Letshego Holdings Limited

Consolidated Annual Financial Statements

For the year ended 31 December 2017

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Details

GROUP CORPORATE INFORMATION

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

Company Secretary and Registered Office
Lawrence Khupe (appointed 1 Jan 2018)
Second floor
Letshego Place
22 Khama Crescent
Gaborone, Botswana

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

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

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

DIRECTORS' REPORT

The Directors have pleasure in submitting to the shareholders their report and the audited consolidated financial statements of Letshego Holdings Limited (the Company) and its subsidiaries (together "the Group") for the year ended 31 December 2017.

Nature of business
The Group embarked on a focused transformation process in 2014, with a key focus on sustainable inclusive financial services and diversification from its unsecured lending model to civil servants, combined with African expansion. This new focus has so far resulted in the Group expanding its footprint to 11 African countries with representation in East, West and Southern Africa. Also, 6 out of the 11 subsidiaries now operate with deposit taking licences which is a key priority in achieving the Group's ambition to become Africa's leading inclusive finance provider.

Stated capital
Stated Capital of the Group at 31 December 2017 amounted to P849, 845, 234 (31 December 2016: P875, 638, 626).

On 01 March 2017, 9,281,250 ordinary shares were issued at various prices in terms of the Group`s Long Term Incentive Plan. In addition 24,400,000 ordinary shares were repurchased by the company in October 2017 and are currently held as treasury shares. This resulted in a net decrease in stated capital by P25, 793,392.

In the prior period on 25 February 2016, 2, 644, 774 ordinary shares were issued at various prices in terms of the Group`s Long Term Incentive Plan. In addition 52,782,546 ordinary shares were repurchased by the company in September 2016 and subsequently cancelled during the year. This resulted in a net decrease in stated capital by P113, 847, 571.

Dividends

An interim dividend of 8.5 thebe per share (prior year: 9.0 thebe per share) was declared on 31 August 2017.

A second and final dividend of 9.0 thebe per share (prior year: 6.5 thebe per share) and an additional special dividend of 4.1 thebe per share as distribution of proceeds from the Namibia IPO were declared on 28 February 2018 and will be paid on or about 13 April 2018.

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

* E.N Banda	Chairman	South Africa
* J.A. Burbidge	Former Chairman – Resigned 1 March 2017	UK
* S. Price		UK
* R Thornton		USA
* H. Karuhanga		Uganda
* J.de Kock		South Africa
* Dr G.Somolekae		Botswana
* C. G. Van Schalkwyk	Appointed 1 April 2017	South Africa
* R.N. Alam	Appointed 19 January 2018	USA
* I.M. Mohammed	Resigned 30 September 2017	USA
* G. Hassam	Resigned 14 November 2017	Malawi
* C Lesetedi	Appointed 14 November 2017	Botswana
* G. Van Heerde		South Africa
A.C.M. Low	Group Managing Director	UK
C. W. Patterson	Group Chief Financial Officer - Appointed 26 January 2017	Ireland

* **Non-executive**

Directors' shareholdings

The aggregate number of shares held directly by Directors at 31 December 2017 were at 6,568,775 (31 December 2016 3,863,646). Full details of this shareholding are available at the registered office of the company or at the office of the transfer secretaries.

Long Term Incentive Plan

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

Prior year adjustment

Letshego Holdings Limited ("LHL") pays withholding taxes ("WHT") in various tax jurisdictions from where it earns interest, management fees and other income. The Botswana Income Tax Act (the "Act") allows LHL to claim these WHT as credits against income tax payable in Botswana arising from such foreign income, subject to restrictions.

LHL has claimed these WHT as credits in its income tax returns in Botswana for each of the years up to financial year ended 31 December 2016. The Botswana Unified Revenue Services ("BURS"), accepted these income tax returns, and paid refunds to LHL in respect of such credits for the financial years 2014, 2015 and 2016.

These credits were claimed based on our understanding of how such WHT would be treated as tax credits for an International Financial Services Centre ("IFSC") Company, which LHL is and has been since 2007. This understanding was based on our past discussions with Botswana Investment and Trade Centre and BURS. Our tax returns to BURS included full disclosure of the nature of the WHT claims and LHL received refunds, without modification, from BURS in respect of such credits.

During the course of the finalisation of the 31 December 2017 external audit, our external auditors queried if our tax returns and WHT claims to BURS for the 2014 to 2016 financial years may be inconsistent with the Act. We immediately obtained an independent tax opinion on this matter. This independent tax opinion indicated that the tax treatment may be inconsistent with the Act. The Board therefore decided to, for the purposes of finalising the financial statements for the year ended 31 December 2017, adopt the most conservative accounting treatment in relation to the WHT claims. This in turn required the accounting treatment of the WHT claims to be disclosed in terms of IAS 8 Accounting policies, change in accounting estimates and errors ("IAS 8"), and adjusted our financial statements with retrospective effect.

The related disclosures are included in note 3 to the financial statements.

Subsequent to the publication of the 2017 condensed financial results the Board has obtained a legal opinion on this matter and will engage with BURS with a view to resolving this matter. Shareholders will be provided an update as and when more details are available.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Letshego Holdings Limited the "Group", comprising the consolidated statement of financial position at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

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

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

The external auditor is responsible for reporting on whether the consolidated annual financial statements give true and fair view in accordance with International Financial Reporting Standards.

Approval of the consolidated annual financial statements:

The consolidated annual financial statements of Letshego Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 9 March 2018 and is signed on its behalf by:

E.N. BANDA	**A.C.M. LOW**
CHAIRMAN	**GROUP MANAGING DIRECTOR**

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LETSHEGO HOLDINGS LIMITED

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Letshego Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Letshego Holdings Limited's consolidated financial statements set out on pages 14 to 60 comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

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Our audit approach

Overview

Overall group materiality

- Overall group materiality: P45,000,000, which represents 4.50% of consolidated profit before tax.

Group audit scope

- Group audit scope has been determined based on indicators such as the contribution to consolidated profit before tax and consolidated revenue from each component. A combination of full scope audits, audit procedures on one or more account balances and transactions and analytical review procedures were performed.

Key Audit Matters

- Impairment assessment of advances to customers
- Prior year adjustment

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	P45,000,000
How we determined it	We applied a rule of thumb of 4.5% of the consolidated profit before tax to arrive at the overall materiality.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 4.5%, which is lower than the normal quantitative materiality thresholds used for profit-oriented companies in this sector because the Group has significant exposure to listed bond liabilities, with related debt covenant requirements.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. Our scoping assessment included consideration of the financial significance of the Group's components as well as taking into consideration the sufficiency of work planned to be performed over material line items in the consolidated financial statements. We identified three financially significant components in the Group, namely Letshego Financial Services (Proprietary) Limited – Botswana, Letshego Financial Services Mozambique SA and Letshego Holdings Namibia Limited. We included a number of other components in the scope of our Group audit based on indicators such as the contribution to consolidated profit before tax and consolidated revenue. The remainder of the components were considered to be insignificant to the Group individually and in aggregate.

For the financially significant components we performed a full scope audit and for the other in-scope components, we performed a combination of full scope audits and audit procedures on one or more account balances and transactions. Analytical review procedures were performed on insignificant components. This, together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, provided us the audit evidence we needed for our opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the Group audit, we determined the extent of the work that needed to be performed by us, as the Group engagement team, or by component auditors from other PwC network firms operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Detailed Group audit instructions were communicated to all components in scope and the Group engagement team has been involved in determining the component team audit approach. Throughout the audit, various planning, execution and completion calls and discussions were held with the teams of the components.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment of advances to customers The quality of credit is one of the primary risks managed by the Group. As such, the quality of advances to customers, and the resultant credit impairments, are key considerations by management. Impairment of advances to customers represents management's best estimate of the measurable decrease in the estimated future cash flows due to losses incurred within the loan portfolios at year-end. The Group's advances to customers are typically higher volume, lower value and therefore a significant portion of the impairment is calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always necessarily observable. Management applies professional judgement in developing the models, analysing data and determining the most appropriate assumptions and estimates. The inputs into the model process requiring significant management judgement include: • The probability of default (PD) - emergence period; and • The loss given default (LGD) - outcome period. Given the subjectivity and reliance on estimates and judgements inherent in the determination of the impairment of advances to customers, we determined that this was a matter of most significance in our audit. The disclosures associated with impairment of advances to customers are set out in the consolidated financial statements in the following notes: • Note 1.3.1 – Financial Risk Management, Credit Risk (page 30); • Note 2.1 – Use of Estimates and Judgements, Impairment of advances to customers (page 45); and • Note 5 – Advances to Customers (page 48).	Our audit of the impairment of advances to customers included, inter alia, the following audit procedures with the assistance of our credit experts: • We assessed the accounting policies and impairment methodologies applied by management against the requirements of IFRS and found no exceptions. • We assessed the appropriateness of the impairment model used by management by carrying out procedures which included the following: ❑ We compared those assumptions which could have a material impact to actual experience, including the determination of probabilities of default and expected loss in the event of default. Our results did not identify material deviations; ❑ We tested the observable data underlying the PD and LGD calculations and found no material exceptions; ❑ We tested the mathematical accuracy of the impairment calculation and found no exceptions; ❑ We tested the consistent application of the impairment models across the Group; and ❑ We tested the operation of impairment models, including, where required, building our own independent assessment and comparing our results to those of management. We found management's estimate of impairment of advances to customers to be within an acceptable range in the context of an incurred loss model.

Key audit matter	*How our audit addressed the key audit matter*
Prior year adjustment Letshego Holdings Limited ("LHL") pays withholding taxes in various tax jurisdictions from where it earns interest, management fees and other income. The Botswana Income Tax Act (the "Act") allows LHL to claim these withholding taxes as credits against income tax payable in Botswana arising from such foreign income, subject to restrictions. LHL has claimed these withholding taxes as credits in its income tax returns in Botswana for each of the financial years up to 31 December 2016. The Botswana Unified Revenue Services ("BURS") accepted these income tax returns and paid refunds to LHL in respect of such credits for the financial years 2014, 2015 and 2016. These credits were claimed based on management's understanding that such withholding taxes would be treated as tax credits for an International Financial Services Centre Company, which LHL is. This understanding was based on management's past discussions with Botswana Investment and Trade Centre and BURS. Management's treatment was further supported by refunds from BURS in respect of such credits. During the course of our audit, there were discussions about whether such withholding tax claims were consistent with the Act. LHL carried out a review which indicated that this tax treatment was inconsistent with the Act. LHL corrected the previous years' withholding taxes claimed as tax credits in terms of IAS 8 Accounting policies, change in accounting estimates and errors ("IAS 8") and adjusted its consolidated financial statements with retrospective effect. We determined the prior year adjustment to be a matter of most significance in the audit due to the magnitude of the amounts involved and due to the significant audit time and effort that were required in obtaining sufficient appropriate audit evidence thereon. The related disclosures are included in note 3 - Prior year adjustment to the consolidated financial statements.	As part of our audit, we considered whether the tax treatment could be considered as an uncertain tax treatment under IFRS which would not require a prior year adjustment. We carried out the following audit procedures: We inspected the income tax returns submitted for the 2014, 2015 and 2016 financial years to determine whether the withholding taxes claimed as tax credits had been disclosed in the income tax returns and noted that the withholding taxes had been disclosed as tax credits in these income returns. We tested the refunds received from BURS by inspecting BURS statements and found that all applicable refunds had been paid to LHL. We involved our tax specialists to determine whether the prior years' tax treatment adopted by LHL for withholding taxes was consistent with the Act. After considering the relevant legislative provisions, we determined that the treatment adopted by LHL was inconsistent with the Act and therefore that this was not an uncertain tax treatment under IFRS. With the assistance of our accounting specialists we assessed the appropriateness of a retrospective restatement of historical numbers and reached a similar conclusion to that of management.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the *Letshego Holdings Limited Consolidated Annual Financial Statements for the year ended 31 December 2017*, the information included in the *Letshego Holdings Limited Financial Statements for the year ended 31 December 2017* and the information included in the *Letshego 2017 Integrated Annual Report*. The other information does not include the consolidated financial statements and the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Zuhdi Abrahams
Registered Auditor
Cape Town

31 May 2018

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

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	Note	31 December 2017 P'000	Restated 31 December 2016 P'000	Restated 31 December 2015 P'000
ASSETS				
Cash and cash equivalents	4	492,367	529,476	526,290
Advances to customers	5	7,768,904	6,689,740	6,311,678
Other receivables	6	201,605	166,717	177,585
Income tax receivable		17,967	17,250	27,570
Available-for-sale financial asset	9	53,591	53,591	-
Property, plant and equipment	7	92,061	76,034	76,030
Intangible assets	8	55,340	52,609	61,312
Goodwill	10	122,280	129,408	170,868
Deferred tax assets	24.1	156,655	106,961	68,000
Total assets		**8,960,770**	**7,821,786**	**7,419,333**
LIABILITIES AND EQUITY				
Liabilities				
Customer deposits	12	228,432	107,696	154,495
Deposits from banks		-	-	77,364
Cash collateral	14	27,319	39,225	44,667
Trade and other payables	13	261,751	294,416	175,493
Income tax payable		182,879	99,373	73,494
Deferred tax liabilities		5,290	808	2,006
Borrowings	15	3,984,607	3,394,116	2,768,412
Total liabilities		**4,690,278**	**3,935,634**	**3,295,931**
Shareholders' equity				
Stated capital	16	849,845	875,639	989,487
Foreign currency translation reserve		(680,417)	(634,293)	(254,293)
Legal reserve	17	39,607	32,189	22,178
Share based payment reserve		38,840	35,835	19,705
Retained earnings		3,709,308	3,383,983	3,197,534
Total equity attributable to equity holders of the parent company		**3,957,183**	**3,693,353**	**3,974,611**
Non - controlling interests		313,309	192,799	148,791
Total shareholders' equity		**4,270,492**	**3,886,152**	**4,123,402**
Total liabilities and equity		**8,960,770**	**7,821,786**	**7,419,333**

