INDEX **Page**

Incorporated in the Republic of Botswana
Registration number : Co. 98/442
Date of incorporation : 4 March 1998

Company secretary and registered office
D. Ndebele
Plot 50371
Fairground Office Park
Gaborone

Attorneys / Legal advisors
Armstrongs
5th Floor, Barclays House
Khama Crescent
Gaborone

Independent external auditors
PricewaterhouseCoopers
Plot 50371
Fairground Office Park
Gaborone

Transfer secretaries
PricewaterhouseCoopers (Proprietary) Limited
Plot 50371
Fairground Office Park
Gaborone

Independent internal auditors
Ernst & Young
UN Place
Khama Crescent
Gaborone

Bankers
Barclays Bank of Botswana Limited
First National Bank of Botswana Limited
Standard Chartered Bank Botswana Limited

Branch network

Administration
Shri Ram House
1st Floor, South Wing
169 Queens Road
The Mall
Gaborone

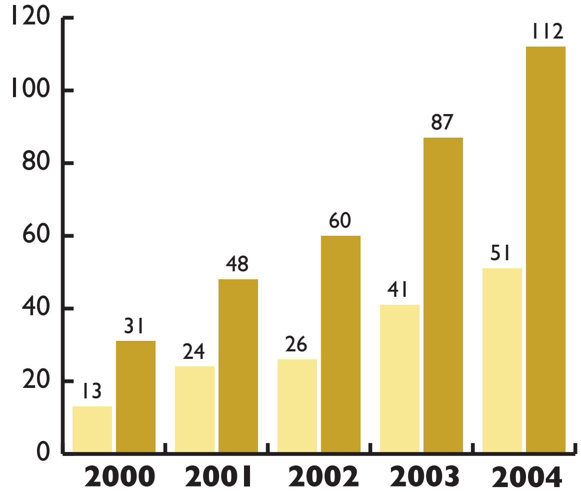
Palapye
Modern Auto Motors Building
Lot 82, Shop 1(b)
Palapye

Gaborone
Debswana House
West Wing, Ground Floor
The Mall
Gaborone

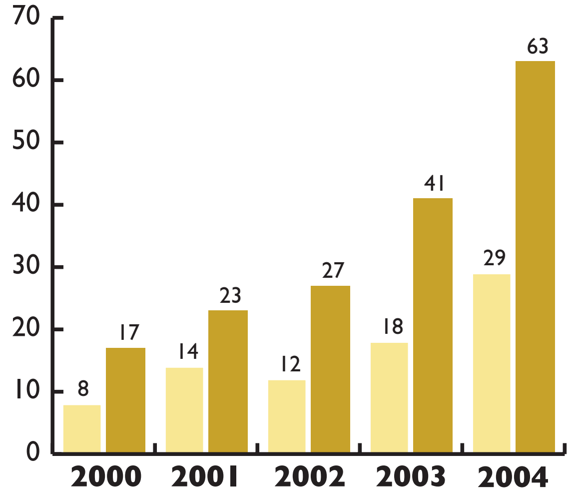
Maun
Tribal Lots 711 and 712
S K Cho Building
Maun Mall Extension
Maun

Francistown
Suite 52, Bays 4A and 4B
Level 5, Barclays Plaza
Francistown

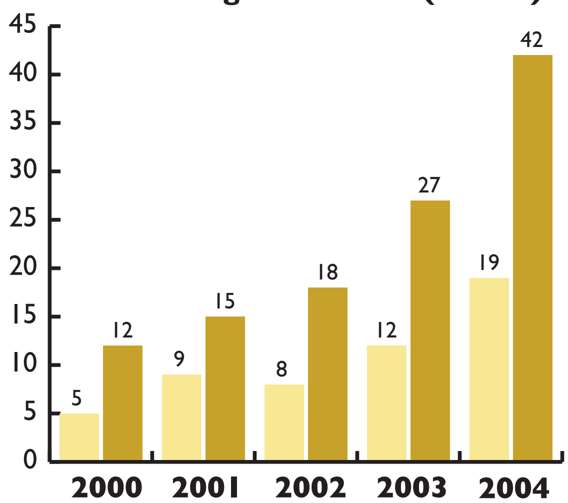
Total Revenue (P' millions)



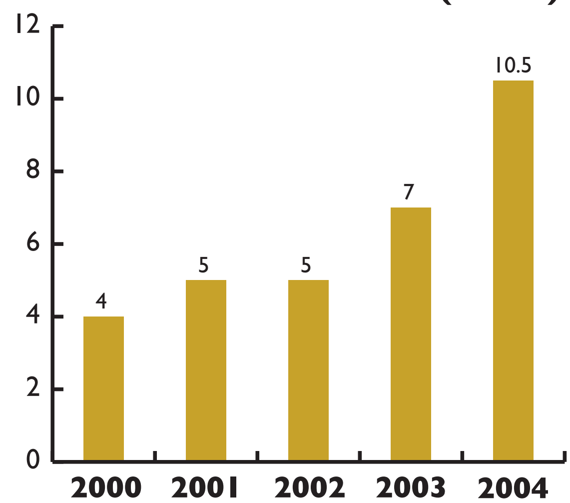
Profit After Tax (P' millions)



***Earnings Per Share (Thebe)**



***Dividends Per Share (Thebe)**



Half Year Year End *(Assuming that 150 million shares were in issue since 2000)

I take great pleasure in presenting to shareholders the financial results of Micro Provident Botswana Limited for the year ended 31 October 2004.

Shareholders will recollect that during the year the Letshego Legal Guard product was launched. This is marketed through a wholly owned subsidiary, Letshego Guard (Proprietary) Limited, and underwritten by Regent Insurance Botswana (Proprietary) Limited. Therefore, this is the first time that both the company and consolidated group financial statements are presented to shareholders.

Results

It will be recalled that Government did not award salary increases in the previous year and subsequent increments were made only with effect from 1 April 2004. The group therefore had the benefit of increased credit demand for only seven months of its financial year. Furthermore, due to space constraints the management, accounting and computer divisions were relocated to new premises together with the filing office and the permanent Letshego Guard staff. This resulted in significant operational disruption. It is against this background that splendid results were achieved.

Profit after taxation recorded significant growth and amounted to P63.4 million. This reflected a telling improvement of 54.5% over the 2003 financial year. The board of directors has proposed a final gross dividend of 6 thebe per share which, together with the interim dividend which was paid in July, brings to 10.5 thebe the total dividend for the year. The dividend cover, therefore, remains unchanged at 4,0 times.

The group's key financial highlights for the year were as follows:

- Earnings per share of 42.3 thebe.....................up 54.5%
- Dividends per share of 10.5 thebe..................up 50.0%
- Total revenue of P111.8 million........................up 24.8%

Mention was made in my interim commentary that Letshego Guard was not expected to contribute meaningfully to earnings in the current financial year. This forecast proved to be accurate in that it made a loss of approximately P100 000 in the first 8 months of its existence. However, that it almost recovered all start up operational costs and expenses in so short a period, bodes well for its future earnings potential. The company currently employs 9 full time staff and 37 sales representatives and is looking to substantially increase its field force during the course of the coming year.

The provision for impairment of the gross advances book, which is determined on the present value of expected future discounted cash flows, has been maintained at 8%. The quantum of this provision will, however, be ascertained on an annual basis as it is determined by a variety of market circumstances.

