in productive and value creating ways. Financial literacy is at the core of responsible and ethical lending practices.

Given this, Letshego is implementing programmes to address financial education for customer-facing staff and a Group-wide campaign to improve financial skills amongst our customers and the general public.

In November 2014 we embarked on a three year financial literacy campaign in Botswana. The purpose of this campaign is to impart the basics of personal financial management such as budgeting, financial planning and discipline in order to promote prudent financial management practices. Lessons learned from this process will be leveraged across the Group.

Technology mistrust
Many segments of our market have high levels of technology mistrust; in order for us and our customers to be successful we need to address this issue.

Education and the gradual release of new enabling technologies, initially in Mozambique, Namibia and Rwanda, will help to address this issue. This approach will build market confidence and trust as well as knowledge of how to leverage technology to enhance financial access.

That being said, we recognise that the African population is a youthful one and therefore believe that transitioning to enabling technologies will be relatively smooth.

Inappropriate products and services
We conduct regular product and market research and we pay special attention to customer feedback in order to ensure that we provide simple, appropriate and affordable products that are flexible and convenient to access.

Funding and liquidity
We embrace an environmental, social and governance (ESG) strategy as part of building dialogues with impact funders. This will drive Letshego's status as a market leader and enable us to leverage our commitment to social performance through provision of more cost-effective impact investment. For more details see ***Sustainability and social impact*** and ***Diversification of funding sources*** below.

Refer to page 57.

Poor financial and governance infrastructure
In our new role as a private-sector partner of the AFI, we intend to advocate for greater public-private dialogue on financial inclusion policies that address implementation issues across sub-Saharan Africa.

We are exploring how to implement collaboration opportunities with strategic partners, such as mobile network operators (MNOs) and third party agents, to address the challenges of poor financial infrastructure and low levels of market access.

We continue to work directly with governments to introduce Central Registries (in countries where these are lacking) to improve financial sector governance and customer protection. Higher levels of transparency and centralised customer information will lead to greater protection against over-indebtedness for our customers, a key focus area for Letshego as part of our responsible lending approach.

Outdated regulations
We lobby for improved regulations that provide for consumer protection and affordability, as well as for regulatory frameworks that promote cross-sector collaboration between microfinance institutions, banks and MNOs. In this way we aim to achieve appropriate amendments to existing regulations that currently prohibit access to, and drive up the cost of, financial services.

Limited physical infrastructure
Limited physical infrastructure remains a barrier in extending access to financial services, particularly in rural and remote areas. As such, we are developing a 'hub and spoke' strategy which allows our sales staff to travel to remote areas to provide our services. In addition, our proposed model of enabling access through innovative technological solutions such as mobile telephony and the use of third party agents will bypass the need for legacy infrastructure to address the needs of those with limited, or no, access to financial services.

Recognising that there are specific needs for many of the rural unbanked, we are developing a range of innovative products that provide an easy transition to using financial services, while at the same time providing customers with much needed development-aligned products. Since 2012, for example, we have been providing finance for water tanks and electricity generation through solar power as well as for a biogas product aimed at dairy farmers in rural East Africa. We aim to scale these products up over time, where relevant, to further enhance our contribution to development outcomes.

ENCOURAGING PRODUCTIVE LOAN USE

From August 2013 through April 2015 we conducted a brand awareness and usage study with over 3,800 respondents in nine countries to determine how our customers use the finance that we provide.

The study was almost entirely based on our consumer finance operations, though it included some findings from our microfinance operations in Kenya and Rwanda. We wanted to understand whether funds are used for productive or consumptive purposes and the value our customers have been able to derive from having access to our solutions.

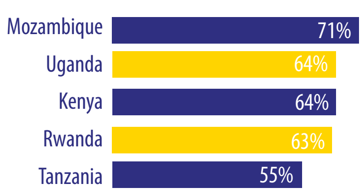
The study found that our Mozambican customers were most likely to use funds productively, that is, for uses such as education, healthcare and business expansion. At the same time, we gained

insight into the fact that our customers in Botswana, Lesotho, Namibia and Swaziland were less inclined to use funds for productive purposes.

Such insights inform our strategic decision making and have enabled us to shape methodologies to protect our customers against becoming over-indebted, and to encourage productive loan use.

This study will form the basis and platform for further research; we are determined to track our social performance since it is critical to our business model. It is not enough, in other words, to report simply on our financial performance as this tells only half our story. Instead, we are developing programmes to track, monitor, report and improve our performance against our social goals on an ongoing basis – we look forward to sharing the results of this in due course.

PRODUCTIVE USE OF LETSHEGO FINANCE



We aim to encourage productive loan use amongst our customers by:

- Rolling out our 'Improving life' campaign across the Group, that was pioneered in Tanzania from 2011. This is a competition to reward productive use, where customers are invited to tell their story and receive financial rewards based on how they have used funds to improve their lives and the lives of those in their communities.
- Continuing to work with our customers to ensure that they use funds productively and create long-term value.

Encouraging productive loan use reduces the risk of default – independent studies conducted by our ESG consultants demonstrate that customers who use loans for productive purposes are more likely to repay their loans than those who use them consumptively. A similar study conducted by Faidika in Tanzania demonstrated that, if a loan had been utilised productively, there was a 100% probability of repayment.

We share customer stories in this report for insight into how the Letshego model has the ability to improve lives.

Refer to pages 65-67 and page 91.

SOCIAL IMPACT ASSESSMENT

While improving living standards is recognised as an end in itself, we seek to demonstrate to our funders, and indeed to all our stakeholders, that we actively work to align our financial inclusion goals with our financial ambitions, delivering sustainable shareholder returns.

Social impact reporting will provide Letshego with various benefits as outlined in the section below.

Maintaining a social licence to operate

The ability to defend our business model against potential critics will be enabled through accurate, quantitative and qualitative data pertaining to our social impact. NGO watchdogs and the media are increasing their demands that microfinance and loan operators prove that they are advancing the financial inclusion agenda and not contributing to an environment of over indebtedness and poverty. Demonstrating market leadership in terms of transparent reporting on social performance and steps taken to improve in this regard should set Letshego apart from competitors, enhance trust and therefore increase our market share.

Additionally, a social licence to operate will ensure that we can access new markets, leveraging our respected brand to tell our story and improve life.

Product innovation and market share

Since the global financial crisis in 2008, there has been growing consensus that stronger consumer protection, together with better financial education, is an essential pillar of financial stability.

Monitoring the impact of our operations on our customers' lives can therefore create opportunities for innovation, differentiation and the development of responsible lending products – all these are important drivers for sustainable growth.

Productive use is defined by us as loans being used for business purposes including working capital, housing, education, insurance or asset-backed purchases.

EMBRACE FINANCIAL INCLUSION (CONTINUED)

Contributing to social outcomes is no longer a choice but an imperative and those companies that adopt this approach should find themselves at an advantage versus competitors through reduced costs of doing business and growing market segments.

Reduced cost of capital
The ability to demonstrate our impact through independently verified quantitative data should increase our eligibility for development and other impact finance channels, thereby improving our margins and Profit before Tax, as well as enabling us to make our services more affordable to our customers.

Reduced credit risk
By learning more about our customers we aim both to enhance social impact and reduce credit risk.

Quality customer data leads to increased customer insights and improved decision-making. It is obvious that we are able to reduce our risk by learning more about our customers. We seek to leverage social data that we gather in order to defend our non-performing loan rates, as evidence suggests that customers using loans productively are less likely to default.

Therefore, connected to our efforts to determine our social impact is a drive to encourage responsible, or productive, loan use.

FIGURE 5: CUSTOMERS AND ACCESS DATA

	2010	2014	2015
COUNTRIES	7	10	10
CUSTOMERS (GOVERNMENT PAYROLL)	118,300	231,559	248,000
CUSTOMERS (PRIVATE PAYROLL)	2,640	5,018	19,000
CUSTOMERS (MSE)	0	28,688	33,000
CUSTOMERS (SAVERS)	0	1,310	100,000
BRANCHES	75	99	114
SATELLITE OFFICES	36	149	154
DEPOSIT LICENCES	0	2	4

DEVELOPING OUR IMPACT SCORECARD

In line with our strategic intent to be a leading African financial services group and in the face of pressing developmental challenges in Africa, we have recognised that sustainability lies in our ability to manage our risks from a holistic point of view. This includes the identification of relevant Environmental, Social, and Governance (ESG) related risks.

FIGURE 6: AN INDEPENDENT ESG CONSULTING FIRM CONDUCTED AN ENVIRONMENTAL AND SOCIAL DUE DILIGENCE (ESDD) ON LETSHEGO IN 2015. THE ESDD ASCERTAINED OUR LEVELS OF COMPLIANCE WITH THE FOLLOWING STANDARDS

- The IFC Performance Standards
- The IFC Interpretation Note on Financial Intermediaries
- The United Nations Environmental Programme Statement of Commitment by Financial Institutions on Sustainable Development
- The United Nations Global Compact
- The Centre for Financial Inclusion SMART Campaign Client Protection Principles
- International Labour Organisation Core Labour Standards

No red flags were identified and we were classified as a Category FI-3 investment according to the World Bank and IFC Guidelines (Interpretation Note on Financial Intermediaries). Category FI-3 means that our operations (both existing and proposed) include financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.

A detailed Environmental and Social Action Plan (ESAP) was produced in conjunction with the report in order to assist us in the prioritisation and management of our environmental and social risks.

Going forward, we will introduce subsidiary-relevant metrics and an assessment framework into our operating model to monitor our social impact. These parameters will be included in performance metrics and will allow Letshego to develop and adopt an impact scorecard.

EMBRACE FINANCIAL INCLUSION (CONTINUED)

OVER-INDEBTEDNESS

We recognise that there is an obvious tension between financial inclusion and over-indebtedness – to address this, we are committed to responsible and ethical lending. We are in the process of preparing for a compliance audit against the Centre for Financial Inclusion SMART Campaign Client Protection Principles. These principles are presented below.

FIGURE 7: SMART CAMPAIGN CLIENT PROTECTION PRINCIPLES

PRINCIPLE	SELF-ASSESSMENT
APPROPRIATE PRODUCT DESIGN AND DELIVERY	Our business is built on personal relationships. To this end, our loan officers regularly visit customers to understand their individual needs and circumstances in order for us to provide solutions tailored to specific needs. We seek to provide simple and affordable solutions that can be accessed anytime, anywhere.
PREVENTION OF OVER-INDEBTEDNESS	We are fully compliant with all national affordability legislation. In countries where we do not believe the legal minimum to be adequate, we enforce stricter affordability criteria. We provide debt counselling and consolidation services. All our sales staff are appropriately trained to provide sound financial care.
TRANSPARENCY	Our pricing terms and conditions are clearly displayed on all loan contracts and these are explained verbally to customers as well. There are no hidden costs.
RESPONSIBLE PRICING	Our prices are benchmarked against industry norms and determined by local circumstances, both market and regulatory.
FAIR AND RESPECTFUL TREATMENT OF CLIENTS	Our business model is centred on enhancing the customer experience and to this end we treat our customers fairly and respectfully and maintain the highest standards of customer service within our organisation. Our debt collection techniques (both internal and external) are not aggressive or abusive.
PRIVACY OF CLIENT DATA	Our IT systems are fully compliant with country-specific national legislation and international standards in terms of data privacy and protection.
MECHANISMS FOR COMPLAINT RESOLUTION	We have formal processes in place to ensure the timeous and appropriate response to any and all customer complaints.

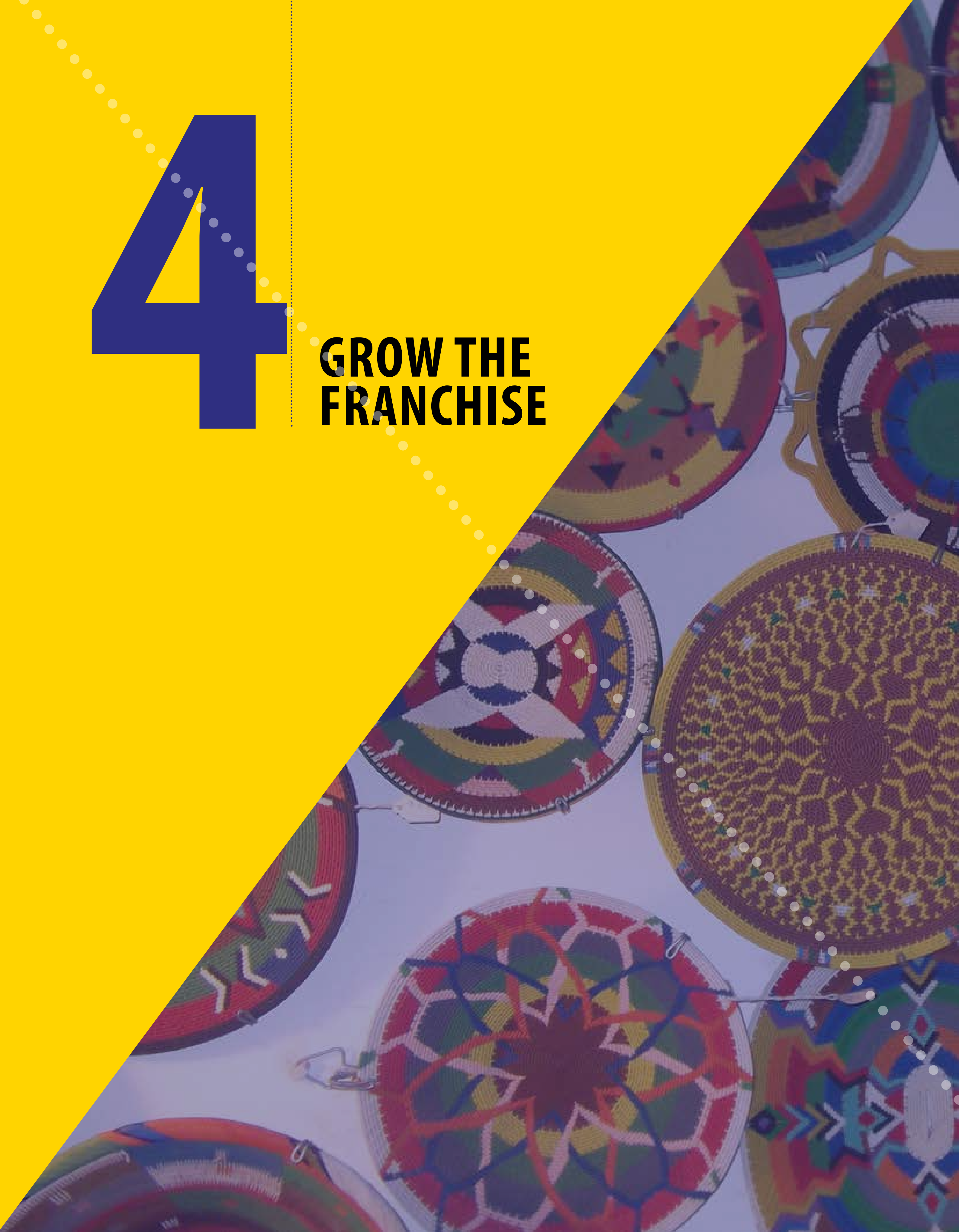
We have designed, and constantly update, our policies and customer approach principles that provide for affordable finance and improve the lives of our customers, without them acquiring unserviceable and spiralling debts.

- We abide by all government-prescribed affordability criteria and all local interest rate cap laws. Additionally, in some countries, like Namibia and Botswana, we go beyond minimum regulatory requirements and impose stricter affordability criteria than legislated.
- We develop a good relationship with governments and regulators to enable us to provide input on policies and regulations that may affect our customers and operations.
- We look to implement financial literacy campaigns to provide our customers with information to help them in managing their financial health.
- We have championed the introduction of central register systems that limit the amount and number of loans that customers can apply for.

His Excellency Prince Lonkhokhela (Director of Letshego Swaziland), Charles Hlatshwayo (CEO Letshego Swaziland) and Fred W. Mmelesi (Letshego Group Head of Consumer Division) presenting a ccontribution to Swazi National High School

4

GROW THE FRANCHISE



In order to spread risk on our balance sheet through diversification, we are also working towards building new capabilities

GROW THE FRANCHISE

GROW THE FRANCHISE

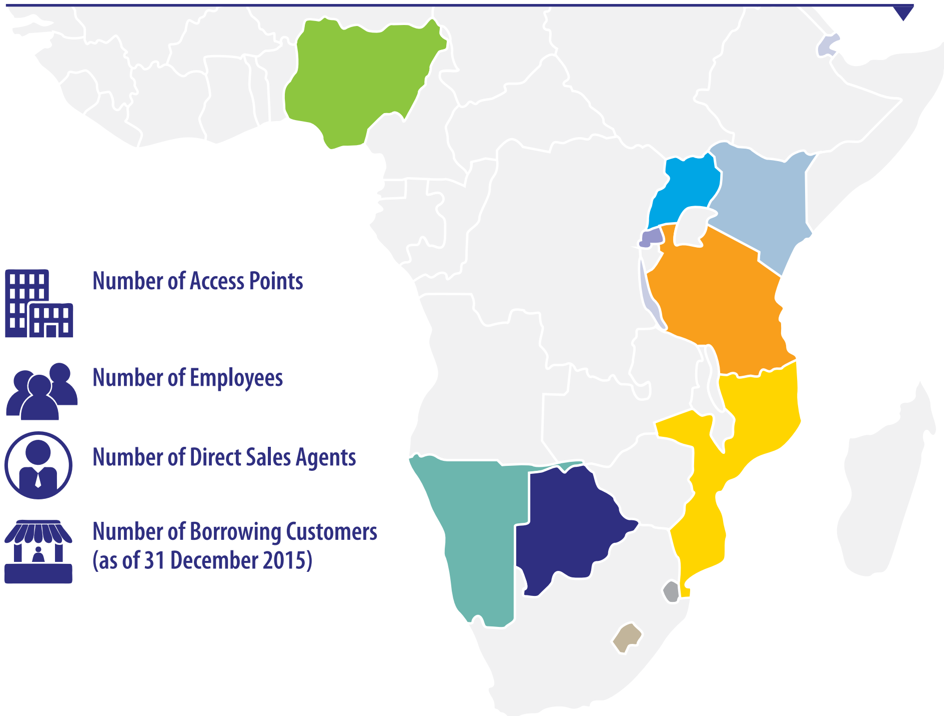
Letshego's brand and balance sheet have been built on providing loans to government employees in the countries in which we operate. Our success with this deduction at source model has allowed us to expand into adjacent sectors and to initiate geographic and revenue diversification strategies.

We are investing in building capabilities to drive future revenues and deliver on our financial inclusion goals.

This includes a focus on further growth in our consumer finance (deduction at source) business, which comprised 89% of our business in 2015.

However, in order to spread risk on our balance sheet through diversification, also we are working towards building new capabilities, including microfinance, savings and transaction services.

FIGURE 8: LETSHEGO IN 2015: GEOGRAPHIC EXPANSION AND FINANCIAL INCLUSION



Country	Access Points	Employees	Direct Sales Agents	Borrowing Customers
BOTSWANA	15	109	129	38 000
NAMIBIA	16	67	15	56 000
UGANDA	46	231	140	43 000
KENYA	25	222	118	28 000
RWANDA	8	105	31	4 000
LESOTHO	5	32	0	7 000
SWAZILAND	3	20	0	5 000
MOZAMBIQUE	12	165	38	59 000
TANZANIA (FAIDIKA)	105	83	282	45 000

NEW ACQUISITIONS

Country	Access Points	Employees	Direct Sales Agents	Borrowing Customers
NIGERIA	28	328	0	10 000
TANZANIA (ADVANS)	5	230	22	3 000

CONSUMER FINANCE DIVISION UPDATE

The consumer finance (deduction at source) division comprises our unsecured lending operations to both civil servants and employees of private and parastatal companies.

Letshego was built on the success of our consumer finance lending operation and we will continue to look for opportunities to expand and augment the customer propositions of this model.

At 31 December 2015, consumer finance advances increased 6% to BWP6.3 billion. BWP2.4 billion was disbursed in new loans during the year and overall portfolio yields were maintained, despite competitive market conditions.

We gained considerable market share in our consumer finance lending operations. In Namibia we increased by 6% compared to 2014, and now enjoy a 56% market share. In Mozambique we hold a 20% market share (up from 17% in 2014).

These two subsidiaries are now jointly contributing 40% to our customer advances book of BWP5.8 billion. Loans and advances in our home market of Botswana increased by 7% to BWP2.2 billion, despite strong competition.

Our Southern Africa subsidiaries (Botswana, Lesotho, Mozambique, Namibia and Swaziland) remain almost exclusively focused on consumer finance and continue to demonstrate strong performance, collectively contributing 83% to the Group's profit before tax of BWP1 billion.

In East Africa, our Kenyan operation continues to grow its consumer finance book as a result of a strategic focus to grow this division. When purchased in 2012, Micro Africa Limited, now Letshego Kenya Limited, only provided microfinance services; however, we leveraged our experience in the consumer finance division to rapidly expand with these operations now contributing 30% to the subsidiary's loan book. As part of our strategic push to expand this division in the Kenyan market, we transferred two experienced employees, one from Botswana and one from Faidika, to Kenya to help set up and expand the government consumer finance business. Also, we seconded an experienced employee from Botswana to Lesotho and have seen similar growth this year in the Lesotho subsidiary, with the loan book increasing by 46% in local currency terms in 2015.

Our consumer finance operations continue to provide high growth opportunities, with government departments across our footprint broadly demonstrating increased employment numbers.

Currently, we operate consumer finance in eight of our ten countries, and our East and West African subsidiaries present opportunities to spur further growth.

We have begun, and intend, to continue to partner with high-performing private companies in the agriculture, education and healthcare sectors who share our financial inclusion agenda. Appropriate due diligence will be done on each employer to determine the risk levels of these customers, to limit over-indebtedness and to protect our balance sheet. In 2015, we piloted a housing loan facility to provide housing finance through deduction at source to low-income individuals in the mining sector via Botswana. This now accounts for 10% of Botswana's loan book.

Ongoing geographic and product diversification are expected to continue to grow the balance sheet going forward. Figure 9 below demonstrates the strong growth of our underlying regional loan portfolio.

FIGURE 9: STRONG GROWTH OF UNDERLYING REGIONAL LOAN PORTFOLIO

	Letshego's market penetration as at 31 December 2015	Government employees (i000)	Current Loan Book USD mn	Payroll	Non- Payroll	% of Book	Loan growth from prior period in BWP	Loan growth from prior period in local currency
Botswana	21% 23%	181	194	100%	-	34%	7%	7%
Kenya	2%	700	36	30%	70%	6%	110%	93%
Mozambique	20% 17%	300	96	100%	-	17%	-4%	20%
Namibia	56% 50%	100	126	100%	-	22%	-2%	19%
Tanzania	9% 8%	500	36	88%	12%	6%	14%	14%
Uganda	10% 10%	300	26	60%	40%	5%	14%	19%
Swaziland	12% 13%	42	13	100%	-	2%	-5%	11%
Rwanda	N/A	200	15	-	100%	3%	62%	42%
Lesotho	14% 12%	50	23	100%	-	4%	32%	46%
Nigeria	N/A	3400	6	-	100%	1%	100%	-
Total			**571**	**89%**	**11%**	**100%**	**14%**	**18%**

GROW THE FRANCHISE (CONTINUED)

MICROFINANCE DIVISION UPDATE

Letshego diversified its offerings in 2012 through the acquisition of Micro Africa Limited in East Africa. This entity provided loans to micro and small enterprises (MSEs), groups as well as low to middle income earners. Since 2012, the MSE portfolio has steadily increased to add significantly to our advances – as at 31 December 2015, the microfinance portfolio increased 102% to stand at BWP710 million. Microfinance contributed 11% to total assets in 2015, up from 6% in the previous period, with loan books growing by 110% in Kenya and 62% and 13% in Rwanda and Uganda respectively.

Our growth in this sector can be attributed to

- A strategic-led focus on revenue diversification, with particular concentration on the microfinance sector.
- The development of a future capability model, providing diversified service offerings to our customers, such as group loans, housing microfinance and asset loans (e.g. biogas loans to farmers, energy efficient 'jiko' stove loans, solar power loans and water tank loans).
- The appointment of a Head of Microfinance in February 2014, to accelerate this transition and manage the change process across the organisation.
- A medium to long-term engagement with microfinance management consultants, to provide operational and management support to our microfinance acquisitions during the transition phases and beyond.

We see opportunities to develop our microfinance operations further, particularly in East and West Africa, and in 2015 acquired two assets in line with this agenda, one in Tanzania and one in Nigeria, as described in the Group Managing Director's Review.

Refer to page 23.

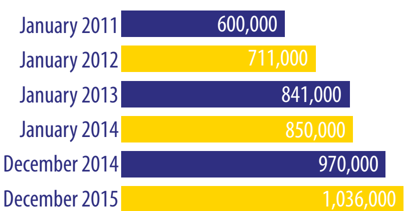
Our Rwandan subsidiary remains exclusively focused on microfinance operations. This takes the number of countries where we provide microfinance services from three to five.

CONSOLIDATED FINANCIAL PERFORMANCE

2015 has been another year of growth for Letshego and profit before tax exceeded BWP1 billion for the first time.

The Group continues to deliver on its strategic agenda towards creating a leading African financial services group, with a focus on responsible lending to achieve financial inclusion. We are fully committed to ethical standards and full regulatory compliance in all our countries of operation.

GROUP PROFIT BEFORE TAX (BWP'000)



We have delivered good financial performance by ensuring that we grow in a sustainable manner, with total revenues for 2015 exceeding BWP2 billion. Interest income rose 10% to BWP1.7 billion and fee, commission and other income increased by 14% to BWP257 million.

Underlying profitability is up by 5%, excluding foreign exchange differences. Profit after tax for the Group totalled BWP768 million in 2015.

The Group has continued to grow its market shares, and maintains good asset quality with impairment losses at 2.3% of the total loan book. While impairments increased 39% in absolute terms, on a total cost of risk percentage basis, 2.3% is aligned with the Group's appetite of less than 3%. This underlines our continued focus on maintaining high levels of credit quality and demonstrates that growth in our loan book has not compromised the quality of the book. Further, our low cost of risk is testament to our responsible lending philosophy and ensuring that we know and understand our clients and their needs.

Asset quality
Non-performing loans as a percentage of the total loan book is 5.5%, well within industry benchmarks and continues to be managed adequately. Payroll deduction continues to be our main lending channel, with housing finance and MSE secured lending continuing to drive diversity and growth on our balance sheet without deterioration in asset quality.

Impairment methodology
We hold a 100% provision on our non-performing book and a 25% provision on portfolio at risk. A three year historical loss rate average is held as provision on the performing book to cover for future expected losses.

LOAN BOOK GROWTH OF

110%

IN KENYA

Letshego team members playing 'The Riskiest Link' at the Leadership Conference

Risk mitigation

Comprehensive insurance is in place in Mozambique, Namibia and Swaziland that covers loss of employment, life and other possible risks we hold on our portfolio. Death and disability covers are in place in Botswana, Kenya, Lesotho and Rwanda. Collections and recoveries infrastructures have been strengthened across our markets to further improve portfolio performance, including the appointment of a Credit Risk Manager for the Group in 2015.