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 P'000	Restated 31 December 2016 P'000
Interest income	19	2,252,636	1,963,129
Interest expense	20	(470,630)	(352,362)
Net interest income		**1,782,006**	**1,610,767**
Fee and commission income	21	38,596	24,617
Other operating income	21.1	234,169	209,724
Operating income		**2,054,771**	**1,845,108**
Employee benefits	22	(367,057)	(309,016)
Other operating expenses	23	(446,952)	(407,873)
Net income before impairment and taxation		**1,240,762**	**1,128,219**
Impairment of advances	5	(237,149)	(180,649)
Profit before taxation		**1,003,613**	**947,570**
Taxation	24	(322,367)	(337,500)
Profit for the year		**681,246**	**610,070**
Attributable to :			
Equity holders of the parent company		637,663	568,145
Non - controlling interest		43,583	41,925
Profit for the year		**681,246**	**610,070**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		(39,163)	(377,917)
Total comprehensive income for the year		**642,083**	**232,153**
Attributable to :			
Equity holders of the parent company		591,539	188,145
Non - controlling interest		50,544	44,008
Total comprehensive income for the year		**642,083**	**232,153**
Earnings per share			
Basic earnings per share – (thebe)	25	29.8	26.2
Diluted earnings per share – (thebe)	25	29.2	25.7

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Stated capital	Retained earnings	Share based payments reserve	Foreign currency translation reserve	Legal reserve	Non - controlling interests	Total
		P'000	P'000	P'000	P'000	P'000	P'000	P'000
Balance at 1 January 2017 - Restated	3	875,639	3,383,983	35,835	(634,293)	32,189	192,799	3,886,152
Total comprehensive income for the year								
Profit for the year		-	637,663	-	-	-	43,583	681,246
Other comprehensive income, net of income tax								
Foreign currency translation reserve		-	-	-	(46,124)	-	6,961	(39,163)
Transactions with owners, recorded directly in equity								
Sale of interest to non-controlling interest in Letshego Holdings Namibia Limited	32.1	-	16,687	-	-	-	70,791	87,478
Allocation to legal reserve	17	-	(7,418)	-	-	7,418	-	-
Allocation to share based payment reserve		-	-	25,279	-	-	-	25,279
New shares issued from long term incentive scheme	16	22,274	-	(22,274)	-	-	-	-
Share buy back - held as treasury shares	16	(48,068)	-	-	-	-	-	(48,068)
Dividends paid by subsidiary to minority interests		-	-	-	-	-	(825)	(825)
Dividends paid to equity holders	26	-	(321,607)	-	-	-	-	(321,607)
Balance at 31 December 2017		**849,845**	**3,709,308**	**38,840**	**(680,417)**	**39,607**	**313,309**	**4,270,492**
Balance at 31 December 2015 - as previously reported		**989,487**	**3,256,158**	**19,705**	**(254,293)**	**22,178**	**148,791**	**4,182,026**
Prior year adjustment	3	-	(58,624)	-	-	-	-	(58,624)
Balance at 31 December 2015 - Restated		**989,487**	**3,197,534**	**19,705**	**(254,293)**	**22,178**	**148,791**	**4,123,402**
Total comprehensive income for the year								
Profit for the year - Restated		-	568,145	-	-	-	41,925	610,070
Other comprehensive income, net of income tax								
Foreign currency translation reserve		-	-	-	(380,000)	-	2,083	(377,917)
Transactions with owners, recorded directly in equity								
Allocation to legal reserve		-	(10,011)	-	-	10,011	-	-
Allocation to share based payment reserve		-	-	21,552	-	-	-	21,552
New shares issued from long term incentive scheme	16	5,422	-	(5,422)	-	-	-	-
Share buy back - shares cancelled	16	(119,270)	-	-	-	-	-	(119,270)
Dividends paid to equity holders	26	-	(371,685)	-	-	-	-	(371,685)
Balance at 31 December 2016 - Restated		**875,639**	**3,383,983**	**35,835**	**(634,293)**	**32,189**	**192,799**	**3,886,152**

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 P’000	Restated 31 December 2016 P’000
OPERATING ACTIVITIES			
Profit before taxation		1,003,613	947,570
Adjustments for :			
- Net interest income		(1,782,006)	(1,610,767)
- Amortisation of intangible assets	8	9,636	6,755
- Depreciation	7	23,164	21,384
- Impairment and write off charge	5	376,909	259,180
- Long term incentive plan provision		25,279	21,552
Changes in working capital:			
Movement in advances to customers		(1,259,207)	(1,010,133)
Movement in other receivables		(31,002)	10,867
Movement in trade and other payables		(36,453)	118,923
Movement in customer / bank deposits		120,736	(124,163)
Movement in cash collateral		(11,906)	(5,442)
Cash used in operations		**(1,561,237)**	**(1,364,274)**
Interest received		2,252,636	1,963,129
Interest paid		(470,630)	(352,362)
Income tax paid		(290,590)	(341,460)
Net cash flows utilised in operating activities		**(69,821)**	**(94,967)**
INVESTING ACTIVITIES			
Payment for acquisition subsidiaries	11	(90,719)	-
Net cash acquired from acquisitions	11	25,864	-
Payment for available-for-sale financial asset	9	-	(53,591)
Proceeds from sale of property, plant and equipment		2,340	-
Purchase of property, plant and equipment and intangible assets		(42,725)	(19,441)
Net cash flows used in investing activities		**(105,240)**	**(73,032)**
FINANCING ACTIVITIES			
Dividends paid to equity holders		(321,607)	(371,685)
Dividends paid to subsidiary non-controlling interest		(825)	-
Share buy back	16	(48,068)	(119,270)
Proceeds from sale of interest in a subsidiary	32.1	87,478	-
Finance obtained from third parties	15	1,039,889	1,435,734
Repayment of borrowings	15	(607,853)	(678,460)
Net cash generated from financing activities		**149,014**	**266,319**
Net movement in cash and cash equivalents		**(26,047)**	**98,320**
Movement in cash and cash equivalents			
At the beginning of the year		529,476	526,290
Movement during the year		(26,047)	98,320
Effect of exchange rate changes on cash and cash equivalents		(11,062)	(95,134)
At the end of the year	4	**492,367**	**529,476**

Reporting entity

Letshego Holdings Limited (the Company) is a limited liability company incorporated in Botswana. The address of the company is Letshego Place, Plot 22 Khama Crescent, Gaborone, Botswana. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").The Group embarked on a focused transformation process in 2014, with a key focus on sustainable inclusive financial services and diversification from its unsecured lending model to civil servants, combined with African expansion. This new focus has so far resulted in the Group expanding its footprint to 11 African countries with representation in East, West and Southern Africa. Also, 6 out of the 11 subsidiaries now operate with deposit taking licences which is a key priority in achieving the Group's ambition to become Africa's leading inclusive finance provider.

The consolidated financial statements for the year ended 31 December 2017 have been approved for issue by the Board of Directors on 9 March 2018.

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

Statement of compliance

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

Basis of preparation

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

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

Use of judgements and estimates

The preparation of consolidated annual financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Significant judgements made by management in the application of International Financial Reporting Standards consist mainly on loans and advances, impairments and share based payment calculations. Judgement is also applied to the valuation of goodwill recognised and probability of having sufficient taxable profits against which deferred tax assets may be utilised (note 2).

Basis of consolidation

Investments in subsidiaries

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

Basis of consolidation (continued)

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment (continued)

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

Gains and losses on disposal of property and equipment items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

Work in progress

Work in progress comprises of:

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

Foreign currency transactions

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

Foreign operations' financial statements

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

Foreign currency translation reserve

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

Operating leases

The Group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Intangible assets – computer software

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

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

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

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

Intangible assets – computer software (continued)

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

Intangible assets – Brand value and core deposits

Brand value and core deposits acquired in a business combination are recognised at fair value at the acquisition date. Brand value is the right to use the trade name and associated brands of the acquired entity and core deposits relates to the customer relationships attributable to customer deposits of the acquired entity. These are carried at cost less accumulated amortisation at each reporting period. Amortisation is recognised in profit or loss using the straight-line method over their estimated useful lives.

Provisions

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

Income tax

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

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

Deferred tax

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

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

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

Interest income

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

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

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

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

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

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

Other income
Other income comprises income from insurance arrangements, loan settlement fees and other non-core income streams and are recognised in profit and loss as when they are earned.

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

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

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

Treasury shares is where the Group purchases its own equity share capital. The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are re-issued or sold. Where the shares are subsequently sold or re-issued, any consideration received net of any directly attributable incremental costs, is included in shareholders equity.

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

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

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

Payroll administration costs

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

Share-based payment transactions

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

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

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

The Group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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

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

Determination of fair value of equity instruments granted

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

Segment reporting

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

Earnings per share

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

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

Contingent liabilities

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables consists of advances to customers, other receivables and cash and cash equivalents.

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

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

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

Available-for-sale financial asset
Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Available-for-sale financial asset are subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Dividend received on available-for-sale equity instruments are recognised in the statement of comprehensive income when the company's right to receive payment is established.

Financial liabilities at amortised cost
Financial liabilities at amortised cost includes borrowings, customer deposits, cash collateral and trade and other payables.

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

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

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

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

Financial assets and liabilities (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets and liabilities (continued)

Identification and measurement of impairment

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

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

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

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

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

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

Designation at fair value through profit or loss

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

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

Insurance arrangements

The Group has credit and disability cover in place in most markets. Under this arrangement premiums are collected from customers and paid on to the insurer with the Group earning a fee or profit share. In addition, comprehensive insurance is in place in Namibia and Mozambique and profit from the underlying insurance arrangements is shared between the underwriter and the Group.

Cell captive accounting

A cell captive structure represents an agreement between an insurance entity and the Group to facilitate the writing of insurance business. The Group has entered into agreement with insurance providers under which the insurance provider set up an insurance cell within its legal entity, for example a corporate entity subscribes for a separate class of share. The arrangement provides that all claims arising from insurance contracts written by cell are paid out of cell's assets, with any profit after deduction of the insurers fees, allocation taxes and other costs payable to the corporate entity.

Derivatives held for risk management purposes

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

Impairment for non-financial assets

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

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

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

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

Standards issued but not yet effective at year end

A number of new standards and amendments to standards are issued but not yet effective for period ended 31 December 2017. Those which may be relevant to the Group are set out below. The Group do not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

IFRS 9 Financial Instruments

IFRS 9, published in July 2015, replaces the existing guidance in IAS 39: *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. In addition, IFRS 9 will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss has already been incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

The measurement of expected credit loss will involve increased complexity and judgement including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives and estimation of exposures at default and assessing significant increases in credit risk. It is expected to have a material financial impact and impairment charges will tend to be more volatile. Refer to section 1.3.1 credit risk "Impairment: IFRS 9 financial instruments".

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 16 Leases

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

Other standards/amendments

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

- Share based payments, accounting on certain share based transactions (Amendments to IFRS 2 – effective 1 January 2018).
- Revenue from contracts with customers (Amendments to IFRS 15 – effective 1 January 2018).
- Foreign currency transactions and advance consideration (IFRIC 22 – effective 1 January 2018).
- Consolidated Financial Statements (IFRS 10 – effective date postponed initially 1 January 2016).
- Uncertainty over income tax treatments (IFRIC 23 – effective 1 January 2019)

1 FINANCIAL RISK MANAGEMENT

1.1 Introduction and overview

Letshego Holdings Limited (''the Group'') continued to maintain a strong risk management culture in response to the changing operating environment in order to deliver the Group's objectives.

The Group Board of Directors has the ultimate responsibility for ensuring that an adequate risk management system is established and maintained. The Board delegated its responsibilities to the following Board Committees and the terms of reference are outlined in the Board Charter:
• Group Audit Committee
• Group Risk Committee
• Group Nominations and Social Ethics Committee
• Group Human Resources Committee
• Group Investment Committee

In addition to the above board committees, the Group has the following Management Committees to assist the Board in the effective management of risk:
• Group Management Committee
• Group Risk Management Committee
• Group Innovation Management Committee
• Group Business Growth Committee
• Group Asset and Liability Management Committee
• Group Technical and Operations Committee
• Group Sustainability Committee

The Group Risk and Assurance Function and the Legal and Compliance Function were restructured during the year to report under the Group Governance, Risk, Legal and Compliance Function. This function remains independent of the business functions with the Group Internal Audit function reporting directly to the Group Audit Committee. The Group Head of Governance, Risk, Legal and Compliance assumed the responsibility for the implementation of the Group ERM framework (that includes the Legal and Compliance Framework) and the Group Governance Framework approved by the Board. Group Internal Audit is responsible for providing independent assurance that the overall Governance, ERM and IT Governance frameworks are adequately designed, implemented and monitored. Within the regular audit activity, Group Internal Audit is also responsible for providing assurance that the systems of internal control are operating effectively.

Significant progress was made during the year in embedding the enhanced Enterprise-wide Risk Management (ERM) framework across the Group. The ERM framework emphasises the five key elements that the Group would like to achieve and maintain namely, adequate board oversight, adequate senior management oversight, sound risk management policies and operating procedures, strong risk measurement, monitoring and control capabilities and adequate internal controls.

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

1.2 Strategic risk

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

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

1 FINANCIAL RISK MANAGEMENT (continued)

1.2 Strategic risk (continued)

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

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

During the beginning of the year, the Group Business Strategy was cascaded throughout the subsidiaries to ensure that their strategies are fully aligned to the group strategy and risk appetite. The Group is undergoing a significant change process through the focus on customer centric change culture to ensure that we are adequately equipped to mobilize, execute and deliver our strategic agenda.

1.3 Financial risk

In line with the Group's ERM framework, financial risk includes credit risk, liquidity risk, interest rate risk and foreign currency rate risk.

1.3.1 Credit risk

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

Key metrics	YoY Trend	2017	2016
Growth in gross advances to customers (%)	↑	17%	6%
Loan loss Rate (%)	↑	3.1%	2.8%
Non-performing loans as a percentage (%) of gross advances	↑	6.8%	6.5%
Non-performing loans coverage ratio (%)	↑	70%	62%

Approach to managing credit risk

The Board of Directors is ultimately responsible for the management of credit risk and has delegated responsibility for the oversight of credit risk to the Group Risk Management Committee and Country Management Committees. It is the responsibility of Group Credit Risk and each CEO to ensure that the Group's policies regarding credit risk, credit scoring, collateral contribution, affordability levels and minimum take home pay is complied with at all times. The Group manages credit risk in accordance with its credit risk policies, guidelines and procedures which provide for the maintenance of a strong culture of responsible lending that promotes inclusive finance.

