Letshego Holdings Limited

Financial Statements
For the year ended 31 December 2017

Details

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)
Letshego Place
Second floor
22 Khama Crescent
Gaborone, Botswana

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

Transfer Secretaries
PricewaterhouseCoopers (Proprietary) 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

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

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

Nature of business
The Company is engaged in investment in foreign and local operations involved in financial services.

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 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 to be inconsistent with the Act. We immediately obtained an independent tax opinion on this matter. This independent tax opinion indicated that the tax treatment to 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 Consolidated 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.

LETSHEGO HOLDINGS LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors are responsible for the preparation and fair presentation of the financial statements of Letshego Holdings Limited, comprising the statement of financial position at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Company to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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

Approval of the financial statements of the Company:

The financial statements of the Company, as identified in the first paragraph, were approved by the Board of Directors on 22 May 2018 and is signed on its behalf by:

A.C.M. LOW	**C PATTERSON**
GROUP MANAGING DIRECTOR	**GROUP CHIEF FINANCE OFFICER**

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

Report on the audit of the separate financial statements

Our opinion

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

What we have audited

Letshego Holdings Limited's separate financial statements set out on pages 11 to 47 comprise:

- the separate statement of financial position as at 31 December 2017;
- the separate statement of profit or loss and other comprehensive income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the 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 separate 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 Company 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).

Key audit matters

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

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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 separate 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 separate 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.

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 separate 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 separate 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 separate 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 separate financial statements

The directors are responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Note	2017 December P'000	Restated 2016 December P'000	Restated 2015 December P'000
ASSETS				
Cash and cash equivalents	4	59,768	151,465	87,570
Other receivables	5	17,312	40,995	35,147
Financial instruments held at fair value	6	-	-	1,643
Investment in subsidiary companies	7(a)	1,678,736	1,722,217	1,499,472
Loans to subsidiary companies	7(b)	1,720,565	1,325,778	1,477,373
Available-for-sale financial asset	8	53,591	53,591	-
Income tax receivable		-	-	20,226
Property, plant and equipment	9	7,512	6,052	8,862
Intangible assets	10	35,897	41,367	44,281
Deferred tax asset	20.1	109,892	73,072	68,260
Total assets		**3,683,273**	**3,414,537**	**3,242,834**
LIABILITIES AND EQUITY				
Liabilities				
Trade and other payables	11	349,463	258,133	40,086
Financial instruments held at fair value	6	4,113	6,079	-
Income tax payable		118,288	58,624	15,521
Borrowings	12	2,233,611	1,810,842	1,951,110
Total liabilities		**2,705,475**	**2,133,678**	**2,006,717**
Shareholders' equity				
Stated capital	13	849,845	875,639	989,487
Share based payment reserve	14	27,966	24,277	13,490
Retained earnings		99,987	380,943	233,140
Total shareholders' equity		**977,798**	**1,280,859**	**1,236,117**
Total liabilities and equity		**3,683,273**	**3,414,537**	**3,242,834**

LETSHEGO HOLDINGS LIMITED
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	15	295,979	236,183
Interest expense	16	(221,416)	(188,587)
Net interest income		**74,563**	**47,596**
Other operating income	17	362,282	769,268
Operating income		**436,845**	**816,864**
Employee benefits	18	(110,357)	(105,942)
Other operating expenses	19	(258,171)	(96,042)
Profit before taxation		**68,317**	**614,880**
Taxation	20	(27,666)	(95,392)
Profit after taxation		**40,651**	**519,488**
Other comprehensive income		-	-
Total comprehensive income		**40,651**	**519,488**