Our risk management agenda has been focused on strong controls, effective decision making and accountability. An enhanced Enterprise-wide Risk Management (ERM) framework has been reviewed and approved at a Board level during 2015. The ERM framework provides minimum requirements for sound risk management practices, with the primary aim of establishing an integrated approach to managing risk, one that identifies, measures, monitors, controls and mitigates risks. The framework includes the implementation of Risk and Control Self-Assessments, Key Risk Indicators, Operational Risk Incident Reporting and Risk Registers. Also, it covers the environmental, social and governance (ESG) framework. Each risk is assigned an owner at Group level with CEOs owning all risk types at a country level.

Internal controls are established for adoption by countries and effective preventative, corrective and detective controls are in place to reduce the scope of identified risks:

1. Strategic: Including reputational risk and customer complaints
2. Financial: Including capital risk, credit risk, liquidity risk and market risk, with forex risk and interest rate risk, included in the latter,
3. Operational: Including process risk, IT risk, people risk, health and safety and fraud risk
4. Compliance: Including regulatory, legal, asset and liability management and environmental, social and governance risks.

Credit risk management

Our modest cost of risk reflects the Group's cautious approach to lending.

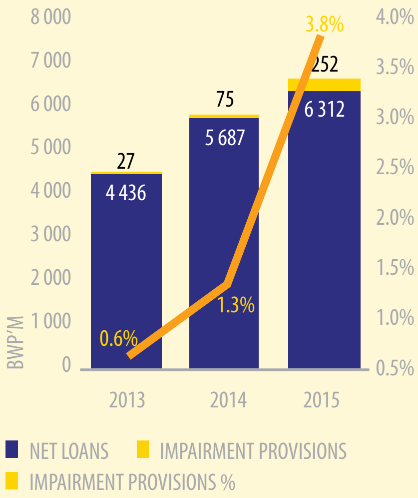
Our impairment provision methodology continues to be strengthened, resulting in an overall increase in provision levels. We continuously review our basis for identifying and estimating our credit risk arising at an institutional or employer, product and customer level. Also, as a result of our growing exposure to microfinance, we are adopting a more conservative and rigorous credit risk methodology with regards to customer employment risk.

Overall loan book quality remains within our risk appetite of less than 3%, with impairments as a percentage of advances maintained at 2.3%. Our approach to credit risk in our microfinance division has so far proved successful, with a 30 day portfolio at risk maintained at less than 2%, despite a 110% loan book growth, in Kenya.

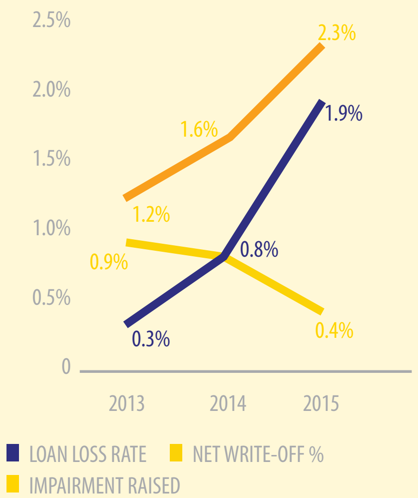
As above, we have strong risk mitigation with comprehensive credit insurance cover in Namibia, Mozambique and Swaziland, further improving the recovery experience in those markets.

The Group operates a captive cell which provides underwriting services to the Group on all Namibia, Mozambique and Swaziland domiciled customer loan balances on which premiums are fully paid. Loss events that qualify as life risks, such as death and disability, are insured through this cell. Monthly premiums are collected from customers by the Group and are paid into the insurance cell.

IMPAIRMENT PROVISIONS



COST OF RISK



DIVERSIFICATION

In 2015 we have successfully expanded our geographic footprint, leveraged a number of strategic partnerships, diversified our revenue and funding sources, acquired and harmonised skills and have commenced the process to implement ESG monitoring and compliance.

Also we have added our first West African country to our footprint, as well as an MSE-focused commercial bank in Tanzania, to integrate into our existing consumer finance business. This has taken our customer access network from 248 at December 2014 to 268 at December 2015.

We continue to focus on building internal capacity to deliver on our diversification goals and drive future revenues, both in terms of expanding our existing payroll capacity and capability and in terms of branching into new business lines, including microfinance and transaction services.

Diversifying beyond the consumer finance (deduction at source) model will allow us to:

- Diversify and protect the balance sheet
- Leverage new opportunities identified in the microfinance and deposit-taking markets
- Advance our financial inclusion agenda across the continent, which includes providing access to rural and underserved areas
- Extend our customer base beyond government employees

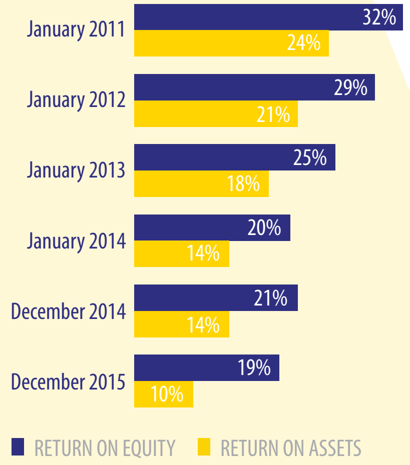
Revenue diversification is one aspect of our growth trajectory; however we understand that this has to be balanced with prudent financial management and maintenance of our cost structures.

This strategy has paid dividends as our margins are consistent with the previous period and our cost to income ratio was maintained at 29%.

Return on assets (ROA) remains very competitive at 10% and is within short term targeted levels.

Also, Return on equity (ROE) was within short term targeted levels at 19%. While both our ROA and ROE have decreased against our previous year's performance, this is expected as we build capacity for our continued expansion and put the mechanisms and assets in place to support our growth aspirations.

RETURN ON EQUITY AND RETURN ON ASSETS



Mergers, acquisitions and divestment

Geographic expansion is a key component of our diversification strategy. Between 2010 and 2015 Letshego's footprint expanded from seven to ten countries, resulting in solid growth for Letshego. We will be considering other countries across Africa for further expansion as part of our five-year strategy.

Letshego's recent acquisitions of Advans Bank Tanzania (ABT), and entrance into the West African market, with FBN Microfinance Bank (FBN MFB) in Nigeria, provide us with the requisite deposit-taking licences that will allow us to provide broader based financially inclusive services in the future.

ABT is a business with a commercial bank licence enabling deposit-taking capabilities. In addition, ABT has an agency banking licencing and a mobile phone Unstructured Supplementary Service Data (USSD) code. We plan to extend our existing Tanzanian expertise into the microfinance space that will see the diversification of solutions to our customers, including our existing Faidika payroll customers. Opportunities for collaboration between the two entities will be leveraged. We have partnered with a management consulting firm that specialises in microfinance in Africa to ensure a smooth transition to diversification and to build long-term internal capacity in terms of managing the microfinance division of our operations in Tanzania.

FBN MFB is one of seven microfinance banks in Nigeria holding a national microfinance banking licence and provides us with the ability to offer deposit-taking services.

Our expansion into developing markets provides opportunities for growth and we recognise that these are often accompanied by unique and diverse risks. In order to mitigate these risks we seek opportunities in countries that typically offer:

- Governments with a clear and established financial inclusion agenda
- Potential partners that can collaborate with us to provide accessible and appropriate products to our customers

We recognise, however, that decision making in such strategies is iterative. Having acquired an asset in South Sudan, through our acquisition of Micro Africa Limited Group in 2012, we made the decision in 2014 to divest from this market, as reported in our previous year's report. The market was not deemed conducive to our strategic agenda due to a poor outlook in the short to medium term around the creation of a sustainable business model. The operation was sold as a going concern to a European-based development finance institution – this has allowed for the customer base to continue to be serviced and for the staff to retain their employment.

Leveraging strategic partnerships for sustainability

The leveraging of strategic alliances with established, experienced and reputable partners within existing and potential markets is an integral part of our diversification strategy.

In the last 18 months, we have entered into several partnerships and alliances that will add to our customer base, enhance our product and solution offerings, broaden our access channels, deepen our financial inclusion agenda and diversify our funding sources, as well as provide for additional opportunities in the future.

Our strategic partners have the requisite experience, capabilities and influence within the markets in which they operate. Partnering with them therefore offers numerous synergies to Letshego, including:

- **Manufactured capital** - Access to established infrastructure, technology and access channels
- **Human capital** - Staff and management with relevant experience and capabilities
- **Financial capital** - Access to capital, a reduced cost to income ratio and investment
- **Intellectual Capital** - Licences, rights, software, organisational systems, procedures and protocols
- **Social and relationship capital** - Positive stakeholder engagement, brand advocacy, communities, customers, government relationships and employees
- **Natural capital** - innovative 'green' solutions provided to our customers, such as biogas loans for dairy farmers, water tanks ('Maji Nyumbani') loans, energy efficient ('jiko') stove loans and solar power loans

Governments and regulators

We work closely with government and regulators, where appropriate, to facilitate and advocate for the enhancement of regulatory frameworks that are conducive to building our business and the financial services sector, to promoting responsible lending and to achieving integrated financial inclusion.

As such, we see ourselves as helping to drive advocacy for enhanced access to financial services for segments of the population who were typically excluded therefrom.

We are an active corporate citizen and have provided governments and regulators with assistance in regards to the following activities, over a number of years:

- The development of a local Central Register for the Botswana regulator: we were at the helm of advocating for an independent central register in Botswana through a transparent process of Government consultation, resulting in the incorporation of BOTUSAFE, Botswana's first central registry in 2006.
- The establishment of the Botswana Micro Lenders' Association: further to the need for a Central Registry, we lobbied with our industry counterparts for the formation of a forum to create responsible practices with our regulators and markets.
- Input into the draft regulations for Credit-Only Financial Institutions in Lesotho: we made a series of contributions to the drafting of the 2010 regulations, that have since gone on to form the basis for new deposit-taking regulations in Lesotho.
- The establishment of a Central Register for The Kingdom of Swaziland in 2011.

The Alliance for Financial Inclusion (AFI)

We will leverage our partnership status to share our experience in successfully establishing and growing businesses in diverse and challenging economic climates to enhance and inform policy decisions. In particular, areas of commercially sustainable microfinance, digital financial services and data measurement and trend identification offer significant opportunities for Letshego to share intellectual capital, while lobbying for enabling regulatory reforms.

Partnerships such as these, that bring together similar agendas, while playing to our respective strengths and creating momentum for growth and development in Africa are central to our business ethic.

Mobile Network Operators (MNOs)

MNOs provide the infrastructure, technology and channels to market that enable us to provide mobile financial services to our customers. This is in line with our strategic objective of providing "Access, Anytime, Anywhere."

The importance of mobile technology to the African financial services sector cannot be overestimated and is increasingly becoming the most effective way to provide financial services to the population. In sub-Saharan Africa, where access to formal financial services is hampered by transport and infrastructure constraints, mobile banking has expanded to 16% of the market and has the potential to significantly expand financial inclusion.

12% of adults in sub-Sahara Africa have a mobile money account compared to just 2% globally. Kenya leads with mobile money account ownership at 58%, while Tanzania and Uganda both have penetration rates above 35%. 13 countries in the region have mobile money account penetration of 10% or more. In Cote d'Ivoire, Somalia, Tanzania, Uganda, and Zimbabwe, more adults have a mobile money account than an account at a financial institution. In Kenya, more than half of adults who pay utility bills use a mobile phone to do so and in Tanzania, almost a quarter of those receiving payments for the sale of agricultural products do so into a mobile account .

In line with these trends we have entered into partnerships to deliver the following:

- In late 2015, we launched a Kenyan e-loan service using USSD, a technology that allows users to access various services through the use of short codes. This was well received and to date more than BWP12 million has been disbursed into 21,000 loan accounts through this mobile financial service, primarily to low-income MSE customers.
- In Mozambique we are working on a partnership with a leading MNO to provide mobile solutions to our customers and enable them to access financial services and apply for a loan 'Anytime' and 'Anywhere'. This is expected to commence in 2016.

We will continue to identify additional MNOs and other strategic partners to collaborate with in order to improve on, and deliver, compelling customer propositions across our markets.

Agency channels
Agency Channels refer to access points and third party entities with established infrastructures that enable us to access markets that we do not typically serve, at a reduced cost. By leveraging these strategic partnerships, we are able to serve our customers while defending and improving our low cost to income ratio (29% in 2015) and at the same time delivering on our growth agenda.

Supporting rural inclusivity, these savings can in turn be passed on to our customers and provide us with a competitive advantage.

We will continue to partner with local companies such as MNOs, retail distribution chains and post offices to provide access to financial services in our markets. Also, we have begun to identify other potential partners in strategic locations and see this as a unique opportunity to compete with institutions that typically have larger and less flexible infrastructure to maintain, thereby putting greater pressures on their ability to deliver on inclusive financial services.

This enables us to be more cost efficient, adaptive and provide more personalised services at significantly competitive rates.

Industry and service partners
Our partnership strategy includes the establishment of relationships with companies supplying products and services that encourage productive borrowing and offer added value to our customers. For example, we are looking to partner with credit card operators to rollout card-based services across our markets, where relevant. Such partnerships will set a precedent for future collaborations, with lessons learnt from these engagements being leveraged across the Group, thereby reinforcing our institutional knowledge and driving down costs through economies of scale and scope.

Advisory and business support partners
We have engaged a number of industry leading consultants to provide expert technical assistance during our growth stage. These include:

- An emerging market microfinance management and consulting company that is assisting with management and integration of our microfinance operations
- An ESG and sustainability advisory firm that is assisting us to manage our ESG risks and impacts and in particular on delivering on our financial inclusion goals and to measure our performance against these
- A global IT service provider specialising in digital and business solutions that has provided the software and support for our integrated IT platform
- Public relations, brand and marketing support agencies

Insurance service providers
We are partnering with leading insurance providers both to underwrite the risk of default by our customers as well as to partner with us to deliver micro insurance products to our customers.

Deposits and savings
We are diversifying revenue streams through a focus on deposits gathering and encouraging savings.

Letshego Mozambique was our first subsidiary to obtain a deposit-taking licence in February 2014. This was followed by Rwanda, and the granting of a provisional licence to Letshego Namibia in the same year. We are finalising the processes required to evolve into a deposit-taking institution in Namibia and are expecting to be granted our full licence and commence operations during 2016.

2015 saw significant growth in our deposit-taking capacity with our acquisition of two deposit-taking operations: ABT in Tanzania and FBN MFB in Nigeria.

Deposits are the most cost-effective source of funding and therefore sustainable growth in this area is a strategic priority; however it is appreciated that this may only be achieved in the longer term. This year, customer deposits increased to BWP154 million, representing 100,000 customers utilising our deposit-taking services.

SKILLS ACQUISITION AND BUILDING INTERNAL CAPACITY

Our leadership teams and compliance and risk functions are being strengthened with appropriate skills. Further, we recognise that it is crucial that we engage in effective change management programmes with our staff to drive alignment across the wide diversity of our operations.

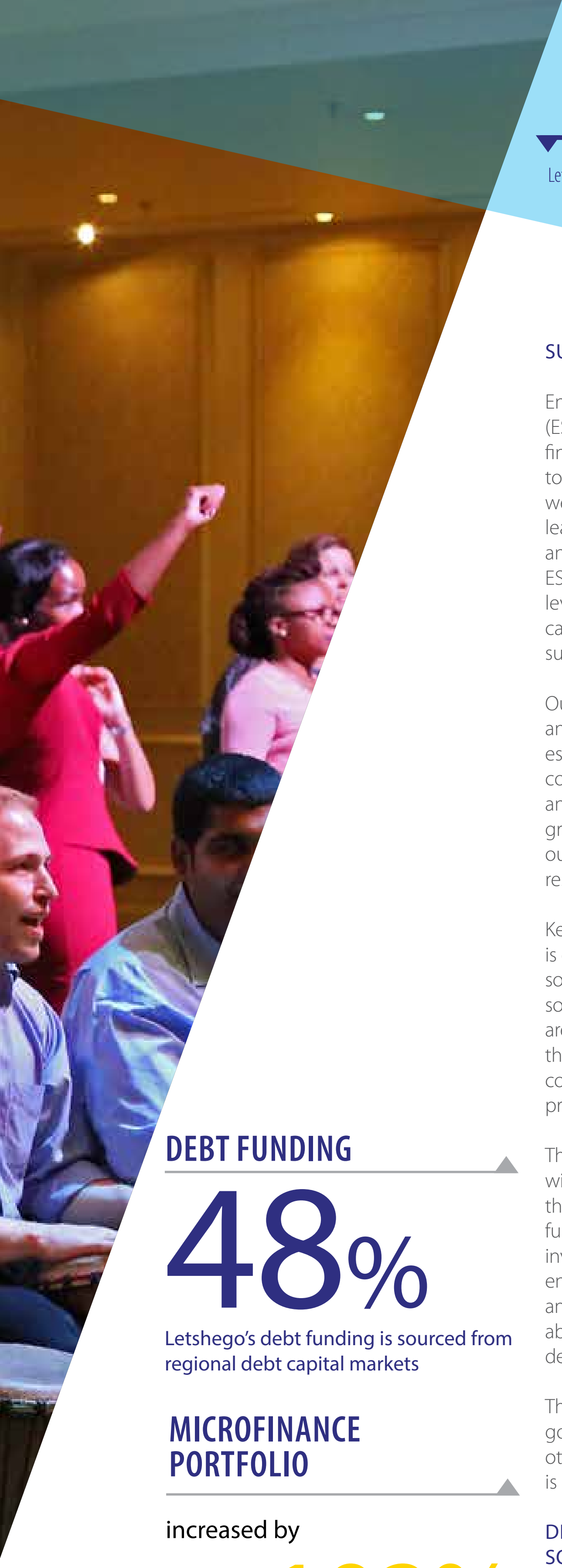
We will achieve this by:

- Investment in people
- Reinforcing Letshego's performance-driven culture
- Exposing our staff to relevant corporate culture training such as Letshego's 'Own The Rhythm, Set The Pace' programme
- Inculcating leadership attributes across the Group

We have adopted a nine-part model that focuses on three core elements – alignment, execution, and renewal – and has been adapted to our strategic vision.

The three core elements are further disaggregated into the key attributes that inform our organisational culture.

FIGURE 10: THE THREE CORE ELEMENTS THAT INFORM LETSHEGO'S ORGANISATIONAL CULTURE



Letshego Leadership Team at Leadership Conference

SUSTAINABILITY AND SOCIAL IMPACT

Environmental and Social Governance (ESG) concerns are directly linked to our financial inclusion agenda and the goal to quantify our social impact. Therefore, we have established a partnership with a leading ESG advisory firm that assists us in analysing and better understanding the ESG themes impacting our operations - by leveraging social performance data, we can mitigate ESG-related risks and drive sustainable growth.

Our ESG partner will propose key activities and strategies to enable Letshego to establish, understand and leverage correlations between financial returns and positive social impact in order to grow. This will ensure that will achieve our development goal of growth and responsible financial inclusion.

Key to the achievement of our future state is our drive to provide audited and credible social data that demonstrate Letshego's social performance. Our ultimate goals are that of reducing reputational risks through the ability to demonstrate our commitment to our forward-looking brand promise, 'Let's improve life'.

The ability to prove our social impact will enhance our access to and reduce the cost of capital, making us eligible for further development capital and impact investment. Moreover, this agenda will enhance our ability to enter new markets and reduce regulatory risks as we will be able to present hard financial inclusion and development outcome data to regulators.

This integrates with our diversification goals as support from government and other key institutions within new markets is of utmost importance.

DIVERSIFICATION OF FUNDING SOURCES

A key part of the Group's strategy is to continue to diversify funding sources – in December 2015 Letshego refinanced ZAR475 million of maturing bonds on the Johannesburg Stock Exchange (JSE) and raised an additional ZAR180 million. Total ZAR bond issuance including commercial paper now stands at BWP980 million. In addition, the Group concluded various other refinancing and introduced new, predominantly Pula, funding lines that, on a blended basis, reduced the annual cost of borrowing to 10.5% (from 11.3% in 2014). As a result, debt to equity levels increased to 66% (up from 47% in the preceding period), that is in line with our strategic objective to optimise the Group's balance sheet.

48% of Letshego's debt funding is sourced from regional debt capital markets and this year we issued our first medium term note (MTN) programme in Mozambique. Moreover, in Botswana we issued further MTNs on the Botswana Stock Exchange, part of an existing note programme, supporting the growing debt capital market. The MTN has to date raised over BWP500 million.

Gaining access to development funding is a key component of our strategy, enabling us to maintain competitive cost of capital levels while meeting our working capital needs.

Traditionally, we have been well supported by entities that are dedicated to financial inclusion and the development of Africa;. however we recognise that whilst we continue to have a significant social impact, we can do better in terms of measuring this impact and its exact benefits. Therefore, we are in the process of adopting and implementing various systems, as described above, aimed at tracking this impact to allow us to better and more accurately report such to potential funders in future.

This should make us more eligible for preferential interest-rate development funding that will serve to drive and enhance our growth and enable the achievement of our financial inclusion agenda.

DEBT FUNDING

48%

Letshego's debt funding is sourced from regional debt capital markets

MICROFINANCE PORTFOLIO

increased by

102%

to BWP710 million

Our brand is championed by our people and their sense of loyalty and pride in Letshego ensures continued exceptional customer experience

5

ENHANCE CUSTOMER EXPERIENCE

ENHANCE CUSTOMER EXPERIENCE

We are committed to enhancing customer experience and seek to provide access, anytime, anywhere through simple, appropriate and affordable solutions.

REFRESH THE BRAND

We have chosen to implement a Group-wide refreshed brand campaign in 2016, with a soft launch in Botswana in February. Over the rest of the year, the brand will be rolled out in the rest of our country operations.

Consistent, strategic branding leads to a strong brand equity, adding value to the company's services. This strengthens customer loyalty and can lead to enhanced sales and improved business performance.

In line with our Africa-wide vision, it is important that we tell a coherent story and that our brand is consistent across the various locations in which we operate. Our decision to refresh our brand was informed by our diversification into an African Group with a presence in three geographical regions on the continent and 10 countries, as well as our transformation strategy.

We felt that we needed to stay true to our Tswana roots but that the brand itself needed to be relevant to a wider African audience. The tripod represented in our initial logo, becomes a triangle, as a more abstract pictorial translation of a 'Letshego' tripod stand. It is stronger, bolder, more powerful and modern, whilst retaining its historical meaning.

The three triangles with slanting angles have a futuristic, dynamic and clean-cut appearance and their coming together symbolises partnership between Letshego, our stakeholders and our customers.

They form an upward facing trajectory which gives a sense of mobility, growth, success and progress. We aim to ensure a unique experience for our customers and to leverage strong brand recognition, regardless of location. Within the brand is a family of Letshego entities, including 'Letshego', 'Letshego Bank', 'Banco Letshego' (for our Portuguese-speaking customers), and 'Letshego MFB' (for our microfinance operations).

GROUP MARKETING AND BUSINESS INTELLIGENCE

In line with our refreshed brand we have taken steps to set up a Group marketing business unit in 2016 and are recruiting team members for this division. This is to ensure that our brand remains consistent and that the various divisions of our operations remain strategically aligned.

We will focus on identifying opportunities to increase market share through enhanced marketing campaigns. The key is to know our customers and to ensure that our lines of communication between them and us remain available and easily accessible. We seek to understand their particular needs and provide innovative solutions to their individual requirements. This insight is how we stimulate intellectual capital to leverage growth and enhance performance.

DIGITAL COMMUNICATIONS PLATFORMS

In line with our rebranding, we will be enhancing our website in 2016, and seeking further opportunities to enhance our digital communications platforms, by building on internet and social media platforms.

Our website and social media platforms will continue to add to our customers' experience by providing them with convenient, permanent access to simple but valuable information in regards to our products and services, and to provide them with a convenient methods of engaging with us.

NON-FINANCIAL PERFORMANCE METRICS

We recognise that there is a potential tension between sales and responsible lending. For this reason, we are developing a Balanced Score Card incorporating non-financial metrics into branch and personnel performance assessment processes.

Every employee works towards certain 'hard' Key Performance Indicators (KPI), including sales and/or performance targets, as well as towards strategically aligned 'soft' Key Performance Areas (KPAs). As such, our approach to business is integrated so as to address the multiple facets of our environment and how these impact on financial and non-financial performance.

BUILDING OUR FUTURE CAPABILITY MODEL

Just as we recognise the need to invest in social capital by leveraging our relationship with our customers for business growth, so we recognise the value of human capital embedded in our organisation.

Letshego could not succeed and prosper without the people who constitute our organisation. We have an obligation to our employees and are committed to ensuring their personal career development and well-being. Further, we recognize that the health of our staff, their families and communities also contribute to successful work performance and a positive state of mind. Therefore, we have committed to implementing various activities that involve employees, their families and communities.

The Group continues to invest in human capital in support of our strategic growth agenda.

We now employ 1 592 full time staff supplemented by 775 commission-based sales agents. Our team members represent more than 20 nationalities in 10 countries across South, East and West Africa.

ENGAGE STAFF ON BRAND

We pride ourselves on our exceptional, unique and personalised customer service that we see as one of our key advantages over our competitors. It is essential that our brand is championed by our people and that their sense of loyalty to, and pride in Letshego, ensures that they continue to deliver exceptional customer service.

We hold regular town hall team meetings across our footprint to ensure alignment in our subsidiaries and to ensure that all our employees are well versed in the Letshego strategy and their respective roles in achieving this vision. Moreover, our Group Managing Director hosts monthly calls with in-country CEOs and their teams to enable knowledge and solution sharing and to drive insights as the strategy execution moves forward.

Last year, all our staff attended our 'Feel The Rhythm, Set The Pace' strategic workshops, and this year, all staff across our subsidiaries attended the 'Own The Rhythm, Set The Pace' workshops. This progression in naming is indicative of our growth trajectory towards incorporating our operations into a single strategically-aligned unit.

We conduct various other employee engagement and family wellness days to maintain a healthy and motivated workforce, as our business model pivots on a strong team, where individuals make a difference and teams succeed.

A proud workforce will ensure excellent customer experience, extending from our customer-facing to our support teams.

DEVELOPING HUMAN CAPITAL

We remain committed to the development of our staff and ensure that they are adequately equipped and trained to perform their duties.

Training courses included:

- Engaging for Performance and Q12 Impact Planning
- Strength Finder
- Talent and Succession Management
- Credit Management and Debt Collection
- Product Knowledge
- Audit
- Compliance and Risk Management
- Customer Service Experience
- Microfinance Lending
- Information and Records Management

As a result of our commitment to our people, we experience an extremely low consolidated staff turnover of less than 2% per annum.

More than 99% of our total workforce is local and we remain committed to developing local talent and providing opportunities for growth within our organisation.

Our commitment to people underpins our capacity and capability building agenda that we recognise as key to our business success.