Credit risk mitigation

The Group offers credit insurance to all its clients, which covers the repayment of the outstanding capital balances on the loan to Group in the event of death or permanent disability of the customer. In addition, comprehensive insurance cover is in place in certain markets covering such risks as loss of employment, employer default, absconding and even temporary disability. Further to this, for part of the customer advances portfolio that is not extended through deduction from source, the Group applies Credit scoring and customer education in advance of the extension of credit to customers and conduct regular reviews of the credit portfolio.

• Group writes off loans which are have remained in the loss category for four consecutive quarters.

• Group will restructure loans (modify contractually agreed terms) to increase the chances of full repayment of credit exposure in certain instances. • Restructuring is expected to minimise future risk of default. Examples are where clients are in financial difficulty, either caused by external or internal factors such as disability/death/theft/accidents/changes in Government policies.

• Restructured loans are treated as non-performing, for provision purposes only, until 6 consecutive payments have been received.

• No loan may be restructured more than twice (system controlled). Loans restructured a second time are classified as "loss" and provisions raised accordingly.

• There are no additional charges applied to restructured loans.

• No special treatment is given to renegotiated loans in terms of provisioning. These will however be catered for in IFRS9.

• Customers cannot take a 'top up' loan if they are in arrears

Letshego does rephase (re-age) accounts where instalments are missed, through no fault of the borrower, and subsequently reinstated due to operational issues. Rephasement involves altering the end date of the loan but not the number of repayments or the loan amount.

We adhere to rules / legislation around affordability. In most countries in the Group an independent 'central registry' or 'gatekeeper' ensures that affordability rules are adhered to in addition to internal controls in place .

Credit risk stress testing

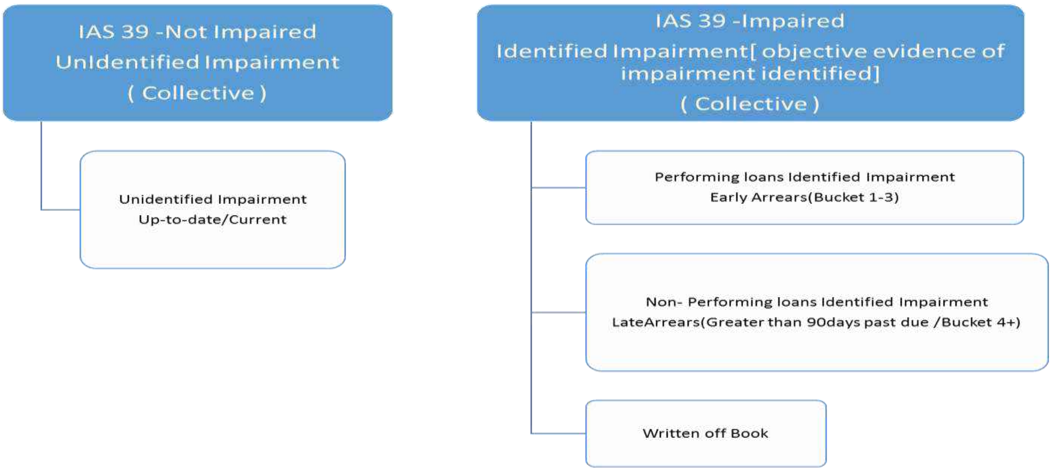
The Group recognizes possible events or future changes that could have a negative impact on the credit portfolios and affect the Group's ability to generate more business. Stress testing is a requirement for all our deposit taking subsidiaries and now forms an integral part of our overall governance and risk culture in the Group. This feeds into the decision making process at management and Board level.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Impairment methodology
The Group's accounting policy for losses arising from the impairment of loans and advances represents management's best estimate of losses incurred in the loan portfolios (both individually and collectively) at the reporting date. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in light of differences between loss estimates and actual loss experience. Impairment provisions are raised on the specific risks attributable by each loan past due in each subsidiary and further discounted by the value of cash collateral held per customer.

Impairment Calculation
The Group applies International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement .Under this measurement impairment estimates incorporate the use of the Group's Probability of Default (PD) and Loss Given Default (LGD) estimates .



Impairment
Full year 2017 impairment charge is P237m, an increase from 2016: P181m with the loan loss rate increasing from 2.8% to 3.1%. The increase has been driven by deterioration in performance in Letshego Rwanda and Tanzania. Overall non-performing loan Impairment coverage increased from 62% to 70% from 2016 to 2017, with non-performing loans as a percentage of the total loan book remains flat year on year from 6.5% in 2016 to 6.8% 2017 indicated a positive trend in overall loan book quality.

Write-off policy
The Group subsidiaries write off loan balances, and any related allowances for impairment losses, when there is determination that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. All workable written off accounts are fully followed up for recovery through internal debt collection and third party collection partners.

Maximum exposure to credit risk

(a) Advances to customers

31 December 2017	Gross Advances P'000	Specific Provision P'000	Portfolio Provision P'000	Net Advances P'000	Security Held P'000
Southern Africa	6,215,928	(158,620)	(22,140)	6,035,168	-
East and West Africa	1,955,376	(106,794)	(114,846)	1,733,736	(27,319)
	8,171,304	**(265,414)**	**(136,986)**	**7,768,904**	**(27,319)**

31 December 2016	Gross advances P'000	Specific provision P'000	Portfolio provision P'000	Net advances P'000	Security held P'000
Southern Africa	5,434,855	(153,898)	(11,098)	5,269,859	-
East and West Africa	1,528,101	(39,220)	(69,000)	1,419,881	(39,225)
	6,962,956	**(193,118)**	**(80,098)**	**6,689,740**	**(39,225)**

Security held relates to cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer (note 14).

(b) Others

	31 December 2017 P'000	31 December 2016 P'000
Cash and cash equivalents	492,367	529,476
Other receivable accounts	201,605	166,717
Available-for-sale financial asset	53,591	53,591
	747,563	**749,784**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Credit quality

The Group has continued to diversify its loan book by geography as well as customer segment whilst ensuring the overall loan book quality performance remains satisfatory.The percentage of loans with in less than 30 days in arrears has improved from 87% to 89% whilst the ratio of loans over 90 days past due has increased slightly year on year from 6.5% in 2016 to 6.8% in 2017.

The table below presents an analysis of the Group's gross advances based on the customer segments to which the Group is exposed:

Formal:	- these are government and non-government payroll deduction at source.
Micro finance:	- micro and small entrepreneurs mainly associated with health, housing, agriculture and education segments.
Informal:	- short-term loans via mobile platforms

Analysis of exposure by segment as at 31 December 2017

	Formal	Micro finance	Informal	Total gross advances
	P'000	**P'000**	**P'000**	**P'000**
Southern Africa	6,213,450	2,478	**-**	6,215,928
East and West Africa	1,068,566	840,064	46,746	1,955,376
Gross advances	**7,282,016**	**842,542**	**46,746**	**8,171,304**
Impairment provision	(251,863)	(145,980)	(4,557)	(402,400)
Net advances	**7,030,153**	**696,562**	**42,189**	**7,768,904**

Analysis of exposure by segment as at 31 December 2016

	Formal	Micro finance	Informal	Total gross advances
	P'000	**P'000**	**P'000**	**P'000**
Southern Africa	5,431,606	3,249	-	5,434,855
East and West Africa	679,030	849,071	-	1,528,101
	6,110,636	**852,320**	-	**6,962,956**
Impairment provision	(132,238)	(140,978)	-	(273,216)
Net advances	**5,978,398**	**711,342**	**-**	**6,689,740**

All loans and advances are categorised as either ***'neither past due nor impaired'*** , ***'past due but not impaired'*** , or ***'past due and impaired'*** .

Neither Past Due or Impaired
- Loans neither past due nor impaired consist predominantly of loans that are performing or up-to-date . These loans, although unimpaired may carry an unidentified impairment.

Past due but not impaired
- A loan is considered past due but not impaired when the borrower has failed to make a payment when due under the terms of the loan contract. These are loans in bucket 1,2 and 3 (1 day to 90 days past due).These loans although individually assessed as unimpaired may carry an identified impairment provision.

Impaired
-This category comprises loans where an individual impairment allowance has been raised. This category comprises of loans which are in more than 90 days past due.

The table below presents an analysis by geographic location of the credit quality of advances based on arrears bucketing:

31 December 2017	Southern Africa	East and West Africa	Total
	P'000	**P'000**	**P'000**
Neither past due nor impaired	5,328,769	1,423,923	6,752,692
Past due but not impaired	560,779	303,791	864,570
Impaired	326,380	227,662	554,042
Total gross advances to customers	**6,215,928**	**1,955,376**	**8,171,304**
Less: impairment provision	(180,760)	(221,640)	(402,400)
Net advances to customers at 31 December 2017	**6,035,168**	**1,733,736**	**7,768,904**
Past due but not impaired			
Arrears <= 1 installment	444,562	171,423	615,985
Arrears > 1 installment	116,217	132,368	248,585
	560,779	**303,791**	**864,570**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

The table below presents an analysis by geographic location of the credit quality of advances based on arrears bucketing:
*Credit Quality was previously based on recency and arrears bucketing and has been restated to be based on arrears bucketing for comparatives purposes

*31 December 2016	Southern Africa P'000	East and West Africa P'000	Total P'000
Neither past due nor impaired	3,924,060	1,019,344	4,943,404
Past due but not impaired	1,177,981	383,674	1,561,655
Impaired	332,814	125,083	457,897
Total gross advances to customers	**5,434,855**	**1,528,101**	**6,962,956**
Less: impairment provision	(164,996)	(108,220)	(273,216)
Net advances to customers at 31 December 2016	**5,269,859**	**1,419,881**	**6,689,740**
Past due but not impaired			
Arrears <= 1 installment	933,853	216,500	1,150,353
Arrears > 1 installment	244,128	167,174	411,302
	1,177,981	**383,674**	**1,561,655**

The table below presents an analysis by geographic location of the credit quality of advances based on arrears:

31 December 2017	**Up-to-date**	**1-30 days past due**	**31-60 days past due**	**61-90 days past due**	**91 or more days past due**	**Total Gross advances**
Southern Africa	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Formal	5,328,644	444,258	66,472	49,383	324,693	6,213,450
Micro finance	125	304	158	204	1,687	2,478
	5,328,769	**444,562**	**66,630**	**49,587**	**326,380**	**6,215,928**
East and West Africa						
Formal	734,581	83,693	52,993	42,937	154,362	1,068,566
Micro finance	642,596	87,731	21,452	14,985	73,300	840,064
Informal	46,746	-	-	-	-	46,746
	1,423,923	**171,424**	**74,445**	**57,922**	**227,662**	**1,955,376**

31 December 2016	**Up-to-date**	**1-30 days past due**	**31-60 days past due**	**61-90 days past due**	**91 or more days past due**	**Total Gross advances**
Southern Africa	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Formal	3,922,127	1,011,410	108,890	56,365	332,814	5,431,606
Micro finance	1,933	1,316	-	-	-	3,249
	3,924,060	**1,012,726**	**108,890**	**56,365**	**332,814**	**5,434,855**
East and West Africa						
Formal	481,785	72,601	19,907	12,998	91,740	679,031
Micro finance	537,559	192,209	65,890	20,069	33,343	849,070
	1,019,344	**264,810**	**85,797**	**33,067**	**125,083**	**1,528,101**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

LGD represents an estimate of the percentage of EAD that will not be recovered, should the obligor default occur and below is an analysis by segments. However for Southern Africa, Namibia and Mozambique have credit insurance in place and for the year ended 31 December 2017 this was included as part of recoveries in the calculation of LGD's.

Segments	2017	2016
	LGD	LGD
Southern Africa	45%	55%
East and West Africa	90%	86%

PD represent an estimate of the probability that balances in less than 90 days categories would fall into default (91 or more days past due).

31 December 2016	PD 0	PD 1	PD 2	PD 3
Southern Africa	1%	3%	10%	35%
East and West Africa	2%	10%	35%	52%

31 December 2017	PD 0	PD 1	PD 2	PD 3
Southern Africa	1%	4%	21%	39%
East and West Africa	3%	15%	39%	55%

PD 0 - up to date
PD 1 - 1 - 30 days past due
PD 2 - 31 - 60 days past due
PD 3 - 61 - 90 days past due

Financial assets renegotiated

Restructuring

Restructuring activities include extended payment arrangements, modification and deferral of payments . Following restructuring a previously overdue/delinquent loan is reset to current/normal status and managed together with other similar accounts .There are Group restructuring policies in place and these are kept under continuous review. As at 31 December 2017, there were no such restructured loans.

Rephasing

The Group however does rephase (re-age) accounts where installments are missed, through no fault of the borrower, and subsequently reinstated due to operational issues. Rephasement involves altering the end date of the loan but not the number or amount of the installments. Refer to the analysis below.

Rephased loans analysis

31 December 2017	Total gross advances	Rephased loans	% Rephased
Southern Africa	6,215,928	637,632	10.3%
East and West Africa	1,955,376	91,698	4.7%
	8,171,304	**729,330**	**8.9%**

31 December 2016	Total gross advances	Rephased loans	% Rephased
Southern Africa	5,434,855	589,695	10.9%
East and West Africa	1,528,101	39,217	2.6%
	6,962,956	**628,912**	**9.0%**

1 1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 1.3.1 Credit risk (continued)

Impairment : IFRS 9 Financial Instruments

The introduction of the impairment requirements of IFRS 9 Financial Instruments, implemented on 1 January 2018, require impairment loss allowances to be considered on a more forward looking basis and on a broader scope of financial instruments than is the case under IAS 39 and as a result may have a material impact on the Group's financial condition. Measurement involves increased complex judgement and risk review.

The work to prepare for IFRS 9 Impairment requirements for 2018 has commenced and expected to be complete and disclosed in the financial year ending 31 December 2018. The replacement of IAS 39 with IFRS 9 Financial Instruments ("IFRS 9") effective 1 January 2018 will have an impact on the methodology and level of provisioning required to be held by Letshego as it will replace the current incurred loss model with the requirement to calculate expected losses. Letshego is in the process of developing an appropriate methodology to align to IFRS 9 requirements.