Balance sheet

The gross advances book grew to P226 million. This reflected a healthy improvement of 21.5%. As a result of maintaining a conservative dividend cover of four times, the group has been able to retain much needed capital to finance its growth. This, together with substantial organic growth of the business is reflected in the significant increase of 44.5% in shareholders' equity. The group's debt to equity ratio declined to 21.4% during the year.

Economic and business environment

A long history of political and macroeconomic stability, together with fiscal prudence ensured that Botswana maintained its high sovereign credit ratings for both foreign and domestic currency debt. It is concerning however that despite concerted efforts by Government to broaden the economic base of the country, this remains dominated by mining revenues. In order for Botswana to achieve Vision 2016 targets it is imperative that non-mining GDP growth is afforded top priority. This will require significant endeavour from both the public and private sectors of the economy.

Credit growth, albeit well below the Bank of Botswana target range of 12 to 15% has improved significantly whilst current inflation is now at its top range. Inflationary pressures are likely to continue given the high international crude oil prices, increases in administered prices and the depreciation of the Pula against the Rand in Februrary 2004.

Economic and business environment (Continued)

Global business confidence was undermined by terrorism, the continuing war in Iraq and ongoing instability in the Middle East. This uncertainty benefited resource based African economies where growth rates are likely to outpace those of the global economies. Given the stable environment within which the group operates, an improving global economy and better demand for domestic credit, the domestic financial sector should record steadfast growth.

Social responsibility

Limited resources have been leveraged to achieve optimal benefit to those charitable organisations which the board considered most worthy of support. Following an assessment of various social needs the board, once again, focused on the youth of Botswana. Those who benefited were the Botswana Council of the Disabled, Child Line, SOS and Masiela Trust Fund. In addition to the foregoing, discretionary donations were made during the year in response to specific requests for assistance from a variety of organisations.

Social responsibility will remain as one of the groups core pillars of good corporate citizenship.

Prospects

Ongoing efforts to diversify the earnings of the company resulted in the establishment during the year of Letshego Guard (Proprietary) Limited and I am positive that further developments will be forthcoming.

The challenges in the year ahead will demand increased focus on our core business. However, sound economic fundamentals together with lower interest rates and improving credit demand are expected to support further growth in the fortunes of the group in the forthcoming year. The board remains optimistic and looks forward with confidence to the continued creation of stakeholders value.

Appreciation

A strong board is essential to the effective management of the group and I acknowledge and thank my fellow directors for their substantial contribution and support during the year. Mr John Burbidge, who acted as chairman of Letshego in its formative years, rejoined the board on 22 June 2004. I welcome him back into the fold and look forward to a resumption of his contribution. Mr Fareed Chotia resigned from the board on 22 June 2004 and I thank him for his assistance during his short term in office.

The group's primary asset is its people and the accomplishments of the past year would not have been possible without the teamwork, dedication and effort of the management and staff. To all our employees I extend my heartfelt thanks for an outstanding effort.

I would like to thank our customers and those Government departments and staff associations whose support and advice during the year contributed substantially to the group's success.

Finally, to our shareholders, I thank you for your support and pledge to you our ongoing commitment to the enhancement of shareholder value.

C.M. LEKAUKAU
CHAIRMAN

6 December 2004

The directors have pleasure in submitting to the shareholders their report and the audited financial statements of the group for the year ended 31 October 2004.

Nature of business

The group is engaged in the provision of short to medium-term unsecured loans and legal expenses insurance products to employees of the public, quasi-public and private sectors.

Share capital

There were no changes to the share capital during the period under review.

Results

The profits for the year are disclosed in the income statements on page 11. These reflect the following changes over 2003:

- Net income before taxation of P83.0 million.................up 47.6%
- Net income after taxation of P63.4 million....................up 54.5%

Investment in subsidiary

During the year the company formed a wholly owned subsidiary, Letshego Guard (Proprietary) Limited. Letshego Guard was incorporated on 3 March 2004 with the objective of administering and marketing legal expenses insurance products. These products are underwritten by Regent Insurance Botswana (Proprietary) Limited. The company started trading on 10 March 2004 from which date its results have been consolidated.

Comparatives

As the group was established during the period under review, there are no comparative group figures for 2003.

Dividends

Current year
An interim dividend amounting to P6.75 million (4.5 thebe per share) for the half year ended 30 April 2004 was paid to shareholders on 16 July 2004.

A final dividend of P9.0 million (6 thebe per share) has been proposed and will be paid to shareholders on or about 21 January 2005.

Prior year
An interim dividend amounting to P4.5 million (3 thebe per share) for the half year ended 30 April 2003 was paid to shareholders on 4 July 2003.

A final dividend of P6.0 million (4 thebe per share) was declared and paid to shareholders on 16 January 2004.

Directors

The following persons were directors of the company during the period under review.

* C.M. Lekaukau [1]	(Chairman)
* P.S. Abrahams [3]	
* J.A. Burbidge [2]	(Appointed 22 June 2004)
* S.F. Cairns [2]	
* F. Chotia [3]	(Appointed 31 October 2003) (Resigned 22 June 2004)
J.A. Claassen [3]	(Managing Director)
* D. Kgomotso [1]	(Resigned 15 March 2004)
* M. Law [3]	
* M.C. Letshwiti [1]	
* O.E. Moarabi [1]	(Appointed 15 March 2004)
D. Ndebele [4]	(Financial Director)

* Non-executive [1] Motswana [2] British [3] South African [4] Zimbabwean

Directors' shareholdings

The aggregate number of shares held directly and indirectly by directors is 1 868 000 (2003 – 1 783 000) and 65 643 000 (2003 – 74 970 000) respectively. Full details of this shareholding are available at the registered office of the company or at the office of the transfer secretaries.

Employee share option scheme

No shares/options were issued during the year to 31 October 2004.

Statement of responsibility

The directors of Micro Provident Botswana Limited are responsible for the annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Companies Act (Cap 42:01).

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

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

Our external auditors conduct an examination of the financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the board of directors.

The financial statements set out on pages 11 to 31 were authorised for issue by the board of directors on 6 December 2004 and are signed on its behalf by:

C.M. LEKAUKAU **CHAIRMAN**	**J.A. CLAASSEN** **MANAGING DIRECTOR**

The ongoing maintenance of high standards of corporate governance is considered by the group to be of the utmost importance. The board of directors is committed to attaining the highest standards of integrity, accountability and transparency in order to gain the support of all stakeholders.

Board of directors

The formal maintenance of high standards of corporate ethics in the conduct of the company's affairs is the responsibility of the board. To this end, the group endorses the King II code of corporate governance and strives to operate in broad compliance with its recommendations. Both the board and senior management are required to constantly assess the control and risk management procedures and to ensure that implementation and regular reviews of such procedures take place.

The board comprises seven non-executive and two executive directors. It is chaired by an independent non-executive. All board members are suitably experienced and have a clear understanding of their role in corporate governance. The non-executive directors are considered to be independent of management and their role is to bring objectivity and independent judgement to board deliberations and decisions. They are also responsible for chairing key board sub-committees and have unrestricted access to management and all company records.

All directors may take independent professional advice, as is required to fulfil their duties, at the group's expense.

The board is responsible for the maintenance of sound internal controls, risk management, the preparation and integrity of the annual financial statements, compliance with all laws and regulations and the establishment of key policies and objectives. It therefore has full and effective control of the group and is accountable and responsible for its performance to all stakeholders.