EMPLOYEE ENGAGEMENT AND CAPACITY BUILDING

As reported in 2014, we conducted an internationally recognised Q12 Gallup survey intended to gauge the engagement levels of our employees. We are pleased to announce that this year, we improved on our score and rating, with more than 50% of our total workforce being actively engaged. This takes our rating from 'amber' (3.98 Group score) to 'green' (4.03 Group score) in terms of employee engagement.

Key initiatives to achieve our capacity building goals are presented in Figure 11 below.

Awards being presented to team members who have exemplified Letshego Uniquenesses (*Simple, Appropriate, Responsive, Accessible, Inclusive, Ethical*).

FIGURE 11: KEY INITIATIVES TO ACHIEVE OUR CAPACITY BUILDING GOALS INCLUDE:

- Job description and grading allocated to all roles within the organisational structure
- Talent management
- Training and development, including e-learning
- Talent classification and development
- Staff and line manager engagement
- A performance management culture

END GOAL: A great place to work

Commitment to our People | **Enhancing Human Capital for a Competitive Edge**

TODAY		WHERE WE ARE GOING	
Performance driven culture	Talent classification – executive leadership team	Performance management culture	Talent classification - all staff members
Key talent recruitment and assessment	Staff engagement – Q12	Talent Management and development	Staff and line manager engagement – Q12 and OTRSTP
Succession plans for GMC and CEO positions		Standard organisational model	Training and development and e-learning
		International assignments	

END GOAL

High performing organisation | **A great place to work**

Gallup Q12 uses an internationally recognised methodology to gauge employee engagement levels

Letshego team works on a tug of war team building challenge

IMPROVING LIVES

The Letshego of the future will offer simple, appropriate and inclusive solutions; flexible and convenient access; responsive and ethical credit; and support for the MSE owner to build his or her business – and all at a very low cost.

Our strategic vision is clear, and that is to offer simple, appropriate and affordable products, thereby providing access to funding to those who may previously not have had access to finance from formal financial institutions.

FINANCIAL INCLUSION AND SOCIO-ECONOMIC DEVELOPMENT

We believe that financial inclusion across Africa is fundamental to Africa's success. By embracing financial inclusion, we will continue to add value to the lives of all of our stakeholders and manage a strong, sustainable business model that appropriately rewards shareholders.

Our continued investments in people and systems have created a unique platform to build our customer offerings. These solutions will be responsively and ethically provided at a cost that ensures affordability as well as appropriateness to the needs of our customers.

SERVICES FOR LOW-INCOME MSE OWNERS

MSEs are the lifeblood of the continent of Africa, accounting for up to 90% of all businesses in Sub-Saharan Africa economies; however, access to finance presents a serious challenge to MSE development in Africa.

MSE's need capital in order to grow, to employ more people and to contribute positively to the economy of their country. We have identified the opportunity to provide simple, appropriate and affordable solutions that will be tailored to serve the needs of low-income MSE owners in the housing, health, agricultural and education sectors.

These primary loan products are targeted at individual entrepreneurs, and are currently offered in Kenya, Rwanda and Tanzania. Loans are extended based on a business appraisal and assessments made by our staff in these countries. The loan approval and risk assessment process is focused on the MSE client's cash flow and financial report analysis. Our new acquisitions offer a broad base of solutions to the MSE sector in Nigeria and Tanzania including mobile and agency banking.

STORIES OF SUCCESS

The customer stories depicted below provide some insight into how financial inclusion has the ability to touch and improve lives in the communities in which we do business.

Since 2011, Faidika has been running an annual 'Touching Lives' campaign aimed at both encouraging and rewarding productive loan use, as well as gathering critical customer and social performance data.

Customers are invited to apply for a TSH1 million cash prize by demonstrating to Faidika how the funds they borrowed were used productively to improve the living standards of not only the customer and their household but the community at large.

A recent winner, Amiri Athumani from the Mwalimu region, used his loan to drill a well in his drought-stricken village. Villagers had to previously travel more than 1km to the closest clean water source, but with Athumani's well and for a small fee, water could now be accessed in the village. This left the villagers with more time to pursue other tasks rather than having to make multiple strenuous journeys to collect water.

IFC, http://www.ifc.org/wps/wcm/connect/region__ext_content/regions/sub-saharan+africa/advisory+services/sustainablebusiness/sme_initiatives/sme_initiatives

Kenya - Low Income Housing Loan

"I believe everything is possible in life through hard work and determination"

Damarice Waceke – Property Owner and Entrepreneur

The Damarice Waceke Food Kiosk is situated just a few metres from the entrance of the Magana Flower Farm in Regen Estate, along Nakuru-Nairobi Highway. Damarice and her husband, who have three children, started on the road to successful entrepreneurship as newly-weds. Damarice notes that "We started from humble beginnings – we used to hustle and work as casual labourers at the Magana Flower Farm, living from hand to mouth."

However, Damarice and her husband always dreamed of having their own business and after working as casual labourers for four years, they had accumulated savings sufficient to establish the Damarice Waceke Food Kiosk, which served workers from the Magana Flower Farm. Due to the success of the food kiosk, they were able to cease casual labour work and focus on managing their business. Damarice pointed out that the growth and success of the food kiosk was in large part due to the location of the business and the concomitant access to customers.

This initial business success increased Damarice's confidence in their entrepreneurial talents and she and her husband began thinking of how they could ensure their financial stability over the long-term. They decided to maximize the income-earning capacity of the small area of land that their food kiosk and home are located on by constructing informal housing (mabati) units for rental to casual labourers employed on the flower farm.

Their rental housing business was so successful that Damarice decided that she wanted to improve the quality of the rental housing units by replacing the informal structures with formal structures and thereby to increase the revenue from the business.

Damarice learned of Letshego's low-income housing loan through a friend and decided to visit Letshego's Kikuyu branch to determine whether she qualified for a low-income housing loan. Damarice recalls that this was the first time she had ever applied for a loan from a financial institution and that she and her husband were pleasantly surprised when their application was successful. Further, thanks to the quick turnaround time of the application process, they were able to construct the formal rental structures almost immediately.

Damarice said that "Letshego built me these houses and made my dream come true."

Paul Macharia Kibuthi is a land surveyor by profession and has also established himself as a successful commercial farmer in Muthure Estate in Kikuyu.

Paul has been a Letshego customer for more than six years and during this time, has secured and repaid five loans with us, and currently is servicing a sixth loan of KSH 850,000.

Letshego's loan products have enabled Paul to establish a variety of farming projects, including pig farming, dairy farming, and greenhouse cultivation – where he produces tomatoes and capsicums.

Paul has taken advantage of our short-term loan product to boost his greenhouse cultivation project, that now produces three harvests per annum. Paul repays the short-term loans as soon as he sells each harvest to the market.

In terms of customer service and product quality, Paul appreciated the 48-hour turnaround time for loan applications, as well as the fact that interest is charged on the reducing balance as opposed to the full loan amount.

Paul stated that Letshego has allowed him to achieve his goals: Before Letshego, his farming projects were only a dream. With access to finance, they are now a reality.

We are committed to active engagement in the communities in which we do business, and to enriching the lives of community members through strategic social investment initiatives.

Our long-term commitment to social development is driven by prudent business sustainability practices and reinforced by our corporate values.

The Group commits up to 1% of profit after tax annually for investment into programmes where real needs exist in health, education and other sectors.

Our approach

Our approach to Strategic Social Investment (SSI) is underpinned by the knowledge that it is necessary to achieve a pragmatic balance between meeting the developmental needs of society and deriving value for our business.

In this context, our primary SSI objectives are to:

- Make a relevant and notable contribution to the social development agenda in the areas of health, education, and livelihoods.
- Deliver value to communities in conjunction with our key strategic partners and in alignment with our strategy.

Our primary criterion for success will be the measurable difference that we have made in the lives of the beneficiaries that we assist. We recognise that we are not a social development expert and therefore, we will where possible, outsource our SSI involvement via the mechanism of financial and/or in-kind grant making, and to organisations with credible social development and governance track records. In such instances, we will ensure regular, accurate and transparent feedback reporting by beneficiaries of such grants.

Our scope

We allocate our SSI funds between a signature group-wide programme and specific in-country programmes that support health, education, and livelihood development.

Group-wide 'LetsCare' programme: Letshego Healthcare Innovation Programme

In 2015, as part of our commitment to improving lives, we launched a flagship multi-year strategic social investment project, the Healthcare Innovation Programme (named LetsCare across the Group), in partnership with Primary Care International (PCI).

LetsCare has been launched to support projects, regions and countries in tackling non-communicable diseases (NCDs). The primary objective of LetsCare is to reduce the incidence of disability and death from preventable non-communicable diseases such as cardiovascular disease, diabetes, respiratory conditions and mental illness.

The United Nations identified NCDs as "a major challenge for sustainable development" and the prevention and reduction of NCD-related death and disability was included in the UN's Post-2015 Sustainable Development Goals agenda. Although the growing threat posed by non-communicable diseases is widely recognised, the main focus of international healthcare funding continues to be largely directed to communicable diseases, clean water and sanitation.

The Letshego-PCI partnership has the opportunity to step into this opening, to take a longer term perspective and to consolidate social impact in this area.

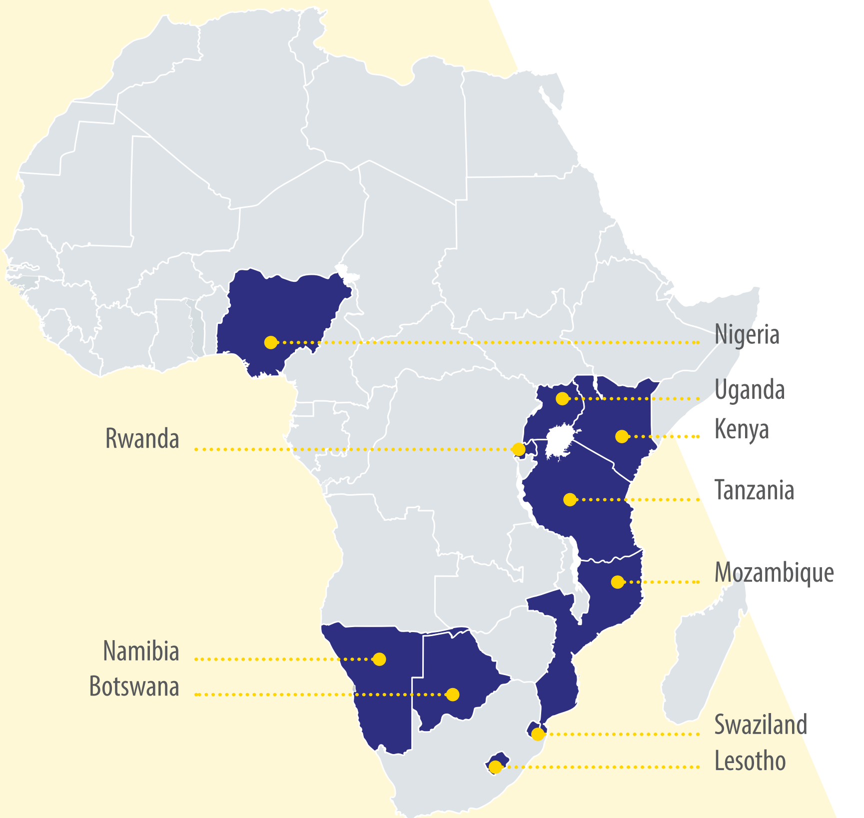
Also, an increasing number of health ministries and healthcare programmes in low and middle income countries are beginning to recognise the need to re-focus healthcare strategies and programmes to address NCDs.

LetsCare will focus on achieving measurable improvements in the diagnosis, management, and ongoing care of NCDs in our countries of operation and beyond.

We have made a commitment of BWP11.25 million (US$1.13 million) over 3 years, or BWP3.75 million (US$0.4 million) per year to LetsCare.


Letshego
LIVE BETTER, PLAY TOGETHER

FIGURE 12: SUPPRTING INNOVATIVE HEALTHCARE INITIATIVES AND PROJECTS



IDENTIFYING EXAMPLE INNOVATIONS

STRATEGIC WORKSHOP

PILOT PROJECTS

SCALING UP

NCDS: KEY FACTS

- Non-communicable diseases kill 38 million people each year
- Almost 75% of NCD deaths occur in low - and middle - income countries
- 16 million NCD deaths occur before the age of 70
- WHO 2015 Factsheet

LETSCARE: KEY PRIORITIES

- Diabetes
- Hypertension
- Cardiovascular
- Respiratory diseases
- Capacity building
- Cost-effective solutions
- Innovation
- Sustainable impact

Partnering with Primary Care International Limited (PCI)

Our ongoing partnership with Primary Care International (PCI) has been informed both by our sustainable social investment approach and our strength in leveraging relationships to bring together key stakeholders in government, communities, and the private sector.

We are the first strategic social investor in PCI's Healthcare Innovation Programme and have committed a significant proportion of our strategic social investment funds towards a 3-year partnership that will leverage PCI's key resources, including guidelines and medical education, support from highly trained UK family doctors, and input from experts in management and innovation.

Our partner provides continuing medical education and guidance for the purpose of improving primary healthcare, and has a proven track record in helping clinicians implement theoretical guidelines and create sustainable systems to deliver cost-effective healthcare.

Supporting innovative healthcare initiatives and projects

In collaboration with PCI and our other strategic partners, our experienced international team selects healthcare projects where we believe real improvement and innovation is possible and where LetsCare can make a sustainable difference. PCI will lead the selected healthcare projects through a combination of face-to-face and remote support.

Through the programme, LetsCare seeks to connect and partner with health systems in strengthening NCD initiatives in our ten African countries. Our strength and experience in leveraging strategic partners will facilitate partnering with a range of organisations, from community groups to hospitals, health posts to insurers, clinics to NGOs, and employers to Ministries of Health.

The goal of the Letshego-PCI partnership is raising awareness of NCDs, supporting the strategies of national Ministries of Health, and putting in place improved training using evidence-based guidelines. As well as improving the prevention of NCDs, the practical goal is to see measureable improvement in diagnosis and management. As a result, we should see fewer people presenting as emergencies and progress towards the long-term goal or large-scale reductions in preventable disability and premature deaths - particularly in the LHIP target demographic, 25 – 45 year olds who earn less than US$10,000 per annum.

Significant achievements

The significant achievements outlined below demonstrate that we succeeded in laying down the foundations for LetsCare in 2015, Year One (Preparation) of the project. These foundations will allow us to transition into Year Two (Implementation) in 2016 and Year Three (Growth) in 2017.

Strategic workshop, Nairobi, Kenya, March 2016

The strategic workshop hosted by PCI and Letshego in Nairobi in March 2016 was a key part of the programme's preparation and launch. The workshop was convened to raise the profile of the partnership, highlight the significance of pragmatic NCD innovation, share knowledge and experience, establish strategic partnerships, and to gain support for promoting innovative healthcare initiatives and projects that improve the effectiveness of healthcare systems in addressing NCDs.

Workshop guests and participants included the Botswana High Commissioner and representatives from three Kenya Ministry of Health departments (Public Health, NCD Division, and Community Health), the Botswana Ministry of Health, the University of Botswana Family Medicine Department, senior Public Health staff from UNHCR, and NGOs involved in research, primary health care, mental health and microfinance and based in Kenya, Botswana, Uganda and Rwanda.

From this workshop a number of impact partners have been identified to deliver results in a number of Letshego countries.

Technology and continuing medical education

The Programme functions by identifying a range of innovative healthcare initiatives that meet the criteria for sustainable and large-scale impact and established long-term funding plan or model. Once the qualifying initiatives are selected, they receive a subsidised package of practical start-up support from the PCI-Letshego partnership. The start-up support package support is founded on evidence-based guidance that improves the diagnosis and treatment of NCDs while keeping healthcare costs down.

The 'Trainer's Toolkit' is accessed via a customisable online document library and supplemented with monthly case based e-learning modules focused on NCDs. This technology allows for an interactive learning experience and an accessible and collaborative needs-assessment tool.

It is through our support that PCI is able to provide the Trainer's Toolkit to clinicians who are trained as trainers.

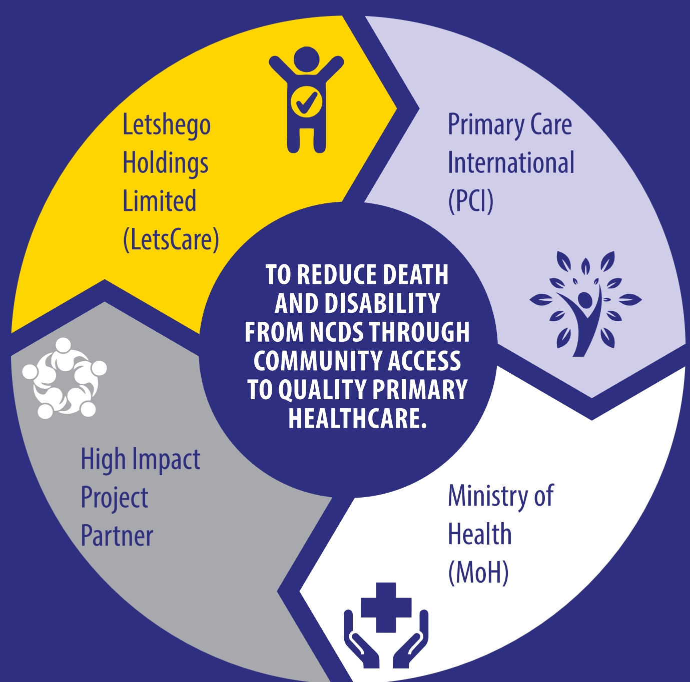
NCD training and field guides in Daadab, Kenya

The technology supported by LetsCare has already been put to good use in other work PCI has been carrying out creating some early impacts for the LetsCare investment and enabling PCI to test new technologies that will be part of the Healthcare Innovation Programme. In particular, PCI worked with four healthcare providers (Kenyan Red Cross, Medécins sans Frontieres, Islamic Relief Kenya and International Rescue Committee) in the Daadab refugee camp.

This is a good example of the activities that will be supported by LetsCare: A strategic plan was developed and face-to-face clinician training was provided for 33 clinicians (clinical officers, doctors and nurses) and 40 community health workers in the diagnosis and management of NCDs. The clinicians were provided with practical field guides developed by PCI to enable higher quality and consistency of care. Selected clinicians were also trained as Trainers of Trainers (TOT) and these clinicians subsequently conducted NCD training courses for their teams and also set up NCD focal groups for continued learning.

Health facilities were provided with a laminated copy of PCI NCD field guides for use in its NCD clinics. As a result of the PCI intervention, the focus of NCD care has changed from one of secondary intervention to primary care and prevention. LetsCare's focus on the early diagnosis, management and care of NCDs and improved awareness of and planning for NCD care had a marked positive impact. Since the intervention, there have been no stock-outs of essential medicines for NCDs at the health facilities involved.

FIGURE 13: HEALTHCARE INNOVATION PROGRAMME MODEL



Participants attending LetsCare - Healthcare Innovation Programme Strategic workshop

Supporting vulnerable social groups

A selection of our initiatives across a few countries are shown below:

LESOTHO

In 2015, we invested in a number of programmes that support vulnerable and disadvantaged social groups.

The Resource Centre for the Blind

During 2015 Letshego supported The Resource Centre for the Blind, established in 1971 to create a society in which every child is celebrated as unique and valued. The Centre provides free education, basic life skills training and boarding facilities to visually impaired learners. Currently, the Centre caters for 75 visually impaired learners from the ten districts of Lesotho. 50% of the learners are vulnerable children.

Letshego supported the organisation with much needed basic supplies such as blankets and bedding.

Good Shepherd Teenage Mothers' Centre

The Teenage Mothers' Centre is situated at Ha Makujoe on the Berea Plateau some 20km from Maseru. The Centre was founded in 1995 and its mission is to empower teenage mothers to become physically, socially, emotionally and spiritually self-reliant through skills training, with a focus on young mothers who have HIV/AIDS and who are from poverty-stricken families.

We donated sewing equipment that will be used to train and provide sewing skills to the young mothers at the Centre.

Hlokomela Bana

According to the Lesotho National Policy on Orphan and Vulnerable Children (OVC), poverty, HIV/AIDS, and food insecurity are currently the biggest threats to the survival, care, protection and development of children in Lesotho. Hlokomela Bana was established to provide for the needs of orphaned and vulnerable children and to ensure their protection and provide parental care.

We provided support to Hlokomela Bana by donating equipment such as tables, chairs and books for the boys' hostel.

NAMIBIA

In 2015, we continued to invest in the following initiatives:

Dagbreek School

Dagbreek is a school for learners, aged between 7 and 18 years, who are intellectually impaired. The school caters to the needs of children with Downs Syndrome and Cerebral Palsy, as well as those with Pervasive Developmental Disorders and Childhood Disintegrative Disorders. In 2015, we contributed BWP51, 440 towards the monthly salaries of the teachers at Dagbreek School.

Windhoek Life Change Centre

The Windhoek Life Change Centre Trust is a faith-based inter-denominational organisation that invites the business community, churches and government to become active partners in the effort to make a positive and life-changing impact on the lives of the poor and needy. The Centre provides life skills training, vocational training, and counselling and focuses on sustainable job creation. We invested BWP177, 379 in the Centre in 2015.

Beautiful Kidz

Beautiful Kidz is a childcare facility that provides daycare and after-school care to vulnerable children and their families. A total of 315 children benefit from the facility, 85 children from the daycare programme and 230 children from the after-school care programme. The facility employs twelve full-time and two part-time staff members. In 2015, we invested BWP 88,690 in the Beautiful Kidz childcare facility.

Investing in socio-economic development

BOTSWANA

Nkange Top 8 Games

The Nkange Top 8 Games is a non-profit organisation that was established to manage and support local football clubs and traditional games in the Nkange catchment area, particularly during the festive season. The organisation has succeeded in bringing together people from different socio-economic backgrounds and from across the country.

The main aims of Nkange Top 8 Games are:

- To promote football and sports in general as a recreational activity that promotes individual and social wellbeing.
- To use sports events to educate and raise awareness about health-related issues such as HIV/AIDS and alcohol and drug abuse.
- To encourage social development in the participating villages.
- To contribute to community development projects in the participating villages.

In 2015, we invested BWP200, 000 in the Nkange Top 8 Games organisation.

Sir Ketumile Masire Foundation

The Sir Ketumile Masire Foundation is non-profit organisation dedicated to contributing towards the socio-economic development of Botswana, with a specific focus on youth. The Foundation coordinates nation-wide activities aimed at creating an enabling environment for Botswana youth to meaningfully participate in the socio-economic development of the country.

The Foundation relies on donations and sponsorship from the business community, the general public, and fundraising efforts. To this end, Letshego sponsored the annual Sir Ketumile Masire Foundation Dinner in 2015, contributing BWP25,000.

Serowe District Trade Fair and Exhibition

The Serowe District Trade Fair and Exhibition is an annual event held to commemorate Serowe's economic success and provide a platform for businesses, including MSEs, to showcase their products and services and network with various stakeholders. In 2015, the event was officiated by His Excellency, the President of the Republic of Botswana. Letshego sponsored the 2015 Serowe District Trade Fair and Exhibition, investing BWP150,000.

Hamptons Jazz Festival

The Hamptons Jazz Festival promotes local artists, and by hosting international stars, also promotes tourism – the Festival attracts over 5,000 visitors every year. This number is expected to grow to 8,000 in 2016 through the careful selection of international and local jazz artists and promotional efforts. The influx of over 5,000 visitors to Gaborone every year has numerous economic benefits for the city and its people.

In 2015, we supported the Hamptons Jazz Festival to the value of BWP20,000.

Batlokwa Cultural Day

The Batlokwa Cultural Day promotes the interconnectedness of cultural heritage, modern technology and the socio-economic development of communities. In 2015, the event was attended by government ministers, members of parliament, senior government officials, House of Chiefs members, local authorities, and residents of Tlokweng and Batlokwa, South-East Botswana. The 2015 Batlokwa Cultural Day was an opportunity for us to enhance stakeholder engagement and promote socio-economic development, and to this end, we contributed BWP10,000 toward the event.

Shoshong Constituency Investment Promotion Show

The Shoshong Constituency Investment Promotion Show was championed by the Honourable Dikgang Phillip Makgalemele, Member of Parliament for Shoshong and Assistant Minister of Presidential Affairs and Public Administration, and was officially opened by the Honourable Kitso Mokaila, Minister of Mineral, Energy and Water Resources for Botswana. The Investment Promotion Show offered us the opportunity to support socio-economic development in Botswana communities and to establish strategic partnerships with key stakeholders. We invested BWP20,000 in support of the Investment Promotion Show.

Funding affordable land and housing

In 2015, Letshego Namibia committed to supporting the Government of Namibia in its efforts to combat challenges of land ownership and access to affordable housing.

An agreement between the Namibian Government and Affirmative Repositioning Movement has paved the way for 200,000 plots of land to be serviced countrywide as the pilot for the planned clearance of plots in Windhoek, Walvis Bay and Oshakati. A technical committee was set up for the servicing of the identified plots and the government urged the public to assist with the servicing of the land.

We believe that promoting financial inclusion is entirely aligned to the provision of affordable land and housing. To this end, Letshego Namibia offered the Namibian government a once-off financial contribution of BWP369, 540 to support the state's efforts to provide its citizens with affordable land and housing.

6 CORPORATE GOVERNANCE

In 2015, we strengthened our governance and enterprise risk management frameworks, and increased capabilities in our risk management functions

CORPORATE GOVERNANCE

Letshego's Board of Directors remains committed to upholding strong corporate governance throughout the Group.

As a result, Letshego Group has invested a significant amount of time and resources to bring its Board, committees and governance structures in line with King III and recommended international best practice. Further, Letshego has standardised subsidiary constitutions or memorandum and articles of association, and updated the shareholder agreements where there are minorities. In the last 18 months, Letshego Group has appointed 14 new independent Non-Executive Directors to the subsidiary boards.

In 2015, we strengthened our governance and enterprise risk management frameworks and hired a number of key risk professionals as well as country risk officers at Head Office, Mozambique, Namibia and Rwanda. In addition, a central asset and liability function that manages Group funding, liquidity and foreign exchange risk, was established.

An annual review of governance gaps is conducted in relation to the principles of King III, as appropriate to the business. Actions and timelines are agreed by the Board to address any gaps that are identified, on a continuous basis. Governance is actively monitored to identify opportunities for improvement of operational and corporate practices. The Letshego Board strives to maintain high standards of business ethics and integrity throughout the Group.

STRENGTHENING GOVERNANCE

As part of group-wide alignment to King III and recommended international best practice, the following have been undertaken:

- Revised charters, constitutions or memorandum and articles of association, shareholders' agreements, management agreements and governance policies have been rolled out to subsidiaries.
- Appointment of additional independent non-executive directors to subsidiary boards is underway.
- A Group Management Committee member sits on each subsidiary board.