LETSHEGO HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Stated Capital P'000	Retained Earnings P'000	Share Based Payment Reserve P'000	Total P'000
Balance at 1 January 2017		875,639	380,943	24,277	1,280,859
Total comprehensive income for the year					
Profit for the year		-	40,651	-	40,651
Transactions with owners, recorded directly in equity					
New shares issued from long term incentive scheme	14	22,274	-	(22,274)	-
Allocation to share based payment reserve	13	-	-	25,963	25,963
Share buy back held as Treasury shares	13	(48,068)	-	-	(48,068)
Dividends to equity holders	21	-	(321,607)	-	(321,607)
Balance at 31 December 2017		**849,845**	**99,987**	**27,966**	**977,798**
Balance at 31 December 2015 - as previously reported		989,487	291,764	13,490	1,294,741
Prior year adjustment		-	(58,624)	-	(58,624)
Balance at 31 Decemeber 2015 - Restated		**989,487**	**233,140**	**13,490**	**1,236,117**
Total comprehensive income for the period					
Profit for the period		-	519,488	-	519,488
Transactions with owners, recorded directly in equity					
New shares issued from long term incentive scheme	14	5,422	-	(5,422)	-
Allocation to share based payment reserve	12	-	-	16,209	16,209
Share buy back	12	(119,270)	-	-	(119,270)
Dividends to equity holders	20	-	(371,685)	-	(371,685)
Balance at 31 December 2016		**875,639**	**380,943**	**24,277**	**1,280,859**

LETSHEGO HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

		31 December 2017 P'000	Restated 31 December 2016 P'000
OPERATING ACTIVITIES			
Profit before taxation		68,317	614,880
Adjustments for :			
- Net interest income		(74,563)	(47,596)
- Net gain from disposal of/sale of interest in subsidiaries		(74,432)	-
- Amortisation of intangible assets (note 9)		5,470	5,511
- Depreciation (note 8)		3,728	3,544
- Long term incentive plan provision		25,963	16,209
- Unrealised losses	6	(1,966)	6,079
- Dividends received		(9,132)	(600,000)
Changes in working capital :			
Movement in other receivables		23,682	(4,209)
Movement in trade and other payables		(3,553)	27,754
Cash (used in) / generated from operations		**(36,486)**	**22,172**
Income tax paid		(4,822)	(36,874)
Interest received		295,979	236,183
Interest paid		(221,416)	(188,587)
Net cash flows from / (used in) operating activities		**33,255**	**32,894**
INVESTING ACTIVITIES			
Payment for acquisition of subsidiary	7	(90,719)	-
Investment in subsidiaries	7	-	(26,326)
Disposal / transfers of investment in subsidiaries	7	204,547	-
Proceeds from sales of interest in a subsidiary	7	87,478	-
Amounts advanced from subsidiaries	11.1	94,884	190,292
Loans to subsidiaries	7	(626,716)	(547,467)
Loans repayment by subsidiaries		148,537	502,647
Investment in available-for-sale financial asset		-	(53,591)
Purchase of plant and equipment	9	(5,188)	(734)
Purchase of intangible assets		-	(2,597)
Dividends received	17	9,132	600,000
Net cash flows from / (used) in investing activities		**(178,045)**	**662,224**
FINANCING ACTIVITIES			
Dividends paid	21	(321,607)	(371,685)
Share buy back	13	(48,068)	(119,270)
Finance repaid to third parties		(68,950)	(373,929)
Finance obtained from third parties		491,718	233,661
Net cash flows (used in) / from financing activities		**53,093**	**(631,223)**
Net movement in cash and cash equivalents		**(91,697)**	**63,895**
Movement in cash and cash equivalents			
At the beginning of the year		151,465	87,570
Movement during the year		(91,697)	63,895
At the end of the year	**3**	**59,768**	**151,465**

Reporting entity
Letshego Holdings Limited (the “Company”) is a company incorporated in Botswana. The address of the Company, which is a limited liability company, is Letshego Place, Plot 22 Khama Crescent, and Gaborone, Botswana. The Company is primarily engaged in the provision of financial and administrative services to subsidiaries and third parties.

The Company financial statements for the period ended 31 December 2017 have been approved for issue by the Board of Directors on 22 May 2018.

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

Separate financial statements

The following are the holding company “Letshego Holdings Limited” stand alone annual financial statements and the consolidated financial statements have been prepared and presented separately.

Statement of compliance

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

Basis of preparation

The financial statements are presented in Botswana Pula, which is the Company’s reporting currency. Except where indicated, financial information presented in Pula has been rounded to the nearest thousand.

The financial statements have been prepared on the historical cost basis except where otherwise stated.