Meetings of the board take place on a quarterly basis to monitor performance against budget, to formulate and review strategies and policies and to consider those issues on which they will be requested to make decisions. Management is responsible for the provision to the board of appropriate and timely information.

All directors are subject to retirement by rotation and re-election by shareholders at least every three years. Directors have no fixed term of appointment and their contributions are subject to regular review.

Executive committee

The executive committee is responsible for the implementation of strategy and managing the group's affairs. The committee comprises the two executive directors and two non-executive directors and meets on a monthly basis. The process of risk management design and implementation, after board approval, forms a significant part of this committee's function.

Audit committee

The membership of the audit committee during the financial year was as follows:

J. A. Burbidge	(Chairman) (Appointed 22 June 2004)
F. Chotia	(Chairman) (Resigned 22 June 2004)
P. S. Abrahams	(Member)
M.C. Letshwiti	(Member)
D. Ndebele	(Secretary - non member)

The duties and responsibilities of the audit committee include but are not limited to the following:

- the monitoring of the adequacy and effectiveness of internal controls
- the review of accounting policies
- the review of interim and annual financial reports and accounts
- the review of the external auditors' audit plan and the scope and cost of the annual audit
- the review of the internal auditors' audit plan, scope and costs as well as the review of their completed work and findings.

Audit committee (Continued)

In the group's ongoing efforts to improve risk management an independent firm of auditors, Ernst & Young, was appointed to fill the position of internal auditor. The internal auditor's duties include but are not limited to the following:

- evaluation of the adequacy of internal controls and procedures to manage risks
- providing on-going assurance on the effectiveness of the procedures employed by management and the board to manage risks
- reviewing the integrity of financial and operating information systems
- safeguarding of the group's assets.

Representatives of the internal and external auditors are expected to attend audit committee meetings. On an ad hoc basis the Chairman has the right to call in any other employee of the group. Members of the executive committee, the internal auditors, the external auditors and non-executive directors have unrestricted access to the Chairman of the audit committee. The committee meets at least twice a year.

Remuneration committee

The membership of the remuneration committee during the financial year was as follows:

M.C. Letshwiti	(Chairman)
M. Law	(Member)
D. Ndebele	(Secretary - non member)

The Managing Director, Mr J.A. Claassen, attends the committee meetings by invitation.

The main responsibilities and objectives of the committee are the following:

- monitor and review the remuneration policies of the group
- ensure that executive directors and senior management are appropriately and fairly rewarded
- ensure that market related reward strategies are adhered to
- establish performance targets for the group's bonus scheme.

The executive directors play no part in decisions regarding their own remuneration.

Closed period

The closed periods for trading in the company's shares by directors and employees are from the beginning of the months of both the interim and year ends (i.e. 1 April and 1 October) up to the date of publication of the interim and final results in the print media.

Directors and employees are prohibited from dealing in the company's shares during such periods in which they are privy to unpublished price-sensitive information.

Succession planning

The group is committed to ensuring that a sufficient number of talented people are employed from which senior management can be replenished if and when required.

C.M. LEKAUKAU
CHAIRMAN

J.A. CLAASSEN
MANAGING DIRECTOR

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Plot 50371
Fairground Office Park
Gaborone
P O Box 294
Gaborone, Botswana
Telephone (267) 3952011
Facsimile (267) 3973901

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF MICRO PROVIDENT BOTSWANA LIMITED

We have audited the accompanying group and company balance sheets of Micro Provident Botswana Limited and its subsidiary company (the 'group') as of 31 October 2004 and the related group and company statements of income, cash flows and changes in shareholders equity for the year then ended as set out on pages 11 to 31. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with the Botswana Companies Act (Cap 42:01) and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have examined the books, accounts and vouchers of the company and the group to the extent we considered necessary and have obtained all the information and explanations which we required. We have satisfied ourselves as to the existence of the securities. We believe that our audit provides a reasonable basis for our opinion.

In our opinion

- the company and its subsidiary have kept proper books of account with which the group and company financial statements are in agreement; and
- the accompanying annual financial statements give a true and fair view of the financial position of the group and the company as at 31 October 2004, and of the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Companies Act (Cap 42:01).

PricewaterhouseCoopers

Certified Public Accountants
Gaborone
6 December 2004

		GROUP	COMPANY	
	Note	2004	2004	2003
		P'000	P'000	P'000
Interest income	1	107,236	107,236	85,950
Net interest expense	2	(5,835)	(5,756)	(10,124)
Net interest income		101,401	101,480	75,826
Impairment of advances	9	(3,195)	(3,195)	(7,161)
Other operating income	1	4,572	2,656	1,525
Other operating costs	3	(12,685)	(11,218)	(9,143)
Staff costs	4	(7,097)	(6,542)	(4,815)
Income before taxation		82,996	83,181	56,232
Taxation	5	(19,621)	(19,706)	(15,211)
Net income for the year		**63,375**	**63,475**	**41,021**
Earnings per share – basic (thebe)	**6**	**42.3**	**42.3**	**27.3**
Dividends per share : interim (thebe) - paid	**7**	**4.5**	**4.5**	**3.0**
: final (thebe) - proposed		**6.0**	**6.0**	**4.0**
		10.5	**10.5**	**7.0**
Weighted average number of shares in issue during the year (millions)	**6**	**150**	**150**	**150**
Number of shares in issue at the end of the year (millions)	**15**	**150**	**150**	**150**

MICRO PROVIDENT BOTSWANA LIMITED
BALANCE SHEETS
FOR THE YEAR ENDED 31 OCTOBER 2004

		GROUP	COMPANY	
	Note	**2004**	**2004**	**2003**
ASSETS		**P'000**	**P'000**	**P'000**
Cash and cash equivalents	8	4,079	2,196	2,795
Advances to customers	9	207,707	207,707	170,970
Other receivables	10	1,362	2,251	391
Investment in subsidiary	11	-	1	-
Property, plant and equipment	12	604	486	372
Deferred taxation	5	182	97	62
Total assets		**213,934**	**212,738**	**174,590**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Trade and other payables	13	11,282	9,986	7,206
Taxation		3,075	3,075	16,872
Borrowings	14	35,152	35,152	36,712
Total liabilities		**49,509**	**48,213**	**60,790**
Shareholders' equity				
Share capital	15	1,500	1,500	1,500
Share premium	16	28,571	28,571	28,571
Retained earnings		134,354	134,454	83,729
Total shareholders' equity		**164,425**	**164,525**	**113,800**
Total liabilities and shareholders' equity		**213,934**	**212,738**	**174,590**

GROUP	Note	Share Capital P'000	Share Premium P'000	Retained Earnings P'000	Total P'000
YEAR ENDED 31 OCTOBER 2004					
Balance at 1 November 2003		1,500	28,571	83,729	113,800
Income after taxation		-	-	63,375	63,375
Dividends paid : final (2003)	7	-	-	(6,000)	(6,000)
Dividends paid : interim (2004)	7	-	-	(6,750)	(6,750)
Balance at 31 October 2004		**1,500**	**28,571**	**134,354**	**164,425**
COMPANY					
Balance at 1 November 2003		1,500	28,571	83,729	113,800
Income after taxation		-	-	63,475	63,475
Dividends paid : final (2003)	7	-	-	(6,000)	(6,000)
Dividends paid : interim (2004)	7	-	-	(6,750)	(6,750)
Balance at 31 October 2004		**1,500**	**28,571**	**134,454**	**164,525**
YEAR ENDED 31 OCTOBER 2003					
Balance at 1 November 2002		1,500	28,571	47,208	77,279
Income after taxation		-	-	41,021	41,021
Dividends paid : interim (2003)	7	-	-	(4,500)	(4,500)
Balance at 31 October 2003		**1,500**	**28,571**	**83,729**	**113,800**