THE BOARD STRUCTURE

Letshego Group main Board membership of ten Directors as at 24 February 2016, comprised six independent Non-Executive Directors, three Non-Executive Directors and one Executive Director as follows:

FIGURE 14: BOARD AND SUB-COMMITTEE MEMBERSHIP AS AT 31 DECEMBER 2015

	Director	Status - INED/NED EXD		Number of Committees of Membership	Main Board	Group Audit and Risk Committee	Group Human Resources Committee	Group Investment Committee	Group Nominations Committee
1	J Burbidge	INED		1	✓C				✓C
2	A C M Low (GMD)	EXD		-	✓				
3	I M Mohammed	NED		3	✓	✓	✓	✓	
4	G Hassam	NED		2	✓			✓	✓
5	G van Heerde	NED		2	✓	✓	✓		
6	S Price	INED		2	✓IC	✓C			✓
7	R Thornton	INED		2	✓		✓C	✓	
8	H Karuhanga	INED		3	✓	✓	✓		✓
9	J de Kock	INED		2	✓	✓		✓C	
10	Dr. G Somolekae	INED		1	✓				
	Summary of composition	INED	6		6	3	2	2	3
		NED	3		3	2	2	2	1
		EXD	1		1				

Subsequent to 31 December 2015, the following changes were made to sub-committee membership:

- Dr. G Somolekae was appointed to the Group Human Resources Committee
- C Low was replaced by H Karuhanga on the Group Investment Committee
- I M Mohammed was appointed to the Group Nominations Committee

C Chairman EXD Executive Director GMD Group Managing Director IC Interim Chairman
INED Independent Non-Executive Director NED Non-Executive Director

Governance gap
The following are the governance gaps that the Board is actively addressing:

- Succession planning for the Chairman. In the meantime the Board has appointed an Interim Chairman to act during the absence of the Board Chairman.
- The Executive in charge of the finance function is not a Director. The Board is satisfied with the experience and expertise of the Chief Financial Officer who is performing the duties of a Finance Director.

Board composition, meetings, appraisal and self-assessment
A brief curriculum vitae of each director is set out in this integrated annual report. The Board conducts self-assessments and appraisal of individual Board members biennially. The last Board committees' self-assessment and individual Board members appraisal was performed in 2014. The individual Board members appraisal was performed by an independent governance facilitator. All the gaps and proposed improvements that arise from the self-assessment and individual Board members' appraisal exercise are discussed by the Board and appropriate actions with deadlines are agreed that all have to be addressed before the next self-assessment and Board member appraisal exercise. The Board self-assessment and appraisal of individual Board members is designed to ensure that the Board and members of various sub-committees are conscious of the Board culture, areas for improvement and the need for constructive engagement. The self-assessment exercise provides open and constructive two-way feedback to Board members that enables the collective establishment of acceptable levels of performance in various principal governance areas to ensure that the expectations of the Board, including that of the individual Board members, are met with regard to agreed level of Board effectiveness.

The Board meets at least quarterly. Five regular Board meetings were held during 2015. Directors are fully briefed by the Company Secretary and provided with all necessary information sufficiently ahead of the scheduled Board and committee meetings to enable effective discharge of their responsibilities.

The Board and all its committees compile an annual work plan to ensure all relevant matters for Board and committees' consideration are prioritised and addressed. Members of senior management, assurance providers and professional advisers may attend meetings by invitation only and do not form part of the quorum of any meeting.

The Non-Executive Directors are individuals who objectively contribute a wide range of industry skills, knowledge and experience to the Board and are not involved in the daily operations of the Group. All non-executive directors have unrestricted access to management at any time. When required, Non-Executive Directors are entitled to access the external auditors and, at the Group's expense, are able to seek independent professional or expert advice on any matters pertaining to the Group. The Group Audit and Risk Committee ("GARC"), has constant interaction and independent consultation with the Group Internal Audit function, which reports directly to the Chairman of GARC.

Non-Executive Directors meet at each regular quarterly Board meeting in the absence of executive management to discuss and exercise objective judgement on the affairs of the Group and to discuss independently the performance and actions of executive management.

At least one third of the Non-Executive Directors rotate every year in line with the Board Charter which is aligned to King III.

Performance appraisal of executive management
Executive Directors and senior management are appraised based on predetermined strategic objectives and achievement of specific Group financial performance targets that are approved by the Board annually.

Role of the Board
The Board provides effective leadership based on an ethical foundation and ensures that the Group is, and is seen to be, a responsible corporate citizen. It uses an Enterprise Risk Management framework to align strategy and risk.

In addition, the Board:

- Ensures the Group has an effective independent GARC.
- Oversees the governance of risk by ensuring that appropriate enterprise risk management frameworks are in place and functioning effectively.
- Manages the governance of enterprise information technology.
- Ensures compliance with applicable laws and adherence to non-binding rules, codes and standards.
- Puts in place an effective risk-based internal audit function and plan.

Board Charter
The Board Charter, which is aligned to King III, sets out the following:

- The Board's responsibilities and functions.
- Role of the Board, the shareholders, the Chairman, individual Board members, the Company Secretary and other executives of the Group.
- Powers delegated to various Board committees.
- Matters reserved for final decision-making or approval by the Board.
- Policies and practices of the Board in respect of matters such as corporate governance, trading by Directors in the securities of the Group, declaration and conflicts of interest, Board meeting documentation, alternative dispute resolution, business rescue proceedings and procedures.

Company Secretary
The Company Secretary plays a critical role in the corporate governance of the Group. He acts as an advisor to the Board, guiding individual directors and committees in areas such as corporate governance, updates on legal and statutory amendments

CORPORATE GOVERNANCE (CONTINUED)

and the effective execution of Directors' responsibilities and fiduciary duties. The Company Secretary ensures that Board and Committee Charters are kept up to date and that Board and committee papers are circulated timeously. Also he assists in eliciting responses, input and feedback for Board and Board committee meetings. The Company Secretary assists the Group Nominations Committee in ensuring that the correct procedures are followed for the appointment of directors.

Whenever deemed necessary, the Company Secretary reviews the rules and procedures applicable to the conduct of the affairs of the Board. If necessary, the services and guidance of the corporate sponsor and other experts are procured to ensure that the directors have adequate insight to discharge their responsibilities effectively. Furthermore, the Company Secretary assists in the process of self-assessment of the Board and its sub-committees.

BOARD PROCESSES

Appointments to the Board
New board appointments are proposed by the Group Nominations Committee (GNC), taking into account the appropriate balance of skills, experience and diversity required to lead, control and best represent the Group. To this end, GNC submits a formal proposal to the Board for its consideration. Background and reference checks are performed before the nomination and appointment of directors. The appointment of non-executive directors is formalised through a letter of appointment and the Board makes full disclosure regarding individual directors to enable shareholders to make their own assessment of directors. On-going training and development of directors is provided as necessary.

Succession planning
Letshego promotes succession planning for all key positions. Succession plans are reviewed by the Group Human Resources Committee for key Group personnel throughout the year and report-backs are given to the Board at subsequent meetings. Board succession is the responsibility of GNC. Further, the Group has a comprehensive programme of identifying and developing a pipeline of talent of future managers across its geographic operations.

Governance and risk management transformation
Letshego Group is transforming and diversifying into a broader financial services entity with micro-lending, consumer finance business, microfinance and deposit taking businesses.

However in identified countries, the Group has commercial banking licences such as in Tanzania through the acquisition of Advans Bank Tanzania Limited. As such, the governance, compliance and risk management functions are being enhanced to address the changing risk profile of the Group.

FIGURE 15: GOVERNANCE STRUCTURES

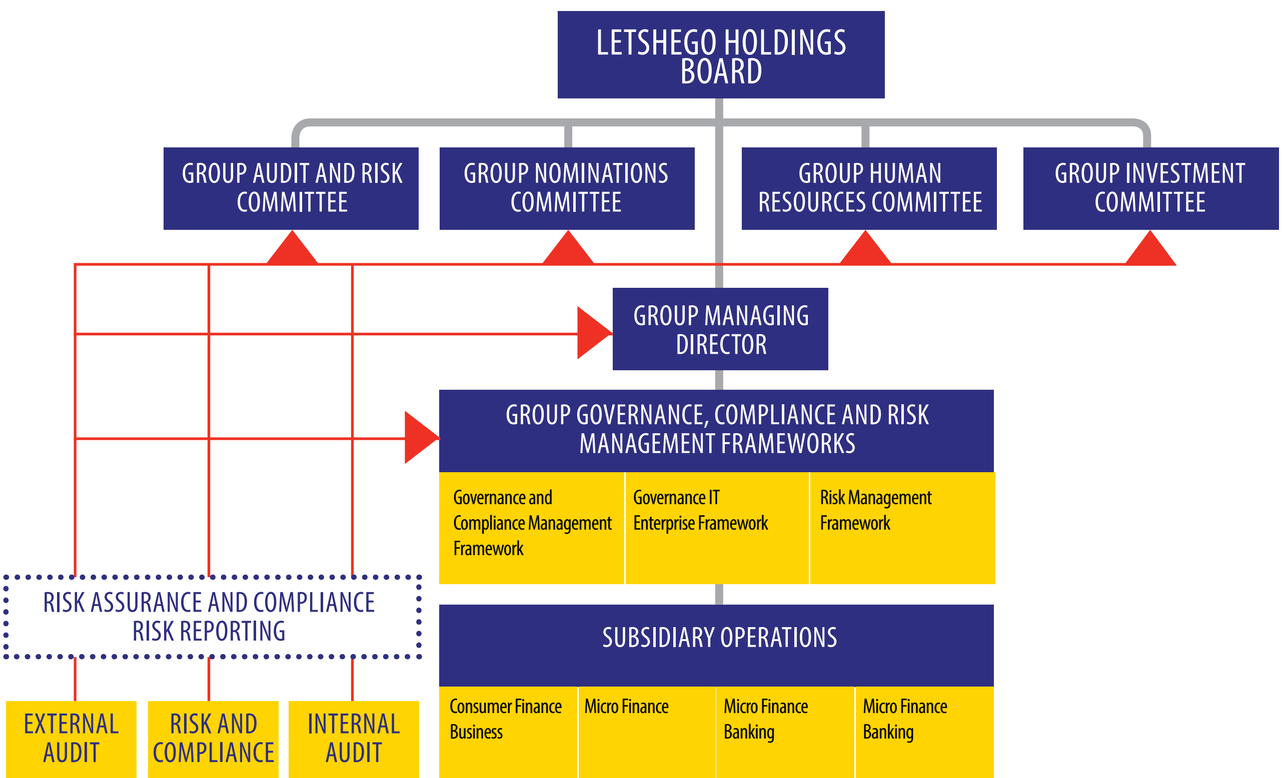


FIGURE 16: COMPOSITION OF THE BOARD AND ITS SUB-COMMITTEES

Committee	Purpose	Composition	Quorum	Frequency of meeting
1 **Group Audit and Risk Committee (GARC)**	▶ Safeguards assets and ensures the operation of adequate systems, control processes and the preparation of accurate financial statements and reporting in compliance with all applicable legal requirements and accounting standards ▶ Ensures corporate accountability and the management of associated risks, combined assurance and integrated reporting ▶ Reviews and assesses the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed ▶ Monitors external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts. ▶ Reviews Group financial and integrated reports and recommends to Board for approval ▶ Recommends to the Board for the appointment of external auditors and oversight of the external audit process and the results thereof ▶ Approves annual internal and external audit plans ▶ Monitors the ethical conduct of the Group ▶ Reviews compliance with applicable laws ▶ Annually assesses the adequacy and skills of the internal audit, group financial management and reporting functions	**Independent Non-Executive Directors** S Price (Chairman) H Karuhanga J de Kock **Non-Executive Directors** I Mohammed G van Heerde **Independent attendees** Engagement partner of PricewaterhouseCoopers **Management attendees** A C M Low T Kocsis C Patterson D Olsen-Namanyane D Ndebele (Company Secretary) **Permanent invitee** B Rwelengera (Group Head of Internal Audit) N Marimira (Group Head of Risk and Assurance)	Minimum of three members and majority required for a quorum	Meets at least three times a year

CORPORATE GOVERNANCE (CONTINUED)

FIGURE 16: COMPOSITION OF THE BOARD AND ITS SUB-COMMITTEES (CONTINUED)

	Committee	Purpose	Composition	Quorum	Frequency of meeting
2	**Group Human Resources Committee (GHRC)**	▶ Reviews the remuneration policies of the Group ▶ Ensures that policies for selecting, planning for succession and professional development of executive directors and senior management is appropriate. ▶ Ensures that Directors and staff are fairly rewarded ▶ Ensures that market-related reward strategies are adhered to ▶ Establishes performance targets for the Group's incentive scheme.	**Independent Non-Executive Directors** R Thornton (Chairman) H Karuhanga **Non-Executive Directors** I M Mohammed G van Heerde **Management attendees** A C M Low C Patterson T Mwai D Ndebele (Company Secretary) Subsequent to 31 December 2015, Dr G Somolekae was appointed to the GHRC	Minimum of three members and majority required for a quorum	Meets at least once a year
3	**Group Investment Committee (GIC)**	▶ Reviews and recommends to the Board regarding all new strategic investments and major funding initiatives the Group may enter into including the mechanism for investment (e.g. start up operations, mergers, acquisitions, joint ventures etc), selecting between priority and non-priority investments ▶ Ensures divestment from existing investments if the investment objectives are not achieved ▶ Decides on appropriate funding mechanisms in the context of the overall funding strategy of the Group ▶ Participates in the negotiations with potential investors/funders, acquisition/merger candidates, etc) when appropriate ▶ Formulates and recommends to the Board the overall investment policies and guidelines of the Group.	**Independent Non-Executive Directors** J de Kock (Chairman) R Thornton **Non-Executive Directors** I M Mohammed G Hassam **Management attendees** A C M Low C Patterson T Kocsis D Ndebele (Company Secretary) Subsequent to 31 December 2015, H Karuhanga was appointed to the GIC, replacing C Low	Minimum of three members and majority required for a quorum	Meets as and when necessary

FIGURE 16: COMPOSITION OF THE BOARD AND ITS SUB-COMMITTEES (CONTINUED)

Committee	Purpose	Composition	Quorum	Frequency of meeting
4 **Group Nominations Committee (GNC)**	▶ Recommends to the Board on all new board appointments ▶ Undertakes a formal process of reviewing the balance and effectiveness of the Board ▶ Ensures that Directors' induction, performance evaluation and directors' development are carried out. ▶ Conducts annual Directors' independence assessment	**Independent Non-Executive Directors** J Burbidge (Chairman) H Karuhanga S Price **Non-Executive Directors** G Hassam **By invitation** A C M Low (Group Managing Director) **Management attendee** D Ndebele (Company Secretary) Subsequent to 31 December 2015, I M Mohammed was appointed to the GNC.	Minimum of three members and majority required for a quorum	Meets at least once a year

FIGURE 17: ATTENDANCE AT MEETINGS

The attendance of Board members at various Board and committee meetings during the year under review is was as follows:

	Main Board attendance	Group Audit and Risk committee attendance	Group Human Resources committee attendance	Group Investment committee attendance **	Group Nominations Committee attendance	Strategic / adhoc meetings attendance***
J A Burbidge	4/5	-	-	-	2/3	7/10
A C M Low	5/5	-	-	-	-	-
I M Mohammed	5/5	5/5	3/3	2/2	-	2/2
G Hassam	5/5	-	-	2/2	3/3	2/2
G van Heerde	5/5	5/5	3/3	-	-	2/2
S Price	5/5	5/5	-	-	3/3	10/10
R Thornton	5/5	-	3/3	2/2	-	9/10
H Karuhanga	4/5	4.5/5 *	3/3	-	3/3	6/10
J de Kock	5/5	4.5/5 *	-	2/2		6/10
Dr. G Somolekae	0/0	-	-	-	-	-

* One GARC meeting was held over two different dates and H Haruhanga and J de Kock attended on one of the dates

** The Group Investment Committee held two physical meetings during the year. Also, there were a number of conference calls held during the year and the directors' fees are based on their participation in the conference calls.

*** Board members were remunerated for attendance at a day long strategy review at the level of one board sitting fee. The other adhoc meeting fees relate to board representatitive meetings of independent and non independent directors meetings during the year.

Board fees are as follows

Board Chairman	BWP 29,000 per meeting attended
Directors	BWP 27,285 per meeting attended
Group Audit and Risk Committee members	BWP 27,285 per meeting attended
Other committees	BWP 15,000 per meeting attended or BWP 10,0000 of meeting helf via conference call
Strategy review meeting	BWP 29,000 for the Chairman and BWP 27,285 for directors
Annual retainer	BWP 500,000 for the board chariman and BWP 300,000 for directors

Note that the retainer was amended with effect from 1 October 2015.

CORPORATE GOVERNANCE (CONTINUED)

FIGURE 18: MANAGEMENT COMMITTEES

	Committee	Purpose	Composition	Quorum	Frequency of meeting
1	**Group Management Committee (GMC)**	▶ Ensures delivery of the Group, country and business strategies against the Group's Collective Agenda and budget, and reports on such progress to the Board as well as escalating any significant risks or issues on a timely basis ▶ Monitors external developments in the Group's country footprint as well as internal risk issues arising, to ensure that appropriate actions are taken to protect the reputation and franchise of Letshego Group as well as to mitigate potential financial losses ▶ Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, people development and stakeholder engagement, underpinned by exemplary governance and effective cost control. ▶ Provides unified leadership on key transformation, brand and other business initiatives by determining and agreeing the response to cross geography and business challenges	C Low (Group Managing Director) (Chairman) T Kocsis (Group Head of East Africa and Micro Finance) C Patterson (Group Chief Financial Officer) T Mwai (Group Head of Human Resources) D Ndebele (Group Head of Governance and Compliance) M Sambasivan-George (Group Head of Corporate Affairs) J Wainaina (Group Head of Customer Experience) D Olsen-Namanyane (Group Head of ICT and Operations) **By invitation** Country CEOs (for selective meetings)	Majority of GMC members	Monthly
2	**Group Risk Committee (GRC)**	▶ Promotes a culture of risk management discipline, anticipation and compliance across the Group's footprint ▶ Reviews and recommends to GMC models and approach to determining risk appetite at Group and Country levels as a basis for obtaining GMC and GARC approvals and to monitor compliance with the same ▶ Proactively monitors potential capital, interest rate, foreign exchange, liquidity, credit, operational, and compliance risks and initiates actions to mitigate those risks	C Low (Group Managing Director) (Chairman) N Marimira (Group Head of Risk and Assurance) T Kocsis (Group Head of East Africa and Micro Finance) D Ndebele (Group Head of Governance and Compliance) P Chadwick (Head of Group Banking Operations) F Ferguson (Head of Group Credit Risk)	Majority of GRC members	Bi-Monthly

FIGURE 18: MANAGEMENT COMMITTEES (CONTINUED)

	Committee	Purpose	Composition	Quorum	Frequency of meeting
2	**Group Risk Committee (GRC)**	▶ Reviews significant risk events and ensures that the control environment is adequate to prevent recurrence ▶ Ensures the adequacy and effectiveness of policies, procedures and tools in all countries for the identification, assessment, monitoring, controlling and reporting of risks by reference to the Group's Enterprise Risk Management framework and that they conform to the minimum requirements laid down by the Group and external regulators.	A Prahlad (Regional Finance Manager) **By invitation** Group Heads of Business, Risk Owners and other specialists **Permanent invitee** B Rwelengera (Group Head of Internal Audit)	Majority of GRC members	Monthly
3	**Group Innovation and Change Committee (GICC)**	▶ Allocates and monitors resources and prioritises projects to be implemented ▶ Evaluates and approves new products including any changes to the existing ones ▶ Reviews and recommends to GMC changes to product policies and procedures ▶ Approves funding of projects within its delegated authority limit ▶ Reviews project implementation at the various stages of the project lifecycle and considers requests for additional project funding, changes in benefits or delivery timelines. ▶ Escalates to GMC any overrun in costs or reduction in benefits as necessary	D Olsen-Namanyane (Group Head of ICT and Operations) (Chairman) T Kocsis (Group Head of East Africa and Micro Finance) J Wainaina (Group Head of Customer Experience) C Patterson (Group Chief Financial Officer) D Ndebele (Group Head of Governance and Compliance) N Marirmira (Group Head of Risk and Assurance) F Ferguson (Head of Group Credit Risk)	Majority of GICC members	Monthly

FIGURE 18: MANAGEMENT COMMITTEES (CONTINUED)

Committee	Purpose	Composition	Quorum	Frequency of meeting
4 **Country Management Committee (CMC)**	Delivers on the country and business strategy against the country's collective agenda and budget, and reports on such progress to the Regional Heads as well as escalating any significant risks or issues on a timely basis Monitors external developments in the country's operations and internal risk issues arising to ensure that appropriate actions are taken to protect the reputation and franchise of Letshego Group and to mitigate potential financial losses Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, people development and stakeholder engagement, underpinned by exemplary governance and effective cost control Provides unified leadership on key strategic and other business initiatives in the country Promotes and implements an effective risk management framework that encapsulates setting of risk appetite, management discipline, anticipation and compliance across the country and escalating and significant issues Regional Heads and Head of Risk and Assurance as appropriate Ensures that the country business is operating according to the highest standards of regulatory compliance and best practice as defined by external regulations and internal policies and procedures respectively, including banking and labour laws as well as anti-money laundering legislation (AML), KYC, ALM and any other regulatory requirement Approves and recommends to GICC all new products and service offerings.	Chief Executive Officer (or his/her deputy in absence of CEO) Country Head of Sales/Marketing/ Business Development Country Chief Operating Officer Country Chief Finance Officer Country Head of Human Resources Country Head of Risk and Compliance	Majority of CMC members	Monthly

REMUNERATION POLICY

The broad terms of reference of the Group Human Resources Committee are outlined in the table above. A key strategic objective of the Group is to attract and retain high calibre staff and individuals.

All figures in BWP

FIGURE 19: DIRECTORS' FEES

	Retainer Fees	Board Fees	Audit and Risk Committee	HR Committee	Investment Committee	Nominations Committee	Strategic/ Ad hoc Meetings	Total
J Burbidge	203,525	116,000	-	-	-	30,000	89,000	438,525
I Mohammed (DPI)*	135,000	136,425	136,425	45,000	50,000		37,285	540,135
G Hassam (BIHL)*	135,000	136,425	-	-	60,000	45,000	37,285	413,710
G Van Heerde (Sanlam)*	135,000	136,425	136,425	45,000			37,285	490,135
S Price	135,000	136,425	136,425	-		45,000	107,285	560,135
R Thornton	135,000	136,425		45,000	60,000		97,285	473,710
H Karuhanga	135,000	109,140	122,783	45,000		45,000	77,285	534,208
J de Kock	135,000	136,425	122,783		70,000		77,285	541,493
Dr. G Somolekae	-	-	-	-	-	-	-	-
Total	**1,148,525**	**1,043,690**	**654,841**	**180,000**	**240,000**	**165,000**	**559,995**	**3,992,051**

*Fees are paid to organisations they represent

Executive Directors

Executive Directors' incentive bonuses are evaluated and recommended by the Human Resources Committee for the approval of the Board

FIGURE 20: EXECUTIVE DIRECTOR'S REMUNERATION

Executive Director	For Management Services	Performance Bonus	Total
A C M Low	3 000 000	2 700 000	5 700 000

The following incentive schemes are offered by Letshego Group:

FIGURE 21: MANAGEMENT INCENTIVE SCHEMES

	Share-based plans	Deferred bonus plans	Standard annual bonus plan
Group Management Committee and CEOs	✓		✓
Extended leadership team		✓	✓
Management			✓
Middle management			✓
Sales and support staff			✓

CORPORATE GOVERNANCE (CONTINUED)

Top three earners (that are not Executive Directors)

FIGURE 22: REMUNERATION OF THE TOP THREE EARNERS, WHO ARE NOT EXECUTIVE DIRECTORS, FOR THE YEAR ENDED 31 DECEMBER 2015 WAS AS FOLLOWS: ALL FIGURES IN BWP.

Top three earners	For Management Services	Performance Bonus	Total
Employee 1	2,280,000	800,000	3,080,000
Employee 2	1,824,000	800,000	2,624,000
Employee 3	2,040,000	450,000	2,490,000

In terms of the Long Term Incentive Scheme 300,541 shares vested to the top three earners during March 2016 that related to the financial year 31 December 2015.

The key elements of the Long-Term Incentive Plan are:

- Calculation of grants – Ranges between 75% to 200% of basic salary for participants
- Grant term – the vesting is at the end of three years
- Grant targets – is based on Earnings per Share and Return on Equity targets

As a further retention tool, a deferred cash bonus scheme is in place for selected members of the management team that do not participate in the share scheme. The deferred cash bonus is paid over three years (50% at the end of the second year and 50% at the end of the third year). The deferred cash bonus is adjusted upwards for any increase in the Group's share price during the bonus period.

These remuneration and incentive schemes are designed to ensure that executive and management remuneration is driven by increase in shareholder value as well as delivery of the Group's strategic objectives. Surveys conducted by independent consultants indicate that basic salaries paid by the Group to staff are aligned to industry and market norms. In awarding annual increases to employees, consideration is given to an employee's performance as well as the impact of inflation in the countries in which the Group operates.

NON-EXECUTIVE DIRECTORS

After conducting research into trends in Non-Executive Director (NED) remuneration, Non-Executive Directors' fees are proposed by the Group Human Resources Committee. Non-Executive Directors' fees are fixed for the year. Generally, directors of the Group's Board and subsidiaries are remunerated on a structure consisting of an annual retainer and sitting fees for meetings attended. Non-Executive Directors do not receive any fees which are related to the performance of the Group and do not participate in any share-based payments or incentives.

In view of the fact that Board time commitment has continued to increase over the past two years due to the ongoing pan African expansion and transformation of the Group into a broader financial services entity which now includes consumer finance, consumer banking operations, microfinance and microfinance banking; the Group Human Resources Committee carried out a market survey to compare Letshego's compensation for NEDs with other similar diversified multi geography financial institutions. It is noted that the current fee structure of NEDs prior to this benchmarking exercise was based on a survey which was conducted in April 2013.

The results of the survey showed that Letshego's compensation of NEDs was not aligned and fell short of comparable pan African organisations for comparable levels of NED skills sets. As a result of this benchmarking exercise, the annual retainers of NEDs were increased accordingly to a median range of the selected comparable pan African organisations in the market survey sample as reflected in the Non-Executive Directors' compensation table. The Board and Committee sitting fees in the previous fee structure were maintained.

GOVERNANCE AND COMPLIANCE IT FRAMEWORK

The Group has developed an information technology (IT) governance framework as the Group's operations and sustainability are critically dependent on IT. Specifically, IT supports the Group's innovation and technological competitive advantage, the management of IT related risks and increased requirements for control over information security.

The framework addresses the following, in line with best practice:

- The IT activities and functions of the organisation are aligned, to enable and support the priorities of the Group.
- IT delivers the envisioned benefits against strategy, costs are optimised, relevant best practices are incorporated and the value created for the Group by its IT investment is maximised.
- The optimal investment is made in IT and critical IT resources are responsibly, effectively and efficiently managed and utilised.
- Compliance requirements are understood and there is an awareness of risk, allowing the organisation's risk appetite to be managed.
- Performance is optimally tracked and measured and the envisioned benefits are realised, including implementation of strategic initiatives, resource utilisation and the delivery of IT services.
- Synergies between IT initiatives are enabled and where applicable, IT choices are made in the best interest the Group as a whole.