Use of judgements and estimates
The preparation of 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 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 share based payment calculations. Judgement is also applied to the probability of having sufficient taxable profits against which deferred tax assets may be utilised (note 2).

Plant and equipment
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
Leasehold improvements	5 years
Motor vehicles	4 years

Plant and equipment (continued)

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

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

Gains and losses on disposal of plant 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 Company. 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.

Operating leases
The Company 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 Company is measured at cost less accumulated amortisation and accumulated impairment losses.

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

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

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

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

Provisions
Provisions are recognised when the Company 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.

Revenue recognition
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 Company 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.

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 management and other fee income charged from subsidiaries/related companies, dividend income and sundry income.

Management and other fee income
The Company charges various fees from the subsidiaries and recognised on an accrual basis when the service has been provided.

Dividend income
The Company 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.

Finance costs
The Company's finance costs include interest expense, foreign currency gain loss on financial assets and financial liabilities and these are recognised in profit or loss as incurred.

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 Company 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 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 Company 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 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 Company and its employees participate, the Company and the employees contribute fixed percentages of gross basic salary on a monthly basis.

The Company also operates a staff incentive bonus scheme. The provision for employee bonus incentive is based on a predetermined company 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.

Share-based payment transactions
The Company operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. 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 Company revises its estimate of the number of options expected to vest.

The Company 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.

Share-based payment transactions (continued)

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 Company'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.

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

Related party transactions
Related parties comprise Directors and key management personnel of the Company and companies with common ownership and/or Directors.

Investment in subsidiaries
The Company accounts for investments in subsidiaries at cost, which includes transaction costs, less accumulated impairment losses. A listing of the entities subsidiaries are reflected in note 7 of the annual financial statements.

Investments in subsidiaries are assessed for impairment when indicators of impairment are identified. Such impairment indicators include, but are not limited to, for example:

• Sustained deterioration in financial results of operations and / or financial position of a subsidiary;
• Changes in the operating environment of a subsidiary, including regulatory and economic changes, market entry by new competitors, etc. and
• Inability of a subsidiary to obtain finance required to sustain or expand operations.

Where impairment indicators are identified, the recoverable value of the subsidiary is measured at the lower of realisable value through sale less costs to sell, and value in use. Value in use is the present value of future cash flows expected to be derived from the subsidiary.

Where the recoverable value of a subsidiary is below the carrying amount, the carrying amount is reduced to the recoverable value through an impairment loss charged to the statement of comprehensive income.

Once an impairment loss has been recognised, the Company assesses at each year-end date whether there is an indication that the impairment loss previously recognised no longer exists or has decreased. If this is the case, the recoverable value of the subsidiary is remeasured and the impairment loss reversed or partially reversed as may be the case.

Financial assets and liabilities
The Company'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.

Financial assets and liabilities (continued)

Other receivables
Other receivables comprise prepayments, deposits and other recoverables which arise during the normal course of business. An assessment at the end of each reporting period is done to determine whether there is any objective evidence that a financial asset is impaired.

If an impairment loss has been identified, its amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

Cash and cash equivalents
For the purposes of the 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 and trade and other payables.

Borrowings
Borrowings are the Company's source 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 carried 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 Company.

Recognition
The Company initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Derecognition
The Company 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 Company 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 Company is recognised as a separate asset or liability.

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

The Company enters into transactions whereby it transfers assets recognised on its 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. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

Financial assets and liabilities (continued)

Derecognition (continued)

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Company 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.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Company 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.

In certain transactions the Company retains rights to service a transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing rights, depending on whether the servicing fee is more than adequate to cover servicing expenses (asset) or is less than adequate for performing the servicing (liability).

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 Company uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

For more complex instruments, the Company would use proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions.

When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although 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 Company 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 Company 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 Company on terms that the Company 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 Company 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 carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. 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.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to statement of comprehensive income.

When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through the statement of comprehensive income.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in the statement of changes in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Designation at fair value through profit or loss
The Company has designated 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;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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 Company are set out below. The Company 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 Company'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 is not expected to have a material impact on the Company's financial statement.

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

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 Compnay is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and the outcome of it is yet to be quantified.