MICRO PROVIDENT BOTSWANA LIMITED
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004

		GROUP	COMPANY	
	Note	**2004**	**2004**	**2003**
OPERATING ACTIVITIES		**P'000**	**P'000**	**P'000**
Cash generated from operations	17	49,712	47,662	34,950
Taxation paid		(33,538)	(33,538)	(7,467)
Net cash generated from operating activities		**16,174**	**14,124**	**27,483**
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiary		-	1	-
Proceeds from sale of property, plant and eqipment		33	33	75
Purchase of property, plant and equipment	12	(613)	(447)	(238)
Net cash used in investing activities		**(580)**	**(413)**	**(163)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Short and long term borrowings repayments		(1,560)	(1,560)	(20,956)
Finance lease capital payments		-	-	(64)
Dividends paid	7	(12,750)	(12,750)	(4,500)
Net cash used in financing activities		**(14,310)**	**(14,310)**	**(25,520)**
Net increase/(decrease) in cash and cash equivalents		**1,284**	**(599)**	**1,800**
Movement in cash and cash equivalents				
At the beginning of the year		2,795	2,795	995
Increase/(decrease) during the year		1,284	(599)	1,800
At the end of the year	8	**4,079**	**2,196**	**2,795**

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

Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The financial statements are prepared under the historical cost convention. No information is given to reflect the impact of changing prices on the financial position of the group or the results of its operations.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Consolidation

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded 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 the income statement. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the group. Details of the subsidiary company are set out in note 11 of the financial statements.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight line method at the following rates, which are designed to reduce the cost of the assets to estimated residual values at the end of their useful lives:

Computers	33 1/3% p.a.
Furniture and fittings	25% p.a.
Office equipment	20% p.a.
Motor vehicles	25% p.a.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the operating profit.

Foreign currencies

Assets and liabilities in foreign currencies are translated into the currency of Botswana at the rates ruling at the financial period end. Transactions during the period are translated at rates approximating those ruling at the dates of the transactions.

Finance leases

Leases of motor vehicles and equipment where the company assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligation, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the asset.

Operating leases

Leases which merely confer the right to the use of an asset, are treated as operating leases, with the lease payments being charged to the income statement as they become due.

Computer software development costs

Costs associated with developing computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product that has a probable benefit exceeding one year, are included in intangible assets and are amortised on a straight-line basis at a rate applicable to the expected useful life of the asset, but not exceeding 3 years. Any impairment to the carrying value is recognised in the income statement when incurred.

Advances to customers and provisions for loan impairment

Loans originated by the group or company by providing money directly to the borrower are categorised as advances to customers and are carried at amortised cost, which is defined as fair value of cash consideration given to originate those loans as is determinable by reference to market prices at origination date.

All loans and advances are recognised when cash is advanced to borrowers.

An allowance for loan impairment is established if there is objective evidence that the group will not be able to collect all amounts due according to the original contractual terms of loans.The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the original effective interest rate of loans.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date.These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectable, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for loan losses in the income statement.

If the amount of the impairment subsequently decreases due to an event occurring after write-down, the release of the provision is credited as a reduction of the provision for loan losses.

Other receivables

Other receivables comprise prepayments, deposits and other recoverables which arise during the normal course of business.

Other receivables are recognised when the group obtains control of a resource as a result of past events and from which future economic benefits are expected to flow to the group.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdraft facilities. Bank overdraft facilities, are considered part of long term funding of the group and are disclosed under borrowings.

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.

Taxation

Taxation is provided for at current rates on the taxable income for the period after taking into account income and expenditure which is not subject to taxation and the tax effects of charges and credits, including depreciation, attributable to periods other than the current period.

Withholding tax, which is payable on the gross value of dividends at 15% or any other currently enacted tax rates, is set off against additional company taxation in the year in which the dividends are declared. Dividends are disclosed gross of withholding tax.

Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on property, plant and equipment. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

Interest income

Interest income is recognised in the income statement 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 rate 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 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.

Other income - fee and commission income

Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and fees arising from credit life insurance schemes are recognised on a time-apportionment basis over the period that the service is provided. Other income from legal guard insurance comprises profit share, once off joining fees and insurance commission. Profit share is recognised as profits are declared by the insurer on an accruals basis.

Once off joining fees are recognised in the month a policy holder takes legal guard insurance cover. Commissions are recognised on an accruals basis when the service has been provided.

Share capital

Ordinary share capital is recognised at the fair value of the consideration received.

Borrowings

Borrowings are recognised initially as the proceeds are received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings.

Employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

The group does not operate a retirement benefit fund. However, severance pay is provided for in accordance with Botswana statute.

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 the income statement as incurred.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Related party transactions

Related parties comprise directors of the group and companies with common ownership and/or directors. Transactions with related parties are in the normal course of business and on normal commercial terms.

Financial risk management activities

Interest rate risk

Fluctuations in interest rate impacts on the value of short-term cash investments and financing activities, giving rise to interest rate risk. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks.

Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the group and cash flows.

Foreign currency risk

In the normal course of business, the group enters into transactions denominated in foreign currencies. In addition, the group has liabilities in foreign currency which expose it to fluctuation in foreign currency exchange rates from time to time.

Credit risk

The financial assets of the group, which are subject to credit risk, consist mainly of cash resources and advances to customers. The cash resources are placed with reputable financial institutions. In accordance with risk provisioning, adequate provisions are made for performing and non-performing advances to customers.

Early settlement risk

Early settlement risk is the risk that advances to customers will be settled before the end of their term. An increase in early settlements may result in depletion in advances to customers.

Market risk

Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements. The group reviews and monitors the likelihood of market risks arising from positions held and the extent of the impact of losses based upon a number of assumptions for various changes in market conditions on an ongoing basis.