Legal compliance
The Board is ultimately responsible for overseeing the Group's compliance with laws, rules, codes and standards in terms of King III. The Board has delegated responsibility to management for the implementation of an effective legal compliance framework and processes, as envisaged by King III.

Assets and liabilities management (ALM)
ALM is the responsibility of the Group Management Committee. ALM deals with the management of capital adequacy, currency, liquidity, interest rate and market as well as credit risks ensuring that the regulatory prudential ratios are maintained. With regard to central bank regulated subsidiaries, such as Letshego Financial Services Mozambique, that holds a micro finance banking licence, FBN Microfinance Limited, that has a microfinance banking licence and Advans Bank Tanzania Limited that has a commercial banking, the ALM function falls under the Country Management Committee.

Regulatory governance and Compliance
The Head of Governance and Compliance provides the Board with assurance that the Group is compliant with all applicable laws, regulations, rules and codes applicable across its Africa subsidiaries. Further, the Head of Governance and Compliance is responsible for cascading the implementation of the governance and compliance framework at subsidiary level.

External audit
The external auditors are responsible for reporting on whether the financial statements are fairly presented and that they are prepared in compliance with International Financial Reporting Standards (IFRS). Also their audit includes an assessment of selected key internal controls. The preparation of the annual financial statements and the adequacy of the system of internal controls remain the responsibility of the directors.

Internal audit
The Group has an internal audit function that was established to assist with accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Also the internal audit function provides independent and quality assurance for risk management.

The Head of Internal Audit has direct and unrestricted access to the chairperson of the Group Audit and Risk Committee and is a permanent invitee of the Group Audit and Risk Committee. The internal audit team conducts its work in accordance with the internal auditing standards set by the Institute of Internal Auditing - this requires compliance with professional codes of conduct and ethics that are promulgated from time to time by relevant professional bodies as well as recommended international best practices in corporate governance.

Reputation management
Internal and external matters that can impact Letshego's reputation are regularly monitored and reported on. Corporate communication is managed in a structured manner to ensure that accurate information is disseminated consistently to all stakeholders.

All customer complaints are tracked and appropriate corrective action is implemented as soon as practicable. Letshego uses an internally developed customer satisfaction index to ensure that critical aspects of customer service delivery are maintained at a high level. Where relevant, the Group adheres to industry-regulated codes of conduct in the countries in which it operates.

ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK (ERMF)

The ERMF provides minimum requirements for sound risk management practices with the main aim of having an integrated approach to managing risk that adequately identifies, measures, monitors, controls and mitigates risk. We are implementing the ERMF program across the Group.

The ERMF Program includes the implementation of the Risk and Control Self-Assessments, Key Risk Indicators, Operational Risk Incident Reporting and Risk Registers across Letshego. The program also covers the Environmental and Social Governance (ESG) framework.

Enterprise-wide Risk Management Framework (ERMF) implementation
In line with Letshego's diversification drive, and to support our strategy moving forward, we specifically enhanced our risk management framework in 2015. We invested to facilitate a consistent approach to risk management and to ensure the adoption of international best practice and local regulatory requirements in the countries in which we operate.

The governance structures and risk taxonomies were reviewed with the main emphasis being placed on the adequacy of Board and senior management oversight; sound risk management policies and practices; operating procedures and risk appetite; strong risk measurement, monitoring and control capabilities; and adequate internal controls that are referred to as the Adequacy of Risk Management Systems.

We summarise the key elements of the revised ERMF, and the key risks in Figures 23 and 24 on pages 90 and 91 respectively.

Risk management
In support of the enhanced ERM framework, Letshego adopted a new risk philosophy which states that risks must be managed at inception. Our employees are considered to be risk managers responsible for addressing and managing risks that arise from our business activities.

These changes and improvements have contributed to the empowerment of our employees and the desire to continue to build a profitable, socially responsible and sustainable organisation.

In the process, our engagement with stakeholders at all levels is improving in pursuance of our organisational goals.

FIGURE 23: GOVERNANCE AND RISK MANAGEMENT STRUCTURES

- Reviews and approves ERM framework.
- Defines and establishes Risk Governance structures and systems.
- Approves risk strategies, risk appetite and policies.
- Achieves assurance through external & Internal Audit and Risk Management functions.

- Implements strategies and policies approved by the Committees.
- Accountable for governance structures, adherence to risk appetite, risk strategy formulation and policy development.
- Approves procedures.
- Ensures that all audit actions are implemented.

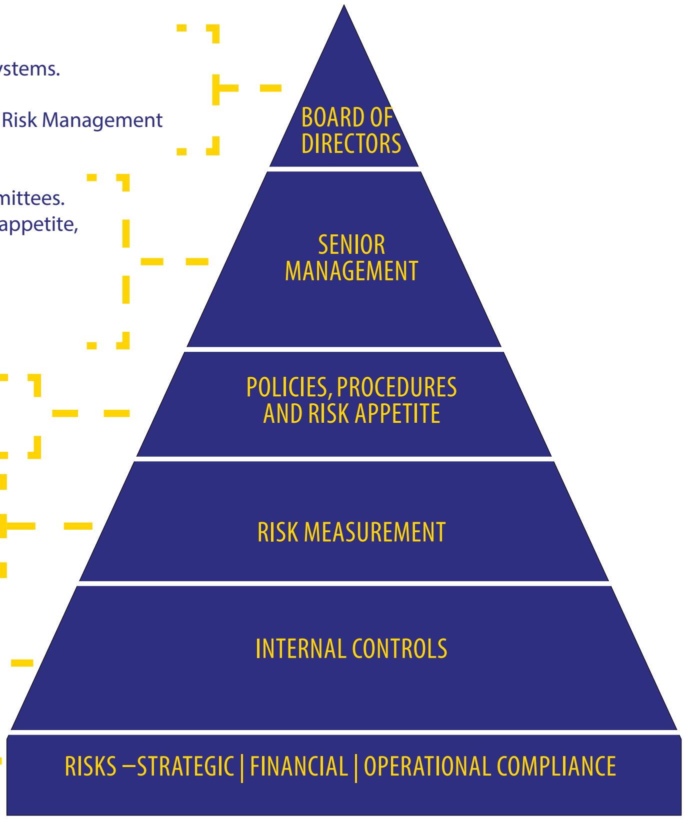
Risk Management function

- Develops policies, procedures and risk measurements for customisation by countries.

- Establishes Risk Management techniques for measuring, monitoring and reporting and adoption by countries.

- Establishes set of internal controls for adaptation by countries.
- Develops effective preventative, corrective and detective controls to reduce scope of risks

- Assigns risk ownership and accountability



Risk appetite and tolerance
Letshego's risk appetite represents the amount of risk we are willing to accept in the achievement of our objectives. It is effected through the Group-wide Risk Management process and specific risk appetite and tolerances are outlined in the various policies.

In assessing risk appetite during the year, the Board and management considered the needs and expectations of our shareholders, customers and employees and the desire to continue to build a profitable, socially responsible and sustainable organisation.

As a group that provides customer solutions that are essentially of a compliance nature, the Board and management acknowledge that stakeholder expectations are likely to become more exacting.

As a consequence, Letshego will not accept risks that could expose us to:

- Unacceptable levels of financial loss relative to strategic and operational targets
- Breaches of legislative or regulatory non-compliance
- Reputational damage
- Unacceptable interruption to the provision of services to customers
- Damage to relationships with our customers and key stakeholders
- Health and safety risk

Policies and procedures
Letshego developed comprehensive and sound policies during the year covering all major risk types. These will be reviewed and approved by the Board at least once every two years for prudent management of significant risks arising from our business activities.

The policies are presented in a format that is consistent with the nature, complexity and scale of our activities.

Adequate systems to monitor compliance with established policies and procedures are in place. These include Internal Audit programmes, Compliance Risk Monitoring plans and Compliance Risk Monitoring reviews.

Emphasis is also placed on ESG programs where Corporate Affairs is championing the programs to ensure that Letshego delivers on its ambition of building a sustainable organisation.

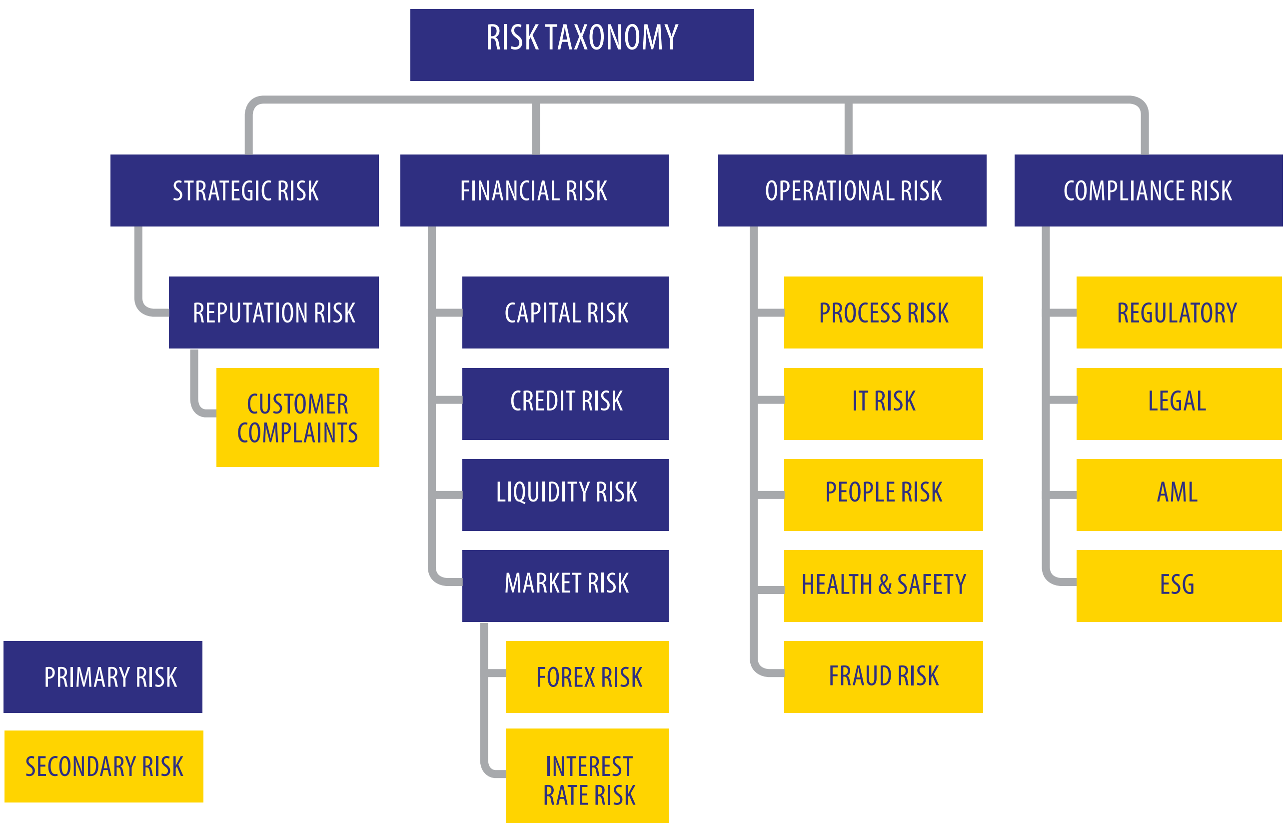
Internal control
Letshego has implemented a system of effective internal controls as a critical component of our risk management framework. Internal controls developed are an integral part of our policies, procedures and processes and are established by the board and management to provide reasonable assurance on the safety, effectiveness and efficiency of our operations, the reliability of financial and managerial reporting, and compliance with regulatory requirements in our points of representation. An effective internal control system is therefore a fundamental mechanism for reducing the scope of risks faced by the Group.

We have developed a control library that will be updated annually by Group Risk Management and contains corrective controls (e.g. supervision, exception reporting, and reconciliation), detective controls (e.g. call back, reviews and validation) and preventative controls (e.g. succession planning, code of ethics and business plan). Key internal controls include the Code of Ethics, Delegation of Authority, Segregation of Duties, Succession planning and Customer Complaints management.

Risk identification, measuring, monitoring and reporting
Letshego uses various techniques and tools in risk identification, measuring, monitoring and reporting in line with our risk maturity level and in accordance with the regulatory requirements in countries in which we operate and in line with international best practice. The key risk tools and techniques are detailed in the various Letshego manuals.

In addition, a Group Operational Risk Manual has been developed to ensure effective risk identification and control process through Risk and Control Self Assessments, Key Risk Indicators, Incident Management Reporting and Risk Registers.

FIGURE 24: LETSHEGO RISK CLASSIFICATION



BANCS SYSTEM INTEGRATION

In 2011/12 we were operating four legacy banking systems. Considering our bold growth and geographic diversification agenda, we made the decision to replace these systems with a single core banking platform.

To date we have successfully migrated seven subsidiaries onto 'Bancs', the core banking system provided by Tata Consultancy Services (TCS). In 2016, we are looking to integrate Kenya, Rwanda and Uganda onto the same system that will provide a unified IT and data management platform and will strengthen internal controls.

We chose this system as it provides a full suite of solutions for both our borrowers and our depositors, as well as allowing for the purchase of additional modules such as Internet and mobile banking.

The integration of new systems on such a large scale is always challenging and we have learnt much in the process. We successfully implemented a focused change management process in order to limit potential internal issues - this was essential to enable us to move with pace on the roll out programme.

Overall, we are pleased with the success and progress that we have made and the internal capacity that we have built.

IT OPTIMISATION AND DATA PROTECTION

As we continue to expand, both organically and through acquisitions, and into the banking space, it is important to ensure that the business operations are streamlined.

As our exposure to more regulated environments and the need to provide customer data protection increases, we will migrate all our subsidiaries onto Bancs.

We subscribe to the highest IT governance standards that at this point are contained in Control Objectives for Information and Related Technology (COBIT).

Our internal auditors are well versed in COBIT and as a department are growing their IT audit skills to ensure that the highest required levels of IT governance are maintained.

Also we have employed a Group Head of Risk and are taking a risk-based approach to many of the business controls. Part of the process in 2015 was a risk review of customer data to review industry threats, including cyber-crime. The result of this approach was the implantation of a clearly defined set of additional controls that are required in order to ensure that data security is prioritised.

The systems overhaul included setting up production and disaster recovery data centres in three countries to ensure triple redundancy. In addition, the data centres in Namibia and Mozambique ensure that we comply with local regulatory requirements.

We have implemented a system of Continuous Data Protection (CDP) - this ensures that our data is automatically backed up whenever a change is made. This allows us to have an updated version of the data at any time and protects against data loss.

Also we are intent on establishing connectivity between our operations, thereby ensuring that the different country operations are connected to each other. This will assist in streamlining communications and will ultimately result in a more efficient operation and risk management, thereby saving us time and money and assisting us in improving on our service to our customers.

IT standardisation allows us to save costs by keeping hardware and software consistent across of our operations. Further, this saves our IT department time as they become expert in our own hardware and software thereby simplifying any changes or repairs to our systems and equipment where required.

We utilise standard equipment and software that reduces compatibility issues - this is sometimes experienced when dealing with products from different manufacturers and suppliers. Simplicity is important in everything that we do and we therefore do not use complex information technology architecture or governance.

Mr and Mrs Lekuis approached Letshego for financial assistance and obtained a total of BWP448 000.00.

(Mr Lekuis BWP309 000 and Mrs Lekuis BWP139 000) to build a small shopping complex in Gabane.

Mr and Mrs Lekuis approached Letshego for financial assistance and obtained a total of BWP448 000.00 (Mr Lekuis BWP309 000 and Mrs Lekuis BWP139 000) to build a small shopping complex in Gabane. To date, the complex has four business tenants: hair parlour, cash and carry, internet café, and a restaurant. Their rental income is BWP14 000 per month.

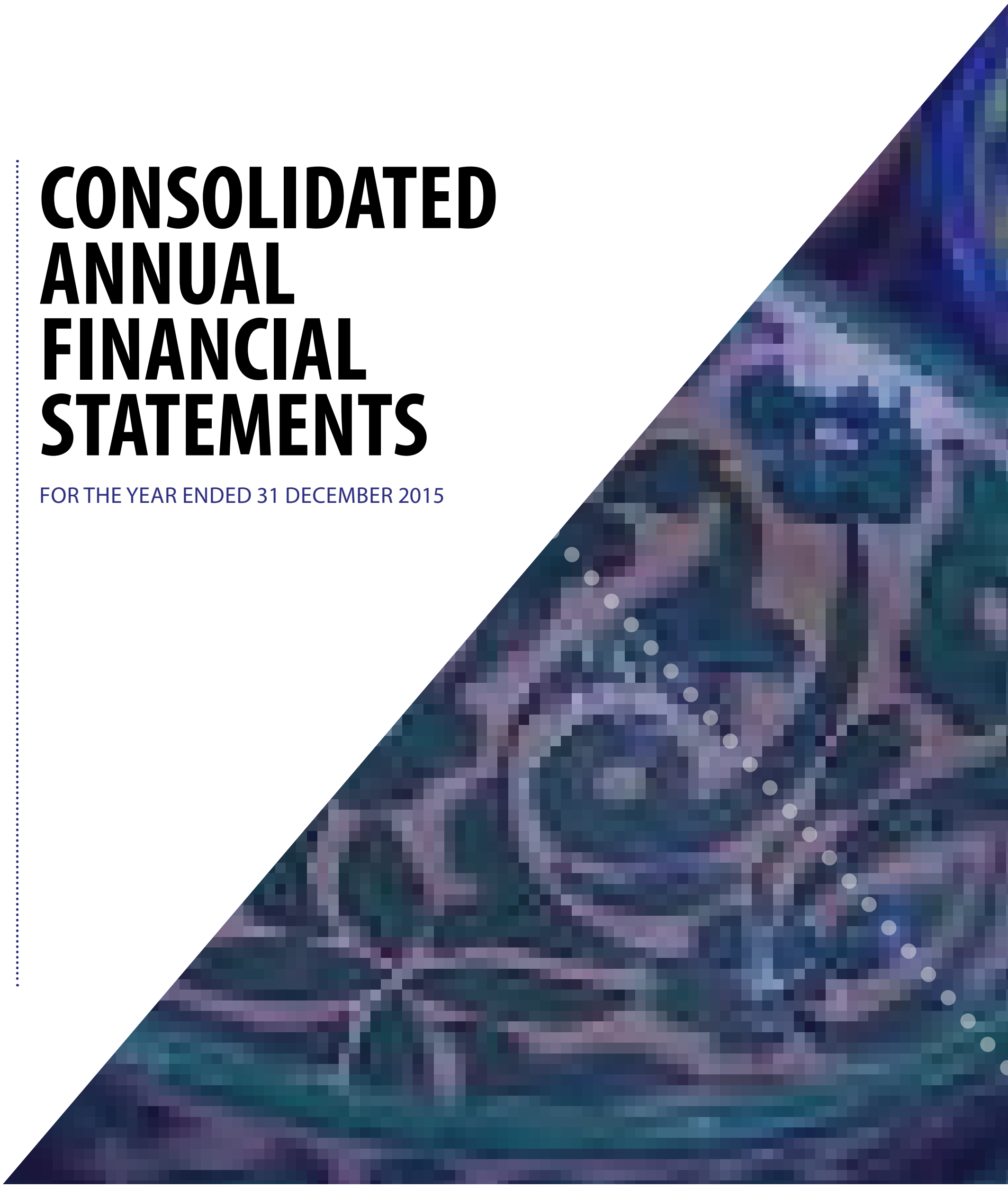
Thanks to the rental income earned from the complex tenants, the couple has been able to acquire land, build their own house, and also send their children to better schools.

The rental income helps them sustain their family and reduce their dependence on formal income.

The complex also plays a major role in community development through job creation and service delivery. Given the complex's close proximity to Gaborone, there have been increased requests for business rental space and this offers Mr and Mrs Lekuis the opportunity to grow their business.

7 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015



DETAILS

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Group Corporate Information

for the year ended 31 December 2015

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

Company Secretary and Registered Office
D. Ndebele
Letshego Place
Second floor
22 Khama Crescent
Gaborone, Botswana

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

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

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

Directors' Report

for the year ended 31 December 2015

The Directors have pleasure in submitting to the shareholders their report and the audited consolidated financial statements of Letshego Holdings Limited (the Company) and its subsidiaries (together "the Group") for the year ended 31 December 2015.

Change of year end

Letshego changed its year-end from 31 January to 31 December during 2014. Therefore the full year period is for the 12 months ended 31 December 2015 and the comparatives are for the 11 month period ended 31 December 2014. In addition comparative figures have been reclassified to align with new classifications and for better presentation. Refer to statement of cash flows; note 16 – Interest income and note 24 – Segment information for details.

Nature of business

The Group is engaged in the provision of short to medium-term secured and unsecured loans to employees in the public, quasi-public and private sectors as well as provision of loans to micro and small entities (MSE).

Stated capital

Stated Capital of the Group at 31 December 2015 amounted to P989,486,908 (31 December 2014: P975,510,050).

On 25 February 2015, 8,425,960 ordinary shares were issued at various prices in terms of the Group's Long Term Incentive Plan. This increased the stated capital by P13, 976,858.

In the prior period on 16 April 2014, 8,935,436 ordinary shares were issued at various prices in terms of the Group's Long Term Incentive Plan. This increased the stated capital by P15, 956 000.

Dividends

An interim dividend of 9.0 thebe per share (Prior year: 8.5 thebe per share) was declared on 08 September 2015.

A second and final dividend of 8.0 thebe per share (Prior year: 8.0 thebe per share) was declared on 24 February 2016.

Directors

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

* J.A. Burbidge [2]	(Chairman)
* G. Hassam [4]	
A.C.M. Low [2]	(Managing Director)
* J.de Kock [3]	
* S. Price [2]	
* I.M. Mohammed [1]	(Alternate Director – R.N. Alam [1])
* R Thornton [1]	
* G. Van Heerde [3]	
* H. Karuhanga [5]	
* Dr G. Somolekae [6]	(Appointed 8th January 2016)

* Non-executive

[1] USA [2] UK [3] RSA [4] Malawi [5] Uganda [6] Botswana

Directors' shareholdings

The aggregate number of shares held directly by directors at 31 December 2015 remained at 1,482,646 (31 December 2014 1,482,646). Full details of this shareholding are available at the registered office of the company or at the office of the transfer secretaries.

Long Term Incentive Plan

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

Directors' Responsibility Statement

for the year ended 31 December 2015

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Letshego Holdings Limited "the Group", comprising the consolidated statement of financial position at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

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

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

The auditor is responsible for reporting on whether the consolidated annual financial statements are fairly presented in accordance with International Financial Reporting Standards.

Approval of the consolidated annual financial statements:
The consolidated annual financial statements of Letshego Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 24 February 2016 and signed by:

J.A. Burbidge
Chairman

A.C.M. Low
Managing Director

pwc

Independent Auditor's Report
To the Members of Letshego Holdings Limited

Report on the Financial Statements

We have audited the consolidated annual financial statements of Letshego Holdings Limited, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information as set out on pages 98 to 145.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated annual financial statements give a true and fair view of the consolidated financial position of Letshego Holdings Limited as at 31 December 2015, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Practicing member: Rudi Binedell
Membership number: 20040091

Gaborone
04 April 2016

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Consolidated Statement of Financial Position

at 31 December 2015

	Note	31 December 2015 P'000	31 December 2014 P'000
ASSETS			
Cash and cash equivalents	3	526,290	320,544
Advances to customers	4	6,311,678	5,686,796
Other receivables	5	220,688	151,103
Property, plant and equipment	6	76,030	51,762
Intangible assets	7	61,312	45,592
Goodwill	8	170,868	55,250
Income tax receivable		27,570	11,178
Deferred tax assets	21.1	68,000	25,866
Total assets		**7,462,436**	**6,348,091**
LIABILITIES AND EQUITY			
Liabilities			
Customer deposits		154,495	3,995
Deposits from banks		77,364	-
Cash collateral	11	44,667	41,692
Trade and other payables	10	175,493	209,521
Income tax payable		57,973	60,406
Deferred tax liabilities		2,006	-
Borrowings	12	2,768,412	1,937,844
Total liabilities		**3,280,410**	**2,253,458**
Shareholders' equity			
Stated capital	13	989,487	975,510
Foreign currency translation reserve		(254,293)	(2,189)
Legal reserve	14	22,178	5,108
Share based payment reserve		19,705	21,246
Retained earnings		3,256,158	2,940,521
Total equity attributable to equity holders of the parent company		**4,033,235**	**3,940,196**
Non - controlling interests		148,791	154,437
Total shareholders' equity		**4,182,026**	**4,094,633**
Total liabilities and equity		**7,462,436**	**6,348,091**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015

	Note	12 months ended 31 December 2015 P'000	11 months ended 31 December 2014 P'000
Interest income	16	1,753,556	1,454,907
Interest expense	17	(326,694)	(167,582)
Net interest income		**1,426,862**	**1,287,325**
Fee and commission income	18	28,699	23,137
Other operating income	18.1	229,390	183,684
Revenue		**1,684,951**	**1,494,146**
Employee benefits	19	(212,487)	(207,034)
Other operating expenses	20	(297,106)	(225,500)
Net income before impairment and taxation		**1,175,358**	**1,061,612**
Impairment of advances	4	(138,864)	(91,480)
Profit before taxation		**1,036,494**	**970,132**
Taxation	21	(268,788)	(248,280)
Profit for the period		**767,706**	**721,852**
Attributable to :			
Equity holders of the parent company		708,282	674,915
Non - controlling interest		59,424	46,937
Profit for the period		**767,706**	**721,852**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		(283,157)	106,304
Total comprehensive income for the period		**484,549**	**828,156**
Attributable to :			
Equity holders of the parent company		456,821	767,552
Non - controlling interest		27,728	60,604
Total comprehensive income for the period		**484,549**	**828,156**
Basic earnings per share – (thebe)	22	35.2	33.2
Diluted earnings per share – (thebe)	22	34.7	32.8
Dividends per share : interim (thebe) - paid	23	9.0	8.5
: final (thebe) - proposed	23	8.0	8.0

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Note
Balance at 1 January 2015	
Total comprehensive income for the period	
Profit for the year	
Other comprehensive income, net of income tax	
Foreign currency translation reserve	
Transactions with owners, recorded directly in equity	
Disposal of Financial South Sudan (Pty) Ltd	
Non-controlling interest arising on business combination- Advans Bank Tanzania	
Acquisition of Non-controlling interest - Letshego Tanzania Limited	29.2
Allocation to share based payment reserve	
Allocation to legal reserve	
New shares issued from long term incentive scheme	
Dividend paid by subsidiary to minority interests	
Dividends to equity holders	
Balance at 31 December 2015	
Balance at 1 February 2014	
Total comprehensive income for the period	
Profit for the period	
Other comprehensive income, net of income tax	
Foreign currency translation reserve	
Transactions with owners, recorded directly in equity	
Allocation to share based payment reserve	
Allocation to legal reserve	
New shares issued from long term incentive scheme	
Dividend paid by subsidiary to minority interests	
Dividends to equity holders	
Balance at 31 December 2014	

Stated capital P'000	Retained earnings P'000	Share based payment reserve P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non-controlling interests P'000	Total P'000
975,510	2,940,521	21,246	(2,189)	5,108	154,437	4,094,633
-	708,282	-	-	-	59,424	767,706
-	-	-	(251,461)	-	(31,696)	(283,157)
-	-	-	(643)	-	(34)	(677)
-	-	-	-	-	20,930	20,930
-	(5,125)	-	-	-	(47,553)	(52,678)
-	-	12,436	-	-	-	12,436
-	(17,070)	-	-	17,070	-	-
13,977	-	(13,977)	-	-	-	-
-	-	-	-	-	(6,717)	(6,717)
-	(370,450)	-	-	-	-	(370,450)
989,487	**3,256,158**	**19,705**	**(254,293)**	**22,178**	**148,791**	**4,182,026**
959,554	2,522,666	17,470	(94,826)	2,696	96,707	3,504,267
-	674,915	-	-	-	46,937	721,852
-	-	-	92,637	-	13,667	106,304
-	-	19,732	-	-	-	19,732
-	(2,412)	-	-	2,412	-	-
15,956	-	(15,956)	-	-	-	-
-	-	-	-	-	(2,874)	(2,874)
-	(254,648)	-	-	-	-	(254,648)
975,510	**2,940,521**	**21,246**	**(2,189)**	**5,108**	**154,437**	**4,094,633**

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Note	12 months ended 31 December 2015 P'000	11 months ended 31 December 2014 P'000
OPERATING ACTIVITIES			
Profit before taxation		1,036,494	970,132
Adjustments for :			
- Amortisation of intangible assets	7	5,942	4,089
- Depreciation	6	15,864	9,304
- Impairment and write off charge	4	196,245	146,933
- Deferred income- credit life commission		-	(327)
- Profit on disposal of property, plant and equipment		-	(21)
- Profit on sale of subsidiaries	29.1	(11,732)	-
- Long term incentive plan provision		12,436	19,732
- Unrealised gain on fair value derivatives		1,175	3,076
- Dividends received		-	(5,173)
Changes in working capital :			
Movement in advances to customers		(993,199)	(1,306,440)
Movement in other receivables		(53,917)	(52,268)
Movement in trade and other payables		(35,929)	82,631
Movement in customer deposits		21,262	3,995
Movement in cash collateral		2,975	(601)
Cash used in operations		197,616	(124,938)
Income tax paid		(322,156)	(256,818)
Net cash flows used in operating activities		**(124,540)**	**(381,756)**
INVESTING ACTIVITIES			
Payment for acquisition subsidiaries	9	(212,330)	-
Net cash acquired from acquisitions	9	178,315	-
Payment for purchase of non-controlling interest	29.2	(52,678)	-
Dividends received		-	5,173
Proceeds from sale of property, plant and equipment		-	21
Purchase of property, plant and equipment and intangible assets		(31,292)	(50,641)
Net cash flows used in investing activities		**(117,985)**	**(45,447)**

Consolidated Statement of Cash Flows (continued)

for the year ended 31 December 2015

	Note	12 months ended 31 December 2015 P'000	11 months ended 31 December 2014 P'000
FINANCING ACTIVITIES			
Dividends paid		(377,167)	(257,522)
Finance obtained from third parties		1,167,101	776,029
Repayment of borrowings		(309,716)	(88,055)
Net cash flows from financing activities		**480,218**	**430,452**
Net movement in cash and cash equivalents		**237,693**	**3,249**
Movement in cash and cash equivalents			
At the beginning of the year		320,544	310,525
Movement during the year		237,693	3,249
Effect of exchange rate changes on cash and cash equivalents		(31,947)	6,770
At the end of the year	3	**526,290**	**320,544**

In the prior period, the Group presented the effect of exchange rate changes on cash and cash equivalents amounting to P6.77 million and P99.53 million relating to advances to customers under operating cashflows. This has now been reclassified as part of the reconciliation of cash and cash equivalents and advances to customers' movements.