The overlay approach followed by Group is outlined below:

General steps considered by Group in applying IFRS 9 Impairment

The following steps illustrates the general steps that Letshego are considering when implementing IFRS 9 Impairment.

1. Establish the appropriate definition of default
2. Determine the level of assessment (individual vs. collective assessment)
3. Determine indicators/measures of significant increase in credit risk
4. Define the thresholds for significant increase in credit risk
5. Determine whether the "low credit risk assumption" will be applied to certain loans
6. Identify relevant forward-looking information and macro-economic factors
7. Identify appropriate sources of relevant forward-looking information and macro-economic factors
8. Incorporate forward-looking information and multiple scenarios in staging assessments of loans
9. Stage loans based on the forward-looking assessment of significant increase in credit risk
10. Determine the method to be used for measuring Expected Credit Losses
11. Determine the estimation period – the expected lifetime of the financial instrument
12. Establish the respective Probability of Default for loans in Stage 1 and Stage 2
13. Calculate the Exposure at Default
14. Identify relevant collateral and credit enhancements
15. Develop calculations for Loss Given Default (incorporating collateral and credit enhancements)
16. Incorporate forward-looking information and multiple scenarios in staging assessments of loans
17. Consider the time value of money and calculate Expected Credit Losses
18. Identify modifications that occurred during the period and determine if each modification results in derecognition or no derecognition
19. Calculate the modification gain or loss and include the modified loan (or new loan)
20. Establish and document the appropriate processes, internal controls and governance for estimating Expected Credit Losses (ECL)

The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements taken into consideration are as below;

Determining a significant increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3).Group will assess when a significant increase in credit risk has occurred based on quantitative and qualitative assessments.

The IFRS 9 requirements for the staging of loans is summarized in the two diagrams below

Diagram 1

Diagram 2

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

- Quantitative element

With the use of an internal scorecard or risk rating process, Letshego can assess significant increases in credit risk in their consumer Finance and Micro Finance portfolios. This involves setting thresholds for determining what constitutes a significant increase in credit risk as a loan moves along the rating scale. Once the scorecard or risk rating has been developed, the Letshego can then determine the PD associated with those ratings.

Two types of PDs are considered under IFRS 9:
o Twelve-month PDs – This is the estimated probability of a default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECL, which are applicable to Stage 1 financial instruments.
o Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used for the purpose of staging assessment and also then to calculate lifetime ECLs for Stage 2 and Stage 3 exposures.

- Qualitative Element

Accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

- Backstop Criteria

Accounts that are 30 calendar days or more past due. The 30 days past due criteria should be treated as a backstop rather than a primary driver of moving exposures into stage 2.

Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

Forward-looking information

The IFRS 9 measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9 requires the use of forward-looking factors, or predictive indicators, in the calculation of ECL, including the staging assessment.

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio).
Source of the forward looking information will vary from country to country and all macro economic factors used will be approved at high level by the credit committee . This will also be based on the correlation exercises done .

Definition of default, credit impaired assets, write-offs, and interest income recognition

Default is not defined under IFRS 9.The Group is responsible for defining this for themselves and it should be based upon its own definition used in the Group's internal risk management. Careful consideration of how default is defined is important as the definition impacts the calculation of PDs, LGDs and EADs, hence impacting the ECL results.
The simplest definition is that of failure to meet a scheduled payment of principal or interest, however, that definition has modifications depending upon the loan product. The definition of default has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators, e.g., breaches of covenants, when appropriate. Inability to pay may also be considered in making the qualitative assessment of default. Indications of inability to pay include:

o the credit obligation is placed on non-accrued status;
o the Group makes a specific provision or charge-off due to a determination the obligor's credit quality has declined (subsequent to taking on the exposure);
o the Group sells the credit obligation or receivable at a material credit related economic loss;
o the Group agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing;
o the Group has filed for the obligor's bankruptcy in connection with the credit obligation and
o the obligor has sought or been placed in bankruptcy resulting in the delay or avoidance of the credit obligation's repayment.

There is a rebuttable presumption within the standard that default does occur once a loan is more than 90 days past due, the Group has adopted this presumption.

Credit impaired is expected to be when the exposure has defaulted which is also anticipated to align to when an exposure is identified as individually impaired under the incurred loss model of IAS 39. Write-off polices are not expected to change from IAS 39.

Write-off polices are not expected to change from IAS 39.

Discounting

Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is that rate that is expected to apply when the loan is drawn down and a financial asset is recognised.

Modelling techniques

Expected credit losses (ECL) are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original effective interest rate. For the IFRS 9 impairment assessment, Group Impairment Models are used to determine the PD, LGD and EAD. For stage 2 and 3, Group applies lifetime PDs but uses 12 month PDs for stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Renegotiated loans treatment

Both performing and non-performing restructured assets are classified as stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as stage 2. The minimum probationary period is 6 months to move to cure state.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Below is a demonstration of how the Group has progressed in aligning its impairment methodology to IFRS 9:

Process	Group Progress %	Comment
Definition of Default	Complete	Group's definition of default set at greater than 90 days past due
Categorisation of loans	Complete	Categories: · Payroll – deduction from source · Payroll – non government · MSE – Secured /Unsecured · Mortgages (Collateralized /non- collateralized) · Informal sector
Staging assessment of loans	On-going	Work in progress . All restructured loans considered in staging assessment
PD	On-going	12 month PD completed for stage 1 . Lifetime PD that include forward looking elements are still being assessed .
LGD	On-going	Incorporation of macro economic factors still in progress Best estimate (e.g. no downturn bias, regulatory floors, collateral limits, etc.) are being assessed .
Sources of Forward looking and Macro Economic factors	On-going	We have identified key indicators for forward looking and have also identified macro economic indicators . These include; - Inflation rate - Economic growth - GDP - Unemployment rate - National Cost of living index - Money Supply - GDP per Capita - House Price Index etc.
Documentation of processes, internal controls and governance foe establishing ECL	On-going	We are still in the process of updating our documentation

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.2 Liquidity risk

Liquidity risk is the risk of financial loss to the Group arising from its inability to fund increases in assets and/or meet obligations as they fall due. The formality and sophistication of the Group's liquidity risk management processes reflect the nature, size and complexity of its activities. The Group has a thorough understanding of the factors that could give rise to liquidity risk and has put in place mitigating controls.

Liquidity risk framework and governance

The framework for managing liquidity risk is anchored on an effective board and senior management oversight, formulation of a liquidity strategy, adequate policies and procedures, effective internal controls and independent reviews, as well as a sound process for identifying, measuring, monitoring and controlling liquidity risk.

The Group does not treat liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors through the subsidiaries boards is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Head of Group ALM and Country Heads of Finance respectively with independent day to day monitoring being provided by Group Governance, Risk, Legal and Compliance functions.

Cash flow and maturity profile analysis

The table below analyses Group's financial liabilities into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2017

Contractual maturities of financial liabilities	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Total
Customer deposits	228,432	-	-	228,432
Cash collateral	27,319	-	-	27,319
Trade and other payables	192,317	-	-	192,317
Borrowings	2,279,069	1,745,272	976,302	5,000,643
	2,727,137	**1,745,272**	**976,302**	**5,448,711**

31 December 2016

Contractual maturities of financial liabilities	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Total
Customer deposits	107,696	-	-	107,696
Cash collateral	39,225	-	-	39,225
Trade and other payables	241,855	-	-	241,855
Borrowings	1,426,025	1,960,025	978,090	4,364,140
	1,814,801	**1,960,025**	**978,090**	**4,752,916**

Liquidity contingency plans

The Group's Liquidity Risk Management Policy which was enhanced during the year is supported by a robust Liquidity Contingency Plan. This is to ensure the Group's safety, soundness and compliance with regulatory requirements in countries in which it operates. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises relative to the size of the entity.

Liquidity stress testing

The Group's subsidiaries with deposit taking licenses are required to conduct stress testing on a regular basis to ensure that they have adequate liquidity to withstand stressed conditions. This is done in line with the local regulatory requirements in the countries in which the Group operates.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk exists wherever the Letshego Holdings Limited (the Group) or its subsidiary have trading, banking or investment positions.

The Group uses a collection of risk measurement methodologies to assess market risk that include loss triggers, repricing gap and traditional risk management measures. The Group's market risk is largely concentrated on foreign exchange, interest rate risk and from its investments.

Foreign exchange rate risk

Foreign exchange rate risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. The potential for loss arises from the process of revaluing foreign currency positions on both on- and off- balance sheet items, in Botswana Pula terms. This risk is largely concentrated at Group Level.

Foreign exchange gains for the year to December 2017 were P4m, which was a recovery from the prior foreign exchange loss of P18m in December 2016.The P4m gain resulted mainly from appreciation of the currencies that the group operates against the Botswana Pula and this was mainly driven by the South African Rand.

As at 31 December 2017 if the foreign currencies that the Group is exposed to had weakened or strengthened by 1% against the respective functional currencies with all other variables held constant, profit for the year would have been P8.6 million (2016: P7.6 million) higher / lower, mainly as a result of foreign exchange gains and losses on translation of foreign currency denominated assets and liabilities

Interest rate risk

Interest rate risk analysis is based on time to pricing and time to maturity. Interest rate risk arising from the Group's assets and liabilities remained within the Group's risk appetite during the year. The table below shows the Group's repricing gap as at 31 December 2017.

31 December 2017

Buckets	< 1 month	1 - 12 months	1 - 3 years	> 3 years	Total
Rate sensitive assets					
Short term investments	10,967	14,437	-	-	25,404
Loans and advances to customers	1,254	308,469	1,187,029	6,272,152	7,768,904
	12,221	322,906	1,187,029	6,272,152	7,794,308
Rate sensitive financial liabilities					
Customer deposits	65,043	162,485	904	-	228,432
Borrowings	1,387,850	1,623,883	423,522	549,352	3,984,607
	1,452,893	1,786,368	424,426	549,352	4,213,039
Gap	**(1,440,672)**	**(1,463,462)**	**762,603**	**5,722,800**	**3,581,269**
Cumulative Gap	**(1,440,672)**	**(2,904,135)**	**(2,141,531)**	**3,581,269**	

31 December 2016

Buckets	< 1 month	1 - 12 months	1 - 3 years	> 3 years	Total
Rate sensitive assets					
Short term investments	41,176	25,528	-	-	66,704
Loans and advances to customers	32,185	480,154	1,458,443	4,718,958	6,689,740
	73,361	505,682	1,458,443	4,718,958	6,756,444
Rate sensitive financial liabilities					
Customer deposits	55,542	52,073	81	-	107,696
Borrowings	1,783,246	512,149	586,029	512,692	3,394,116
	1,838,788	564,222	586,110	512,692	3,501,812
Gap	**(1,765,427)**	**(58,540)**	**872,333**	**4,206,266**	**3,254,632**
Cumulative Gap	**(1,765,427)**	**(1,823,967)**	**(951,634)**	**3,254,632**	

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.3 Market risk (continued)

Market risk framework and governance

The market risk framework outlines or discloses the methodology by which the Group identifies, measures, monitors, controls and reports on its market risk profile for every operation overseen by the Group. Effective board oversight of the Group's exposure to Market Risk is the cornerstone of an effective market risk management process. The Board and Senior Management understands the nature and level of market risk assumed by the Group and its subsidiaries and how this risk profile fits within the overall business strategies. The Group's Foreign Exchange Risk Policy was reviewed and approved by the Board during 2017.

The Board of Directors is ultimately accountable and approves the market risk appetite for all types of market risk. The Board delegated the effective management of market risk to the Group Risk Committee and Group Asset and Liability Management Committee. On a day-to-day basis, market risk exposures are managed by the Head of Group ALM and appropriate management reports are generated. Group Governance, Risk, Legal and Compliance function provides independent oversight.

Market risk measurement

Generally, measurement tools in use at any point in time are commensurate with the scale, complexity, and nature of business activities and positions held by the Group or its subsidiaries. The tools and techniques used to measure and control market risk include the repricing gap, scenario analysis on net interest income, stop loss limits and stress testing. In addition, the Group also performs ratio analysis on the key ratios of the Group and each subsidiary.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.3 Market risks (continued)

The following table shows the assets and liabilities of the Group in the respective currencies (Pula equivalent) at the reporting date.

