Letshego

Annual Report 2005

MICRO PROVIDENT BOTSWANA LIMITED

MARKETING COMMUNICATIONS FCB

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

Independent External Auditors
KPMG
Certified Public Accountants
Bagakolodi House, Plot 50364B
Fairground Office Park
Gaborone

Independent Internal Auditors
Ernst & Young
UN Place
Khama Crescent
Gaborone

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

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

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

Branch Network

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

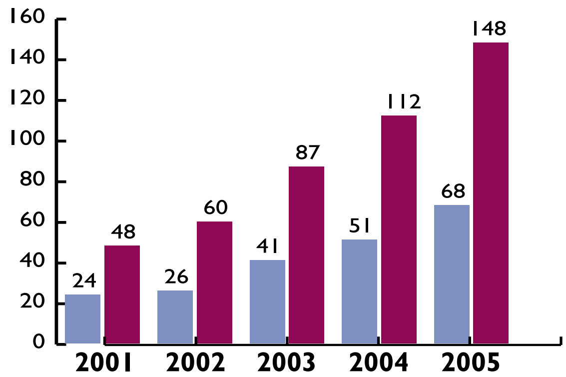
Gaborone
Barclays House
Ground Floor
Khama Crescent
Gaborone

Francistown
Shop 29
Galo Centre
Francistown

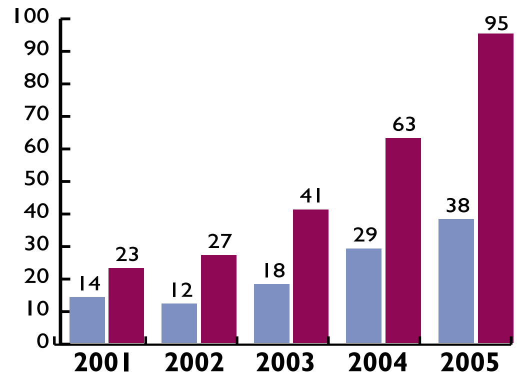
Palapye
Modern Auto Motors Building
Lot 82, Shop 1(a) & 1(b)
Palapye

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

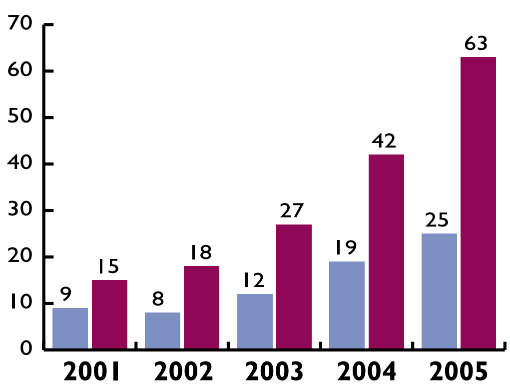
Total Revenue (P' millions)



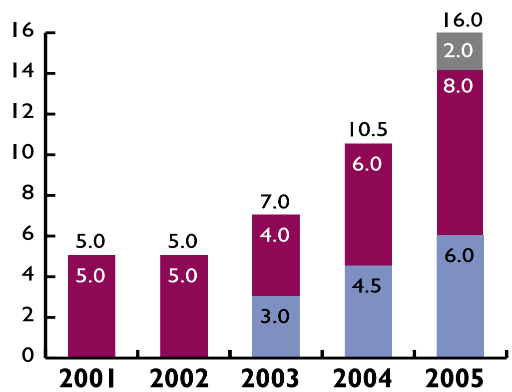
Net Income After Taxation (P' millions)



***Earnings Per Share (Thebe)**



***Total Dividends Per Share (Thebe)**



Interim Annual Special

*Assuming 150 million shares were in issue since 2001

It is with great pleasure that I report on another successful year to 31 October 2005 for the Micro Provident Botswana Limited Group.

Results

Although the group produced excellent operating results, the current year has been a demanding one in that it has had to contend with increasing competition, a more sophisticated and exacting customer base and extraordinary financial outlays.

The roll-out of new products and the resultant expansion of the client base necessitated an increase in national service delivery capacity. The Gaborone branch, which had occupied the same premises since 1998, was relocated to a larger and more appropriate position in Barclays House. In addition, both the Maun and Palapye branches were modernized and doubled in size and the Francistown branch moved to new and larger premises. Furthermore, a strategic decision was taken to invest in resources to carefully explore and implement the group's regional expansion plans and to simultaneously investigate its restructuring to maximize those benefits that may be available in terms of International Financial Services Centre status. These factors, together with the decision by Government that no salary increments would be awarded during the year, contributed to what can only be described as a challenging period.

Despite the foregoing, after-tax income recorded robust growth of 50.3 % over last year and amounted to P95.2 million. International Financial Reporting Standards required a review of the quantum of the group's impairment provision against performing advances in order to ascertain the fair value thereof and, as a consequence, an amount of P9.9 million was written back to income.

A final gross dividend of 8 thebe per share and a special dividend of 2 thebe per share have been proposed by the board of directors, which brings to 16 thebe per share the total gross dividend for the full year. The maintenance of a high dividend cover is deemed prudent to help facilitate the financing of the group's Pan-African aspirations.

Letshego Guard continued to meet growth expectations and contributed P2.7 million to post-tax earnings.

Key financial highlights for the year were as follows :

- Earnings per share of 63.5 thebe............ up 50.3%
- Dividends per share of 16.0 thebe...........up 52.4%
- Net revenue of P140.7 million.................. up 32.8%

Balance sheet

Continuing growth of the business coupled with the maintenance of a conservative dividend policy is reflected in the substantial increase of 47% in shareholders' equity. Net advances improved by 53.1% to P318.0 million. A meaningful contributor to the rise in advances was the very successful introduction of the executive loan facility which significantly broadened the demographics of the client base albeit at somewhat reduced margins.

Human resources

Sustained public and private sector investment will be necessary to raise the labour absorption capacity of the economy. In this regard the group is acutely aware of the challenges and burden of unemployment in Botswana and is proud that it has been instrumental in creating 126 new jobs during the year. As at 31 October 2005 the group employed 92 full time staff and 130 commission based sales representatives.

Staff training and development are priorities and all employees, regardless of their level, are encouraged to enroll for external courses. This, together with ongoing inhouse training, will ensure the group's future human resource capacity. The group has a pro-active HIV/AIDS policy which ensures that those infected are entitled to the same rights and opportunities as any other employee as well as access to professional counseling services.

Economic and business environment

The effects of the 12% devaluation of the Pula in May 2005, significant fuel price hikes, increases in various administered prices and persistent drought are reflected in the combined annual growth of the non-mining sectors of the economy falling far short of Government's target of 7.7%. The resultant inflationary pressures have constrained net disposable incomes which, in turn, have led to increased demand for household credit.

Economic and business environment (Continued)
Looking forward however it is difficult to foresee credit extension to both the business and household sectors growing substantially in the coming year, whilst the major challenges of job creation, economic diversification and inflationary pressures are likely to pose ongoing threats to the attainment of Vision 2016 targets. Having said this, and despite the general slowdown of the economy, Botswana's balance sheet remains strong , its external debt relatively insignificant and its import cover high.