	GROUP	COMPANY	
	2004	**2004**	**2003**
	P'000	**P'000**	**P'000**
1. REVENUE			
Interest income – advances	107,236	107,236	85,950
Other operating income			
Administration fees (note 21)	75	75	71
Credit life administration fees (note 13)	818	818	581
Credit life insurance commission (note 13)	957	957	652
Other income from legal guard insurance	1,916	-	-
Profit on sale of property, plant and equipment	16	16	15
Profit share from credit life scheme	790	790	202
Sundry income	-	-	4
	4,572	2,656	1,525
Total revenue	**111,808**	**109,892**	**87,475**
2. NET INTEREST EXPENSE			
Interest income – subsidiary (note 21)	-	(92)	-
Interest income – bank deposit interest	(182)	(169)	(195)
Interest expense :			
- Finance leases	-	-	7
- Loans from related parties (note 21)	2,643	2,643	6,180
- Other	136	136	809
- Overdraft	3,238	3,238	3,323
	5,835	**5,756**	**10,124**
3. OTHER OPERATING COSTS			
Advances to customers written off	3,174	3,174	2,975
Audit fees	130	102	93
Depreciation			
- Computer equipment (note 12)	179	149	139
- Motor vehicles (note 12)	-	-	12
- Office furniture and equipment (note 12)	185	167	121
Directors' fees – (non executive)	173	173	133
Directors' remuneration			
- for management services (executive)	1,135	1,135	762
Management fees paid to related party (note 21)	1,796	1,796	1,794
Operating lease rentals - property	573	494	443
Other operating expenses	4,808	3,571	2,414
Payroll administration costs	248	248	207
Professional fees	284	209	50
	12,685	**11,218**	**9,143**

	GROUP	COMPANY	
	2004	2004	2003
	P'000	P'000	P'000
4. STAFF COSTS			
Salaries and wages	3,918	3,363	2,764
Staff incentive (note 13)	3,179	3,179	2,051
	7,097	**6,542**	**4,815**
Average number of full time employees during the year	**59**	**50**	**42**
5. TAXATION			
Botswana company taxation			
Basic taxation at 15%	12,994	12,994	9,637
- Additional company taxation at 10%	8,663	8,663	6,425
- Over provision from prior year	(3)	(3)	(124)
- Withholding tax on dividends paid	(1,913)	(1,913)	(675)
	19,741	19,741	15,263
Deferred taxation reversal	(120)	(35)	(52)
	19,621	**19,706**	**15,211**
Additional company taxation available to be offset against withholding tax on dividends			
Balance at the beginning of the year	12,851	12,851	7,151
Current year	8,663	8,663	6,425
Over provision from prior year	(2)	(2)	(50)
Withholding tax on dividends paid	(1,913)	(1,913)	(675)
Balance at the end of the year	**19,599**	**19,599**	**12,851**
Deferred taxation			
Balance at the beginning of the year	(62)	(62)	(10)
Current year reversal	(120)	(35)	(52)
Balance at the end of the year	**(182)**	**(97)**	**(62)**
Reconciliation of current taxation			
Income before taxation	82,996	83,181	56,232
Tax calculated at 25%	20,749	20,795	14,058
Effect of timing differences	31	27	14
Expenses not deductible for tax purposes	858	858	2,006
Other	16	(26)	(140)
Withholding tax set off	(1,913)	(1,913)	(675)
	19,741	**19,741**	**15,263**

6. EARNINGS PER SHARE

The calculation of earnings per share is based on after taxation earnings of P63 375 000 (2003 - P41 021 000) and the weighted average number of shares in issue of 150 000 000 (2003 : 150 000 000).

7. DIVIDENDS PER SHARE

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At a board of directors meeting held on 6 December 2004, a final gross dividend in respect of 2004 of 6 thebe per share (2003: actual final gross dividend of 4 thebe per share) amounting to a total of P9,000,000 (2003: actual final gross dividend of P6,000,000) was proposed. The financial statements for the year ended 31 October 2004 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 October 2005.

The interim dividend which was paid in respect of 2004 was 4.5 thebe per share (2003: actual interim gross dividend of 3 thebe per share) amounting to a total of P6,750,000 (2003: actual interim gross dividend amounting to P4,500,000).

	GROUP	COMPANY	
8. CASH AND CASH EQUIVALENTS	**2004**	**2004**	**2003**
	P'000	**P'000**	**P'000**
Cash at bank and in hand	723	544	995
Short term bank deposits	7,334	5,394	1,800
Bank overdraft	(3,978)	(3,742)	-
	4,079	**2,196**	**2,795**
9. ADVANCES TO CUSTOMERS			
Advances to customers	225,769	225,769	185,837
Less : provision for impairment	(18,062)	(18,062)	(14,867)
	207,707	**207,707**	**170,970**
Maturity analysis of advances to customers			
Maturity within 1 year	14,919	14,919	8,866
Maturity after 1 year but within 2 years	47,121	47,121	54,359
Maturity after 2 years but before 5 years	145,667	145,667	107,745
	207,707	**207,707**	**170,970**

Advances to customers are pledged as security against borrowings as set out in note 14.

9. ADVANCES TO CUSTOMERS (Continued)

	GROUP 2004 P'000	COMPANY 2004 P'000	COMPANY 2003 P'000
Provision for impairment			
Balance at the beginning of the year	14,867	14,867	7,706
Charge to the income statement	3,195	3,195	7,161
Balance at the end of the year	**18,062**	**18,062**	**14,867**

Non performing advances

Included in advances to customers are accounts with a value of P394 700 (2003 - P632 676) which are not earning interest and insurance claims are being processed. These accounts have not been included in the calculation of the provision for impairment.

10. OTHER RECEIVABLES

	GROUP 2004 P'000	COMPANY 2004 P'000	COMPANY 2003 P'000
Accounts receivable from related parties (note 21)	218	2,068	118
Credit life profit share	-	-	203
Deposits and pre-payments	83	83	46
Other receivables	1,061	100	24
	1,362	**2,251**	**391**

11. INVESTMENT IN SUBSIDIARY

	COMPANY 2004 P'000	COMPANY 2003 P'000
Company		
Letshego Guard (Pty) Ltd	1	-

Nature

Administration and marketing of legal expenses insurance products. The subsidiary company is wholly owned and is incorporated in Botswana.

12. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Total P'000
Cost				
Balance at 1 November 2003	107	668	602	1,377
Additions	-	230	383	613
Disposals	(48)	(11)	(47)	(106)
Balance at 31 October 2004	**59**	**887**	**938**	**1,884**
Accumulated depreciation				
Balance at 1 November 2003	95	515	395	1,005
Charge for the year (Note 3)	-	179	185	364
Disposals	(36)	(11)	(42)	(89)
Balance at 31 October 2004	**59**	**683**	**538**	**1,280**
Net book value at 31 October 2004	**-**	**204**	**400**	**604**

COMPANY

	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Total P'000
Cost				
Balance at 1 November 2003	107	668	602	1,377
Additions	-	141	306	447
Disposals	(48)	(11)	(47)	(106)
Balance at 31 October 2004	**59**	**798**	**861**	**1,718**
Accumulated depreciation				
Balance at 1 November 2003	95	515	395	1,005
Charge for the year	-	149	167	316
Disposals	(36)	(11)	(42)	(89)
Balance at 31 October 2004	**59**	**653**	**520**	**1,232**
Net book value at 31 October 2004	**-**	**145**	**341**	**486**
31 October 2003	**12**	**153**	**207**	**372**

13. TRADE AND OTHER PAYABLES

	GROUP	COMPANY	
	2004	2004	2003
	P'000	P'000	P'000
Trade and other payables	3,498	2,202	1,440
Staff incentive provision	3,994	3,994	2,518
Deferred income	3,790	3,790	3,248
	11,282	**9,986**	**7,206**
Staff incentive provision			
Balance at the beginning of the year	2,518	2,518	1,825
Current year charge (note 4)	3,179	3,179	2,051
Paid during the year	(1,703)	(1,703)	(1,358)
Balance at the end of the year	**3,994**	**3,994**	**2,518**

Included in the paid staff incentive provision are payments to executive directors amounting to P771,424 (2003 - P224,127)