31 December 2017	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	Mozambican Metical P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
Cash and cash equivalents	34,933	3,817	257,722	3,689	63,051	18,857	41,266	10,904	15,129	32,503	8,301	1,025	42,940	(41,816)	46	492,367
Advances to customers	-	370,227	1,929,665	403,344	473,445	301,682	1,013,373	515,807	42,835	53,603	346,365	-	-	2,318,558	-	7,768,904
Available-for-sale financial asset	-	-	-	-	-	-	-	-	-	-	-	-	-	53,591	-	53,591
Other receivables	-	12,578	97,502	346	6,882	10,126	13,458	5,972	2,810	2,867	3,397	-	-	45,667	-	201,605
Total assets	34,933	386,622	2,284,889	407,379	543,378	330,665	1,068,097	532,683	60,774	88,973	358,063	1,025	42,940	2,376,000	46	8,516,467
Customer deposits	-	-	71,843	-	68,987	-	11,949	-	28,351	24,110	23,192	-	-	-	-	228,432
Cash collateral	-	-	-	-	-	3,610	-	23,168	541	-	-	-	-	-	-	27,319
Borrowings	640,757	24,413	50,598	-	30,793	135,359	273,984	218,503	18,367	-	215,710	-	-	2,376,123	-	3,984,607
Trade and other payables	548	5,358	31,157	4,959	10,533	4,886	10,168	15,416	5,936	11,094	33,906	-	-	127,790	-	261,751
Total liabilities	641,305	29,771	153,598	4,959	110,313	143,855	296,101	257,087	53,195	35,204	272,808	-	-	2,503,913	-	4,502,109
Net exposure	(606,372)	356,851	2,131,291	402,420	433,065	186,810	771,996	275,596	7,579	53,769	85,255	1,025	42,940	(127,913)	46	4,014,358
Exchange rates at 31 December 2017 - mid: BWP 1.00 =	1.26	1.26	1.26	1.26	227.53	369.19	5.99	10.48	85.78	36.56	2.17	0.08	0.10	1.00	0.08	

31 December 2016	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	Mozambican Metical P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
Cash and cash equivalents	151	26,672	134,928	8,370	49,457	14,155	44,990	17,524	6,546	52,387	-	63	105	174,117	11	529,476
Advances to customers	-	226,053	1,667,943	408,811	487,715	307,482	724,852	409,042	164,239	51,405	-	-	-	2,242,198	-	6,689,740
Available-for-sale financial asset	-	-	-	-	-	-	-	-	-	-	-	-	-	53,591	-	53,591
Other receivables	-	8,857	33,372	107	982	8,018	25,629	4,795	3,386	2,692	-	-	-	78,879	-	166,717
Total assets	151	261,582	1,836,243	417,288	538,154	329,655	795,471	431,361	174,171	106,484	-	63	105	2,548,785	11	7,385,933
Customer deposits	-	-	-	-	36,109	-	4,961	-	26,595	40,031	-	-	-	-	-	107,696
Cash collateral	-	-	-	-	-	4,553	-	33,151	1,521	-	-	-	-	-	-	39,225
Borrowings	704,348	23,486	-	-	-	145,133	137,017	246,373	73,644	-	-	-	-	2,064,115	-	3,394,116
Trade and other payables	-	7,750	39,043	12,290	8,110	8,576	10,763	13,104	17,426	7,427	-	-	-	169,927	-	294,416
Total liabilities	704,348	31,236	39,043	12,290	44,219	158,262	152,741	292,628	119,186	47,458	-	-	-	2,234,042	-	3,835,453
Net exposure	(704,197)	230,346	1,797,200	404,998	493,935	171,393	642,730	138,733	54,985	59,026	-	63	105	314,743	11	3,550,480
Exchange rates at 31 December 2016 - mid: BWP 1.00 =	1.28	1.28	1.28	1.28	204.15	337.55	6.69	9.60	78.05	28.53	-	0.08	0.09	1.00	0.09	

1 FINANCIAL RISK MANAGEMENT (continued)

1.4 Operational risks

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk exists in all products and business activities.

These risks are managed by the Group through the following key measures:
• Effective Boards and Senior Management oversight at both Group and country level;
• Sound risk management practices that are in line with best practice and local regulations in the countries in which the Group operates;
• Effective segregation of duties across the footprint;
• Established processes in risk identification, assessment, controls and monitoring; and
• Fostering a better risk awareness culture.

Group's approach to managing operational risk

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

Operational risk framework and governance

The operational risk management framework provides the mechanism for the overall operational risk strategic direction and ensures that an effective operational risk management and measurement process is adopted throughout the Group.

The ultimate responsibility for operational risk management rests with the Board of Directors. To discharge this responsibility, the Group Risk Committee (GRC) understands the major aspects of the Group's operational risk as a distinct category of risk that should be managed and approves the operational risk strategy as part of a comprehensive risk management strategy for the Group. GRC meets on a quarterly basis to review all other major risks including operational risks. At Management level, the Group Risk Management Committee reviews and monitors significant operational risk events and ensure that the control environment is adequate to prevent recurrence.

The management and measurement of operational risk

The operational risk management framework includes qualitative and quantitative methodologies and tools to assist management to identify, assess and monitor operational risks and to provide management with information for determining appropriate controls and mitigating measures.

The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It ensures that before new solutions (products), activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment by the Group Innovation Management Committee.

The Group conducts risk assessments in line with the Group's risk appetite based on core processes. The Group Operational Risk Manual has been designed to cover the operational risk processes in detail and it seeks to embed a process by which key operational risk events, key causes and key controls are identified, assessed and reported in a consistent and structured manner within the Group.

The Group's Operational Risk Management framework comprises several elements of which the Risk and Control Self Assessments (RCSAs), Key Risk Indicators (KRI) and Incident Management (IM) are the primary components.

Risk and Control Self Assessments (RCSAs)

The purpose of the RCSA process is to identify and effectively manage operational risks that could jeopardise the achievement of business objectives. The RCSA process identifies the appropriate controls to mitigate risk, and allows the Group Support functions and subsidiaries to rate the level of inherent as well as residual risk taking consideration of the adequacy and effectiveness of controls.

Each year, an annual RCSA plan is approved for implementation. All key group and subsidiary functions are required to conduct RCSAs and all the risks identified logged in the risk registers for effective tracking and resolution.

Key Risk Indicators (KRIs)

Key Risk Indicators (KRI's) are defined by the Group as indicators that provide early warning of a change in risk exposure and highlight control weaknesses or potential failures. All Group Support functions and subsidiaries are required to establish relevant measures (qualitative and quantitative) which will enable them to regularly monitor their exposure to operational risk.

1 FINANCIAL RISK MANAGEMENT (continued)

1.4 Operational risks (continued)

Incident management

The Group continues to implement operational risk incident reporting in all its subsidiaries during the year. Operational risk incidents are collected, analysed, monitored and reported in accordance with the Group Incident Management Policy.

Business continuity management and Crisis Management

The Group continues to embed the Business Continuity Management (BCM) framework during the year to ensure that essential functions of the Group are able to continue in the event of an attack or adverse circumstances. BCM training covering all staff was conducted during the year via e-learning modules. The responsibility for testing business continuity plans and simulating crisis management plans at subsidiary level resides with the Country Management Committees.

Operational risk and Basel II implementation

The Group continues to enhance its risk management systems and processes as part of Basel II implementation in some of the deposit taking subsidiaries. In line with the nature of business and level of complexity of the Group's operations, some structures, processes and systems continue to be aligned to Basel II requirements.

1.5 Financial assets and liabilities measured at fair value and disclosed by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount					Fair value			
	Available-for-sale financial asset P'000	Fair value - through profit and loss P'000	Loans and receivables P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
31 December 2017									
Financial assets measured at fair value									
Available-for-sale-financial asset	53,591	-	-	-	53,591	-	-	53,591	53,591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	492,367	-	492,367				
Advances to customers	-	-	7,768,904	-	7,768,904				
Other receivables	-	-	168,344	-	168,344				
	-	-	8,429,615	-	8,429,615				
Financial liabilities measured at fair value									
Borrowings - interest rate swap	-	4,113	-	-	4,113	-	4,113	-	4,113
Financial liabilities not measured at fair value									
Trade and other payables		-	-	192,317	192,317				
Customer deposits		-	-	228,432	228,432				
Cash collateral		-	-	27,319	27,319				
Borrowings		-	-	3,980,494	3,980,494				
	-	-	-	4,428,562	4,428,562				

	Carrying amount					Fair value			
	Available-for-sale financial asset P'000	Fair value - through profit and loss P'000	Loans and receivables P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
31 December 2016									
Financial assets measured at fair value									
Available-for-sale financial asset	53,591	-	-	-	53,591	-	-	53,591	53,591
Other receivables - interest rate swap	-	1,245	-	-	1,245	-	1,245	-	1,245
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	529,476	-	529,476				
Advances to customers	-	-	6,689,740	-	6,689,740				
Other receivables	-	-	162,961	-	162,961				
	-	-	7,382,177	-	7,382,177				
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	241,855	241,855				
Customer deposits	-	-	-	107,696	107,696				
Cash collateral	-	-	-	39,225	39,225				
Borrowings	-	-	-	3,394,116	3,394,116				
	-	-	-	3,782,892	3,782,892				

The carrying amount of loans and receivables and items measured at amortised cost approximate their fair values.

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Financial assets and liabilities measured at fair value

Measurement of fair values

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

The following tables show the valuation techniques used in measuring fair values, as well as significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique		Significant unobservable inputs
Interest rate swap	Fair value cash flow	Level 2	Discount factor used to derive present value of cash flow (12.6%)
Available-for-sale financial asset	Since market values are not available from an observable market, as this is in private equity, the recent transaction price has been considered as an approximate to fair value	Level 3	Based on recent price per share

Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

1.6 Summary of all financial risks and potential impact

The table below summarises each of the risks raised in this note, along with the anticipated impact should the risks crystallise.

	31 December 2017 P'000	31 December 2016 P'000
Interest rate risk		
Average cost of borrowings	*11.8%*	*10.8%*
Effect of increase in average borrowing cost by 1%		
- increase in interest expense	40,101	30,813
Effect on profit before tax	*4.0%*	*3.3%*
Currency risk		
Effect of BWP appreciation by 1%		
- Effective movement in foreign exchange rates	8,640	7,579
- Effect on profit before tax	*0.9%*	*0.8%*

Summary

Impact of all above risks on profit before tax:

The impact of changes in variables in the opposing direction would be equal and opposite to the values shown above. The Group constantly evaluates these key risks through the process of governance, devises responses to risks as they arise, that are approved by the Group Management Committee and Board of Directors.

2 USE OF ESTIMATES AND JUDGMENTS

2.1 Impairment of advances to customers

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group regularly reviews its loan portfolio (note 5) and makes judgments in determining whether an impairment loss should be recognised in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and loss experience.

The key inputs into the model process requiring significant management judgement includes:
- The Probability of default (PD)
- The loss given default (LGD)
- Whether the loss event (that is the point at which impairment is recognised) had been identified in a timely manner and.
- The emergency periods between the impairment event occurring and an impairment charge being recognised.

The below summarises the sensitivity analysis on impairment losses as at 31 December 2017 for changes in LGD and PD :

	Existing impairment Provision	Impact on changes in LGD					
		(+) 5%			(-) 5%		
		Formal	Micro finance	Informal	Formal	Micro finance	Informal
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Southern Africa	180,760	16,751	503	-	(24,193)	(726)	-
East and West Africa	221,640	6,322	5,247	-	(16,893)	(14,020)	-
Total	**402,400**	**23,073**	**5,750**	**-**	**(41,086)**	**(14,746)**	**-**

	Existing impairment Provision	Impact on changes in PD					
		(+) 10%			(+) 10%		
		Formal	Micro finance	Informal	Formal	Micro finance	Informal
	P'000	P'000	P'000			P'000	P'000
Southern Africa	180,761	59,050	1,772	-	(177,035)	(5,311)	-
East and West Africa	221,640	150,214	124,664	-	(240,969)	(112,327)	-
Total	**402,400**	**209,264**	**126,436**	**-**	**(418,004)**	**(117,638)**	**-**

Therefore based on the above an increase in LGD or PD would have an adverse impact to Group profits.

2.2 Share-based payment transactions

The Group operates an equity settled conditional Long Term Incentive Plan (LTIP). The plan is now only based on non market conditions. These non market performance conditions are determined by the Remuneration Committee. The number of awards to vest are assessed and adjusted for the attrition in participants as well as the extent of achievement of those conditions at the reporting dates. The assumptions are that there will be an 60% vesting probability. Although based on historical experience, the estimated achievement of conditions is considered accurate.

Sensitivity analysis

The table below details the impact on the profit following a deviation from the 60% vesting probability.

	31 December 2017 P'000	31 December 2016 P'000
Impact of a 10% deviation	6,474	6,039
Impact of a 25% deviation	16,185	15,098
Impact of a 50% deviation	32,369	27,496

In the event that more than 60% of the shares vest the impact would be adverse to profit. In the event that less than 60% of the shares vest, the impact would be favourable to profit.

2.3 Deferred tax asset

The Group has recognised a deferred tax asset of P157 million (2016: P107 million) which arises from tax losses that are available to set-off against future taxable income and other deductible temporary differences. The Group expects to generate sufficient taxable profits to utilise the deferred tax assets based on historical probability trends, management's plan on future business prospects and through the use of various tax planning opportunities which are available to the Group. In addition the Group reviews the carrying amount of the deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Of the above deferred tax asset, P95 million (2016 : P62 million) relates to tax losses in respect of Letshego Holdings Limited (LHL). Tax losses in Botswana have to be utilised within five years from the year of origination. Tax planning strategies of the Group which include appropriate transfer pricing policies currently being implemented throughout the Group, show that LHL would generate adequate taxable income before these losses fall away. Refer to analysis below for Letshego Holdings Limited:

Movement of tax losses	31 December 2017 P'000	31 December 2016 P'000
Opening balance	61,564	41,478
Recognised during the year	41,044	20,086
Utilised during the year	(7,529)	-
Balance at the end of year	**95,079**	**61,564**

2.4 Income tax expense

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.5 Goodwill

As required by IAS 36 Impairment of assets, the goodwill was assessed for impairment at year end. This goodwill arose from acquisition of Letshego Holdings Namibia Limited, Letshego Tanzania Limited, Letshego Kenya Limited, Letshego Bank (T) Limited, Letshego Microfinance Bank Nigeria Limited and AFB Ghana Plc. For the purpose of assessing goodwill for impairment, the relevant entities are considered to be cash generating units. Such impairment assessment was done using a discounted cash flow model incorporating budgets approved by those charged with governance. Cash flows beyond the period covered by approved budgets were forecasted based on projected growth rates for the relevant cash generating unit. The evaluation was based on a three year forecast and terminal value.

The Group assessed the recoverable amount of goodwill, and determined that there was sufficient headroom and that goodwill was not impaired in respect of all cash generating units noted above. The recoverable amount of the cash generating units was determined with reference to the value in use. The growth rate is estimated based on past experience and anticipated future growth. The discount rate used is the weighted average cost of capital adjusted for specific risks relating to the entity.

The table below shows the discount and growth rates used in calculating the value in use of each cash generating unit:

	31 December 2017	
Entity	**Discount rates**	**Long term growth rates**
Letshego Holdings Namibia Limited	10%	2%
Letshego Tanzania Limited	15%	10%
Letshego Kenya Limited	12%	10%
Letshego Bank (T) Limited	14%	13%
Letshego Microfinance Bank Nigeria Limited	16%	10%
AFB Ghana Plc	17%	4%

3 Prior year adjustment

Letshego Holdings Limited ("LHL") pays withholding taxes ("WHT") in various tax jurisdictions from where it earns interest, management fees and other income. The Botswana Income Tax Act (the “Act”) allows LHL to claim these WHT as credits against income tax payable in Botswana arising from such foreign income.