Notwithstanding a somewhat sluggish economy, the group has successfully launched a number of new insurance products which have added impetus to its objective of further diversifying earnings. However, improved operating efficiencies, cost containment, creativity and more effective service delivery will be key drivers in maintaining sustainable growth levels for all industries in the forthcoming years.

Social responsibility

This year the group increased the number of beneficiaries who received assistance in terms of its corporate social responsibility covenant. Recipients of cash donations included Masiela Trust Fund, SOS, St. Vincent de Paul, Lifeline Botswana, Tshimologo Stimulation Centre, Lephoi Centre and Botswana Society for the Deaf. Furthermore, donations of computers and printers were made to Mpatane and Bonatla primary schools. Discretionary donations were also made, in response to specific requests for assistance, to several other organizations.

Prospects

The sustained creation of shareholder value remains of great importance and the board is comfortable with the group's ability to extend its past record of achieving real growth in earnings. Regional expansion activities will be costly and, as a result of the group's conservative provisioning and the necessity to attain critical mass, losses are anticipated in the initial start-up phases in each new country that is entered. However, the board is confident that these will be more than covered by increased profitability from local operations and that the substantial medium to longer term benefits of expanding the group's reach into Africa will become apparent over time.

Post balance sheet events

Since 31 October 2005 the group has been accredited with International Financial Services Centre status, subject to Bank of Botswana and shareholders' approvals, and investigations are currently underway to ascertain the most appropriate restructuring format. Furthermore, salary deduction codes have been acquired from the Governments of Swaziland, Tanzania, Uganda and Zambia. Operations will shortly commence in Uganda and it is anticipated that these will be followed, during the course of 2006, by the opening of offices in most, if not all, the other countries.

Appreciation

My sincere thanks are extended to my fellow directors for their vision, guidance and substantial support during the year. Mr S.F. Cairns, a founder director and shareholder, resigned on 20 December 2004 following the acquisition of a 34.9% shareholding in the group by PAIP-PCAP-FMO Letshego Limited and the International Finance Corporation. I thank him for his enormous contribution over many years. Dr. M.C. Jennings and Mr. J.K. Bucknor, representatives of Kingdom Zephyr Africa Management, the manager of PAIP and PCAP private equity funds, were appointed to the board on the same date. On 24 June 2005 Mr. J. van den Berg was appointed as an alternate director to them and Mr. J.M.C. Rammipi was appointed as an alternate director to Mrs. O.E. Moarabi. I welcome these gentlemen and am confident they will make a substantial contribution to board deliberations and decisions.

I would like also to express my heartfelt appreciation to the management and staff for their hard work and dedication, often under trying times, the results of which are reflected in the group's enhanced performance. Finally, I thank our customers, shareholders and those Government Departments and Staff Associations who have so readily assisted us for their continuing support and advice during the year.

C.M. LEKAUKAU
CHAIRMAN
5 December 2005

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 2005.

Nature of business

The group is engaged in the provision of short to medium-term unsecured loans, and the marketing and administration of 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 statement on page 11. These reflect the following changes over 2005:

- Net income before taxation of P120.0 million……......up 44.6%
- Net income after taxation of P95.2 million……......…...up 50.3%

Dividends

Current year
An interim dividend amounting to P9 million (6 thebe per share) for the half year ended 30 April 2005 was paid to shareholders on 22 July 2005.

A final dividend of P12.0 million (8 thebe per share) has been proposed and will be paid to shareholders on or about 27 January 2006.

A special dividend of P3.0 million (2 thebe per share) has also been proposed and will be paid to shareholders on or about 27 January 2006.

Prior 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) was declared and paid to shareholders on 21 January 2005.

Directors

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

* C.M. Lekaukau [1]	(Chairman)
* P.S. Abrahams [3]	
* J. van den Berg [3]	(Appointed 24 June 2005) (Alternate to M.C. Jennings and J.K. Bucknor)
* J.K. Bucknor [5]	(Appointed 20 December 2004)
* J.A. Burbidge [2]	
* S.F. Cairns [2]	(Resigned 20 December 2004)
J.A. Claassen [3]	(Managing Director)
* M.C. Jennings [3]	(Appointed 20 December 2004)
* M. Law [3]	
* M.C. Letshwiti [1]	
* O.E. Moarabi [1]	
D. Ndebele [4]	(Financial Director)
* J.M.C. Rammipi [1]	(Appointed 24 June 2005) (Alternate to O.E. Moarabi)

* Non-executive [1] Motswana [2] British [3] South African [4] Zimbabwean [5] Ghananian

Directors' shareholdings

The aggregate number of shares held directly and indirectly by directors is 741,000 (2004 : 1,868,000) and nil (2004 : 65,643,000) 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 2005.

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, and 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 30 were authorised for issue by the board of directors on 5 December 2005 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 eight 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 company 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 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 three 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 is as follows :

J.A. Burbidge	(Chairman)
J.K. Bucknor	(Appointed 20 December 2004)
P.S. Abrahams	
M.C. Letshwiti	

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 auditor's audit plan and the scope and cost of the annual audit
- the review of the internal auditor's plan and the 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 and 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 company'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 two times a year.

Remuneration committee

The membership of the Remuneration Committee is as follows :

M.C. Letshwiti (Chairman)
M. Law
M.C. Jennings (Appointed 20 December 2004)

Executive directors attend the meeting by invitation. The 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 holding company's shares by directors and employees is from the beginning of the months of both the interim and the year end (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 holding 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

KPMG Certified Public Accountants
Audit
Bagakolodi House
Plot 50364B, Fairground Office Park
PO Box 1519, Gaborone, Botswana

Telephone +267 391 2400
Fax +267 397 5281
Internet http://www.kpmg.com/

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

We have audited the accompanying consolidated annual financial statements of Micro Provident Botswana Limited (the Company) and its subsidiary company (the Group) set out on pages 11 to 30, for the year ended 31 October 2005. 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.

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 consolidated financial statements are in agreement; and the consolidated annual financial statements present fairly the Group and the Company's affairs as at 31 October 2005; 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).