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 Company 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 Company's annual 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).
- Uncertainty over income tax treatments (IFRIC 23 – effective 1 January 2019)

1 FINANCIAL RISK MANAGEMENT

1.1 Introduction and overview

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

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

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

As part of the Company's strategy to enhance its governance structures, 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 Company 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 Company'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 Company's Enterprise Risk Management framework, strategic risk management enables the mitigation of risks and protects the stability of the Company. 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 have established appropriate internal structures for implementation of strategic plans. The Company's 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 Company’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 Company’s failure to effectively manage any or all of the other risk types.

Simple and appropriate strategic and reputational risk policies were approved by the Board during 2016 and customized for all the subsidiaries.

1.3 Financial risk

According to the Company’s enhanced ERM framework, financial risk includes credit risk, interest rate risk, liquidity risk and market risk.

1.3.1 Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet obligations in accordance with agreed terms. The Company is exposed to credit risk from a number of financial instruments such as loans to subsidiaries, investment in preference shares in subsidiaries, placing with banks and other receivables.

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 CEO. It is the responsibility of the CEO to ensure that the Company’s policies regarding credit risk are complied with at all times.

Impairment methodology
The Company's accounting policy for losses arising from the impairment of loans to subsidiaries represents management’s best estimate of losses incurred at the reporting date. In assessing this, the Company considers defaults, extended payment terms and the overall financial well being of each subsidiary.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Write-off policy

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

Maximum exposure to credit risk

The table below presents the maximum exposure to credit risk of financial instruments recognised on the statement of financial position and exposures not recognised in the statement of financial position, after taking account of any collateral held.

Maximum exposure to credit risk at 31 December 2017	**Loans to subsidiary companies**	**Provision**	**Net**	**Security Held**
	P'000	**P'000**	**P'000**	**P'000**
Southern Africa	1,569,386	-	1,569,386	-
East & West Africa	151,179	-	151,179	-
Total at 31 December 2017	**1,720,565**	-	**1,720,565**	**-**

Maximum exposure to credit risk at 31 December 2016	**Loans to subsidiary companies**	**Provision**	**Net**	**Security Held**
	P'000	**P'000**	**P'000**	**P'000**
Southern Africa	1,205,928	-	1,205,928	-
East & West Africa	119,851	-	119,851	-
Total at 31 December 2016	**1,325,779**	-	**1,325,779**	**-**

Investment in subsidiaries

All subsidiaries are under the control of the Company, which includes overall management and control of cash flows. All subsidiary companies are assessed for impairment and general credit risk at regular intervals, and no assessment of increased levels of credit risk was noted at the financial year end.

Other exposures to credit risk

	31 December 2017 P'000	**31 December 2016 P'000**
Cash and cash equivalents	59,768	151,465
Other receivables	17,312	40,995
	77,080	**192,460**

Cash and cash equivalents	All cash at banks is held with reputable institutions with good credit history and are regulated by the relevant national regulatory authority. As a result, the probability of loss due to credit risk is assessed as low.
Other receivables	Other receivables includes insurance and deposits with reputable institutions. The risk of loss due to credit risk is assessed as low.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.2 Interest rate risk

The Company is exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Generally interest on borrowings is floating. The table below summarises the exposure to interest rate risk. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of repricing or maturity dates.

31 December 2017	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Non interest bearing	Total
	P'000	P'000	P'000	P'000	P'000
ASSETS					
Cash and cash equivalents	59,768	-	-	-	59,768
Loans to subsidiaries	1,720,565	-	-	-	1,720,565
Available-for-sale financial asset	53,591	-	-	-	53,591
Other receivables	-	-	-	17,312	17,312
	1,833,924	-	-	17,312	1,851,236
LIABILITIES					
Trade and other payables	-		-	321,556	321,556
Financial Instrument held at fair value	-	-	-	4,113	4,113
Borrowings	454,089	1,000,868	778,654	-	2,233,611
	454,089	1,000,868	778,654	325,669	2,559,279
Net interest sensitivity gap	**1,379,835**	**(1,000,868)**	**(778,654)**	**(308,357)**	**(708,043)**