	GROUP 2004 P'000	COMPANY 2004 P'000	COMPANY 2003 P'000
Deferred income			
Balance at the beginning of the year	3,248	3,248	2,185
Raised during the year	2,317	2,317	2,296
Credit life insurance commission (note 1)	(957)	(957)	(652)
Credit life administration fees (note 1)	(818)	(818)	(581)
Balance at the end of the year	**3,790**	**3,790**	**3,248**

14. BORROWINGS

	GROUP 2004 P'000	COMPANY 2004 P'000	COMPANY 2003 P'000
Loans from related parties			
Botswana Insurance Fund Management Ltd – Facility (note 21)	-	-	15,578
Botswana Life Insurance Ltd (note 21)	-	-	3,008
Micro Provident Ltd (note 21)	-	-	8,234
Other shareholders' loans (note 21)	-	-	979
	-	**-**	**27,799**
Bank facilities			
First National Bank of Botswana Ltd	15,289	15,289	4,004
Standard Chartered Bank Botswana Ltd	19,863	19,863	4,909
	35,152	**35,152**	**8,913**
Total borrowings	**35,152**	**35,152**	**36,712**

14. BORROWINGS (Continued)

	GROUP	COMPANY	
	2004	2004	2003
	P'000	P'000	P'000
Loans from related parties (Continued)			
Current			
Botswana Insurance Fund Management Ltd	-	-	9,220
Botswana Life Insurance Ltd	-	-	1,641
Micro Provident Ltd	-	-	4,860
Other shareholders' loans	-	-	534
	-	**-**	**16,255**
Bank facilities			
First National Bank of Botswana Ltd	15,289	15,289	4,004
Standard Chartered Bank Botswana Ltd	19,863	19,863	4,909
	35,152	**35,152**	**8,913**
Total current borrowings	**35,152**	**35,152**	**25,168**

Details of security

Loans from related parties

All loans from related parties were repaid in full on 29 October 2004.

Bank facilities

The First National Bank of Botswana Ltd facility comprises 3 tiers as follows:

- P15 million, 13 month term loan facility which attracts interest at prime less 1% per annum
- P10 million, 13 month term loan facility which attracts interest at prime less 1% per annum
- an overdraft facility of P10 million which attracts interest at prime less 50 bases points per annum
- the facility is secured by a cession of the advances book
- the terms loans are repayable in full at the end of their terms or may be converted to an overdraft at the discretion of the bank
- the overdraft facilities are repayable on demand.

The Standard Chartered Bank Botswana Ltd facility comprises 2 tiers of P15 million each. The facility is secured as follows:

- a second reversionary cession of the advances book for P30 million
- guarantee of P12 million from Micro Provident Ltd
- guarantee by Botswana Life Insurance Ltd for P3 million
- interest is charged at prime rate per annum for the first tier and at prime less 50 bases points per annum for the second tier
- the overdraft facilities are repayable on demand.

15. SHARE CAPITAL	**GROUP**	**COMPANY**	
	2004	**2004**	**2003**
	P'000	**P'000**	**P'000**
Authorised :			
200 000 000 ordinary shares of P0.01 each	**2,000**	**2,000**	**2,000**
Issued and fully paid:			
150 000 000 ordinary shares of P0.01 each	**1,500**	**1,500**	**1,500**

16. SHARE PREMIUM

Balance at the end of the year	**28,571**	**28,571**	**28,571**

17. CASH GENERATED FROM OPERATIONS

Operating income before taxation	82,996	83,181	56,232
Adjustments for :			
- Deferred income (note 13)	(1,775)	(1,775)	(1,233)
- Depreciation (note 12)	364	316	272
- Impairment of advances to customers (note 9)	3,195	3,195	7,161
- Profit on disposal of property plant and equipment (note 1)	(16)	(16)	(15)
Changes in working capital:			
- Increase in trade and other receivables	(40,903)	(41,792)	(31,564)
- Increase in trade and other payables	5,851	4,553	4,097
Cash generated from operations	**49,712**	**47,662**	**34,950**

18. EMPLOYEE SHARE INCENTIVE TRUST

The company operated an Employee Share Incentive Trust and Deed of Trust which was approved by shareholders on 21 August 2002. Under the scheme, shares were to be issued to employees who meet certain performance criteria. The shares were to vest to each employee who was allocated shares over a period of 3 years, carry full dividend and voting rights and were subject to a restrictive share sale agreement. If an allocated employee left the employ of the company, the incentive shares which had not vested, were to be forfeited by the trust. The share incentive scheme was discontinued in favour of a deferred bonus scheme with effect from August 2003.

1 000 000 ordinary shares of P0.01 each were issued to the trust on 21 August 2002. No new shares will be issued under this scheme. At 31 October 2004, there were 944 900 shares (2003 - 944 900) held by the trust.

Number of vesting shares	670,212	670,212	403,556
Number of shares still to vest	274,688	274,688	541,344
	944,900	**944,900**	**944,900**
Market value of vesting shares (P'000)	**1,106**	**1,106**	**436**

Included in the vesting shares, are 266,666 (2003: 133,333) shares allocated to executive directors with a market value amounting to P439,999 (2003: P144,000).

19. CAPITAL COMMITMENTS

Authorised by the directors:-

- Not contracted for	**1,262**	**850**	**520**

The capital expenditure will be financed from the group's existing facilities

20. FINANCIAL RISK MANAGEMENT ACTIVITIES

20.1. Interest rate risk

The company is exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on the financial position and cash flows. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. The table below summarises the company's exposure to interest rate risk through grouping of assets and liabilities into repricing categories, determined to be the earlier of the contractual repricing date or maturity.

GROUP

31 October 2004	Up to 1 month P'000	From 1 to 3 months P'000	From 3 months to 1 year P'000	From 1 year to 3 years P'000	Non interest bearing P'000	Total P'000
ASSETS						
Cash and cash equivalents	4,079	-	-	-	-	**4,079**
Advances to customers - net	210	1,017	13,692	192,788	-	**207,707**
Other receivables	-	-	-	-	1,362	**1,362**
Property, plant and equipment	-	-	-	-	604	**604**
Deferred taxation	-	-	-	-	182	**182**
	4,289	1,017	13,692	192,788	2,148	**213,934**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Trade and other payables	-	-	-	-	11,282	**11,282**
Taxation	-	-	-	-	3,075	**3,075**
Borrowings	20,152	-	15,000	-	-	**35,152**
Shareholders' equity	-	-	-	-	164,425	**164,425**
	20,152	-	15,000	-	178,782	**213,934**
Net (liabilities) / assets	**(15,863)**	**1,017**	**1,308**	**192,788**	**(176,634)**	**-**

COMPANY

31 October 2004	Up to 1 month P'000	From 1 to 3 months P'000	From 3 months to 1 year P'000	From 1 year to 3 years P'000	Non interest bearing P'000	Total P'000
ASSETS						
Cash and cash equivalents	2,196	-	-	-	-	**2,196**
Advances to customers - net	210	1,017	13,692	192,788	-	**207,707**
Other receivables	-	-	-	-	2,251	**2,251**
Investment in subsidiary	-	-	-	-	1	**1**
Property, plant and equipment	-	-	-	-	486	**486**
Deferred taxation	-	-	-	-	97	**97**
	2,406	1,017	13,692	192,788	2,835	**212,738**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Trade and other payables	-	-	-	-	9,986	**9,986**
Taxation	-	-	-	-	3,075	**3,075**
Borrowings	20,152	-	15,000	-	-	**35,152**
Shareholders' equity	-	-	-	-	164,525	**164,525**
	20,152	-	15,000	-	177,586	**212,738**
Net (liabilities) / assets	**(17,746)**	**1,017**	**1,308**	**192,788**	**(174,751)**	**-**