KPMG
Certified Public Accountants
Gaborone

5 December 2005

	Note	GROUP 2005 P'000	GROUP 2004 P'000	COMPANY 2005 P'000	COMPANY 2004 P'000
Interest income	1	134,735	107,236	134,735	107,236
Interest expense	2	(7,040)	(5,835)	(7,099)	(5,756)
Net interest income		127,695	101,401	127,636	101,480
Fee and commission income	3	10,981	3,425	3,403	1,850
Other operating income	4	2,047	1,147	1,016	806
Total income		**140,723**	**105,973**	**132,055**	**104,136**
Operating expenses					
Staff costs	5	(14,437)	(8,232)	(12,229)	(7,677)
Other operating costs	6	(11,401)	(8,377)	(8,332)	(6,910)
Operating income before impairment provision		114,885	89,364	111,494	89,549
Impairment provision reduction/(increase)	11	5,155	(6,368)	5,155	(6,368)
Net income before taxation		120,040	82,996	116,649	83,181
Taxation	7	(24,806)	(19,621)	(24,075)	(19,706)
Net income		**95,234**	**63,375**	**92,574**	**63,475**
Earnings per share : basic (thebe)	8	**63.5**	**42.3**	**61.7**	**42.3**
Dividends per share : interim (thebe) - paid	9	**6.0**	**4.5**	**6.0**	**4.5**
: final (thebe) - proposed		**8.0**	**6.0**	**8.0**	**6.0**
: special (thebe) - proposed		**2.0**	**-**	**2.0**	**-**
		16.0	**10.5**	**16.0**	**10.5**
Weighted average number of shares in issue during the year (millions)	8	**150**	**150**	**150**	**150**
Number of shares in issue at the end of the year (millions)	18	**150**	**150**	**150**	**150**

GROUP BALANCE SHEETS
At 31 October 2005

ASSETS		GROUP		COMPANY	
	Note	2005 P'000	2004 P'000	2005 P'000	2004 P'000
Cash and cash equivalents	10	5,496	4,079	959	2,196
Advances to customers	11	317,951	207,707	317,951	207,707
Other receivables	12	1,693	1,362	568	2,251
Investment in subsidiary	13	-	-	1	1
Property, plant and equipment	14	2,196	604	2,081	486
Intangible assets	15	184	-	-	-
Deferred taxation	7	503	182	491	97
Total assets		**328,023**	**213,934**	**322,051**	**212,738**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Trade and other payables	16	17,006	11,282	13,503	9,986
Taxation		351	3,075	442	3,075
Borrowings	17	69,007	35,152	69,007	35,152
Total liabilities		**86,364**	**49,509**	**82,952**	**48,213**
Shareholders' equity					
Share capital	18	1,500	1,500	1,500	1,500
Share premium	19	28,571	28,571	28,571	28,571
Retained earnings		211,588	134,354	209,028	134,454
Total shareholders' equity		**241,659**	**164,425**	**239,099**	**164,525**
Total liabilities and shareholders' equity		**328,023**	**213,934**	**322,051**	**212,738**

GROUP	Note	Share Capital P'000	Share Premium P'000	Retained Earnings P'000	Dividends P'000	Total P'000
Balance at 1 November 2004		1,500	28,571	134,354	-	164,425
Income after taxation		-	-	95,234	-	95,234
Dividends declared : final (2004)		-	-	(9,000)	9,000	-
Dividends paid : final (2004)		-	-	-	(9,000)	(9,000)
Dividends declared : interim (2005)	9	-	-	(9,000)	9,000	-
Dividends paid : interim (2005)	9	-	-	-	(9,000)	(9,000)
Balance at 31 October 2005		**1,500**	**28,571**	**211,588**	**-**	**241,659**

GROUP	Note	Share Capital P'000	Share Premium P'000	Retained Earnings P'000	Dividends P'000	Total P'000
Balance at 1 November 2003		1,500	28,571	83,729	-	113,800
Income after taxation		-	-	63,375	-	63,375
Dividends declared : final (2003)		-	-	(6,000)	6,000	-
Dividends paid : final (2003)		-	-	-	(6,000)	(6,000)
Dividends declared : interim (2004)	9	-	-	(6,750)	6,750	-
Dividends paid : interim (2004)	9	-	-	-	(6,750)	(6,750)
Balance at 31 October 2004		**1,500**	**28,571**	**134,354**	**-**	**164,425**

YEAR ENDED 31 OCTOBER 2004

COMPANY	Note	Share Capital P'000	Share Premium P'000	Retained Earnings P'000	Dividends P'000	Total P'000
Balance at 1 November 2004		1,500	28,571	134,454	-	164,525
Income after taxation		-	-	92,574	-	92,574
Dividends declared : final (2004)		-	-	(9,000)	9,000	-
Dividends paid : final (2004)		-	-	-	(9,000)	(9,000)
Dividends declared : interim (2005)		-	-	(9,000)	9,000	-
Dividends paid : interim (2005)		-	-	-	(9,000)	(9,000)
Balance at 31 October 2005		**1,500**	**28,571**	**209,028**	**-**	**239,099**

COMPANY	Note	Share Capital P'000	Share Premium P'000	Retained Earnings P'000	Dividends P'000	Total P'000
Balance at 1 November 2003		1,500	28,571	83,729	-	113,800
Income after taxation		-	-	63,475	-	63,475
Dividends declared : final (2003)		-	-	(6,000)	6,000	-
Dividends paid : final (2003)		-	-	-	(6,000)	(6,000)
Dividends declared : interim (2004)		-	-	(6,750)	6,750	-
Dividends paid : interim (2004)		-	-	-	(6,750)	(6,750)
Balance at 31 October 2004		**1,500**	**28,571**	**134,454**	**-**	**164,525**

GROUP CASH FLOW STATEMENTS
For The Year Ended 31 October 2005

	Note	GROUP 2005 P'000	GROUP 2004 P'000	COMPANY 2005 P'000	COMPANY 2004 P'000
OPERATING ACTIVITIES					
Cash generated from operations	20	14,010	49,712	10,266	47,662
Taxation paid		(27,850)	(35,451)	(27,100)	(35,451)
Net cash (used)/generated from operating activities		**(13,840)**	**14,261**	**(16,834)**	**12,211**
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in subsidiary		-	-	-	1
Proceeds from sale of property, plant and equipment		23	33	23	33
Purchase of intangible assets		(276)	-	-	-
Purchase of property, plant and equipment	14	(2,544)	(613)	(2,480)	(447)
Net cash used in investing activities		**(2,797)**	**(580)**	**(2,457)**	**(413)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowings received/(repayments)		33,855	(1,560)	33,855	(1,560)
Dividends paid		(15,801)	(10,837)	(15,801)	(10,837)
Net cash generated/(used) in financing activities		**18,054**	**(12,397)**	**18,054**	**(12,397)**
Net increase/(decrease) in cash and cash equivalents		**1,417**	**1,284**	**(1,237)**	**(599)**
Movement in cash and cash equivalents					
At the beginning of the year		4,079	2,795	2,196	2,795
Increase/(decrease) during the year		1,417	1,284	(1,237)	(599)
At the end of the year		**5,496**	**4,079**	**959**	**2,196**

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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

Basis of preparation

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 management to make judgements, estimates and assumptions that affect the application of policies and the 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 of which form the basis of making judgements about carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

Basis of consolidation

Subsidiaries are all entities (including special purpose 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 subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Details of the subsidiary companies are set out in note 13 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 residual values at the end of their useful lives.

Computers	33.33% p.a.
Furniture and fittings	25.00% p.a.
Office equipment	20.00% p.a.
Motor vehicles	25.00% 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.