In addition prior period impairment of advances movement did not include amounts written off of P99.7 million, these have now been combined in line with current year presentation.

Significant Accounting Policies

for the year ended 31 December 2015

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 consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). 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 Group financial statements for the period ended 31 December 2015 have been approved for issue by the Board of Directors on 24 February 2016.

The following principal accounting policies, which are consistent with prior years, have been adopted in the preparation of these financial statements:

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards.

Basis of preparation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").The financial statements are presented in Botswana Pula, which is the Group's reporting currency and the Company's functional currency. Except where indicated, financial information presented in Pula has been rounded to the nearest thousand.

The financial statements have been prepared on the historical cost basis except 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 recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Significant judgements made by management in the application of International Financial Reporting Standards consist mainly of loans and advances, impairment (note 4) and share based payment calculations as disclosed in (note 15). Judgement is also applied to the valuation of goodwill recognised (note 8) and the probability of having sufficient taxable profits against which deferred tax assets may be utilised (note 21.1).

Basis of consolidation

Investments in subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable are taken into account. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable assets acquired. Transaction costs are expensed as incurred except if it relates to the issue of debt or equity securities.

Basis of consolidation (continued)

Goodwill

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. The carrying amount of goodwill is assessed annually for impairment. An impairment loss recognised on goodwill is not reversed in a subsequent period.

Transactions eliminated on consolidation

Intra group balances and any unrealised income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non – controlling interest

Non-controlling interests (NCIs) are shown separately in the consolidated statement of financial position and statement of profit and loss and other comprehensive income. NCIs are viewed as equity participants of the Group and all transactions with minorities are therefore accounted for as equity transactions and included in the consolidated statement of changes in equity. NCI is measured at proportionate share of the acquiree's identifiable net assets.

Loss of control

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained is measured at fair value when control is lost.

Change in the group's interest in subsidiaries

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with the equity owners of the group. A change in ownership in interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect the relative interests in the subsidiary. Any differences between the amount of the adjustment to non-controlling interests and any consideration paid or received is recorded in equity.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment / losses.

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

Computer equipment	3 years
Office furniture	4 years
Office equipment	5 years
Motor vehicles	4 years
Land and building	30 - 50 years

Land and buildings are stated on the historical cost basis. Repairs and maintenance are recognised in profit or loss during the financial period in which these costs are incurred. Whereas the cost of major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits will flow to the group.

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

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

Gains and losses on disposal of property and equipment items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Work in progress

Work in progress comprises of:

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

Foreign currency transactions

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

Foreign operations' financial statements

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Botswana Pula at the rates ruling at the financial period end. The income and expenses of foreign operations are translated to Botswana Pula at rates approximating those ruling at the dates of the transactions. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve. When a foreign operation is disposed of, either in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Intangible assets – computer software

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses.

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

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software for current and prior periods is three to ten years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Provisions

Provisions are recognised when the Group has a present legal obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

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

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

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

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

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

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

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

Fee and commission income
Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and fees arising from group credit life insurance scheme are recognised on a time-apportionate basis over the period the service is provided.

Interest expense
Interest expense is recognised in profit or loss using the effective interest method as describe under interest income policy above. Foreign currency gains and losses on interest earning financial liabilities are recognised in profit or loss, as part of interest expense, as they are incurred.

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

Other income

Other income comprises profit share and once-off joining fees. Profit share is recognised as profits are declared by the insurer on a notification basis. Once off joining fees are recognised in profit or loss on a cash basis in the month a member takes insurance cover.

Dividend income

The Group recognises dividends when the Group's right to receive payment is established. This is on the 'last day to trade' for listed shares, and on the 'date of declaration' for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares. Dividend income is presented in statement of comprehensive income.

Legal reserve

According to the commercial code applicable to certain subsidiaries, a non-distributable legal reserve of 15% of these subsidiaries' annual profits is transferred till the reserve is equal to the subsidiary share capital.

Stated capital

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

Dividends paid

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

Employee benefits

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

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

Payroll administration costs

Administration costs are charged by employers for payroll deduction facilities. These costs are set-off against recoveries made from clients. Where the Group is not able to recover in full such administration costs, they are recognised in profit or loss as incurred.

Share-based payment transactions

The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. The Group also grants its own equity instruments to employees of its subsidiary as part of group share-based payment arrangements. The number of vesting awards is subject to achievement of non-market conditions.

The grant date fair value of awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest.

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

Share-based payment transactions (continued)
The Group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through profit or loss. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share based payment reserve and credited against retained earnings.

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

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

Segment reporting
A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments. Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares arising from the Long Term Incentive Plan (LTIP) awards and convertible loan instruments.

Contingent liabilities
The Group recognises a contingent liability where, it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Group.

Financial assets and liabilities
The Group's financial assets and liabilities consist of the following significant items.

Advances to customers
Advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Advances to customers are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their armortised cost using the effective interest method. These are classified as loans and other receivables.

Borrowings and deposits from customers
Borrowings and customer deposits are the Group's sources of funding; they are classified as other financial liabilities at amortised cost and are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Other receivables
Other receivables comprise deposits and other recoverables which arise during the normal course of business. These are classified as loans and receivables and are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their amortised cost using the effective interest method.

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

Financial assets and liabilities (continued)

Cash and cash equivalents

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

Cash collateral

Cash collateral consist of cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer. The cash collateral is set off against a loan balance only when the loan balance is deemed irrecoverable from the customers. Cash collateral is classified as financial liabilities at amortised cost.

Recognition

The Group initially recognises financial assets and liabilities on the date that they are originated or on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Derecognition

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

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

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Amortised cost measurement

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

Financial assets and liabilities (continued)

Fair value measurement

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

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

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

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

Identification and measurement of impairment

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

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

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

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

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

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

Designation at fair value through profit or loss

The Group may designate financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Significant Accounting Policies (continued)

for the year ended 31 December 2015

Insurance arrangements

The Group operates a Cell Captive which provides underwriting services to the Group on all Namibia and Mozambique domiciled customer loan balances on which premiums are fully paid. Loss events that qualify as life risks, such as death and disability, are insured through this cell. Monthly premiums are collected from customers by the Group and are paid into the insurance cell.

Premium reserves are recognised as income against which the following are appropriated:

- Claims paid;
- Claims admitted, but not yet paid;
- Claims incurred but not yet reported;
- Expenses incurred in connection with the underwriting and investments relating to the Group;
- Underwriting regulatory and administration fees.

Premium income is recognised on a gross basis in the month to which the premium relates. Single premiums are accounted for when the collection of the premium in terms of the policy is reasonably assured. Actual and admitted claims are recognised against premiums in the month the loss events occur.

Outstanding claims incurred but not yet reported are estimated and included in profit or loss. This includes provisions for claims in the event that a present or constructive obligation exists due to a past loss event, and which can be reliably estimated. Any surplus resulting out of gross premiums after allocation of investment income, claims and fees may be paid out to the Group bi-annually as a dividend. Dividends are recognised in profit or loss in the reporting period that these are approved by the Directors.

Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position and are included in other receivables. Changes in its fair value are recognised immediately in profit or loss as a component of other operating income.

Impairment for non-financial assets

At each reporting date, the Group reviews the carrying value for its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses in respect of goodwill are not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined if no impairment loss had been recognised.

New standards or amendments become effective for the first time during the year

There were no new standards or amendments to existing standards that become effective for the first time during the year, that are relevant to the operations of the Group.

Standards issued but not yet effective at year end

A number of new standards and amendments to standards are issued but not yet effective for period ended 31 December 2015. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

Significant Accounting Policies (continued)

for the year ended 31 December 2015

Standards issued but not yet effective at year end (continued)

IFRS 9 Financial Instruments

IFRS 9, published in July 2015, replaces the existing guidance in IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. In addition, IFRS 9 will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for revenue recognition. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 31 December 2016 financial statements.

IFRS 16 Leases

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

Other standards/amendments

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Presentation of financial statements disclosure initiative (Amendments of IAS 1 – effective 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments of IAS 16 and IAS 38 – effective 1 January 2016).
- Equity Method in Separate Financial Statements (Amendments to IAS 27 – effective 1 January 2016).
- Recognition of deferred tax assets on Unrealised Losses (Amendments to IAS 12 – effective 1 January 2017).
- Cash flow statements disclosure Initiative (Amendments to IAS 7 – effective 1 January 2017

1. FINANCIAL RISK MANAGEMENT

1.1 Introduction and overview

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

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

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

- Group Audit and Risk Committee
- Group Nominations Committee
- Group Human Resources Committee
- Group Investments Committee

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

- Group Management Committee
- Group Risk Committee
- Group Innovation and Change Committee
- Group Sustainability Committee

As part of the Group's strategy to enhance its governance structures, an independent Group Risk Management and Assurance function was established and resourced during 2015 in addition to the Group Internal Audit and Group Governance and Compliance Functions. The Group Head of Risk Management and Assurance is responsible for implementing the ERM framework approved by the Board whilst the Group Head of Governance and Compliance is responsible for implementing the Governance and Compliance framework. Group Internal Audit is responsible for providing independent assurance that the overall ERM framework is adequately designed, implemented and monitored. Within the regular audit activity, Group Internal Audit is also responsible to provide assurance that the systems of internal control are operating effectively.

During 2015, Group policies and processes were also reviewed in line with the Group's risk appetite. Furthermore, the risk types at Group level were reclassified into four primary risks, namely, strategic risk, financial risk, operational risk and compliance risk. However, at country level the primary risks are further split into more primary risks and secondary risks in line with the regulatory requirements in which the Group operates. Financial risks include credit risk, market risk, liquidity risk and capital risk with reputational risk falling under strategic risk.

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

1.2 Strategic risk

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

In line with the Group's Enterprise-wide Risk Management framework, strategic risk management enables the mitigation of risks and protects the stability of the Group. It also acts as a tool for planning systematically about the future and identifying opportunities.

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2015

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.2 Strategic risk (continued)

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

Simple and appropriate strategic and reputational risk policies were enhanced during the year with full implementation expected to be completed across the footprint during 2016.

1.3 Financial risk

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

1.3.1 Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet obligations in accordance with agreed terms. The Group is exposed to credit risk from a number of financial instruments such as loans and inter-bank transactions from its subsidiaries.

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 its respective CEO's and credit departments of each subsidiary. It is the responsibility of 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 financial inclusion.

Credit risk mitigation

Letshego offers life insurance products to all its clients in Botswana, Kenya, Namibia, Mozambique, Lesotho, Uganda and Swaziland, which cover the repayment of the outstanding capital balances on the loan to Letshego in the event of death or permanent disability of the customer. In addition, comprehensive insurance cover is in place in Namibia, Mozambique and Swaziland covering such risks as loss of employment, employer default, absconding and even temporary disability. Further to this, for part of the customer advances portfolio that is not extended through payroll deduction, the Group applies the Credit scoring and customer education in advance of the extension of credit to customers and conduct regular reviews of the credit portfolio.

Credit risk stress testing

The Group and its commercial banking entities recognize the possible events or future changes that could have a negative impact on the credit portfolios and affect the Group's ability to generate more business. To mitigate this risk, the Group enhanced its stress testing capabilities during the year for use by its deposit taking institutions.

Impairment methodology

The Group's accounting policy for losses arising from the impairment of loans and advances represents management's best estimate of losses incurred in the loan portfolios at the reporting date. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in light of differences between loss estimates and actual loss experience. During the period under review, further improvements were made to the existing impairment methodology for the Payroll deduction loan solution.

The replacement of IAS 39 with IFRS 9 Financial Instruments ("IFRS 9") effective 1st January 2018 will have an impact on the methodology and level of provisioning required to be held by Letshego as it will replace the current incurred loss model with the requirement to calculate expected losses. Letshego is in the process of developing an appropriate methodology to align to IFRS 9 requirements.

Impairment

Full year 2015 impairment charge closed at P 138.86 m, an increase from 2014 of P 91.48 m primarily due to the change in estimates and judgements with the loan loss rate increasing from 1.6% to 2.3%. Overall Impairment coverage increased from 1.3% to 3.8%. Impairment provision methodology continues to be strengthened. Strong risk mitigation and comprehensive credit insurance in certain markets further improves our recovery experience.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Write-off policy

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

Maximum exposure to credit risk at 31 December 2015	Gross Advances P'000	Specific Provision P'000	Portfolio Provision P'000	Net Advances P'000	Security Held P'000
Southern Africa	5,131,376	(123,820)	(9,149)	4,998,407	-
East and West Africa	1,432,018	(54,906)	(63,841)	1,313,271	(44,667)
Total at 31 December 2015	**6,563,394**	**(178,726)**	**(72,990)**	**6,311,678**	**(44,667)**

Maximum exposure to credit risk at 31 December 2014	Gross Advances P'000	Specific Provision P'000	Portfolio Provision P'000	Net Advances P'000	Security Held P'000
Southern Africa	4,874,919	(34,439)	(14,480)	4,826,000	-
East and West Africa	887,239	(1,846)	(24,597)	860,796	(41,692)
Total at 31 December 2014	**5,762,158**	**(36,285)**	**(39,077)**	**5,686,796**	**(41,692)**

Credit quality

Through the Group's deduction code model, the Group is exposed to two main identifiable economic sectors namely government and private (including parastatals). Through the Group's MSE and group - lending business streams, the main economic sectors by which credit risk is taken on are individuals and / or group of individuals or owner - managed small businesses. These are all included in the segment titled "private" below.

The table below presents an analysis of the Group's net advances based on the sectors to which the Group is exposed:

Analysis of sector risk at 31 December 2015	Government P'000	Private (including parastatals) P'000	Total net advances P'000
Southern Africa	4,456,597	541,811	4,998,408
East and West Africa	577,200	736,070	1,313,270
	5,033,797	**1,277,881**	**6,311,678**

Analysis of sector risk at 31 December 2014	Government P'000	Private (including parastatals) P'000	Total net advances P'000
Southern Africa	4,348,431	477,569	4,826,000
East and West Africa	532,872	327,924	860,796
	4,881,303	**805,493**	**5,686,796**

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

The table below presents an analysis by geographic location of the credit quality of advances based on the Group's internal credit rating.

31 December 2015	Southern Africa P'000	East and West Africa P'000	Total P'000
Neither past due nor impaired	4,783,321	1,282,865	6,066,186
Past due but not impaired	231,952	62,535	294,487
Impaired	116,093	86,628	202,721
Total gross advances to customers	5,131,366	1,432,028	6,563,394
Less: impairment provision	(132,967)	(118,749)	(251,716)
Net advances to customers at 31 December 2015	**4,998,399**	**1,313,279**	**6,311,678**
Past due but not impaired			
3 - 6 months	194,959	5,295	200,254
Over 6 months	36,993	57,240	94,233
	231,952	**62,535**	**294,487**

31 December 2014	Southern Africa P'000	East and West Africa P'000	Total P'000
Neither past due nor impaired	4,663,524	837,605	5,501,129
Past due but not impaired	177,012	21,049	198,061
Impaired	34,383	28,585	62,968
Total gross advances to customers	4,874,919	887,239	5,762,158
Less: impairment provision	(48,919)	(26,443)	(75,362)
Net advances to customers at 31 December 2014	**4,826,000**	**860,796**	**5,686,796**

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.2 Liquidity risk

Liquidity risk is the risk of financial loss to the Group arising from its inability to fund increases in assets and/or meet obligations as they fall due without incurring unacceptable cost or losses.

Liquidity risk framework and governance

The framework for managing liquidity risk is anchored on an effective board and senior management oversight, formulation of a liquidity strategy, adequate policies and procedures, effective internal controls and independent reviews, as well as a sound process for identifying, measuring, monitoring and controlling liquidity risk.

The Group does not treat liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors through the subsidiaries boards is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Head of Group Treasury and ALM and country Heads of Finance respectively with independent day to day monitoring being provided by the Risk Management and Assurance function.

Cash flow and maturity profile analysis

The Group and its subsidiaries use the cash flow and maturity mismatch analysis on contractual basis to assess their ability to meet immediate liquidity requirements and plan for their medium to long term liquidity profile. The following table shows the Liquidity Maturity Gap as at 31 December 2015:

31 December 2015	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Total P'000
Total assets	19,781	566,892	2,062,285	4,813,478	**7,462,436**
Total liabilities and equity	(37,909)	(1,205,951)	(661,264)	(5,557,312)	**(7,462,436)**
Gap	**(18,128)**	**(639,059)**	**1,401,021**	**(743,834)**	-
Cumulative Gap	**(18,128)**	**(657,187)**	**743,834**	-	-

31 December 2014	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Total P'000
Total assets	130,541	351,819	1,536,637	4,329,094	**6,348,091**
Total liabilities and equity	(335)	(635,338)	(666,678)	(5,045,740)	**(6,348,091)**
Gap	**130,206**	**(283,519)**	**869,959**	**(716,646)**	-
Cumulative Gap	**130,206**	**(153,313)**	**716,646**	-	-

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.2 Liquidity risk (continued)

The table below analyses Group's financial liabilities into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2015 Contractual maturities of financial liabilities	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Carrying amount P'000
Customer deposits	154,495	-	-	154,495
Deposits from banks	77,364	-	-	77,364
Cash collateral	44,667	-	-	44,667
Trade and other payables	136,705	-	-	136,705
Borrowings	1,641,912	883,368	966,811	3,492,091
	2,055,143	**883,368**	**966,811**	**3,905,322**

31 December 2014 Contractual maturities of financial liabilities	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Carrying amount P'000
Customer deposits	3,995	-	-	3,995
Cash collateral	41,692	-	-	41,692
Trade and other payables	164,753	-	-	164,753
Borrowings	1,458,585	233,073	874,747	2,566,405
	1,669,025	**233,073**	**874,747**	**2,776,845**

Liquidity contingency plans

The Group's Liquidity Risk Management Policy which was enhanced during the year is supported by a robust Liquidity Contingency Plan. This is to ensure the Group's safety, soundness and compliance with regulatory requirements in countries in which it operates. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises relative to the size of the entity.

Liquidity stress testing

The Group's subsidiaries with commercial banking licenses are required to conduct stress testing on a regular basis to ensure that they have adequate liquidity to withstand stressed conditions. This is done in line with the local regulatory requirements in which the Group operates.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk exists wherever the Letshego Holdings Limited (the Group) or its subsidiary have trading, banking or investment positions.

The Group uses a collection of risk measurement methodologies to assess market risk that include loss triggers, repricing gap and traditional risk management measures. The Group's market risk is largely concentrated on foreign exchange, interest rate risk and from its investments.

Foreign currency risk

Foreign exchange rate risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. The potential for loss arises from the process of revaluing foreign currency positions on both on- and off- balance sheet items, in Botswana Pula terms. This risk is largely concentrated at Group level.

Interest rate risk in the banking book

Interest rate risk arising from the Group's assets and liabilities remained within the Group's risk appetite during the year. The table below shows the Group's repricing gap as at 31 December 2015.

31 December 2015 **Buckets (days)**	0-30	31 -60	61-90	91-180	181-365	>365	Total
Rate sensitive assets							
Bank and cash	5,611	-	72	-	9,939	1,633	**17,255**
Loans and advances to customers	6,311,678	-	-	-	-	-	**6,311,678**
	6,317,289	**-**	**72**	**-**	**9,939**	**1,633**	**6,328,933**
Rate sensitive financial liabilities							
Customer deposits	136,788	3,180	7,972	6,555	-	-	**154,495**
Deposits from banks	77,364	-	-	-	-	-	**77,364**
Borrowings	1,331,228	112,371	5,680	27,820	164,226	1,127,087	**2,768,412**
	1,545,380	**115,551**	**13,652**	**34,375**	**164,226**	**1,127,087**	**3,000,271**
Gap	**4,771,909**	**(115,551)**	**(13,580)**	**(34,375)**	**(154,287)**	**(1,125,454)**	**3,328,661**
Cumulative Gap	**4,771,909**	**4,656,358**	**4,642,778**	**4,608,403**	**4,454,116**	**3,328,661**	

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.3 Market risk (continued)
31 December 2014

Buckets (days)	0-30	31 -60	61-90	91-180	181-365	>365	Total
Rate sensitive assets							
Bank and cash	10,871	-	3,145	-	7,179	1,071	**22,267**
Loans and advances to customers	5,686,796	-	-	-	-	-	**5,686,796**
	5,697,667	**-**	**3,145**	**-**	**7,179**	**1,071**	**5,709,063**
Rate sensitive financial liabilities							
Customer deposits	3,995	-	-	-	-	-	**3,995**
Borrowings	1,361,228	-	-	56,764	158,956	360,896	**1,937,844**
	1,365,223	**-**	**-**	**56,764**	**158,956**	**360,896**	**1,941,839**
Gap	**4,332,445**	**-**	**3,145**	**(56,764)**	**(151,777)**	**(359,825)**	**3,767,224**
Cumulative Gap	**4,332,445**	**4,332,445**	**4,335,590**	**4,278,826**	**4,127,049**	**3,767,224**	**-**

Market risk framework and governance
The market risk framework outlines or discloses the methodology by which the Group identifies, measures, monitors, controls and reports on its market risk profile for every operation overseen by the Group. Effective board oversight of the Group's exposure to market risk is the cornerstone of an effective market risk management process. The Board and Senior Management understand the nature and level of market risk assumed by the Group and its subsidiaries and how this risk profile fits within the overall business strategies.

The Board of Directors is ultimately accountable and approves the market risk appetite for all types of market risk. The Board delegated the effective management of market risk to the Group Audit and Risk Committee and Group Management Committee. On a day-to-day basis, market risk exposures are managed by the Head of Group Treasury and ALM and appropriate management reports are generated. Group Risk Management and Assurance function provides independent oversight.

Market risk measurement
Generally, measurement tools in use at any point in time are commensurate with the scale, complexity, and nature of business activities and positions held by the Group or its subsidiaries. The tools and techniques used to measure and control market risk include the repricing gap, scenario analysis on net interest income, stop loss limits and stress testing. In addition, the Group also performs ratio analysis on the key ratios of the Group and each subsidiary.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.3 Market risks (continued)

The Group aims not to maintain significant open currency positions. The Group had the following currency exposures (Pula equivalent) at the reporting date (monetary assets and liabilities only).