20. FINANCIAL RISK MANAGEMENT ACTIVITIES (Continued)

20.1. Interest rate risk (Continued)

COMPANY

31 October 2003	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 3 years	Non interest bearing	Total
	P'000	P'000	P'000	P'000	P'000	P'000
ASSETS						
Cash and cash equivalents	2,795	-	-	-	-	**2,795**
Advances to customers - net	109	311	8,446	162,104	-	**170,970**
Other receivables	-	-	-	-	391	**391**
Property, plant and equipment	-	-	-	-	372	**372**
Deferred taxation	-	-	-	-	62	**62**
	2,904	311	8,446	162,104	825	**174,590**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Trade and other payables	-	-	-	-	7,206	**7,206**
Taxation	-	-	-	-	16,872	**16,872**
Borrowings	10,047	2,373	12,748	11,544	-	**36,712**
Shareholders' equity	-	-	-	-	113,800	**113,800**
	10,047	2,373	12,748	11,544	137,878	**174,590**
Net (liabilities) / assets	**(7,143)**	**(2,062)**	**(4,302)**	**150,560**	**(137,053)**	**-**

20.2. Liquidity risk

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

20.3. Foreign currency risk

At the end of the period the only significant foreign currency exposure involved a loan from Micro Provident Limited amounting to NIL (2003 - GBP934 485). Forward exchange contracts were taken to cover against foreign currency risk for the monthly repayment of capital (note 14). Additional forward cover amounting to GBP34 162 was taken to cover the interest. The foreign currency risk exposure for the monthly repayment of capital and interest was covered by monthly forward exchange contracts which expired on 5 July 2004. The forward cover was rolled over on 5 Juy 2004 for a further 12 months. Early take up of currency covered under the forward contract was done on 29 October 2004 to repay the loan in full on the same date. There were no other significant unhedged foreign currency positions at the end of the period.

20.4. Credit risk

All loans granted by the company are in the Republic of Botswana. The maximum loan limits per employer are dependent on the perceived risk of the employer. All loans given to customers are within their affordability levels. The directors are satisfied that all known bad and doubtful debts that may exist in the current portfolio of advances have been written off.

20.5. Early settlement risk

Early settlement risk is the risk that advances to customers will be settled before the end of their term. An increase in early settlements may result in depletion in advances to customers. At the end of the period, the advances to customers under early settlement were insignificant.

20.6. Market risk

Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The group's exposure to market risk during the period under review was insignificant.

21. RELATED PARTY TRANSACTIONS

Micro Provident Limited (MPL) (incorporated in The Isle of Man) owns 43.8 (2003 - 50.0%) of the company's shares. Botswana Civil Servants Association (BCSA) owns 0.9% (2003 - 0.8%). Botswana Life Insurance Limited (BLIL) holds 13.2% (2003 - 13.2%) with the remainder being held by other investors. Botswana Insurance Fund Management Ltd (Bifm) and BLIL are wholly owned subsidiaries of Botswana Insurance Holdings Ltd.

MPL, BLIL and BCSA each has one director representation on the company's board of directors.

Letshego Guard (Pty) Ltd is a wholly owned subsidiary of Micro Provident Botswana Ltd, and is incorporated in Botswana.

The founding shareholders entered into a restrictive share sale agreement under which any of the founding shareholders were restricted to selling a maximum of one third of their entire shareholding in any one financial year from the listing date. The agreement fell away on 25 September 2004.

The following transactions were carried out with related parties:-

	GROUP	COMPANY	
	2004	2004	2003
	P'000	P'000	P'000
i) Income received from related parties			
Subsidiary company			
Letshego Guard (Pty) Ltd			
- Interest on facility (note 2)	-	92	-
Related party			
Botswana Life Insurance Ltd			
- Credit life insurance commission	-	-	56
- Administration fees	75	75	71
- Profit share	529	529	-
	604	**696**	**127**

Transactions were carried out on commercial terms and conditions and at market rates.

21. RELATED PARTY TRANSACTIONS (Continued)

	GROUP	COMPANY	
ii) Expenses paid to related parties	**2004**	**2004**	**2003**
	P'000	**P'000**	**P'000**
Micro Provident Ltd			
- Management fees (note 3)	1,796	1,796	1,794
- Interest on loans	1,078	1,078	2,175
Botswana Life Insurance Ltd			
- Interest on loans	352	352	652
Botswana Insurance Fund Management Ltd			
- Interest on facility	1,098	1,098	3,141
Other shareholders' loans			
- Interest on loans	115	115	212
	4,439	**4,439**	**7,974**

Transactions were carried out on commercial terms and conditions and at market rates (note 14).

iii) Directors' remuneration

Directors' remuneration paid during the year			
- For management services (note 3)	1,135	1,135	762
- As performance incentive bonuses (note 13)	771	771	224
	1,906	**1,906**	**986**

Other benefits for executive directors are set out in note 18.

iv) Year end balances from transaction with related parties
Receivable from subsidiary company (note 10)

Letshego Guard (Pty) Ltd	-	1,850	-

Receivable from related parties (note 10)

Botswana Life Insurance Ltd			
- Profit share	203	203	-
- Other	15	15	36
Botswana Civil Servants Association	-	-	82
	218	**2,068**	**118**

Payables to related parties:

Micro Provident Ltd	**-**	**-**	**42**

v) Loans from related parties

Facility from Botswana Insurance Fund Management Ltd			
At beginning of the year	15,578	15,578	21,027
Repaid during the year	(15,578)	(15,578)	(5,449)
At end of the year (note 14)	**-**	**-**	**15,578**

21. RELATED PARTY TRANSACTIONS (Continued)	**GROUP 2004 P'000**	**COMPANY 2004 P'000**	**COMPANY 2003 P'000**
Loan from Botswana Life Insurance Ltd			
At beginning of the year	3,008	3,008	4,649
Repaid during the year	(3,008)	(3,008)	(1,641)
At end of the year (note 14)	**-**	**-**	**3,008**
Loan from Micro Provident Ltd			
At beginning of the year	8,234	8,234	14,804
Repaid during the year	(8,234)	(8,234)	(6,570)
At end of the year (note 14)	**-**	**-**	**8,234**
Loans from other shareholders			
At beginning of the year	979	979	1,513
Repaid during the year	(979)	(979)	(534)
At end of the year (note 14)	**-**	**-**	**979**

22. OPERATING LEASE COMMITMENTS

Where a group company is the lessee, the future minimum lease payments under non-cancellable building operating leases are as follows:

No later than 1 year	188	188	152
Later than 1 year and no later than 5 years	2,861	2,861	100
	3,049	**3,049**	**252**

23. SEGMENT INFORMATION

The company offers loan packages to a segment comprising largely government and quasi-government employees throughout the country through a centralised processing system. Most of the interest revenue, insurance commission and insurance administration fees are derived from this segment. Income from other revenue sources is considered to be insignificant. Thus the risk and returns associated with the business is therefore largely concentrated in one segment. As such, the directors consider that segment information will not serve any useful purposes.

24. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events other than the proposed final dividend as set out in note 7.