Translation differences on monetary assets and liabilities measured at fair value are included in the income statement for the year, with translation differences on non-monetary items included as part of the fair value gain or loss in equity.

Operating leases

Leases, which merely confer the right to the use of an asset, are treated as an operating lease. Payments made under such operating leases are recognised in the income statement on a straight line basis over the term of the lease.

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 shown as 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

Loans originated by the 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 the 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 impairment 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 loss impairment 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 are estimated based upon historical patterns of losses in each component, the credit ratings allocated to 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 impairment. Subsequent recoveries are credited to the provision for loan loss impairment in the income statement. If the amount of the impairment subsequently decreases due to an event occuring after write-down, the release of the impairment provision is credited as a reduction of the impairment provision for loan losses.

Impairment

The carrying amount of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there are any indications of impairment. If any such indications exist, the assets' recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate, ie. the effective interest rate computed at the initial recognition of these assets.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generated unit to which the asset belongs.

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets' carrying amounts do not exceed the carrying amounts that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised.

Other receivables

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

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 subject to sweeping arrangements.

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 rate, is set off against additional company taxation in the year in which the dividends are paid. Dividends are disclosed gross of withholding tax.

Revenue recognition

Interest income is recognised in the income statement 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 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 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 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. The Group shares in the profits and not in any losses that may be incurred by the insurer of the scheme. Profit share is recognised as profits are declared by the insurer on a notification basis. Once off joining fees are recognised in the income statement in the month a member takes insurance cover on a cash basis.

Share capital

Ordinary share capital is recognised at the fair value of the consideration received and the excess amount over the nominal value of shares issued is treated as share premium.

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.

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 office furniture 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.

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 company does not operate any retirement benefit fund. However severance pay is provided for in accordance with Botswana statute.

The company operates an Employee Share Incentive Trust and Deed of Trust which was approved by the directors on 21 August 2002. Under the scheme, shares are to be issued to employees who meet a certain performance criteria. The shares carry full dividend and voting rights and are subject to a restrictive share sale agreement. However the scheme was discontinued in August 2003.

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 company 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 and key management personnel of the Group and companies with common ownership and/or directors.

Financial instruments
The Group's policy regarding financial instruments are discussed under various financial risk management activities which follow:

Credit risk
The financial assets of the Group, which are subject to credit risk, consist mainly of cash resources and debtors. 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.

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 company and cash flows.

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

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.

	GROUP		COMPANY	
	2005 P'000	**2004 P'000**	**2005 P'000**	**2004 P'000**
1. INTEREST INCOME				
Advances to customers	**134,735**	**107,236**	**134,735**	**107,236**
2. INTEREST EXPENSE				
Interest income – bank deposit interest	(266)	(182)	(207)	(261)
Interest expense :				
- Overdraft	7,306	3,238	7,306	3,238
- Shareholders' loans (note 24.2)	-	1,545	-	1,545
- Other	-	1,234	-	1,234
	7,040	**5,835**	**7,099**	**5,756**
3. FEE AND COMMISSION INCOME				
Administration fees	8,780	1,650	1,202	75
Credit life insurance commission (note 16.3)	1,172	957	1,172	957
Credit life administration fees (note 16.3)	1,029	818	1,029	818
	10,981	**3,425**	**3,403**	**1,850**
4. OTHER INCOME				
Profit on disposal of property, plant and equipment	-	16	-	16
Profit share	561	866	252	790
Sundry income	1,486	265	764	-
	2,047	**1,147**	**1,016**	**806**
5. STAFF COSTS				
Salaries and wages	8,884	3,918	7,193	3,363
Staff incentive (note 16.2)	4,277	3,179	4,144	3,179
Directors' remuneration – for management services (executive)	1,276	1,135	892	1,135
	14,437	**8,232**	**12,229**	**7,677**
Average number of full time employees during the year	**92**	**59**	**71**	**50**
6. OTHER OPERATING EXPENSES				
Audit fees	186	130	186	102
Depreciation :				
- Property, plant and equipment				
- Computer equipment (note 14)	303	179	261	149
- Motor vehicles (note 14)	-	-	-	-
- Office furniture and equipment (note 14)	603	185	578	167
Amortisation of intangible assets	92	-	-	-
Directors' fees – (non executive)	323	173	323	173
Loss on disposal of property, plant and equipment	23	-	23	-
Management fees paid to related party (note 24.2)	119	1,796	119	1,796
Operating lease rentals - property	979	573	658	494
Other operating expenses	8,271	4,809	5,692	3,572
Payroll administration costs	244	248	244	248
Professional fees	258	284	248	209
	11,401	**8,377**	**8,332**	**6,910**

	GROUP		COMPANY	
	2005 P'000	2004 P'000	2005 P'000	2004 P'000
7. TAXATION				
Botswana company taxation				
- Basic taxation at 15%	16,396	12,994	16,001	12,994
- Additional company taxation at 10%	10,930	8,663	10,667	8,663
- Over provision from prior year	-	(3)	-	(3)
- Withholding tax on dividends paid	(2,199)	(1,913)	(2,199)	(1,913)
	25,127	19,741	24,469	19,741
- Deferred taxation reversal	(321)	(120)	(394)	(35)
	24,806	**19,621**	**24,075**	**19,706**
7.1 Additional company taxation available to be offset against withholding tax on dividends				
Balance at the beginning of the year	19,599	12,851	19,599	12,851
Current year	10,930	8,663	10,667	8,663
Over provision from prior year	-	(2)	-	(2)
Withholding tax on dividends paid	(2,199)	(1,913)	(2,199)	(1,913)
Balance at the end of the year	**28,330**	**19,599**	**28,067**	**19,599**
7.2 Deferred taxation				
Balance at the beginning of the year	(182)	(62)	(97)	(62)
Current year reversal	(321)	(120)	(394)	(35)
Balance at the end of the year	**(503)**	**(182)**	**(491)**	**(97)**
Reconciliation of current taxation				
Income before taxation	120,040	82,996	116,649	83,181
Tax calculated at 25%	30,010	20,749	29,162	20,795
Capital and other allowances	(374)	(22)	(144)	(15)
Depreciation	250	91	210	79
Expenses and revenue not deductible for tax purposes	(2,560)	836	(2,560)	795
Withholding tax on dividends	(2,199)	(1,913)	(2,199)	(1,913)
	25,127	**19,741**	**24,469**	**19,741**

8. EARNINGS PER SHARE

The calculation of earnings per share is based on after taxation earnings of P95,234,000 (2004 : P63,375,000) and the number of shares in issue during the year of 150,000,000 (2004 : 150,000,000).

9. 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 5 December 2005, a final dividend in respect of 2005 of P0.08 per share (2004 : actual final dividend of P0.06 per share) amounting to a total of P12,000,000 (2004 : actual final dividend of P9,000,000) was proposed. A special dividend of P0.02 per share and amounting to P3,000,000 was also proposed. The financial statements for the year ended 31 October 2005 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 2006.