LHL has claimed these WHT as credits in its income tax returns in Botswana for each of the years up to financial year ended 31 December 2016.For the financial years 2014, 2015 and 2016, the Botswana Unified Revenue Services (“BURS”) accepted these income tax returns and paid refunds to LHL in respect of such credits amounting to P15.5Mn, P43.1Mn and P59.7Mn respectively.

A recent review of LHL’s tax position found these WHT claims to be inconsistent with the Act. As a consequence, LHL has adjusted its financial statements.

Such adjustments are considered to be correction of errors in accordance with “IAS 8 Accounting policies, change in accounting estimates and errors". Consequently, these are now corrected with retrospective application as illustrated below:

Statement of financial position - extract	**At 31 Dec 2015 Audited - (as previously stated)**	**Increase / Decrease**	**At 31 Dec 2015 Restated**	**At 31 Dec 2016 Audited - (as previously stated)**	**Increase / Decrease**	**At 31 Dec 2016 Restated**
Balance Sheet	**P’000**	**P’000**	**P’000**	**P’000**	**P’000**	**P’000**
Other receivables - (note 6)	220,688	(43,103)	177,585	226,381	(59,664)	166,717
Total assets	**7,462,436**	**(43,103)**	**7,419,333**	**7,881,450**	**(59,664)**	**7,821,786**
Income tax payable	57,973	15,521	73,494	40,749	58,624	99,373
Total liabilities	**3,280,410**	**15,521**	**3,295,931**	**3,877,010**	**58,624**	**3,935,634**
Retained earnings	3,256,158	(58,624)	3,197,534	3,502,271	(118,288)	3,383,983
Total shareholders' equity	**4,182,026**	**(58,624)**	**4,123,402**	**4,004,440**	**(118,288)**	**3,886,152**

Statement of profit or loss and other comprehensive income - extract	**Year ended 31 Dec 2016 Audited - (as previously stated)**	**Increase / Decrease**	**Year ended 31 Dec 2016 Restated**
	P’000	**P’000**	**P’000**
Profit before taxation	947,570	-	947,570
Taxation	(277,836)	(59,664)	(337,500)
Profit for the year	**669,734**	**(59,664)**	**610,070**

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of 2.7 thebe per share.

	31 December 2017 P'000	31 December 2016 P'000
4 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	466,963	462,772
Short term investments	25,404	66,704
	492,367	**529,476**

Short term bank deposits constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest ranging between 1.0% - 5.0% per annum (31 December 2016: 1% - 5.0%). Cash at bank is held with reputable financial institutions with good credit standing.

5 ADVANCES TO CUSTOMERS

	31 December 2017 P'000	31 December 2016 P'000
Gross advances to customers	8,171,304	6,962,956
Less : impairment provisions - specific	(265,414)	(193,118)
: impairment provisions - portfolio	(136,986)	(80,098)
Net advances to customers	**7,768,904**	**6,689,740**
Maturity analysis		
Maturing within one year	659,045	480,402
Maturing after one year within five years	5,045,433	4,834,818
Maturing after five years	2,466,826	1,647,736
Total gross advances to customers	**8,171,304**	**6,962,956**

Certain advances to customers are pledged as security to borrowings as set out in note 15.

	31 December 2017 P'000	31 December 2016 P'000
Impairment of advances		
Balance at the beginning of the year	273,216	251,716
Impairment charge for the year	102,240	21,500
Impairment acquired through business combinations	26,944	-
Balance at the end of the year	**402,400**	**273,216**

An analysis of net advances by credit risk, including related impairment provisions, is contained in Note 1.3.1 to these financial statements.

	31 December 2017 P'000	31 December 2016 P'000
Charges to profit or loss		
Amounts written off	274,669	237,680
Recoveries during the year	(139,760)	(78,531)
Impairment adjustment	102,240	21,500
	237,149	**180,649**

6 OTHER RECEIVABLES

	31 December 2017 P'000	31 December 2016 P'000
Deposits and prepayments	33,073	34,535
Receivable from insurance arrangements	141,722	78,172
Withholding tax and value added tax	188	2,511
Other receivables	26,622	51,499
	201,605	**166,717**

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

7 PROPERTY, PLANT AND EQUIPMENT

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & building P'000	Work in progress P'000	Total P'000
Balance at 1 January 2016	5,655	44,556	59,665	18,544	867	129,287
Additions	568	5,924	6,000	-	4,852	17,344
Transfers	-	-	-	-	(867)	(867)
Disposals	(257)	(421)	(140)	-	-	(818)
Forex translation	(29)	(1,131)	(680)	1,174	-	(666)
Balance at 31 December 2016	**5,937**	**48,928**	**64,845**	**19,718**	**4,852**	**144,280**
Accumulated depreciation						
Balance at 1 January 2016	3,723	28,153	20,813	568	-	53,257
Charge for the year	754	10,690	9,362	578	-	21,384
Disposals	(257)	(421)	(140)	-	-	(818)
Forex translation	(44)	(3,786)	(1,761)	14	-	(5,577)
Balance at 31 December 2016	**4,176**	**34,636**	**28,274**	**1,160**	**-**	**68,246**
Net book value at 31 December 2016	**1,761**	**14,292**	**36,571**	**18,558**	**4,852**	**76,034**

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & building P'000	Work in progress P'000	Total P'000
Balance at 1 January 2017	5,937	48,928	64,845	19,718	4,852	144,280
Additions	2,080	15,678	10,771	-	7,268	35,797
Business combination - acquisition	4,073	2,035	7,202	-	-	13,310
Transfers	-	-	-	-	-	-
Disposals	(125)	(1,132)	(2,231)	-	(255)	(3,743)
Forex translation	(3,520)	(3,615)	(11,708)	(1,293)	5,403	(14,733)
Balance at 31 December 2017	**8,445**	**61,894**	**68,879**	**18,425**	**17,268**	**174,911**
Accumulated depreciation						
Balance at 1 January 2017	4,176	34,636	28,274	1,160	-	68,246
Business combination - acquisition	1,411	1,184	2,504	-	-	5,099
Charge for the year	1,435	10,484	11,236	9	-	23,164
Disposals	27	(780)	(650)	-	-	(1,403)
Forex translation	(2,081)	(2,910)	(6,145)	(1,120)	-	(12,256)
Balance at 31 December 2017	**4,968**	**42,614**	**35,219**	**49**	**-**	**82,850**
Net book value at 31 December 2017	**3,477**	**19,280**	**33,660**	**18,376**	**17,268**	**92,061**

8 INTANGIBLE ASSETS

Cost	Computer Software P'000	Brand value P'000	Core deposit P'000	Total P'000
Balance at 1 January 2016	73,145	1,186	10,472	84,803
Additions	2,097	-	-	2,097
Transfer from work in progress	867	-	-	867
Disposals	(83)	-	-	(83)
Forex translation	(1,189)	-	-	(1,189)
Balance at 31 December 2016	**74,837**	**1,186**	**10,472**	**86,495**
Accumulated amortisation				
Balance at 1 January 2016	23,491	-	-	23,491
Charge for the year	5,043	837	875	6,755
Disposals	(83)	-	-	(83)
Forex translation	(376)	349	3,750	3,723
Balance at 31 December 2016	**28,075**	**1,186**	**4,625**	**33,886**
Net book value at 31 December 2016	**46,762**	**-**	**5,847**	**52,609**

Cost	Computer Software P'000	Brand value P'000	Core deposit P'000	Total P'000
Balance at 1 January 2017	74,837	1,186	10,472	86,495
Additions	6,928	-	-	6,928
Business combination - acquisition	5,315	3,749	-	9,064
Transfer from work in progress	-	-	-	-
Disposals	-	-	-	-
Forex translation	(8,172)	(430)	(1,374)	(9,976)
Balance at 31 December 2017	**78,908**	**4,505**	**9,098**	**92,511**
Accumulated amortisation				
Balance at 1 January 2017	28,075	1,186	4,625	33,886
Charge for the year	8,565	489	582	9,636
Business combination - acquisition	1,711	-	-	1,711
Transfer from work in progress	-	-	-	-
Disposals	-	-	-	-
Forex translation	(8,062)	-	-	(8,062)
Balance at 31 December 2017	**30,289**	**1,675**	**5,207**	**37,171**
Net book value at 31 December 2017	**48,619**	**2,830**	**3,891**	**55,340**

The additions to brand value relates to Ghana which was acquired in 2017 and amortised over its expected useful life of 7 years. Core deposit is amortised over its useful life of 8 years.

	31 December 2017 P'000	31 December 2016 P'000
9 AVAILABLE-FOR-SALE FINANCIAL ASSET		
Investment	**53,591**	**53,591**

The Group acquired 3.1% shareholding in a financial services organisation.The fair value of this investment at year end does not materially vary to its carrying value, hence no fair value gains or losses were recognised in the year.

10 GOODWILL	31 December 2017 P'000	31 December 2016 P'000
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	24,336	23,846
Letshego Tanzania Limited	1,781	1,985
Letshego Kenya Limited	30,245	32,998
Letshego Bank (T) Limited	14,250	15,882
Letshego Microfinance Bank Nigeria Limited	42,684	54,697
AFB Ghana Plc	8,984	-
	122,280	**129,408**
Movement in goodwill		
Balance at the beginning of the year	129,408	170,868
Goodwill on acquisition of AFB Ghana Plc	10,204	-
Effect of exchange rate changes on cash and cash equivalents	(17,332)	(41,460)
Balance at the end of the year	**122,280**	**129,408**

11 BUSINESS COMBINATIONS

Acquisition of AFB (Ghana) Plc

Letshego acquired 100% shareholding in AFB Ghana Plc a deduction at source business lending to Government employees with a deposit taking license during January 2017. The financial results of AFB Ghana have therefore been included in these results for the year ended 31 December 2017 for the first time. The purchase consideration was P91m. AFB Ghana has over 42,000 customers, 233 members of staff and 25 customer access points. It contributed P119m to Group revenues, P36 million to the pre-tax profits, and its loans to customer's portfolio was P346 million at end December 2017.

	AFB Ghana Plc P'000
Purchase consideration	
Cash paid	**90,719**
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash and cash equivalents	25,864
Advances to customers (note 11.1)	226,274
Prepayment and Other Assets	3,886
Property, plant and equipment	8,211
Intangible assets - Software	3,604
Deferred tax asset	1,025
Brand value	3,749
Trade and other payables	(3,787)
Income tax payable	(6,821)
Borrowings	(181,490)
Net identifiable assets acquired	**80,515**
Add: Goodwill	10,204
Total	**90,719**

The goodwill is attributable to acquired customer base, economies of scale and synergies expected from combining operations. This will not be deductible for income tax purposes. However the above Goodwill of P10.2 million has been revalued to reflect the impact of changes in foreign currencies using the reporting date exchanges rate and the translated amount is as reflected in (note 10) and the forex impact was P1.2 million.

11.1 Advances to customers

The fair value of acquired advances to customer is P226 million. The gross contractual receivable amount is P249 million of which P23 million is expected to be impaired.

12 CUSTOMER DEPOSITS	31 December 2017 P'000	31 December 2016 P'000
Demand accounts	23,069	15,439
Savings accounts	74,674	45,368
Call and term deposits	130,689	46,889
	228,432	**107,696**

These are deposits from customers and are short-term in nature.

		31 December 2017 P'000	31 December 2016 P'000
13	**TRADE AND OTHER PAYABLES**		
	Trade and other payables	210,809	256,548
	Staff incentive accrual (note 13.1)	50,942	37,868
		261,751	**294,416**

Due to the short-term nature of the trade payables, their carrying amount is considered to be the same as their fair value.

13.1	**Movement in staff incentive accrual**		
	Balance at the beginning of the year	37,868	38,788
	Current period charge (note 22)	51,174	30,971
	Paid during the year	(38,100)	(31,891)
	Balance at the end of the year	**50,942**	**37,868**
14	**CASH COLLATERAL**		
	Balance at the beginning of the year	39,225	44,667
	Utilised / received during the year	(11,906)	(5,442)
	Closing balance	**27,319**	**39,225**

Cash collateral represents payments made by loanees as security for loans taken. In accordance with the loan agreements, the amounts are refundable upon the successful repayment of loans by loanees and at the time a loanee leaves the loan scheme. The amounts are utilised to cover loans in the event of default. This relates only to Letshego Kenya, Rwanda and Uganda subsidiaries.

		31 December 2017 P'000	31 December 2016 P'000
15	**BORROWINGS**		
	Commercial banks	1,684,654	1,318,452
	Note programmes	1,910,428	1,587,943
	Development Financial Institutions	253,703	331,715
	Pension funds	135,822	156,006
	Total borrowings	**3,984,607**	**3,394,116**
	Maturity analysis		
	Maturing within one year	1,840,416	1,085,810
	Maturing after one year within five years	1,807,837	1,970,952
	Maturing after five years	336,354	337,354
	Total borrowings	**3,984,607**	**3,394,116**
	Movement in borrowings		
	Balance at the beginning of the year	3,394,116	2,768,412
	Finance obtained from third parties	1,039,889	1,435,734
	Repayment of borrowings	(607,853)	(678,460)
	Borrowing acquired through business acquisition	181,490	-
	Effect of exchange rate changes on cash and cash equivalents	(23,035)	(131,570)
	Balance at the end of the year	**3,984,607**	**3,394,116**

Note programmes

The Group has issued medium term note programmes of P1.9 billion (2016 1.6 billion) of which P630 million are listed on the Johannesburg Stock Exchange, P300 million on the Botswana Stock Exchange and P201 million on the Ghana Stock exchange at the reporting date .

Security

Pula 2.14 billion (31 December 2016 P1.75 billion) of the borrowings is secured by the advances to customers of:
- Letshego Micro Financial Services (Namibia) (Pty) Limited
- Letshego Financial Services (Pty) Limited (Botswana)
- Letshego Financial Services Swaziland (Pty) Limited

The aggregated net advances to customers of the above is P4.36 billion (31 December 2016: P3.3 billion, prior year excludes Swaziland which was only added in the 2017 financial year) by way of a Security Sharing Agreement.