	GROUP	COMPANY
	2004	2003
Value added	P'000	P'000
Value added is the wealth the company has created by providing loans to clients		
Interest income	107,236	85,950
Cost of services	(5,835)	(10,124)
Value added services	101,401	75,826
Non-operating and other income and expenditure	(10,944)	(14,507)
	90,457	**61,319**
Value allocated		
To employees		
Staff costs	7,097	4,815
To expansion and growth		
Retained income	50,625	36,521
Depreciation	364	272
Deferred tax	(120)	(52)
	50,869	36,741
To Government		
Taxation	19,741	15,263
To providers of capital		
Dividends to shareholders	12,750	4,500
	90,457	**61,319**

Summary	%	%
Employees	7.9	7.9
Expansion and growth	56.2	59.9
Government	21.8	24.9
Providers of capital	14.1	7.3
	100.0	**100.0**

Top ten shareholders	**2004 Shares held ('000) Number**	**%**	**2003 Shares held ('000) Number**	**%**
1. Micro Provident Ltd	65,643	43.8	74,970	50.0
2. Botswana Life Insurance Ltd	19,833	13.2	19,833	13.2
3. Stanbic Nominees Botswana (Pty) Ltd				
- Botswana Insurance Fund Management Holdings Limited	6,722	4.5	8,757	5.8
4. Barclays Botswana Nominees (Pty) Ltd				
- Investec Asset Management - SSB 6169E	5,977	4.0	6,000	4.0
5. Stanbic Nominees Botswana (Pty) Ltd				
- Botswana Public Officers Pension Fund	4,447	2.9	2,283	1.5
6. Barclays Botswana Nominees (Pty) Ltd				
- Investec Asset Management - 203/001	2,977	2.0	-	-
7. Stanbic Nominees Botswana (Pty) Ltd				
- Botswana Public Officers Pension Fund (BIFM)	2,658	1.8	-	-
8. Barclays Botswana Nominees (Pty) Ltd				
- Investec Asset Management - 058/001	2,004	1.3	-	-
9. Botswana Civil Servants Association	1,373	0.9	1,190	0.8
10. Weten (Pty) Limited	1,190	0.8	1,190	0.8
	112,824	75.2	114,223	76.1
Other corporate entities, nominees and trusts and individuals	37,176	24.8	35,777	23.9
Total	**150,000**	**100.0**	**150,000**	**100.0**

Directors' shareholdings ('000)

	2004 Shares held Number ('000)				**2003 Shares held Number ('000)**	
	Directly	**Indirectly**	**Total**	**%**	**Total**	**%**
1. C.M. Lekaukau	1,000	-	1,000	0.7	1,190	0.8
2. J.A. Burbidge	10	-	10	-	-	-
3. S. F. Cairns	-	65,643	65,643	43.8	74,970	50.0
4. M. Law	100	-	100	0.1	100	0.1
5. M. C. Letshwiti	43	-	43	-	43	-
6. D. Ndebele	715	-	715	0.5	450	0.3
	1,868	**65,643**	**67,511**	**45.1**	**76,753**	**51.2**

BALANCE SHEETS	GROUP 2004 P'000	COMPANY 2003 P'000	2002 P'000	2001 P'000	2000 P'000
Assets					
Cash and cash equivalents	4,079	2,795	995	-	4,496
Advances to customers - gross	207,707	170,970	146,418	92,932	59,157
Other receivables	1,362	391	540	817	149
Property, plant and equipment	604	372	465	474	320
Deferred taxation	182	62	11	42	10
Total assets	**213,934**	**174,590**	**148,429**	**94,265**	**64,132**
Liabilities					
Cash and cash equivalents	-	-	-	131	-
Trade and other payables	11,282	7,206	5,826	3,992	2,912
Taxation	3,075	16,872	7,592	12,694	7,731
Borrowings	35,152	36,712	57,732	40,225	33,184
Deferred taxation	-	-	-	-	-
Total liabilities	**49,509**	**60,790**	**71,150**	**57,042**	**43,827**
Shareholders' equity					
Share capital	1,500	1,500	1,500	1	1
Share premium	28,571	28,571	28,571	600	600
Retained earnings	134,354	83,729	47,208	28,622	19,704
Proposed dividends	-	-	-	8,000	-
Total shareholders' equity	**164,425**	**113,800**	**77,279**	**37,223**	**20,305**
Total liabilities and shareholders' equity	**213,934**	**174,590**	**148,429**	**94,265**	**64,132**

INCOME STATEMENTS

	2004	2003	2002	2001	2000
Interest income	107,236	85,950	58,994	47,335	30,936
Net Interest expense	(5,835)	(10,124)	(9,503)	(5,536)	(2,480)
Net interest income	**101,401**	**75,826**	**49,491**	**41,799**	**28,456**
Impairment of advances	(3,195)	(7,161)	(3,309)	(2,907)	(2,855)
Other operating income	4,572	1,525	709	551	297
Other operating costs	(12,685)	(9,143)	(7,773)	(5,932)	(1,120)
Staff costs	(7,097)	(4,815)	(3,890)	(3,262)	(2,251)
Operating income before taxation	**82,996**	**56,232**	**35,228**	**30,249**	**22,527**
Taxation	**(19,621)**	**(15,211)**	**(7,745)**	**(7,331)**	**(5,167)**
Net income for the year	**63,375**	**41,021**	**27,483**	**22,918**	**17,360**
Appropriations					
Bonus issue	-	-	(1,197)	-	-
Dividends	(12,750)	(4,500)	(7,700)	(14,000)	-
Retained income	**50,625**	**36,521**	**18,586**	**8,918**	**17,360**

Notice is hereby given that the 6th Annual General Meeting of the shareholders of Micro Provident Botswana Limited will be held at Grand Palm Hotel Casino and Convention Resort in the Serondela Conference Room of the Gaborone International Convention Centre on 4 April 2005 at 10.30 a.m. for the following purposes:

1. To receive, consider and adopt the annual financial statements for the year ended 31 October 2004 together with the directors' and auditors' reports thereon.

2. To confirm the following appointments of directors:
    - Messrs C. M. Lekaukau, S. F. Cairns and M. Law who retire in accordance with Article 63 of the Articles of Association and, being eligible, offer themselves for re-election.
    - Mr J. A. Burbidge who was appointed during the year.

3. To approve the remuneration of the directors for the past financial year.

4. To approve the remuneration of the auditors for the past financial year.

5. To appoint auditors for the ensuing year.

6. To transact such 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 Micro Provident Botswana Limited, First Floor, Shri Ram House, 169 Queens Road, The Mall, Gaborone, not less than 48 hours before the meeting.

By order of the Board.

D. Ndebele
Secretary

6 December 2004

Please complete in block letters

I / We ______________________________

of (address) ______________________________

being of member of Micro Provident Botswana Limited hereby appoint

______________________________ or failing him or her

______________________________ or failing him or her

______________________________ or failing him or her

the chairman of the meeting as my proxy to vote on my behalf at the annual general meeting to be held on 4 April 2005 at 10.30 a.m.

Unless otherwise indicated, my proxy may vote as he / she thinks fit.

Signed ______________________________ date ______________________________ 2005

Notes

1. Any alteration to this proxy form must be initialled by the signatory.
2. This form of proxy should be returned, so as to reach the Secretary of the company on First Floor, Shri Ram House, 169 Queens Road, The Mall, Gaborone, not later than 48 hours before the meeting.