The interim dividend which was paid in respect of 2005 was P0.06 per share (2004 : actual interim dividend of P0.045 per share) amounting to a total of P9,000,000 (2004 : actual interim dividend amounting to P6,750,000).

	GROUP		COMPANY	
	2005 P'000	2004 P'000	2005 P'000	2004 P'000
10. CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	1,280	723	178	544
Short term bank deposits	4,963	7,334	850	5,394
Bank overdrafts	(747)	(3,978)	(69)	(3,742)
	5,496	**4,079**	**959**	**2,196**
11. ADVANCES TO CUSTOMERS				
Gross advances to customers	326,104	225,769	326,104	225,769
Less impairment provisions	(8,153)	(18,062)	(8,153)	(18,062)
Net advances to customers	**317,951**	**207,707**	**317,951**	**207,707**

Advances to customers are pledged as security to borrowings as set out in note 17.

	GROUP 2005 P'000	GROUP 2004 P'000	COMPANY 2005 P'000	COMPANY 2004 P'000
Maturity analysis of advances to customers				
Maturity within 1 year	18,546	14,919	18,546	14,919
Maturity after 1 year but within 2 years	63,143	47,121	63,143	47,121
Maturity after 2 years but before 5 years	236,262	145,667	236,262	145,667
	317,951	**207,707**	**317,951**	**207,707**
Provision for impairment				
Balance at the beginning of the year	18,062	14,867	18,062	14,867
Impairment adjustment	(4,754)	(3,173)	(4,754)	(3,173)
	13,308	11,694	13,308	11,694
Charges/(reversals) to the income statement				
Amounts written off	6,530	3,852	6,530	3,852
Recoveries during the year	(1,776)	(679)	(1,776)	(679)
Impairment adjustment	(9,909)	3,195	(9,909)	3,195
	(5,155)	6,368	(5,155)	6,368
Balance at the end of the year	**8,153**	**18,062**	**8,153**	**18,062**

Non-performing advances
Included in advances to customers are accounts with a value of P600,000 (2004 : P395,000) which are not earning interest and insurance claims are being processed. As such these accounts have not been included in the calculation of the provision for impairment.

	GROUP 2005 P'000	GROUP 2004 P'000	COMPANY 2005 P'000	COMPANY 2004 P'000
12. OTHER RECEIVABLES				
Accounts receivable from related parties (note 24.4)	-	218	9	2,068
Credit life profit share	287	-	287	-
Deposits and prepayments	122	83	122	83
Letshego Guard receivables	1,114	926	-	-
Other receivables	170	135	150	100
	1,693	**1,362**	**568**	**2,251**

	GROUP		COMPANY	
	2005	**2004**	**2005**	**2004**
	P'000	**P'000**	**P'000**	**P'000**
12. OTHER RECEIVABLES (Continued)				
Maturity analysis of other receivables				
Non-current portion				
Deposits and prepayments	122	83	122	83
Maturity analysis of other receivables				
Current portion				
Accounts receivable from related parties (note 24.4)	-	218	9	2,068
Credit life profit share	287	-	287	-
Letshego Guard receivables	1,114	926	-	-
Other receivables	170	135	150	100
	1,571	1,279	446	2,168
Total other receivables	**1,693**	**1,362**	**568**	**2,251**
13. INVESTMENT IN SUBSIDIARY				
Company				
Letshego Guard (Proprietary) Limited	**-**	**-**	**1**	**1**

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

14. PROPERTY, PLANT AND EQUIPMENT

GROUP	**Motor vehicles**	**Computer equipment**	**Office furniture & equipment**	**Total**
	P'000	**P'000**	**P'000**	**P'000**
Cost				
Balance at 1 November 2004	59	887	938	1,884
Additions	-	566	1,978	2,544
Disposals	-	(59)	(98)	(157)
Balance at 31 October 2005	59	1,394	2,818	4,271
Accumulated Depreciation				
Balance at 1 November 2004	59	683	538	1,280
Depreciation charge for the year	-	303	603	906
Disposals	-	(24)	(87)	(111)
Balance at 31 October 2005	59	962	1,054	2,075
Net Book Value at				
31 October 2005	**-**	**432**	**1,764**	**2,196**
31 October 2004	**-**	**204**	**400**	**604**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY

	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Total P'000
Cost				
Balance at 1 November 2004	59	798	861	1,718
Additions	-	528	1,952	2,480
Disposals	-	(59)	(98)	(157)
Balance at 31 October 2005	59	1,267	2,715	4,041
Accumulated Depreciation				
Balance at 1 November 2004	59	653	520	1,232
Depreciation charge for the year	-	261	578	839
Disposals	-	(24)	(87)	(111)
Balance at 31 October 2005	59	890	1,011	1,960
Net Book Value at 31 October 2005	**-**	**377**	**1,704**	**2,081**
31 October 2004	**-**	**145**	**341**	**486**

	GROUP 2005 P'000	GROUP 2004 P'000	COMPANY 2005 P'000	COMPANY 2004 P'000
15. INTANGIBLE ASSETS				
Computer software	276	-	-	-
Amortisation	(92)	-	-	-
Net Book Value at 31 October 2005	**184**	**-**	**-**	**-**
16. TRADE AND OTHER PAYABLES				
Trade and other payables	5,838	3,498	2,468	2,202
Staff incentive provision	5,485	3,994	5,352	3,994
Deferred income	5,683	3,790	5,683	3,790
	17,006	**11,282**	**13,503**	**9,986**
16.1. Maturity analysis of trade and other payables				
Non-current portion				
Deferred income	5,351	3,518	5,351	3,518
Staff incentive provision	1,502	815	1,502	815
	6,853	4,333	6,853	4,333
Current portion				
Deferred income	332	272	332	272
Staff incentive provision	3,983	3,179	3,850	3,179
Trade and other payables	5,838	3,498	2,468	2,202
	10,153	6,949	6,650	5,653
Total trade and other payables	**17,006**	**11,282**	**13,503**	**9,986**

	GROUP		COMPANY	
	2005 P'000	2004 P'000	2005 P'000	2004 P'000
16. TRADE AND OTHER PAYABLES (Continued)				
16.2. Movement in staff incentive provision				
Balance at the beginning of the year	3,994	2,518	3,994	2,518
Current year charge (note 5)	4,277	3,179	4,144	3,179
Paid during the year	(2,786)	(1,703)	(2,786)	(1,703)
Balance at the end of the year	**5,485**	**3,994**	**5,352**	**3,994**

Included in the paid staff incentive provision is payment to executive directors amounting to P1,523,000 (2004 : P771,000) (note 24.3)

	GROUP 2005 P'000	GROUP 2004 P'000	COMPANY 2005 P'000	COMPANY 2004 P'000
16.3. Movement in deferred income				
Balance at the beginning of the year	3,790	3,248	3,790	3,248
Raised during the year	4,094	2,317	4,094	2,317
Credit life insurance commission (note 3)	(1,172)	(957)	(1,172)	(957)
Credit life administration fees (note 3)	(1,029)	(818)	(1,029)	(818)
Balance at the end of the year	**5,683**	**3,790**	**5,683**	**3,790**