31 December 2015

	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	2	7,092	12,713	6,233	103,377	15,908
Advances to customers	-	142,827	1,391,534	251,088	395,828	285,203
Other receivables	-	7,257	79,717	113	5,752	4,959
Total assets	2	157,176	1,483,964	257,434	504,957	306,070
Customer deposits	-	-	-	-	30,835	-
Cash collateral	-	-	-	-	-	6,963
Deposits from banks	-	-	-	-	-	-
Borrowings	-	-	-	-	11,360	145,128
Trade and other payables	-	4,336	30,843	4,471	10,732	15,834
Total liabilities	-	4,336	30,843	4,471	52,927	167,925
Net exposure	2	152,840	1,453,121	252,963	452,030	138,145
Exchange rates at 31 December 2015						
- mid: BWP 1.00 =	1.39	1.39	1.39	1.39	192.47	301.28

31 December 2014

	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	1	7,749	40,610	9,025	25,038	13,519
Advances to customers	-	150,966	1,366,485	190,179	307,496	248,612
Other receivables	-	207	57,351	165	2,285	3,398
Total assets	1	158,922	1,464,446	199,369	334,819	265,529
Deposits from customers	-	-	-	-	-	-
Cash collateral	-	-	-	-	-	8,675
Borrowings	593,220	-	-	-	-	98,300
Trade and other payables	-	3,434	52,586	2,144	10,058	6,509
Total liabilities	593,220	3,434	52,586	2,144	10,058	113,484
Net exposure	(593,219)	155,488	1,411,860	197,224	324,762	152,045
Exchange rates at 31 December 2014						
- assets: BWP 1.00 =	1.25	1.25	1.25	1.25	191	298
Exchange rates at 31 December 2014						
- liabilities: BWP 1-00 =	1.18	1.18	1.18	1.18	171	297

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	South Sudan Pound P'000	Nigerian Naira P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
45,251	14,394	36,303	-	177,500	82	54	107,370	12	526,290
1,065,260	394,669	167,765	-	69,806	-	-	2,147,698	-	6,311,678
32,373	3,828	5,310	-	6,559	-	-	81,542	-	220,668
1,142,884	412,891	209,378	-	253,865	82	54	2,336,610	12	7,058,656
1,904	-	41,522	-	80,234	-	-	-	-	154,495
-	36,651	1,053	-	-	-	-	-	-	44,667
-	-	-	-	77,364	-	-	-	-	77,364
227,697	272,707	112,053	-	-	-	-	1,999,467	-	2,768,412
11,474	9,605	4,011	-	5,433	-	-	78,754	-	175,493
241,075	318,963	158,639	-	163,031	-	-	2,078,221	-	3,220,431
901,809	93,928	50,739	-	90,834	82	54	258,389	12	3,838,225
4.19	9.12	66.45	-	17.83	0.17	0.09	1.00	0.08	

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	South Sudan Pound P'000	Nigerian Naira P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
130,306	36,904	6,120	6,558	-	15	35	44,653	12	320,545
1,113,673	188,130	103,651	12,907	-	-	-	2,004,697	-	5,686,796
22,916	2,785	1,956	1,880	-	-	-	62,390	-	151,103
1,266,895	227,819	111,726	21,345	-	15	35	2,111,740	12	6,158,443
2,577	-	1,418	-	-	-	-	-	-	3,995
-	29,897	824	2,297	-	-	-	-	-	41,692
239,461	192,614	64,984	14,549	-	-	-	734,716	-	1,937,844
12,662	7,093	3,397	3,517	-	-	-	108,120	-	209,521
254,700	229,604	70,623	20,363	-	-	-	842,836	-	2,193,052
1,012,195	(1,784)	41,103	982	-	15	35	1,268,904	12	3,965,391
3.35	9.90	74.80	0.33	-	0.07	0.11	1.00	0.09	
3.41	9.15	70.00	0.31	-	0.07	0.10	1.00	0.08	

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2015

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.3 Market risks (continued)

Set out below is one impact of a 10% appreciation of the BW Pula.

31 December 2015

	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	2	6,447	11,557	5,666	93,979	14,462
Advances to customers	-	129,843	1,265,031	228,262	359,844	259,275
Other receivables	-	6,597	72,470	103	5,229	4,508
Total assets	2	142,887	1,349,058	234,031	459,052	278,245
Customer deposits	-	-	-	-	28,032	-
Cash collateral	-	-	-	-	-	6,330
Deposits from banks	-	-	-	-	-	-
Borrowings	-	-	-	-	10,327	131,935
Trade and other payable	-	3,942	28,039	4,065	9,756	14,395
Total liabilities	-	3,942	28,039	4,065	48,115	152,660
Net exposure - if 10% appreciation of BWP	2	138,945	1,321,019	229,966	410,937	125,585
Net exposure - at actual year end rates	2	152,840	1,453,121	252,963	452,030	138,145
Impact of 10% appreciation of BWP	-	(13,895)	(132,102)	(22,997)	(41,093)	(12,560)

A 10% depreciation would result in the inverse of the above.

31 December 2014

	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	1	7,045	36,918	8,205	22,762	12,290
Advances to customers	-	137,242	1,242,259	172,890	279,542	226,011
Other receivables	-	188	52,137	150	2,077	3,089
Total assets	1	144,475	1,331,314	181,245	304,381	241,390
Deposits from customers	-	-	-	-	-	-
Cash collateral	-	-	-	-	-	7,886
Borrowings	539,291	-	-	-	-	89,363
Trade and other payable	-	3,122	47,805	1,949	9,143	5,918
Total liabilities	539,291	3,122	47,805	1,949	9,143	103,167
Net exposure - if 10% appreciation of BWP	(539,290)	141,353	1,283,509	179,296	295,238	138,223
Net exposure - at year end rates	(593,219)	155,488	1,411,860	197,224	324,762	152,045
Impact of 10% appreciation of BWP	53,929	(14,135)	(128,351)	(17,928)	(29,524)	(13,822)

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	South Sudan Pound P'000	Nigerian Naira P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total if Pula appreciated by 10% P'000
41,137	13,085	33,003	-	161,364	75	49	107,370	11	488,207
968,418	358,790	152,514	-	63,460	-	-	2,147,698	-	5,933,134
29,430	3,480	4,827	-	5,963	-	-	81,542	-	214,149
1,038,985	375,355	190,344	-	230,787	75	49	2,336,610	11	6,635,491
1,731	-	37,747	-	72,940	-	-	-	-	140,450
-	33,319	957	-	-	-	-	-	-	40,606
-	-	-	-	70,331	-	-	-		70,331
206,997	247,915	101,866	-	-	-	-	1,999,467	-	2,698,508
10,431	8,732	3,646	-	4,939	-	-	78,754	-	166,699
219,159	289,966	144,216	-	148,210	-	-	2,078,221	-	3,116,594
819,826	85,389	46,127	-	82,577	75	49	258,389	11	3,518,897
901,809	93,928	50,739	-	90,834	82	54	258,389	12	3,838,225
(81,983)	(8,539)	(4,612)	-	(8,257)	(7)	(5)	-	(1)	(319,327)

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	South Sudan Pound P'000	Nigerian Naira P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total if Pula appreciated by 10% P'000
118,460	33,549	5,564	5,962	-	14	32	44,653	11	295,466
1,012,430	171,027	94,228	11,734	-	-	-	2,004,697	-	5,352,060
20,833	2,532	1,778	1,709	-	-	-	62,390	-	146,883
1,151,723	207,108	101,569	19,405	-	14	32	2,111,740	11	5,794,408
2,343	-	1,289	-	-	-	-	-	-	3,632
-	27,179	749	2,088	-	-	-	-	-	37,902
217,692	175,104	59,076	13,227	-	-	-	734,716	-	1,828,469
11,511	6,448	3,089	3,197	-	-	-	108,120	-	200,302
231,546	208,731	64,202	18,512	-	-	-	842,836	-	2,070,304
920,177	(1,623)	37,367	893	-	14	32	1,268,904	11	3,724,104
1,012,195	(1,784)	41,103	982	-	15	35	1,268,904	12	3,965,391
(92,018)	161	(3,737)	(89)	-	(1)	(3)	-	(1)	(241,286)

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.4 Operational risks

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk exists in all products and business activities.

These risks are managed by the Group through the following key measures:

- Effective Boards and Senior Management oversight at both Group and country level;
- Sound risk management practices that are in line with best practice and local regulations in the countries in which the Group operates;
- Effective segregation of duties across the footprint;
- Established processes in risk identification, assessment, controls and monitoring; and
- Fostering a better risk awareness culture.

Group's approach to managing operational risk

The Group's approach to managing operational risk is to implement simple and appropriate fit for purpose operational risk 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 the shareholders' value.

Operational risk framework and governance

The operational risk management framework provides the mechanism for the overall operational risk strategic direction and ensures that an effective operational risk management and measurement process is adopted throughout the Group.

The ultimate responsibility for operational risk management rests with the Board of Directors. To discharge this responsibility, the Group Audit and Risk Committee (GARC) understands the major aspects of the Group's operational risk as a distinct category of risk that should be managed and approves the operational risk strategy as part of a comprehensive risk management strategy for the Group. GARC meets on a quarterly basis to review all other major risks including operational risks. At Management level, the Group Risk Committee reviews and monitors significant operational risk events and ensure that the control environment is adequate to prevent recurrence.

The management and measurement of operational risk

The operational risk management framework includes qualitative and quantitative methodologies and tools to assist management to identify, assess and monitor operational risks and to provide management with information for determining appropriate controls and mitigating measures.

The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment by the Group Innovation and Change Committee (GICC).

The Group conducts risk assessments in line with the Group's risk appetite based on mission critical processes. The Group Operational Risk Manual has been designed to cover the operational risk processes in detail and it seeks to embed a process by which key operational risk events, key causes and key controls are identified, assessed and reported in a consistent and structured manner within the Group.

The Group's Operational Risk Management framework was enhanced during the year and comprises several elements of which the Risk and Control Self Assessments (RCSAs), Key Risk Indicators (KRI) and Incident Management (IM) are the primary components.

Risk and Control Self Assessments (RCSAs)

The purpose of the RCSA process is to identify and effectively manage operational risks that could jeopardise the achievement of business objectives. The RCSA process identifies the appropriate controls to mitigate risk, and allows the Group support functions and subsidiaries to rate the level of inherent as well as residual risk taking consideration of the adequacy and effectiveness of controls. Going forward, the RCSA will contribute to the establishment and maintenance of a proper risk profile.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.4 Operational risks (continued)

Key Risk Indicators (KRIs)

Key Risk Indicators (KRI's) are defined by the Group as indicators that provide early warning of a change in risk exposure and highlight control weaknesses or potential failures. All Group support functions and subsidiaries are required to establish relevant measures (qualitative and quantitative) which will enable them to regularly monitor their exposure to operational risk.

Incident management

The Group is also in the process of improving its maintenance loss events records that occur in the Group in line with best practice. These will be used to measure the Group's exposure to the respective operational risk losses.

Business continuity management

The Group is in the process of revamping its Business Continuity Management framework to ensure that essential functions of the Group are able to continue in the event of adverse circumstances. Work is in progress to ensure that staff is trained via e-learning modules. The responsibility for testing business continuity plans at subsidiary level resides with the Country Management Committee.

Operational risk and Basel II implementation

The Group continues to enhance its risk management systems and processes as part of Basel II implementation in some of the countries in which the Group operates. In line with the nature of business and level of complexity of the Group's operations, some structures, processes and systems have been aligned to Basel II requirements.

1.5 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 hierachy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value			
31 December 2015	Fair value - hedging instrument P'000	Loans and receivables P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets measured at fair value								
Other receivables								
- interest rate swap	1,643	-	-	1,643	-	1,643	-	1,643
Financial assets not measured at fair value								
Cash and cash equivalents	-	526,290	-	526,290				
Advances to customers	-	6,311,678	-	6,311,678				
Other receivables	-	172,198	-	172,198				
	-	7,010,166	-	7,010,166				
Financial liabilites not measured at fair value								
Trade and other payables	-	-	136,705	136,705				
Customer deposits	-	-	154,495	154,495				
Deposits from banks	-	-	77,364	77,364				
Cash collateral	-	-	44,667	44,667				
Borrowings	-	-	2,768,412	2,768,412				
	-	-	3,181,643	3,181,643				

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

31 December 2014	Carrying amount: Fair value - hedging instrument P'000	Carrying amount: Loans and receivables P'000	Carrying amount: Financial liabilities at amortised cost P'000	Carrying amount: Total P'000	Fair value: Level 1 P'000	Fair value: Level 2 P'000	Fair value: Level 3 P'000	Fair value: Total P'000
Financial assets measured at fair value								
Other receivables - interest rate swap	3,685	-	-	3,685	-	3,685	-	3,685
Financial assets not measured at fair value								
Cash and cash equivalents	-	320,544	-	320,544				
Advances to customers	-	5,686,796	-	5,686,796				
Other receivables	-	106,550	-	106,550				
	-	6,113,890	-	6,113,890				
Financial liabilites not measured at fair value								
Trade and other payables	-	-	164,753	164,753				
Customer deposits	-	-	3,995	3,995				
Cash collateral	-	-	41,692	41,692				
Borrowings	-	-	1,937,844	1,937,844				
	-	-	2,148,284	2,148,284				

The carrying amount of loans and receivables and items measured at amortised cost approximate their fair values.

1.5.1 Measurement of fair values

(i) valuation techniques and signficant observable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as significant unobservable inputs used.

Financial instruments measured at fair value

Under other receivables, the Group uses valuation techniques to recognise asset listed below:

Type	Valuation technique	Significant unobservable inputs
Interest rate swap	Fair value cashflow	Discount factor used to derive present value of cashflow (6%)

Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurence of future events such as a default on the bank loans or other credit events.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.6 Summary of all financial risks and potential impact

The table below summarises each of the risks raised in this note, along with the anticipated impact should the risks crystallise.

	31 December 2015 P'000	31 December 2014 P'000
Credit risk		
Effect of increase in loss ratio by 1 %		
- Increase in portfolio provision	35,050	8,068
Effect on profit before tax	3.4%	0.83%
Interest rate risk		
Average cost of borrowings	10.7%	10.4%
Effect of increase in average borrowing cost by 1 %		
- increase in interest expense	23,531	1,594
Effect on profit before tax	2.3%	0.2%
Currency risk		
Effect of BWP appreciation by 10%		
- decrease in net foreign currency assets	319,327	241,286
Effect on profit before tax	30.8%	24.9%
	36.5%	25.9%

Summary

Impact of all above risks on profit before tax:

The impact of changes in variables in the opposing direction would be equal and opposite to the values shown above. The Group constantly evaluates these key risks through the process of governance, devises responses to risks as they arise, that are approved by the Group Management Committee and Board of Directors.

2. USE OF ESTIMATES AND JUDGMENTS

2.1 Impairment of advances to customers

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group regularly reviews its loan portfolio (note 4) 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.

Sensitivity analysis of impairment charges is shown as follows

	31 December 2015 Portfolio Provision P'000	31 December 2014 Portfolio Provision P'000
Southern Africa		
Impact on change to loss ratio by 1% - increase in provision	31,935	5,346
East and West Africa		
Impact on change to loss ratio by 1% - increase in provision	3,115	2,722
Overall total	**35,050**	**8,068**

* Southern Africa includes: Botswana, Lesotho, Mozambique, Namibia and Swaziland

** East and West Africa includes : Kenya, Rwanda, Tanzania, Uganda and Nigeria.

The historical loss ratios are re-evaluated at each reporting date and have been adjusted to reflect the most recent five year history.

2.2 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 assumptions are that there will be a 60% vesting probability. Although based on historical experience, the estimated achievement of conditions is considered accurate.

Sensitivity analysis

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

	31 December 2015 P'000	31 December 2014 P'000
Impact of a 10% deviation	1,427	1,183
Impact of a 25% deviation	3,567	2,957
Impact of a 50% deviation	7,134	5,916

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

2.3 Goodwill

As required by IAS 36, the goodwill values in respect of Letshego Financial Services Namibia (Pty) Limited, Letshego Tanzania Limited and Letshego Kenya Limited were evaluated for impairment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and the suitable discount rate in order to calculate the present value (note 8).

	31 December 2015 P'000	31 December 2014 P'000
3. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	472,547	311,665
Short term bank deposits	53,743	8,879
	526,290	**320,544**

Short term bank deposits constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest ranging between 1.0% - 5.0% per annum (31 December 2014: 5.0%). Cash at bank is held with reputable financial institutions with good credit standing.

	31 December 2015 P'000	31 December 2014 P'000
4 ADVANCES TO CUSTOMERS		
Gross advances to customers	6,563,394	5,762,158
Less : impairment provisions - specific	(178,726)	(36,285)
: impairment provisions - portfolio	(72,990)	(39,077)
Net advances to customers	**6,311,678**	**5,686,796**

Certain advances to customers are pledged as security to borrowings as set out in note 12.

	31 December 2015 P'000	31 December 2014 P'000
Impairment of advances		
Balance at the beginning of the year	75,362	28,147
Impairment charge for the year	126,866	47,215
Impairment acquired through business combinations	49,488	-
Balance at the end of the year	**251,716**	**75,362**

An analysis of net advances by credit risk, including related impairment provisions, is contained in Note 1.3.1 to these financial statements.

	31 December 2015 P'000	31 December 2014 P'000
Charges to profit or loss		
Amounts written off	69,379	99,718
Recoveries during the year	(57,381)	(55,453)
Impairment adjustment	126,866	47,215
	138,864	**91,480**

	31 December 2015 P'000	31 December 2014 P'000
5 OTHER RECEIVABLES		
Deposits and prepayments	33,220	15,927
Receivable from insurance arrangements	105,960	81,361
Withholding tax and value added tax	46,847	40,869
Other receivables	34,661	12,946
	220,688	**151,103**

Included under the caption other receivables is an interest rate swap designated as a financial instrument held at fair value. In April 2013, the company entered into an interest rate swap agreement with a local financial institution in respect of bonds listed on the JSE. The interest rate swap hedges the variable factor of the interest coupons payable on the medium term note programme listed on the Johannesburg Stock Exchange as follows:

Bond	Interest rate per bond	Fixed rate per interest rate swap	Maturity date
LHL01	JIBAR + 500 basis points	11.50%	13-Dec-16
LHL03	JIBAR + 600 basis points	10.33%	13-Dec-15

Letshego Holdings Limited pays the coupon interest on these bonds every quarter and the counter party for the swap will settle the difference on the fixed rate per swap and the variable coupon payment. Management evaluate the effective cashflow and applicable payments on the bond coupon and discounts these to calculate the fair value of the interest rate swap. The fair value at 31 December 2015 is P1 642 966 (31 December 2014: P3 685 262).

6 PROPERTY, PLANT AND EQUIPMENT

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & building P'000	Work in progress P'000	Total P'000
Balance at 1 February 2014	2,455	15,485	18,874	-	38,845	75,659
Additions	977	14,299	8,002	-	27,364	50,642
Transfer to intangible assets	-	-	-	-	(43,564)	(43,564)
Disposals	-	(87)	(12)	-	-	(99)
Balance at 31 December 2014	3,432	29,697	26,864	-	22,645	82,638
Accumulated Depreciation						
Balance at 1 February 2014	1,463	11,120	9,088	-	-	21,671
Charge for the year	735	4,310	4,259	-	-	9,304
Disposals	-	(87)	(12)	-	-	(99)
Balance at 31 December 2014	2,198	15,343	13,335	-	-	30,876
Net book value at 31 December 2014	**1,234**	**14,354**	**13,529**	**-**	**22,645**	**51,762**

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & building P'000	Work in progress P'000	Total P'000
Balance at 1 January 2015	3,432	29,697	26,864	-	22,645	82,638
Additions	702	8,992	16,305	-	705	26,704
Transfers	-	-	-	14,542	(19,657)	(5,115)
Disposals	(1,151)	(1,696)	(2,371)	-	-	(5,218)
Forex translation	(58)	4	(230)	-	(2,826)	(3,110)
Business combination - acquisition	2,730	7,559	19,097	4,002	-	33,388
Balance at 31 December 2015	5,655	44,556	59,665	18,544	867	129,287
Accumulated Depreciation						
Balance at 1 January 2015	2,198	15,343	13,335	-	-	30,876
Charge for the year	541	9,020	5,804	499	-	15,864
Disposals	(938)	(1,277)	(2,371)	-	-	(4,586)
Forex translation	(128)	(1,201)	(819)	-	-	(2,148)
Business combination - acquisition	2,050	6,268	4,864	69	-	13,251
Balance at 31 December 2015	3,723	28,153	20,813	568	-	53,257
Net book value at 31 December 2015	**1,932**	**16,403**	**38,852**	**17,976**	**867**	**76,030**

	31 December 2015 P'000	31 December 2014 P'000
7 INTANGIBLE ASSETS		
Assets acquired from business combination		
Brand value	1,186	-
Core deposits	10,472	-
	11,658	**-**
Computer software		
Cost		
Opening balance	55,998	12,434
Additions	4,587	43,564
Business combination - acquisition	9,673	-
Forex translation	(215)	-
Disposal	(2,013)	-
Transfer from work in progress	5,115	-
Closing balance	**73,145**	**55,998**
Amortisation		
Opening balance	10,406	6,317
Charge for the year	5,942	4,089
Business combination - acquisition	9,343	-
Disposal	(2,013)	-
Forex translation	(187)	-
Closing balance	**23,491**	**10,406**
Net book value of intagible assest	**61,312**	**45,592**

Intangible assets consists of computer software, the lending and financial reporting software acquired by the Group, brand value and core deposits.

	31 December 2015 P'000	31 December 2014 P'000
8 GOODWILL		
Goodwill arose on the acquisition of:		
Letshego Financial Services Namibia (Proprietary) Limited	25,760	25,760
Letshego Tanzania Limited	2,064	2,064
Letshego Kenya Limited	27,426	27,426
	55,250	**55,250**
Goodwill arising from business combinations during the year:		
Advans Bank Tanzania Limited	16,575	-
FBN Microfinance Bank Limited	99,043	-
Closing goodwill	**170,868**	**55,250**

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that it was not impaired in respect of all cash generating units noted above (Letshego Financial Services Namibia (Proprietary) Limited, Letshego Tanzania Limited, Letshego Kenya Limited). The recoverable amount of the cash generating units was determined with reference to the value in use. The discount rates used for impairment test are 18% for Namibia and 22% for both Kenya and Tanzania . The period of forecast cash flows is five years. A growth in cash flows of 10% (for current and prior period) is estimated for the next five years. The growth rate is estimated based on past experience and anticipated future growth. This results in a recoverable amount in excess of carrying amount. Therefore, no impairment has been recognised (31 December 2014: Nil).

9 BUSINESS COMBINATIONS

On 10 November 2015, the Group acquired 75% shareholding in a deposit taking commercial bank, Advans Bank Tanzania Limited, specialising in microfinance. The acquisition was effected through a subscription for new shares.

In addition on 31 December 2015 the Group concluded the acquisition of the 100% capital of FBN Microfinance Bank Limited, a deposit taking micro finance bank in Nigeria.

	Advans Bank Tanzania P'000	FBN Microfinance Bank P'000
Purchase consideration		
Cash paid	-	212,330
Shares subscribed on behalf of non-controlling interest	19,841	-
	19,841	**212,330**
The assets and liabilities recognised as a result of the acquisition are as follows:		
Cash and cash equivalents	816	177,500
Advances to customers	46,893	69,805
Prepayment and other assets	9,110	6,559
Property, plant and equipment	6,517	13,620
Intangible assets	210	121
Deferred tax asset	7,810	-
Brand value	288	898
Core deposits	430	10,042
Customer deposits	(49,004)	(80,234)
Deposits from banks	-	(77,364)
Trade and other payables	(7,970)	(5,435)
Income tax payable	-	(617)
Deferred tax liabilities	-	(1,608)
Borrowings	(10,745)	-
Net identifiable assets acquired	**4,355**	**113,287**
Less: Non-controlling interest	(1,089)	-
Add: Goodwill (note 8)	16,575	99,043
Total	**19,841**	**212,330**

The goodwill is attributable to acquired customer base, economies of scale and synergies expected from combining operations. This will not be deductable for income tax purposes.

	31 December 2015 P'000	31 December 2014 P'000
10 TRADE AND OTHER PAYABLES		
Trade and other payables	136,705	164,753
Staff incentive accrual (note 10.1)	38,788	44,768
	175,493	**209,521**
10.1 Movement in staff incentive accrual		
Balance at the beginning of the year	44,768	27,520
Current period charge (note 19)	19,332	37,304
Paid during the year	(25,312)	(20,056)
Balance at the end of the year	**38,788**	**44,768**
11 CASH COLLATERAL		
Balance at the beginning of the year	41,692	42,293
Received / utilised during the year	2,975	(601)
Closing balance	**44,667**	**41,692**

Cash collateral represents payments made by loanees as security for loans taken. In accordance with the loan agreements, the amounts are refundable upon the successful repayment of loans by loanees and at the time a loanee leaves the loan scheme. The amounts are utilised to cover loans in the event of default. This relates only to Letshego Kenya, Rwanda and Uganda subsidiaries.

	31 December 2015 P'000	31 December 2014 P'000
12 BORROWINGS		
Commercial banks	1,047,442	836,034
Note programmes	1,334,392	934,449
Development Financial Institutions	283,786	110597
Pension funds	102,792	56,764
Total borrowings	**2,768,412**	**1,937,844**

Security

Pula 1.33 billion of the borrowings is secured by the advances to customers of Letshego Financial Services Namibia (Pty) Limited and Letshego Financial Services (Pty) Limited (Botswana) totalling P3.54 billion (31 December 2014: P3.37 billion) by way of a Security Sharing Agreement. Pula 1.43 billion is unsecured or secured by a corporate guarantee from Letshego Holdings Limited.

Interest rate

Pula 1.72 billion of the borrowings are at fixed interest rates. Pula 1.05 billion are loans issued at variable interest rates, linked to each country's prime lending rate.

Maturity profile

The borrowings range from overdraft facilities which mature on-demand to fixed term debt with maturities ranging from one to 14 years. The detailed maturity profile is shown under the financial risk management section of these financial statements.

	31 December 2015 P'000	31 December 2014 P'000
13 STATED CAPITAL		
Issued: 2,184,901 697 ordinary shares of no par value (31 December 2014: 2,176,475 737)	**989,487**	**975,510**
Number of shares at the beginning of the year ('000)	2,176,475	2,167,540
Shares issued during the year ('000)	8,426	8,935
Number of shares at the end of the year ('000)	**2,184,901**	**2,176,475**

In terms of the Group LTIP (note 15), shares with a value of P13.977 million (2014: P15.956 million) vested at Group level. This increased the number of shares in issue by 8.426 million shares (2014: 8.935 million shares).

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

Capital management

The group monitors its debt to equity ratio and return on equity as key metrics of capital management.

The Group's objectives when managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial position, are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group monitors the adequacy of its capital using internally measured benchmarks such as gearing, return on equity and forecasts of asset and profitability performance. These measures are broadly in line with, or more stringent than, industry norm. A risk based approach is also adopted whereby balances with counterparties are required to be supported by capital to a greater extent than other internally held assets.

The Group's capital consists of shareholders' funds (stated capital and reserves) and long term borrowings. The Group's capital is not regulated by any external regulator. Subsidiaries with regulated capital requirements have complied with all regulator requirements.

	Long-term target	31 December 2015	31 December 2014
Debt to equity	100%	66%	47%
Return on average equity	20%	19%	21%

	31 December 2015 P'000	31 December 2014 P'000
14 LEGAL RESERVE		
Balance at the beginning of the year	5,108	2,696
Movement for the period – allocated from retained earnings	17,070	2,412
Balance at the end of the year	**22,178**	**5,108**

Legal reserve relates to Letshego Financial Services Mozambique. Central Bank regulation in Mozambique is that the company is required to transfer 15% of its annual profit to the legal reserve until the reserve is equal to its share capital. This is a non-distributable reserve but may be used to increase capital or to cover up losses.