The Group Security Sharing agreement has the following covenants:
- Bad debts ratio
- Cash collection ratio
- Capitilisation ratio and,
- Secured property ratio.

The Group has complied with all the above debt covenants for both current and prior period.

Pula 282 million (31 December 2016 P398 million) relates to loans that are secured by a corporate guarantee from Letshego Holdings Limited.

Interest rate

Pula 2.3 billion (31 December 2016: 2.1 billion) of the borrowings are at fixed interest rates. Pula 1.6 billion (31 December 2016: 1.3 billion) are loans issued at variable interest rates, linked to each country's prime lending rate.

Interest rate swap

The company entered into an interest rate swap agreement with a Botswana financial institution under which it makes periodic payments on its behalf at an agreed period of time based on a nominal amount of ZAR 335 million. This swap allows for conversion of ZAR floating rate liability into a ZAR fixed rate liability. The interest rate swap hedges the variable factor of the interest coupons payable on the medium term note programme listed on the Johannesburg Stock Exchange.

Letshego Holdings Limited pays the coupon interest on these bonds every quarter and the counter party for the swap will settle the difference on the fixed rate per swap and the variable coupon payment. Management evaluate the effective cash flow and applicable payments on the bond coupon and discounts these to calculate the fair value of the interest rate swap. The fair value at 31 December 2017 is (P4.113 million) (31 December 2016: P1.245 million) and any movements are recognised through profit or loss.

16 STATED CAPITAL

	31 December 2017 P'000	31 December 2016 P'000
Issued and fully paid :		
2,144,045,175 ordinary shares of no par value (2016: 2,134,763,925)	**849,845**	**875,639**
Number of shares at the beginning of the year ('000)	2,134,764	2,184,901
Share buy back ('000)	-	(52,782)
Shares issued during the year ('000)	9,281	2,645
Number of shares at the end of the year ('000)	**2,144,045**	**2,134,764**

In terms of the Group LTIP (note 18), shares with a value of P22.274 million (2016: P5.422 million) vested at Group level. This increased the number of shares in issue by 9.281 million shares (2016: 2.645 million shares).

In October 2017, 24,400,000 ordinary shares were repurchased by the company at an average price of P1.97 per share amounting to P48.07 million and these are currently being held as treasury shares and therefore included in the number of shares above.

In the prior period 52,782,546 ordinary shares were repurchased by the company at an average price of P2.26 per share amounting to P119.27 million, and these were subsequently cancelled.

Every shareholder shall have one vote for every share held subject to the rights of the holders of any shares entitled to any priority, preference or special privileges. All dividends shall be declared and paid to the members in proportion to the shares held by them respectively.

CAPITAL MANAGEMENT

The group monitors its debt to equity ratio and return on equity as key metrics of capital management.

The Group's objectives when managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial position, are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group's capital consists of shareholders' funds (stated capital and reserves) and long term borrowings. The Group monitors the adequacy of its capital using internally measured benchmarks such as capital adequacy, return on equity, debt to equity and forecasts of asset and profitability performance. These measures are broadly in line with, or more stringent than, industry norm. A risk based approach is also adopted whereby balances with counterparties are required to be supported by capital to a greater extent than other internally held assets.

	31 December 2017	Restated 31 December 2016
Capital adequacy ratio	43%	46%
Return on equity	17%	15%
Debt to equity	93%	87%

Certain subsidiaries are regulated for capital requirements by the respective in-country regulators. Group maintains sufficient capital in its subsidiaries in order to meet the requirements of local jurisdictions. These are monitored constantly and actions are taken as an when required. During the year the subsidiaries have complied with the capital requirements.

17 LEGAL RESERVE

	31 December 2017 P'000	31 December 2016 P'000
Balance at the beginning of the year	32,189	22,178
Movement for the period – allocated from retained earnings	7,418	10,011
Balance at the end of the year	**39,607**	**32,189**

Legal reserve relates to Letshego Financial Services Mozambique. Central Bank regulation in Mozambique is that the company is required to transfer 15% of its annual profit to the legal reserve until the reserve is equal to its share capital. This is a non-distributable reserve but may be used to increase capital.

18 SHARE INCENTIVE SCHEME

Shares granted in terms of the Long Term Incentive Plan (LTIP) may not exceed 10% of the issued ordinary shares of the holding company. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.

As at 31 December 2017, 46 347 400 total awards were outstanding (31 December 2016: 40,433,300) at grant date share prices of P2.39 , P2.50 and P2.13 for 2015, 2016 and 2017 awards respectively (31 December 2015: P2.40, P2.39 and P2.50 for 2014, 2015 and 2016 awards respectively).

	31 December 2017		31 December 2016	
Reconciliation of outstanding awards	**Fair values**	**No. of awards**	**Fair values**	**No. of awards**
Outstanding at the beginning of the period	P2.40/P2.39/P2.50	40,433,300	P1.87/P2.40/P2.39	30,553,014
Granted during the year	P2.13	22,290,000	P2.50	18,818,100
Exercised during the year	P2.40	(9,281,250)	P2.05	(2,644,775)
Forfeited due to not meeting performance	P2.40	(1,968,750)	P2.05	(2,707,239)
Forfeited due to resignations	P2.39/P2.50/P2.13	(5,125,900)	P2.40/P2.39/P2.50	(3,585,800)
Outstanding at the end of the year	**P2.39/P2.50/P2.13**	**46,347,400**	**P2.40/P2.39/P2.50**	**40,433,300**

The amounts outstanding at 31 December 2017 and 31 December 2016 have average vesting periods of 3,15 and 27 months. The expense recognised during the period is disclosed in note 22.

The vesting conditions for the Group's Long Term Incentive Plan is premised on non-market performance conditions. No specific market conditions are applied. Accordingly the share price of Letshego Holdings Limited shares (as quoted on the Botswana Stock Exchange) is used as the fair value of the share options granted.

The fair value of the services received in return for the share options granted is based on the fair value of the share options granted, measured using the Botswana Stock Exchange closing price of the Groups shares at the grant date.

		31 December 2017 P'000	31 December 2016 P'000
19	**INTEREST INCOME**		
	Advances to customers	2,235,902	1,952,410
	Other - deposits with banks	16,734	10,719
		2,252,636	**1,963,129**
20	**INTEREST EXPENSE**		
	Overdraft facilities and term loans	474,798	334,407
	Foreign exchange (gain) / loss	(4,168)	17,955
		470,630	**352,362**
21	**FEE AND COMMISSION INCOME**		
	Administration fees - lending	31,328	21,235
	Credit life insurance commission	7,268	3,382
		38,596	**24,617**
21.1	**OTHER OPERATING INCOME**		
	Early settlement fees	34,390	51,565
	Income from insurance arrangements	182,379	146,659
	Sundry income	17,400	11,500
		234,169	**209,724**
22	**EMPLOYEE BENEFITS**		
	Salaries and wages	268,326	234,347
	Staff incentive (note 13.1)	51,174	30,971
	Staff pension fund contribution	13,961	14,611
	Directors' remuneration – for management services (executive)	8,317	7,535
	Long term incentive plan	25,279	21,552
		367,057	**309,016**

		31 December 2017 P'000	31 December 2016 P'000
23	**OTHER OPERATING EXPENSES**		
	Accounting and secretarial fees	2,197	2,377
	Advertising	18,755	24,419
	Audit fees - audit services	4,148	3,364
	Audit - tax advisory services	361	170
	Audit - covenant compliance fees	507	300
	Audit - other services	273	180
	Bank charges	7,599	6,715
	Computer expenses	19,948	13,100
	Consultancy and professional fees	40,747	29,305
	Corporate social responsibility	5,895	1,973
	Depreciation and amortisation	32,800	28,139
	Directors' fees – non executive	6,887	6,905
	Direct cost	69,703	97,576
	Government levies	14,693	10,796
	Insurance	11,919	8,608
	Office expenses	19,649	22,811
	Operating lease rentals - property	48,864	36,784
	Other operating expenses	82,575	67,502
	Payroll administration costs	2,161	1,060
	Telephone and postage	22,253	13,653
	Travel	35,018	32,136
		446,952	**407,873**

		31 December 2017 P'000	Restated 31 December 2016 P'000
24	**TAXATION**		
	Amounts recognised in profit or loss		
	Company taxation		
	- Basic taxation	302,405	317,995
	- WHT tax credits adjustments	64,149	59,664
	- Origination and reversal of temporary differences	(44,187)	(40,159)
		322,367	**337,500**
24.1	**Deferred taxation**		
	Balance at the beginning of the year	106,153	65,994
	Business combination - acquisition (note 11)	1,025	-
	Current year movement	44,187	40,159
	Balance at the end of the year	**151,365**	**106,153**
	Deferred tax assets	156,655	106,961
	Deferred tax liabilities	(5,290)	(808)
		151,365	**106,153**

The Group expects to generate sufficient taxable profits to utilise the deferred tax asset based on historical profitability trends and management judgement on future business prospects.

	31 December 2017 P'000	Restated 31 December 2016 P'000
Deferred taxation arises from temporary differences on the following items:		
Property and equipment	1,333	3,487
Share based payment provision	8,002	6,519
Staff incentive provision	9,158	8,455
General impairment provision	35,165	17,106
Taxation losses	101,325	74,971
Deferred rent provision	(63)	265
Leave pay provision	1,780	823
Severance pay	91	(340)
Deferred income / (expenditure)	(6,810)	(1,601)
Prepayments	(1,176)	(1,454)
Unrealised exchange gains	2,560	(2,078)
	151,365	**106,153**

		31 December 2017 P'000	Restated 31 December 2016 P'000
24.2	Reconciliation of current taxation		
	Profit before taxation	1,003,613	947,570
	Tax calculated at Botswana statutory rate of 22%	220,795	208,465
	Foreign income taxed at 15%	11,092	46,671
	Effect of tax rates in foreign jurisdictions	55,615	48,067
	Expenses and revenues not deductible for tax purposes	(39,136)	(25,367)
	WHT tax credits adjustments - note 3	64,149	59,664
	Under / over provision in respect of prior year	9,852	-
		322,367	**337,500**

25 EARNINGS PER SHARE

The calculation of basic earnings per share is based on after taxation earnings attributable to equity holders of the parent and the weighted average number of shares in issue during the period as follows:

	31 December 2017 P'000	Restated 31 December 2016 P'000
Earnings attributable to ordinary equity holders	**637,663**	**568,145**
Number of shares:		
At beginning of period	2,134,763,925	2,184,901,697
Effect of share buy back (31 December 2017 - 24 400 000 ; 31 December 2016 - 52 782 546)	(5,548,493)	(15,091,241)
Effect of shares issued (31 December 2017 - 9 281 250 shares ; 31 December 2016 - 2 644 774 shares)	7,780,993	2,253,492
Weighted number of shares at end of period	2,136,996,425	2,172,063,948
Basic earnings per share (thebe)	**29.8**	**26.2**

The calculation of diluted earnings per share is based on after taxation earnings attributable to equity holders and the weighted average number of shares in issue during the year, adjusted for the effects of dilutive potential ordinary shares as follows:

Number of share:		
Weighted number of shares at end of period	2,136,996,425	2,172,063,949
Dilution effect - number of shares (note 18)	46,347,400	40,433,300
	2,183,343,825	2,212,497,249
Diluted earnings per share (thebe)	**29.2**	**25.7**

26 DIVIDEND PAID

		31 December 2017 P'000	31 December 2016 P'000
Previous year final dividend paid during the year		139,363	174,806
Interim dividend paid		182,244	196,879
Total dividend paid to equity holders		**321,607**	**371,685**
Dividends per share : Interim (thebe)	- paid	8.5	9.0
: Final (thebe)	- proposed	9.0	6.5
: *Special dividend (thebe)	- proposed	4.1	n/a

*The Board has recommended a special dividend of 4.1 thebe per share as distribution of the proceeds from the Namibia IPO to its Shareholders.

27 SEGMENT INFORMATION

Following the introduction of the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Managing Director (the Chief Operating Decision-Maker), who is responsible for allocating resources to the reportable segments and assessing performance. Operating segments are reviewed and reported geographically to the CODM. All reported segments used by the Group meet the definition of a reportable segment.

The Group operates in eleven countries, namely Botswana, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda.

The activities of individual country segments that are not individually quantitatively significant, but have similar economic characteristics (nature of services rendered, class of customers, distribution methodology and similarity in regulatory requirements) have been aggregated into:

- Other Southern Africa includes : Lesotho and Swaziland
- Other East Africa includes: Kenya, Rwanda and Uganda
- West Africa includes: Nigeria and Ghana

Accordingly, The Group's reportable segments are as follows: Botswana, Namibia, Mozambique, Other Southern Africa, Tanzania, Other East Africa, West Africa and Holding company.

27 SEGMENT INFORMATION (continued)

Reportable segments

31 December 2017	Botswana	Namibia	Mozambique	Other Southern Africa	Tanzania	Other East Africa	West Africa	Holding company	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	**598,626**	**526,329**	**166,536**	**141,547**	**214,443**	**257,255**	**154,648**	**(4,613)**	**2,054,771**
Profit before taxation	461,435	435,894	74,963	99,584	48,382	12,259	38,494	(167,398)	1,003,613
Taxation - consolidated									**(322,367)**
Profit - consolidated									**681,246**
Gross Advances to customers	2,466,433	1,940,065	1,026,944	782,485	573,252	947,884	434,241	-	8,171,304
Impairment provisions	(147,875)	(10,400)	(13,571)	(8,914)	(99,807)	(87,560)	(34,273)	-	(402,400)
Net Advances	**2,318,558**	**1,929,665**	**1,013,373**	**773,571**	**473,445**	**860,324**	**399,968**	**-**	**7,768,904**
Borrowings	**546,878**	**791,365**	**338,074**	**512,109**	**33,781**	**509,158**	**218,779**	**1,034,463**	**3,984,607**

31 December 2016	Botswana	Namibia	Mozambique	Other Southern Africa	Tanzania	Other East Africa	West Africa	Holding company	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	**635,432**	**427,204**	**154,441**	**108,385**	**194,370**	**251,632**	**45,696**	**27,948**	**1,845,106**
Profit before taxation	467,153	350,839	106,681	71,941	89,797	42,566	(8,254)	(173,153)	**947,570**
Taxation - consolidated - Restated									**(337,500)**
Profit - consolidated - Restated									**610,070**
Gross Advances to customers	2,388,575	1,668,796	740,420	637,064	532,217	942,873	53,011	-	6,962,956
Impairment provisions	(146,377)	(853)	(15,568)	(2,200)	(44,502)	(62,110)	(1,606)	-	(273,216)
Net Advances	**2,242,198**	**1,667,943**	**724,852**	**634,864**	**487,715**	**880,763**	**51,405**	**-**	**6,689,740**
Borrowings	**749,907**	**640,011**	**178,450**	**452,413**	**29,945**	**664,634**	**-**	**678,756**	**3,394,116**

28 RELATED PARTY TRANSACTIONS

Relationships:

Letshego Holdings Limited	Parent Company
Subsidiaries	Refer to note 32

The Group identifies a related party if an entity or individual:

- directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the entity (this includes parent companies and subsidiaries);
- has an interest in the entity whether it gives it significant control or not;
- has control over the entity;
- is an associate company, joint venture or is jointly controlled; or
- is a member of key management personnel of the Group. Key management personnel comprise the executive directors.