17. BORROWINGS

	GROUP 2005 P'000	GROUP 2004 P'000	COMPANY 2005 P'000	COMPANY 2004 P'000
Long term borrowings				
Bank facilities				
Barclays Bank of Botswana Ltd	-	-	-	-
First National Bank of Botswana Ltd	-	15,289	-	15,289
Standard Chartered Bank Botswana Ltd	-	19,863	-	19,863
	-	35,152	-	35,152
Short term borrowings				
Bank facilities				
Barclays Bank of Botswana Ltd	28,627	-	28,627	-
First National Bank of Botswana Ltd	10,701	-	10,701	-
Standard Chartered Bank Botswana Ltd	29,679	-	29,679	-
	69,007	-	69,007	-
Total borrowings	**69,007**	**35,152**	**69,007**	**35,152**

Details of security
Bank facilities
The Barclays Bank of Botswana Ltd overdraft facility of P40 million has the following terms and conditions:
- The facility may be converted into a 12 month loan facility,
- The facility attracts interest at prime less 1.25% per annum,
- The facility is secured by a pari passu cession of the advances book,
- The facility is repayable on demand.

The First National Bank of Botswana Ltd overdraft facility of P35 million has the following terms and conditions:
- The facility attracts interest at prime less 1% per annum,
- The facility is secured by a pari passu cession of the advances book,
- The facility is repayable on demand.

The Standard Chartered Bank Botswana Ltd overdraft facility of P65 million has the following terms and conditions:
- The facility attracts interest at prime less 1.35% per annum,
- The facility is secured by a pari passu cession of the advances book,
- The facility is repayable on demand.

	GROUP		COMPANY	
	2005 P'000	2004 P'000	2005 P'000	2004 P'000
18. SHARE CAPITAL				
Authorised :				
200,000,000 ordinary shares of P0.01 each	**2,000**	**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**	**1,500**
19. SHARE PREMIUM				
Balance at the end of the year	**28,571**	**28,571**	**28,571**	**28,571**
20. CASH GENERATED FROM OPERATIONS				
Operating income before taxation	120,040	82,996	116,649	83,181
Adjustments for :				
- Amortisation of intangible assets	92	-	-	-
- Depreciation	906	364	839	316
- Impairment provision (reduction)/increase (note 11)	(9,909)	3,195	(9,909)	3,195
- Deferred income – credit life commission (note 16.3)	(1,172)	(957)	(1,172)	(957)
- Deferred income – credit life administration fees (note 16.3)	(1,029)	(818)	(1,029)	(818)
- Loss/(profit) on disposal of property plant and equipment	23	(16)	23	(16)
Changes in working capital :				
Increase in advances to customers	(100,335)	(39,932)	(100,335)	(39,932)
Increase in trade and other receivables	(329)	(971)	1,683	(1,860)
Increase in trade and other payables	5,723	5,851	3,517	4,553
Cash generated from operations	**14,010**	**49,712**	**10,266**	**47,662**
21. CAPITAL COMMITMENTS				
Authorised by the directors :				
- Not contracted for	**1,390**	**1,262**	**1,055**	**850**

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

22. 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 vested to each employee who was allocated over a period of 3 years, carried full dividend and voting rights and were subject to a restrictive share sale agreement. If an allocated employee left the company, the incentive shares which had not vested, were forfeited to 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 2005, there were Nil (2004 : 944,900) shares held by the trust.

	GROUP		COMPANY	
	2005	2004	2005	2004
22. EMPLOYEE SHARE INCENTIVE TRUST (Continued)				
Number of vesting shares ('000)	-	670,212	-	670,212
Number of shares still to vest ('000)	-	274,688	-	274,688
	-	**944,900**	**-**	**944,900**
Market value of vesting shares (P'000)	**-**	**1,106**	**-**	**1,106**

Included in the vesting shares are Nil (2004 : 266,666) shares allocated to executive directors with a market value of Nil (2004 : P439,999).

23. FINANCIAL RISK

23.1 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 minimizing risks. The table below summarises the company's exposure to interest rate risks through grouping of assets and liabilities into repricing categories, determined to be the earlier of the contractual repricing date or maturity.

GROUP

31 October 2005	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	5,496	-	-	-	-	5,496
Advances to customers – net	680	1,720	16,146	299,405	-	317,951
Other receivables	-	-	-	-	1,693	1,693
Motor vehicle and equipment	-	-	-	-	2,196	2,196
Intangible assets	-	-	-	-	184	184
Deferred taxation	-	-	-	-	503	503
	6,176	**1,720**	**16,146**	**299,405**	**4,576**	**328,023**
EQUITY AND LIABILITIES						
Trade and other payables	-	-	-	-	17,006	17,006
Taxation	-	-	-	-	351	351
Borrowings	69,007	-	-	-	-	69,007
Shareholders' equity	-	-	-	-	241,659	241,659
	69,007	**-**	**-**	**-**	**259,016**	**328,023**
Net (liabilities)/assets	**(62,831)**	**1,720**	**16,146**	**299,405**	**(254,440)**	**-**

23. FINANCIAL RISK (Continued)

23.1 Interest rate risk (Continued)

GROUP (Continued)

31 October 2005	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
Motor vehicle and equipment	-	-	-	-	604	604
Deferred taxation	-	-	-	-	182	182
	4,289	**1,017**	**13,692**	**192,788**	**2,148**	**213,934**
EQUITY AND LIABILITIES						
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 2005	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	959	-	-	-	-	959
Advances to customers - net	680	1,720	16,146	299,405	-	317,951
Other receivables	-	-	-	-	568	568
Investment in subsidiary	-	-	-	-	1	1
Property, plant and equipment	-	-	-	-	2,081	2,081
Deferred taxation	-	-	-	-	491	491
	1,639	**1,720**	**16,146**	**299,405**	**3,141**	**322,051**
EQUITY AND LIABILITIES						
Trade and other payables	-	-	-	-	13,503	13,503
Taxation	-	-	-	-	442	442
Borrowings	69,007	-	-	-	-	69,007
Shareholders' equity	-	-	-	-	239,099	239,099
	69,007	**-**	**-**	**-**	**253,044**	**322,051**
Net (liabilities)/assets	**(67,368)**	**1,720**	**16,146**	**299,405**	**(249,903)**	**-**

23. FINANCIAL RISK (Continued)

Interest rate risk (Continued)

COMPANY (Continued)
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
Motor vehicle and equipment	-	-	-	-	486	486
Deferred taxation	-	-	-	-	97	97
	2,406	**1,017**	**13,692**	**192,788**	**2,835**	**212,738**
EQUITY AND LIABILITIES						
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)**	**-**

23.2 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 the 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.

23.3 Currency risk
There were no significant unhedged foreign currency positions at the end of the period.

23.4 Credit risk
All loans granted by the company are in the Republic of Botswana. The maximum loan limits to employees of individual employers 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.