15 SHARE INCENTIVE SCHEME

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

As at 31 December 2015, 30 553 014 total awards were outstanding (31 December 2014: 32 198 982) at grant date share prices of P1.87, P2.40 and P2.39 for 2013, 2014 and 2015 awards respectively (31 December 2014: P1.50, P1.87 and P2.40 for 2012, 2013 and 2014 awards respectively).

Reconciliation of outstanding awards	31 December 2015 Fair values	31 December 2015 No. of awards	31 December 2014 Fair values	31 December 2014 No. of awards
Outstanding at the beginning of the period	P1.50/P1.87/P2.40	32,198,982	P1.84/P1.50/P1.87	32,493,926
Granted during the year	P2.39	16,369,000	P2.40	14,175,000
Exercised during the year	P1.50,P1.87	(8,425,960)	P1.84,P1.50/P1.87	(8,935,436)
Forfeited due to not meeting performance	P1.50	(3,702,186)	P1.84,P1.50/P1.87	(5,534,508)
Forfeited due to resignations	P1.87/P2.40/P2.39	(5,886,822)	-	-
Outstanding at the end of the year	**P1.87/P2.40/P2.39**	**30,553,014**	**P1.50/P1.87/P2.40**	**32,198,982**

The amounts outstanding at 31 December 2015 and 31 December 2014 have average vesting periods of 3,15 and 27 months. The expense recognised during the period is disclosed in note 19.

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

The fair value of the services received in return for the share options granted is based on the fair value of the share options granted, measured using the Botswana Stock Exchange closing price of the Groups shares at the grant date.

	12 months 31 December 2015 P'000	11 months 31 December 2014 P'000
16 INTEREST INCOME		
Advances to customers	1,749,633	1,448,696
Other - deposits with banks	3,923	6,211
	1,753,556	**1,454,907**

The group has classified fee income, amounting to P146.35 million (2014: P109.71 million) as part of interest income on advances to customers as such fees are an integral part in determining the effective interest rate on advances to customers. In prior periods, such fees were included as fee and commission income. This change has no impact on profit reported for the current or prior period.

	31 December 2015 P'000	31 December 2014 P'000
17 INTEREST EXPENSE		
Overdraft facilities and term loans	250,999	165,755
Foreign exchange loss / (gains)	75,695	1,827
	326,694	**167,582**
18 FEE AND COMMISSION INCOME		
Administration fees - lending	26,503	22,810
Credit life insurance commission	2,196	327
	28,699	**23,137**
18.1 Other operating income		
Profit on disposal of plant and equipment	-	21
Early settlement fees	36,533	30,152
Income from insurance arrangements	163,835	134,461
Sundry income	29,022	19,050
	229,390	**183,684**
19 EMPLOYEE BENEFITS		
Salaries and wages	165,905	136,915
Staff incentive (note 10.1)	19,332	37,304
Staff pension fund contribution	9,114	7,075
Directors' remuneration – for management services (executive)	5,700	6,008
Long term incentive plan	12,436	19,732
	212,487	**207,034**

	12 months 31 December 2015 P'000	11 months 31 December 2014 P'000
20 OTHER OPERATING EXPENSES		
Accounting and secretarial fees	909	364
Advertising	12,306	14,516
Audit fees - current year	3,169	3,133
Bank charges	4,738	3,735
Computer expenses	9,787	7,669
Consultancy and professional fees	21,868	9,448
Corporate social responsibility	2,976	1,451
Depreciation and amortisation	21,806	13,392
Directors' fees – non executive	3,992	2,867
Direct cost	83,455	65,822
Government levies	8,472	7,615
Insurance	4,152	4,640
Office expenses	11,540	7,224
Operating lease rentals - property	25,967	21,247
Other operating expenses	45,148	31,298
Payroll administration costs	982	865
Telephone and postage	11,854	10,644
Travel	23,985	19,570
	297,106	**225,500**
21 TAXATION		
Amounts recognised in profit or loss		
Company taxation		
- Basic taxation	302,714	259,529
- Origination and reversal of temporary differences	(33,926)	(11,249)
	268,788	**248,280**
21.1 Deferred taxation		
Balance at the beginning of the year	25,866	14,617
Business combination-acquisition (note 9)	6,202	-
Current year movement	33,926	11,249
Balance at the end of the year	**65,994**	**25,866**
Deferred tax assets	68,000	25,866
Deferred tax liabilities	(2,006)	-
	65,994	**25,866**
Analysis of deferred tax asset / liabilities		
Deferred tax assets / liabilities to be recovered with 12 months	24,516	25,866
Deferred tax assets / liabilities to be recovered after more than 12 months	41,478	-
	65,994	**25,866**

The Group recognised a deferred tax asset of P41 million which arose as a result of assessed tax losses incurred by Letshego Holdings Limited relating to the years 2013 and 2014. The Company has not recognised the deferred tax asset of P20 million which would arise from financial losses of 2015 as these losses have not been assessed by the tax authority. These tax losses fall away over five years from origination.

21 TAXATION (CONTINUED)

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

Deferred taxation arises from temporary differences on the following items:

	31 December 2015 P'000	31 December 2014 P'000
Property and equipment	3,252	5,262
Share based payment provision	4,133	5,090
Staff incentive provision	9,896	9,278
General impairment provision	6,133	7,232
Taxation losses	41,478	-
Deferred rent provision	1,871	160
Leave pay provision	1,617	199
Severance pay	-	106
Deferred income / (expenditure)	(1,154)	(480)
Prepayments	(534)	(963)
Unrealised exchange gains	(698)	(18)
	65,994	**25,866**

21.2 Reconciliation of current taxation

	31 December 2015 P'000	31 December 2014 P'000
Profit before taxation	1,036,494	970,132
Tax calculated at Botswana statutory rate of 22%	228,029	213,429
Foreign income taxed at 15%	5,789	(8,092)
Effect of tax rates in foreign jurisdictions	54,059	38,051
Expenses and revenues not deductible for tax purposes	(19,089)	4,892
	268,788	**248,280**

22 EARNINGS PER SHARE

The calculation of basic earnings per share is based on after taxation earnings and the weighted average number of shares in issue during the period as follows:

	31 December 2015 P'000	31 December 2014 P'000
Profit after taxation	767,706	721,852
Number of shares:		
At beginning of period	2,176,475,737	2,167,540,301
Effect of share issued (31 December 2015 - 8 425 960; 31 December 2014 - 8 935 436 shares)	7,156,295	6,120,162
Weighted number of shares at end of period	2,183,632,032	2,173,660,463
Basic earnings per share (thebe)	**35.2**	**33.2**

The calculation of diluted earnings per share is based on after taxation earnings and the weighted average number of shares in issue during the year, adjusted for the effects of dilutive potential ordinary shares as follows:

	31 December 2015 P'000	31 December 2014 P'000
Number of share:		
Weighted number of shares at end of period	2,183,632,032	2,173,660,463
Dilution effect - number of shares	30,553,014	32,198,982
	2,214,185,046	2,205,859,445
Diluted earnings per share (thebe)	**34.7**	**32.8**

23 DIVIDEND PER SHARE

Current year
An interim dividend of 9.0 thebe per share was declared on 8 September 2015, amounting to P196 million.
A second and final dividend of 8.0 thebe per share was declared on 24 February 2016, amounting to P176 million.

Both these dividends were for the year ended 31 December 2015.

Prior year
An interim dividend of 8.5 thebe per share was declared on 23 September 2014, amounting to P185 million. A second and final dividend of 8.0 thebe per share was declared on 25 February 2015, amounting to P174 million.

24 SEGMENT INFORMATION

Following the introduction of the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Managing Director (the Chief Operating Decision-Maker), who is responsible for allocating resources to the reportable segments and assessing performance. Operating segments are reviewed and reported geographically to the CODM. All operating segments used by the Group meet the definition of a reportable segment.

The Group operates in ten countries, namely Botswana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda. The operating segments represent the Group's primary segments.

The activities of individual country segments that are not individually quantitatively significant, but have similar economic characteristics (nature of services rendered, class of customers, distribution methodology and similarity in regulatory requirements) have been aggregated into the Other Southern Africa and Other East Africa segments, including Lesotho and Swaziland and Kenya, Rwanda and Uganda respectively.

Accordingly, the Group's reportable segments are as follows: Botswana, Namibia, Mozambique, Other Southern Africa, Tanzania, other East Africa, West Africa and Holding company.

Operating segments December 2015

	Botswana P '000	Namibia P '000	Mozambique P '000	Other Southern Africa P '000	Tanzania P '000	Other East Africa P '000	West Africa P '000	Holding company or eliminations P '000	Total P '000
Revenue	**618,370**	**379,345**	**233,264**	**81,574**	**154,812**	**239,437**	**-**	**(21,851)**	**1,684,951**
Profit before taxation	450,490	316,378	172,476	54,861	89,102	83,772	-	(130,585)	**1,036,494**
Taxation - consolidated									**(268,788)**
Profit - consolidated									**767,706**
Gross Advances to customers	2,264,301	1,392,020	1,075,645	399,409	419,798	895,630	116,591	-	6,563,394
Impairment provisions	(116,602)	(486)	(10,385)	(5,495)	(23,970)	(47,993)	(46,785)	-	(251,716)
Net advances	**2,147,699**	**1,391,534**	**1,065,260**	**393,914**	**395,828**	**847,637**	**69,806**	**-**	**6,311,678**
Borrowings	**446,871**	**618,662**	**324,889**	**254,096**	**31,715**	**620,086**	**-**	**472,093**	**2,768,412**

Operating segments December 2014

	Botswana P '000	Namibia P '000	Mozambique P '000	Other Southern Africa P '000	Tanzania P '000	Other East Africa P '000	Holding company or eliminations P '000	Total P '000
Revenue	**493,877**	**285,341**	**184,755**	**55,528**	**175,614**	**192,362**	**106,669**	**1,494,146**
Profit before taxation	390,578	238,362	129,883	37,586	125,036	50,540	(1,854)	**970,132**
Taxation - consolidated								**(248,280)**
Profit - consolidated								**721,852**
Gross Advances to customers	2,045,311	1,366,606	1,118,871	344,131	311,222	576,017	-	**5,762,158**
Impairment provisions	(40,614)	(121)	(5,198)	(2,986)	(3,726)	(22,717)	-	**(75,362)**
Net Advances	**2,004,697**	**1,366,485**	**1,113,673**	**341,145**	**307,496**	**553,300**	**-**	**5,686,796**
Borrowings	**515,364**	**630,338**	**465,763**	**208,685**	**7,270**	**404,281**	**(293,857)**	**1,937,844**

In previous year the segmental reporting was only limited to two geographical segments namely Southern Africa and East Africa. However, during the current year the Group has further categorised its operating segments as shown above to better present how operating results are reviewed by the CODM. Accordingly, comparative information have also been presented based on the revised operating segments.

25 RELATED PARTY TRANSACTIONS

The Group identifies a related party if an entity or individual:
- directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the entity (this includes parent companies and subsidiaries);
- has an interest in the entity whether it gives it significant control or not;
- has control over the entity;
- is an associate company, joint venture or is jointly controlled; or
- is a member of key management personnel of the Group. Key management personnel comprise the the non-executive and executive directors.

The Company is listed on the Botswana Stock Exchange. Botswana Insurance Holdings Limited (BIHL) is a shareholder of Letshego Holdings Limited and have transacted with the Group during the previous period. In addition Letshego Financial Services Botswana (Pty) Ltd subsidiary loans are insured through this related party (BIHL).

Transactions with related parties
Transactions were carried out in the ordinary course of business and on an arms' length basis as detailed below:

	31 December 2015 P'000	31 December 2014 P'000
25.1 Income received from related parties		
- Botswana Insurance Holdings Limited - Commission fees (note 18)	-	327
	-	**327**
25.2 Compensation paid to key management personnel (executive director)		
Paid during the period		
- Short-term employee benefits	5,700	6,008
- Termination benefits	-	-
- Post-employment benefits	-	-
	5,700	**6,008**

26 OPERATING LEASE COMMITMENTS

The Group operates a number of branches and office premises under operating lease. Lease payments are generally increased annually to reflect the market rentals. The future minimum lease payments under non-cancellable building operating leases are as follows:

	31 December 2015 P'000	31 December 2014 P'000
No later than 1 year	19,704	9,296
Later than 1 year and no later than 5 years	38,464	23,241
Later than 5 years	4,261	2,198
	62,429	**34,735**

27 CAPITAL COMMITMENTS

Authorised by the directors:		
- Not contracted for	**104,654**	**138,285**

28 SUBSEQUENT EVENTS

On 24 February 2016, the directors declared a final dividend of 8.0 thebe per share.

29 INVESTMENTS IN SUBSIDIARY COMPANIES

The Group determines control over any operating entity largely by virtue of power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power over the investee to effect the amount of the investor's returns.

Details of subsidiaries of the Group are shown below:

Subsidiary company	Country of incorporation	Nature of business	31 December 2015 % holding	31 December 2014 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100	100
Letshego Kenya Limited	Kenya	Group lending, MSE and unsecured consumer lending	100	100
Letshego Financial Services Lesotho	Lesotho	Unsecured consumer lending	95	95
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending	98	98
Letshego Financial Services (Namibia) (Proprietary) Limited	Namibia	Unsecured consumer lending	85	85
ERF 8585 (Pty) Limited	Namibia	Property	100	-
FBN Microfinance Bank Limited	Nigeria	Unsecured consumer lending	100	-
Letshego Financial Services Swaziland (Proprietary) Limited	Swaziland	Unsecured consumer lending	85	85
Letshego Tanzania Limited	Tanzania	Unsecured consumer lending	100	87
Advans Bank Tanzania Limited	Tanzania	Unsecured consumer lending	75	-
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85	85

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2015

29 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

29.1 Disposal of Finance South Sudan

During the year the Group exited its investment in South Sudan and this was concluded during March 2015. The gain of P11.7 million resulting from this disposal has been included under other operating income.

29.2 Acquisition of additional interest in a subsidiary

In November 2015, the Group acquired the remaining 13% of the issued shares of Letshego Tanzania Limited for a purchase consideration of P52.7 million. The Group now holds 100% of the equity share capital of the entity and it derecognised non-controlling interest and recorded a decrease in equity. The effect of changes in the ownership are summarised as follows:

	P '000
Consideration paid to non-controlling interest	52,678
Carrying amount of non-controlling interests acquired	(47,553)
Excess of consideration paid recognised in Group's equity	**5,125**

29.3 Non-controlling interest (NCI)

Set out below is summarised financial information for Letshego Financial Services Namibia, which has a material non-controlling interest to the Group. The amounts disclosed are before inter-company elimination.

Summarised balance sheet	31 December 2015 P'000	31 December 2014 P'000
Assets	1,493,900	1,489,612
Liabilities	843,227	902,302
Net assets	**650,673**	**587,310**
Accumulated non-controlling interest	97,601	88,096
Summarised statement of comprehensive income		
Revenue	378,627	285,341
Profit for the period	219,652	187,782
Profit allocated to non-controlling interest	**32,948**	**28,167**

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets to settle liabilities.

30 INVOLVEMENT WITH UNCONSOLIDATED ENTITIES

The table below shows the types of entities that the Group does not consolidate but in which it holds an interest:

Type	Nature and purpose	Interest held by the Group	Total net assets P'000
Insurance Cell Captives	To mitigate against the Group's credit risk in Mozambique and Namibia	Insurance Cell captives declare dividends to the Group Companies	93,483

The insurance Cell Captives are not consolidated in accordance to IFRS 10 requirements. The net assets of the insurance Cell Captives are included in other receivables and payables (note 5 and note 10). There are no significant risks, nor expected changes therein, associated with the Group's interest in the insurance Cell Captives.

Five Year Financial History

STATEMENTS OF FINANCIAL POSITION

	2015 December P'000	2014 December P'000	2014 January P'000	2013 January P'000	2012 January P'000
Assets					
Cash and cash equivalents	526,290	320,544	310,525	807,254	73,612
Advances to customers	6,311,678	5,686,796	4,427,757	3,336,204	3,034,639
Short term investments	-	-	66,565	12,143	24,187
Other receivables	220,688	151,103	35,346	37,674	29,850
Property, plant and equipment	76,030	51,762	53,988	14,559	9,513
Intangible assets	61,312	45,592	6,117	12,457	3,291
Goodwill	170,868	55,250	55,250	49,948	27,824
Income tax receivable	27,570	11,178	-	-	-
Deferred tax assets	68,000	25,866	14,617	8,939	9,809
Total assets	**7,462,436**	**6,348,091**	**4,970,165**	**4,279,178**	**3,212,724**
Liabilities					
Customers deposits	154,495	3,995	-	-	-
Deposits from banks	77,364	-	-	-	-
Cash collateral	44,667	41,692	42,293	34,185	-
Trade and other payables	175,493	209,521	127,217	78,828	70,732
Income tax payable	57,973	60,406	46,517	28,327	14,275
Deferred tax liabilities	2,006	-	-	-	-
Borrowings	2,768,412	1,937,844	1,249,871	1,277,395	802,864
Total liabilities	**3,280,410**	**2,253,458**	**1,465,898**	**1,418,734**	**887,870**
Shareholders' equity					
Stated capital	989,487	975,510	959,554	689,243	669,876
Foreign currency translation reserve	(254,293)	(2,189)	(94,827)	(45,982)	(32,521)
Legal reserve	22,178	5,108	2,696		
Share based payment reserve	19,705	21,246	17,470	19,173	15,654
Retained earnings	3,256,158	2,940,521	2,522,666	2,112,485	1,617,969
Total equity attributable to equity holders of the company	4,033,235	3,940,196	3,407,559	2,774,918	2,270,978
Non-controlling interests	148,791	154,437	96,708	85,524	53,876
Total equity and liabilities	**7,462,436**	**6,348,091**	**4,970,165**	**4,279,177**	**3,212,725**

Five Year Financial History

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2015 December P'000	2014 December P'000	2014 January P'000	2013 January P'000	2012 January P'000
Interest income	1,753,556	1,454,907	1,176,176	1,074,822	900,514
Interest expense	(326,694)	(167,582)	(62,488)	(108,807)	(65,395)
Net interest income	**1,426,862**	**1,287,325**	**1,113,688**	**966,015**	**835,119**
Fee and commission income	28,699	23,137	134,236	211,891	150,668
Other operating income	229,390	183,684	122,202	6,218	5,172
Total income	**1,684,951**	**1,494,146**	**1,370,126**	**1,184,124**	**990,959**
Employee benefits	(212,487)	(207,034)	(199,658)	(123,086)	(100,297)
Other operating costs	(297,106)	(225,500)	(255,772)	(184,555)	(179,350)
Operating income before impairment	**1,175,358**	**1,061,612**	**914,696**	**876,483**	**755,341**
Impairment loss	(138,864)	(91,480)	(64,495)	(35,097)	(44,109)
Operating income before taxation	1,036,494	970,132	850,201	841,386	711,232
Taxation	(268,788)	(248,280)	(205,511)	(181,750)	(133,433)
	767,706	**721,852**	**644,690**	**659,637**	**577,799**
Loss on sale of subsidiary	-	-	(1,060)	-	-
Net income for the period	**767,706**	**721,852**	**643,630**	**659,637**	**577,799**
Appropriations					
Dividends	(370,450)	(254,648)	(177,738)	(133,568)	(273,647)
Retained income	**397,256**	**467,204**	**465,892**	**304,152**	**418,095**
Attributable to :					
Equity holders of the parent company	708,282	674,915	601,151	628,084	555,944
Non-controlling interests	59,424	46,937	42,479	31,553	21,855
	767,706	**721,852**	**643,630**	**659,637**	**577,799**

The supplementary information presented does not form part of the annual financial statements of the group, and is unaudited

Group Value Added Statement

for the year ended 31 December 2015

	12 months 31 December 2015 P'000	11 months 31 December 2014 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	1,753,556	1,454,907
Cost of services	(326,694)	(167,582)
Value added services	1,426,862	1,287,325
Fee and commission income	28,699	23,137
Other operating income	229,390	183,684
Other operating costs	(275,300)	(212,108)
Impairment of advances	(138,864)	(91,480)
	1,270,787	**1,190,558**
Value allocated		
To employees		
Staff costs	212,487	207,034
To expansion and growth		
Retained income	397,256	467,204
Depreciation	15,864	9,303
Amortisation	5,942	4,089
Deferred tax	(33,926)	(11,249)
	385,136	469,347
To Government		
Taxation	302,714	259,529
To providers of capital		
Dividends to shareholders	370,450	254,648
	1,270,787	**1,190,558**
Summary	%	%
Employees	16.7	17.4
Expansion and growth	30.3	39.4
Government	23.8	21.8
Providers of capital	29.2	21.4
	100.0	**100.0**

Analysis of Shareholding

at December 2015

Top ten shareholders	31 December 2015 Shares held ('000) Number	%	31 December 2014 Shares held ('000) Number	%
Botswana Life Insurance Ltd	506,347	23.2	506,347	23.3
First National Bank of Botswana Nominess(Pty) Ltd- AA BPOPF	208,265	9.5	-	-
ADP I HOLDING 2	180,484	8.3	180,484	8.3
First National Bank of Botswana Nominess(Pty) Ltd- ACB BPOPF	126,567	5.8	-	-
First National Bank of Botswana Nominess(Pty) Ltd- FAM BPOPF	117,872	5.4	168,389	7.7
Standard Chartered Bank of Botswana Nominees (Pty) Ltd -NTGSLUX 010/03	81,972	3.8	83,161	3.8
Standard Chartered Bank of Botswana Nominees (Pty) Ltd - FRANKLIN TEMPLETON INVESTMENT INVESTMENTS FUNDS	71,670	3.3	101,927	4.7
Stanbic Nominees Botswana (Pty) Ltd - Botswana Insurance Fund Management Limited	71,138	3.3	101,185	4.6
First National Bank of Botswana Nominess(Pty) Ltd- BIFM BPOPF	63,787	2.9	106,221	4.9
First National Bank of Botswana Nominess(Pty) Ltd- IAM BPOPFP	42,353	1.9	64,820	3.0
	1,470,455	67.4	1,312,534	60.3
Other corporate entities, nominees and trusts and individuals	714,446	32.6	863,941	39.7
Total	**2,184,901**	**100.0**	**2,176,475**	**100.0**

Directors' shareholdings	31 December 2015 Shares held Number ('000)	%	31 December 2014 Shares held Number ('000)	%
Christopher Low	1,454	0.1	1,454	0.1
Harrington Karuhanga	29	0.0	29	0.0
	1,483	0.1	1,483	0.1

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NOTICE OF AGM AND FORM OF PROXY

Notice of Annual General Meeting

Notice is hereby given that the 17th Annual General Meeting of the Shareholders of Letshego Holdings Limited will be held at Avani Hotel on Wednesday 25 May 2016 at 4.30pm with registration to commence at 4.00pm for the following purposes:

ORDINARY BUSINESS

To consider and adopt the following ordinary resolutions:

1. **Resolution 1**
   To receive, consider and adopt the annual financial statements for the year ended 31 December 2015 together with the Directors' and auditor's reports thereon.

2. **Resolution 2**
   To ratify the dividends declared and paid during the period being an interim dividend of 9.0 thebe per share paid to Shareholders on or around 9 October 2015 and a final dividend of 8.0 thebe per share paid to shareholders on or around 8 April 2016.

3. **Resolution 3**

   Directors
   Messrs J A Burbidge, G H van Heerde and S D Price retire in accordance with Article 19.9 of the Constitution and, all being eligible, offer themselves for re-election.

   3a. To confirm the re-election of Mr J A Burbidge who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers himself for re-election.

   3b. To confirm the re-election of Mr G H van Heerde who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers himself for re-election.

   3c. To confirm the re-election of Mr S D Price who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers himself for re-election.

   3d. To confirm the appointment of Dr Gloria Somolekae who was appointed to the board on 8 January 2016.

4. **Resolution 4**
   To approve the remuneration of the directors for the past financial period as disclosed in Notes 19 and 20 to the Annual Financial Statements in the Annual Report.

5. **Resolution 5**
   To approve the remuneration of the auditors for the past financial period as disclosed in Note 20 to the Annual Financial Statements in the Annual Report.

6. **Resolution 6**
   To ratify the appointment of PwC as external auditors for the ensuing year.

7. **Resolution 7**
   To renew the Share Buy Back mandate that was approved in the 2015 annual general meeting for the Company to purchase shares not exceeding in aggregate ten per cent (10%) of the stated share capital of the Company by way of On-Market Share Buy Back commencing from the date on which the 2015 annual general meeting of the Company was held and expiring on the date the next annual general meeting of the Company will be held unless the Share Buy Back mandate is further renewed by an ordinary or special resolution as the case may be, either unconditionally or conditionally.

Notice of Annual General Meeting (continued)

SPECIAL BUSINESS

1. To approve the proposed reduction of the stated share capital of the Company, pursuant to the proposed renewed Share Buy Back mandate.
2. To transact other business which may be transacted at an Annual General Meeting.

PROXIES

A shareholder entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a shareholder. Proxy forms should be deposited at Letshego Holdings Limited, 2nd Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P.O. Box 381, Gaborone, not less than 48 hours before the meeting.

By order of the board

D. Ndebele
Secretary

26 April 2016

Letshego Group

Republic of Botswana
Registration number : Co. 98/442
Date of incorporation : 4 March 1998

Form of Proxy

ORDINARY BUSINESS

For completion by holders of ordinary shares
(PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

For use at the Annual General Meeting of ordinary shareholders of the Company to be held at Avani Hotel on Wednesday 25 May 2016 at 4.30 p.m. Registration commences at 4.00 p.m.

I/We ____________________
(name/s in block letters)
of (address) ____________________
being a member of Letshego Holdings Limited hereby appoint (see note 2)

Appoint (see note 2): ____________________
1. ____________________ or failing him/her,
2. ____________________ or failing him/her,
3. The Chairman of the meeting,

as my/our proxy to act for me/us at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instructions (see note 2):

	Number of Ordinary Shares		
	For	Against	Abstain
Ordinary resolution number 1			
Ordinary resolution number 2			
Ordinary resolution number 3a			
Ordinary resolution number 3b			
Ordinary resolution number 3c			
Ordinary resolution number 3d			
Ordinary resolution number 4			
Ordinary resolution number 5			
Ordinary resolution number 6			
Ordinary resolution number 7			
Special resolution number 1			

Signed at ____________________ on this ________ day of ____________________ 2016

Signature ____________________

Assisted by (where applicable) ____________________

Each shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

Please read the notes on the reverse side hereof.

Form of Proxy (continued)

NOTES

1. A shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting ". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to The Secretary, Letshego Holdings Limited, 2nd Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P O Box 381, Gaborone to be received not less than 48 hours before the Annual General Meeting (i.e. not later than 5.00 p.m. Monday 23 May 2016)

4. The completion and lodging of this form will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.

5. The Chairman of the Annual General Meeting may -reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.

6. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

8. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

9. Where ordinary shares are held jointly, all joint shareholders must sign.

10. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

Letshego

www.letshego.com