28.1 Related party transactions

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

		31 December 2017 P'000	31 December 2016 P'000
28.2	**Compensation paid to key management personnel (executive directors)**		
	Paid during the period		
	- Short-term employee benefits	8,317	7,535
		8,317	**7,535**

In terms of the Long Term Incentive Scheme 1,202,511 ordinary shares vested to ACM Low and 614,692 ordinary shares vested to C Patterson, for no consideration, during March 2018 that related to the 31 December 2017 financial year end. In the prior period, 2,021,250 and 990,000 ordinary shares vested to ACM Low and C Patterson respectively, during March 2017 that related to the 31 December 2016 financial period.

29 OPERATING LEASE COMMITMENTS

The group operates a number of branches and office premises under operating lease. Lease payments are generally increased annually to reflect the market rentals. The future minimum lease payments under non-cancellable building operating leases are as follows:

	31 December 2017 P'000	31 December 2016 P'000
No later than 1 year	18,720	27,640
Later than 1 year and no later than 5 years	22,291	39,931
Later than 5 years	-	307
	41,011	**67,878**

30 CAPITAL COMMITMENTS

Authorised by the directors:		
- Not contracted for	**106,181**	**129,000**

The above commitments are wholly in respect of capital expenditure and funds to meet these will be provided from the Group's internal resources.

31 SUBSEQUENT EVENTS

Dividend declaration

A second and final dividend of 9.0 thebe per share and a special dividend of 4.1 thebe per share as distribution of the proceeds from the Namibian IPO were both declared on the 9 March 2018 and both relate to 31 December 2017.

There were no other material changes in the affairs of the Group between the 31 December 2017 year end and the date of the approval of these financial statements.

32 INVESTMENTS IN SUBSIDIARY COMPANIES

The Group determines control over any operating entity largely by virtue of power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power over the investee to effect the amount of the investor's returns.

Details of subsidiaries of the Group are shown below:

Subsidiary company	Country of incorporation	Nature of business	31 December 2017 % holding	31 December 2016 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100	100
AFB Ghana (Plc)	Ghana	Unsecured consumer lending and deposit licensed	100	-
Letshego Kenya Limited	Kenya	Group lending, MSE and unsecured consumer lending	100	100
Letshego Financial Services Lesotho	Lesotho	Unsecured consumer lending	95	95
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending and deposit licensed	98	98
Letshego Holdings Namibia Limited	Namibia	Unsecured consumer lending and deposit licensed	78	85
ERF 8585 (Pty) Limited	Namibia	Property	100	100
Letshego Microfinance Bank Nigeria (Proprietary) Limited	Nigeria	Unsecured consumer lending and deposit licensed	100	100
Letshego Financial Services Swaziland Limited	Swaziland	Unsecured consumer lending	85	85
Letshego Tanzania Limited	Tanzania	Unsecured consumer lending	100	100
Letshego Bank (T) Limited	Tanzania	Unsecured consumer lending and deposit licensed	75	75
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85	85
Letshego South Africa Limited	South Africa	Support services	100	100
Letshego Mauritius Limited	Mauritius	Unsecured consumer lending and deposit licensed	100	100

Group Structure

The Group has introduced an intermediate holding company structure in Mauritius and over time, the Group subsidiary companies are expected to be moved to that ownership structure. This will not result in any change in the ultimate ownership of the subsidiaries but will allow for a more tax efficient movement of dividends within the Group.

32.1 Sales of interest in Letshego Holdings Namibia Limited

On 28 September 2017 Letshego Holdings Namibia Limited (LHN) was successfully listed on the Namibia Stock exchange (NSX) and Group disposed of 7% interest out of the 85% interest held in LHN for a net consideration of P87 million. The effect of changes in the interest of LHN on the equity attributable to owners of Group during the year is summarised as follows:

	31 December 2017 P'000
Consideration received from the sale of interest	87,478
Carrying amount of non-controlling interests disposed	(70,791)
Excess of consideration received recognised in Group's equity	**16,687**

32.2 Non-controlling interest (NCI)

Set out below is summarised financial information for Letshego Holdings Namibia Limited, which has a material non-controlling interest to the Group. The amounts disclosed are before inter-company elimination.

Summarised balance sheet	31 December 2017 P'000	31 December 2016 P'000
Assets	2,305,740	1,847,379
Liabilities	1,085,179	875,608
Net assets	**1,220,561**	**971,771**
Accumulated non-controlling interest	262,937	145,766
Summarised statement of comprehensive income		
Revenue	527,312	445,068
Profit for the year	307,386	246,629
Profit allocated to non-controlling interest	**51,468**	**36,994**
Summarised cash flows		
Cash flows from operating activities	178,822	183,427
Cash flows used in investing activities	(93,786)	(2,300)
Cash flows from / (used) in financing activities	45,562	(97,318)
	130,598	**83,809**

Significant restrictions
The Group does not have significant restrictions on its ability to access or use its assets to settle liabilities.

33 INVOLVEMENT WITH UNCONSOLIDATED ENTITIES

The table below shows the types of entities that the Group does not consolidate but in which it holds an interest:

Type	Nature and purpose	Interest held by the Group	Total net assets P'000
Comprehensive insurance through cell captive arrangement ("cell captive")	To mitigate against the Group's credit risk in Mozambique and Namibia	The cell captive declare dividends to Group	74,916

The cell captive is not consolidated as the Group does not have control over these entities. The net assets of the cell captive are included in other receivables and payables (note 6 and note 13). There are no significant risks, nor expected changes therein, associated with the Group's interest in the cell captive.

LETSHEGO HOLDINGS LIMITED

FIVE YEAR FINANCIAL HISTORY

STATEMENTS OF FINANCIAL POSITION

	2017 December P'000	Restated 2016 December P'000	Restated 2015 December P'000	Restated 2014 December P'000	2014 January P'000
Assets					
Cash and cash equivalents	492,367	529,476	526,290	320,544	310,525
Advances to customers	7,768,904	6,689,740	6,311,678	5,686,796	4,427,757
Short term investments	-	-	-	-	66,565
Other receivables	201,605	166,717	177,585	135,582	35,346
Income tax receivable	17,967	17,250	27,570	11,178	-
Available-for-sale financial asset	53,591	53,591	-	-	-
Property, plant and equipment	92,061	76,034	76,030	51,762	53,988
Intangible assets	55,340	52,609	61,312	45,592	6,117
Goodwill	122,280	129,408	170,868	55,250	55,250
Deferred tax assets	156,655	106,961	68,000	25,866	14,617
Total assets	**8,960,770**	**7,821,786**	**7,419,333**	**6,332,570**	**4,970,165**
Liabilities					
Customers deposits	228,432	107,696	154,495	3,995	-
Deposits from banks	-	-	77,364	-	-
Cash collateral	27,319	39,225	44,667	41,692	42,293
Trade and other payables	261,751	294,416	175,493	209,521	127,217
Income tax payable	182,879	99,373	73,494	60,406	46,517
Deferred tax liabilities	5,290	808	2,006	-	-
Borrowings	3,984,607	3,394,116	2,768,412	1,937,844	1,249,871
Total liabilities	**4,690,278**	**3,935,634**	**3,295,931**	**2,253,458**	**1,465,898**
Shareholders' equity					
Stated capital	849,845	875,639	989,487	975,510	959,554
Foreign currency translation reserve	(680,417)	(634,293)	(254,293)	(2,189)	(94,827)
Legal reserve	39,607	32,189	22,178	5,108	2,696
Share based payment reserve	38,840	35,835	19,705	21,246	17,470
Retained earnings	3,709,308	3,383,983	3,197,534	2,925,000	2,522,666
Total equity attributable to equity holders of the company	3,957,183	3,693,353	3,974,611	3,924,675	3,407,559
Non-controlling interests	313,309	192,799	148,791	154,437	96,708
Total equity and liabilities	**8,960,770**	**7,821,786**	**7,419,333**	**6,332,570**	**4,970,165**

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2017 December P'000	Restated 2016 December P'000	Restated 2015 December P'000	Restated 2014 December P'000	2014 January P'000
Interest income	2,252,636	1,963,129	1,753,556	1,454,907	1,176,176
Interest expense	(470,630)	(352,362)	(326,694)	(167,582)	(62,488)
Net interest income	**1,782,006**	**1,610,767**	**1,426,862**	**1,287,325**	**1,113,688**
Fee and commission income	38,596	24,617	28,699	23,137	134,236
Other operating income	234,169	209,724	229,390	183,684	122,202
Total income	**2,054,771**	**1,845,108**	**1,684,951**	**1,494,146**	**1,370,126**
Employee benefits	(367,057)	(309,016)	(212,487)	(207,034)	(199,658)
Other operating costs	(446,952)	(407,873)	(297,106)	(225,500)	(255,772)
Operating income before impairment	**1,240,762**	**1,128,219**	**1,175,358**	**1,061,612**	**914,696**
Impairment loss	(237,149)	(180,649)	(138,864)	(91,480)	(64,495)
Operating income before taxation	**1,003,613**	**947,570**	**1,036,494**	**970,132**	**850,201**
Taxation	(322,367)	(337,500)	(311,891)	(263,801)	(205,511)
	681,246	**610,070**	**724,603**	**706,331**	**644,690**
Loss on sale of subsidiary	-	-	-	-	(1,060)
Profit for the year	**681,246**	**610,070**	**724,603**	**706,331**	**643,630**
Appropriations					
Dividends	(371,685)	(371,685)	(370,450)	(254,648)	(177,738)
Retained income	**309,561**	**238,385**	**354,153**	**451,683**	**465,892**
Attributable to :					
Equity holders of the parent company	637,663	568,145	665,179	659,394	601,151
Non-controlling interests	43,583	41,925	59,424	46,937	42,479
	681,246	**610,070**	**724,603**	**706,331**	**643,630**

Prior years 2014, 2015 and 2016 have been restated due the tax adjustment relating to WHT claims of P15.5m, P43.1m and P59.7m respectively.

The supplementary information presented does not form part of the annual financial statements of the group, and is unaudited.

LETSHEGO HOLDINGS LIMITED

GROUP VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017 P'000	Restated 31 December 2016 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	2,252,636	1,963,129
Cost of services	(470,630)	(352,362)
Value added services	1,782,006	1,610,767
Fee and commission income	38,596	24,617
Other operating income	234,169	209,724
Other operating costs	(414,152)	(379,734)
Impairment of advances	(237,149)	(180,649)
	1,403,470	**1,284,725**
Value allocated		
To employees		
Staff costs	367,057	309,016
To expansion and growth		
Retained income	359,639	238,385
Depreciation	23,164	21,384
Amortisation	9,636	6,755
Deferred tax	(44,187)	(40,159)
	348,252	226,365
To Government		
Taxation	366,554	377,659
To providers of capital		
Dividends to shareholders	321,607	371,685
	1,403,470	**1,284,725**

Summary	%	%
Employees	26.2	24.1
Expansion and growth	24.8	17.6
Government	26.1	29.4
Providers of capital	22.9	28.9
	100.0	**100.0**

LETSHEGO HOLDINGS LIMITED

ANALYSIS OF SHAREHOLDING

FOR THE YEAR ENDED 31 DECEMBER 2017

Top ten shareholders	**31 December 2017 Shares held ('000) Number**	**%**	**31 December 2016 Shares held ('000) Number**	**%**
• Botswana Life Insurance Ltd	561,036	26.2	561,036	26.3
• First National Bank of Botswana Nominees (Pty) Ltd- AA BPOPF	260,669	12.2	239,206	11.2
• ADP I HOLDING 2	180,484	8.4	180,484	8.5
• Botswana Public Officers Pension Fund - Kgori Capital BPOPF Equity	131,783	6.1	131,783	6.2
• First National Bank of Botswana Nominees (Pty) Ltd- BIFM BPOPF EQUITY	108,587	5.1	108,134	5.1
• Stanbic Nominees Botswana (Pty) Ltd - Botswana Insurance Fund Management Limited	62,114	2.9	68,204	3.2
• First National Bank Nominees (Pty) Ltd- ACB BPOPF	61,682	2.9	61,682	2.9
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd - NTGSLUX 010/03	53,471	2.5	58,952	2.8
• SCBN:Lloyd George Investment Company	52,096	2.4	32,940	1.5
• First National Bank of Botswana Nominees (Pty) Ltd- IAM BPOPFP	48,320	2.3	70,380	3.3
	1,520,242	70.9	1,512,802	70.9
Other corporate entities, nominees and trusts and individuals	623,803	29.1	621,962	29.1
Total	**2,144,045**	**100.0**	**2,134,764**	**100.0**

Directors' shareholdings	**31 December 2017 Shares held Number ('000)**	**%**	**31 December 2016 Shares held Number ('000)**	**%**
• Christopher Low	3,169	0.1	1,454	0.1
• *Colm Patterson	3,371	0.2	2,381	0.1
• Harrington Karuhanga	29	0.0	29	0.0
	6,569	**0.3**	**3,864**	**0.2**

*Colm Patterson the Group Chief Financial Officer was appointed to the Board on 26 January 2017.