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

23.6 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.

24. RELATED PARTY TRANSACTIONS

Botswana Civil Servants Association (BCSA) owns 0.8% (2004 : 0.9%), Botswana Life Insurance Limited (BLIL) holds 13.2% (2004 : 13.2%), PAIP-PCAP-FMO Letshego Limited (PPFLL) (incorporated in Mauritius) owns 27.8%, Micro Provident Limited (MPL) (incorporated in The Isle of Man) owns 8.9% (2004 : 43.8%) of the Company's shares with the remainder being held by other investors.

BCSA and MPL each has one nominated director on the Company's board of directors. MPL sold 34.9% of the Company's shares to PPFLL and the International Finance Corporation (IFC), and relinquished its board seat on 20 December 2004 in favour of two directors nominated by Kingdom Zephyr Africa Management (Proprietary) Limited (KZAMPL). KZAMPL is the fund manager of Pan-African Investment Partners (PAIP) and Pan-Commonwealth African Partners (PCAP) private equity funds.

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

The following transactions were carried out with related parties:-

	GROUP		COMPANY	
	2005 P'000	2004 P'000	2005 P'000	2004 P'000
24.1 Income received from related parties				
Subsidiary company				
Letshego Guard (Proprietary) Limited				
- Interest on facility	-	-	96	92
- Management fees	-	-	384	-
Related party				
Botswana Life Insurance Limited				
- Administration fees	-	75	-	75
- Profit share	-	529	-	529
	-	**604**	**480**	**696**

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

	GROUP		COMPANY	
	2005 P'000	2004 P'000	2005 P'000	2004 P'000
24.2 Expenses paid to related parties				
BCSA				
- Directors fees	33	30	33	30
- Marketing expenses	389	304	389	304
Botswana Life Insurance Limited				
- Interest on facility	-	352	-	352
Micro Provident Limited				
- Interest on loan	-	1,078	-	1,078
- Management fees	119	1,796	119	1,796
Kingdom Zephyr Africa Management (Proprietary) Limited				
- Directors fees	75	-	75	-
Other shareholders' loans				
- Interest on loans	-	115	-	115
	616	**3,675**	**616**	**3,675**

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

	GROUP		COMPANY	
	2005 P'000	**2004 P'000**	**2005 P'000**	**2004 P'000**
24. RELATED PARTY TRANSACTIONS (Continued)				
24.3 Directors' remuneration				
Directors' remuneration paid during the year				
- For management services (note 5)	1,276	1,135	892	1,135
- As performance incentive bonuses (note 16.2)	1,523	771	1,523	771
	2,799	**1,906**	**2,415**	**1,906**
Other benefits to directors are set out in note 22.				
24.4 Year end balances from transaction with related parties				
Receivables from subsidiary company (note 12)				
Letshego Guard (Proprietary) Limited	-	-	9	1,850
Receivables from related party (note 12)				
Loan from Botswana Life Insurance Limited				
- Profit share	-	203	-	203
- Other	-	15	-	15
	-	218	9	218
	-	**218**	**9**	**2,068**
Loans from related parties				
Loan from Botswana Life Insurance Limited				
At beginning of the year	-	3,008	-	3,008
Repaid during the year	-	(3,008)	-	(3,008)
At end of the year	**-**	**-**	**-**	**-**
Loan from Micro Provident Limited				
At beginning of the year	-	8,235	-	8,235
Repaid during the year	-	(8,235)	-	(8,235)
At end of the year	**-**	**-**	**-**	**-**
Loans from other shareholders				
At beginning of the year	-	978	-	978
Repaid during the year	-	(978)	-	(978)
At end of the year	**-**	**-**	**-**	**-**
25. OPERATING LEASE COMMITMENTS				
Leased property				
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	878	188	554	188
Later than 1 year and no later than 5 years	3,044	2,861	2,065	2,861
	3,922	**3,049**	**2,619**	**3,049**

SEGMENT INFORMATION

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

GROUP VALUE ADDED STATEMENTS
For the year ended 31 October 2005

	GROUP		COMPANY	
	2005	**2004**	**2005**	**2004**
Value added	**P'000**	**P'000**	**P'000**	**P'000**
Value added is the wealth the company has created by providing loans to clients				
Interest income	134,735	107,236	134,735	107,236
Cost of services	(7,040)	(5,835)	(7,099)	(5,756)
Value added services	127,695	101,401	127,636	101,480
Fee and commission income	10,981	3,425	3,403	1,850
Other operating income	2,047	1,147	1,016	806
Other operating costs	(10,403)	(8,013)	(7,493)	(6,593)
Impairment provision reduction/(increase)	5,155	(6,368)	5,155	(6,368)
	135,475	**91,592**	**129,717**	**91,175**
Value allocated				
To employees				
Staff costs	14,437	8,232	12,229	7,677
To expansion and growth				
Retained income	77,234	50,625	74,574	50,725
Depreciation	998	364	839	317
Deferred tax	(321)	(120)	(394)	(35)
	77,911	50,869	75,019	51,007
To Government				
Taxation	25,127	19,741	24,469	19,741
To providers of capital				
Dividends to shareholders	18,000	12,750	18,000	12,750
	135,475	**91,592**	**129,717**	**91,175**

Summary	**%**	**%**	**%**	**%**
Employees	10.7	9.0	9.4	8.4
Expansion and growth	57.5	55.5	57.8	55.9
Government	18.5	21.6	18.9	21.7
Providers of capital	13.3	13.9	13.9	14.0
	100.0	**100.0**	**100.0**	**100.0**

ANALYSIS OF SHAREHOLDING
For The Year Ended 31 October 2005

Top ten shareholders	2005 Shares held Number ('000)	2005 %	2004 Shares held Number ('000)	2004 %
1. PAIP-PCAP-FMO Letshego Limited	41,741	27.8	-	-
2. Botswana Life Insurance Ltd	19,833	13.2	19,833	13.2
3. Barclays Botswana Nominees (Pty) Ltd				
- Investec Asset Management - 030/14	14,208	9.5	-	-
4. Micro Provident Limited	13,293	8.9	65,643	43.8
5. Barclays Botswana Nominees (Pty) Ltd				
- Investec Asset Management - SSB 001/1	12,332	8.2	-	-
6. International Finance Corporation	10,609	7.1	-	-
7. Stanbic Nominees Botswana (Pty) Ltd				
- Botswana Public Officers Pension Fund (BIFM)	5,922	3.9	2,658	1.8
8. Stanbic Nominees Botswana (Pty) Ltd				
- Botswana Insurance Fund Management Limited	5,782	3.9	6,722	4.5
9. Stanbic Nominees Botswana (Pty) Ltd				
- Botswana Public Officers Pension Fund	2,986	2.0	4,447	3.0
10. Barclays Botswana Nominees (Pty) Ltd				
- Investec Asset Management - 058/001	2,061	1.4	2,004	1.3
	128,767	85.9	101,307	67.6
Other corporate entities, nominees and trusts and individuals	21,233	14.1	48,693	32.4
Total	**150,000**	**100.0**	**150,000**	**100.0**

Directors' shareholdings	2005 Shares held Number ('000)	2005 %	2004 Shares held Number ('000)	2004 %
1. C. M. Lekaukau	483	0.3	1,000	0.7
2. J. A. Burbidge	-	-	10	-
3. S. F. Cairns (Resigned 20 December 2004)	-	-	65,643	43.7
4. M. Law	100	0.1	100	0.1
5. M. C. Letshwiti	-	-	43	-
6. D. Ndebele	158	0.1	715	0.5
	741	**0.5**	**67,511**	**45.0**

Subsidiary companies

Subsidiary company	Country of incorporation	Nature of business	% holding
1. Letshego Guard (Proprietary) Limited	Botswana	Marketing and administration of insurance products (Operating)	100
2. Micro Provident Uganda Limited	Uganda	Micro lending (Dormant)	100
3. Micro Provident Swaziland (Proprietary) Limited	Swaziland	Micro lending (Dormant)	85
4. Micro Provident Tanzania Limited	Tanzania	Micro lending (Dormant)	85
5. Micro Provident Malawi Limited	Malawi	Micro lending (Dormant)	100

BALANCE SHEETS	GROUP		COMPANY		
	2005	2004	2003	2002	2001
	P'000	P'000	P'000	P'000	P'000
Assets					
Cash and cash equivalents	5,496	4,079	2,795	995	-
Advances to customers - net	317,951	207,707	170,970	146,418	92,932
Other receivables	1,693	1,362	391	540	817
Property, plant and equipment	2,196	604	372	465	474
Intangible assets	184	-	-	-	-
Deferred taxation	503	182	62	11	42
Total assets	**328,023**	**213,934**	**174,590**	**148,429**	**94,265**
Liabilities					
Cash and cash equivalents	-	-	-	-	132
Trade and other payables	17,006	11,282	7,206	5,826	3,991
Taxation	351	3,075	16,872	7,592	12,694
Borrowings	69,007	35,152	36,712	57,732	40,225
Total liabilities	**86,364**	**49,509**	**60,790**	**71,150**	**57,042**
Shareholders' equity					
Share capital	1,500	1,500	1,500	1,500	1
Share premium	28,571	28,571	28,571	28,571	600
Retained earnings	211,588	134,354	83,729	47,208	28,622
Proposed dividends	-	-	-	-	8,000
Total shareholders' equity	**241,659**	**164,425**	**113,800**	**77,279**	**37,223**
Total liabilities and shareholders' equity	**328,023**	**213,934**	**174,590**	**148,429**	**94,265**

INCOME STATEMENTS					
Interest income	134,735	107,236	85,950	58,994	47,335
Interest expense	(7,040)	(5,835)	(10,124)	(9,503)	(5,536)
Net interest income	**127,695**	**101,401**	**75,826**	**49,491**	**41,799**
Fee and commission income	10,981	3,425	1,233	477	479
Other operating income	2,047	1,147	292	232	72
Total income	**140,723**	**105,973**	**77,351**	**50,200**	**42,350**
Operating expenses					
Staff costs	(14,437)	(8,232)	(4,815)	(3,890)	(3,262)
Other operating costs	(11,401)	(8,377)	(9,143)	(7,773)	(5,932)
Operating income before impairment	**114,885**	**89,364**	**63,393**	**38,537**	**33,156**
Impairment write-back/(losses)	5,155	(6,368)	(7,161)	(3,309)	(2,907)
Operating income before taxation	120,040	82,996	56,232	35,228	30,249
Taxation	(24,806)	(19,621)	(15,211)	(7,745)	(7,331)
Net income for the year	**95,234**	**63,375**	**41,021**	**27,483**	**22,918**
Appropriations					
Bonus issue	-	-	-	(1,197)	-
Dividends	(18,000)	(12,750)	(4,500)	(7,700)	(14,000)
Retained income	**77,234**	**50,625**	**36,521**	**18,586**	**8,918**

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 7th 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 27 March 2006 at 2.30 p.m, with registration to commence at 2.00.p.m, 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 October 2005 together with the directors' and auditor's reports thereon.

2. **Resolution 2**
   To ratify the dividends declared and/or paid during the year :
   - 2.1 An interim dividend amounting to P9 million (6 thebe per share) for the half year ended 30 April 2005 was paid to shareholders on 22 July 2005.
   - 2.2 A proposed final dividend of P12.0 million (8 thebe per share) to be paid to shareholders on 27 January 2006.
   - 2.3 A proposed special dividend of P3.0 million (2 thebe per share) to be paid to shareholders on 27 January 2006.

3. **Resolution 3**
   To confirm the following appointments of directors :
   - 3.1 Messrs P.S. Abrahams, J.A. Claassen, M.C. Letshwiti and D. Ndebele who retire in accordance with Article 63 of the Articles of Association and, being eligible, offer themselves for re-election.
   - 3.2 Messrs J.K. Bucknor and M.C. Jennings who were appointed during the year.
   - 3.3 Messrs J. van den Berg and J.M.C. Rammipi who were appointed alternate directors to Messrs J.K. Bucknor and M.C. Jennings; and Mrs O.E. Moarabi respectively.

4. **Resolution 4**
   To approve the remuneration of the directors for the past financial year.

5. **Resolution 5**
   To approve the remuneration of the auditors for the past financial year.

6. **Resolution 6**
   To appoint KPMG as auditors for the ensuing year.

SPECIAL BUSINESS

7. **Resolution 7**
   To transfer MPB's business to a subsidiary company to be established which will be wholly owned by the Company.

8. **Resolution 8**
   To authorise the directors to take all such steps and sign all such documents as necessary to give effect to the proposed group structure.

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, Plot 169, Queens Road, Shri Ram House, First Floor, South Wing, The Mall, P.O. Box 381, Gaborone, not less than 48 hours before the meeting.

By order of the board

D. Ndebele
Secretary
5 December 2005

MICRO PROVIDENT BOTSWANA LIMITED
trading as

Letshego

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

(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 The Grand Palm Hotel Casino and Convention Resort in the Serondela Conference Room of the Gaborone International Convention Centre on Monday 27 March 2006 at 2.30 p.m. Registration commences at 2.00 p.m.

I/We (name/s in block letters) ______________________________

of (address) ______________________________

being a member of Micro Provident Botswana Limited hereby 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 3			
Ordinary resolution number 4			
Ordinary resolution number 5			
Ordinary resolution number 6			
Ordinary resolution number 7			
Ordinary resolution number 8			

Signed at______________________________on______________________________2006

Signature
Assisted by (where applicable)______________________________

Each shareholder is entitled to appoint one or more proxies (who need not be shareholder/s of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

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, Micro Provident Botswana Limited, Shri Ram House, First Floor, South Wing, Plot 169 Queens Road, 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. Friday 24 March 2006)

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.