31 December 2016	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Non interest bearing	Total
	P'000	P'000	P'000	P'000	P'000
ASSETS					
Cash and cash equivalents	151,465	-	-	-	151,465
Loans to subsidiaries	1,325,779	-	-	-	1,325,779
Available-for-sale financial asset	53,591	-	-	-	53,591
Other receivables	-	-	-	40,995	40,995
	1,530,835	-	-	40,995	1,571,829
LIABILITIES					
Trade and other payables	-	-	-	225,300	225,300
Financial Instrument held at fair value	-	-	-	6,079	6,079
Borrowings	661,786	578,330	570,726	-	1,810,842
	661,786	578,330	570,726	231,379	2,042,221
Net interest sensitivity gap	**869,049**	**(578,330)**	**(570,726)**	**(190,384)**	**(470,392)**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.2 Interest rate risk (continued)

The majority of the Company's borrowings are linked to variable interest rates.

	31 December 2017	31 December 2016
The average cost of borrowing in percentage terms was (excluding the impact of foreign exchange gains or losses)	11%	10%
The impact of a 1% increase in variable lending rates on interest expense would be adverse (P'000)	20,924	18,810
% change in profit before tax	31%	3%

The effect of a 1% decrease in interest rate would result in an equal and opposite decrease in interest expense.

1.4 Liquidity risk

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

The following table shows the undiscounted cash flows on the Company's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Company's expected cash flows on these instruments may vary from this analysis. For example, regular meetings and updates are provided to the Company's financiers so as to ensure that facilities and lines of credit remain open and unrecognised loan commitments are not all expected to be drawn down immediately.

31 December 2017	**From 1 to 12 months**	**From 1 year to 3 years**	**From 3 years and above**	**Total**
	P'000	**P'000**	**P'000**	**P'000**
Contractual maturities of financial liabilities;				
Trade and other payables	321,556	-	-	321,556
Borrowings	751,390	993,313	778,654	2,523,356
	1,072,946	**993,313**	**778,654**	**2,844,912**

31 December 2016	**From 1 to 12 months**	**From 1 year to 3 years**	**From 3 years and above**	**Total**
	P'000	**P'000**	**P'000**	**P'000**
Contractual maturities of financial liabilities;				
Trade and other payables	225,300	-	-	225,300
Borrowings	1,001,763	680,654	889,190	2,571,607
	1,227,063	**680,654**	**889,190**	**2,796,907**

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 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 arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

Overall responsibility for managing market risk rests with the Group Audit and Risk Committee. Management is responsible for the development of detailed risk management policies (subject to review by the Group Audit and Risk Committee) and for the day to day implementation of those policies.

Currency risk

The result of foreign exchange positions on the Group’s net investments in foreign subsidiaries is recognised in other comprehensive income. Foreign currency risk arises as a result of fluctuations in exchange rates and the resultant impact on the Group's position.

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Market risks (continued)

The following table shows the assets and liabilities of the Company 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 Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Ghana Cedi P'000	Eurozone Euro P'000	Total Pula P'000
Cash and cash equivalents	34,853	-	-	-	-	-	-	-	-	1,025	36,171	- 12,327	-	46	59,768
Loans to subsidiaries	-	186,632	740,763	300,726	2,988	11,510	64,090	133,613	-	-	277,174	-	3,069	-	1,720,565
Total assets	34,853	186,632	740,763	300,726	2,988	11,510	64,090	133,613	-	1,025	313,345	(12,327)	3,069	46	1,780,334
Borrowings	641,094	-	-	-	-	-	-	-	8,194	-	-	1,869,161	-	-	2,518,449
Total liabilities	641,094	-	-	-	-	-	-	-	8,194	-	-	1,869,161	-	-	2,518,449
Net exposure	**(606,241)**	**186,632**	**740,763**	**300,726**	**2,988**	**11,510**	**64,090**	**133,613**	**(8,194)**	**1,025**	**313,345**	**(1,881,488)**	**3,069**	**46**	**(738,115)**

**Note that investment in ordinary shares and preference shares have not been included in this, as its not subject to exchange movements*

Exchange rates at 31 December 2017 - mid rates: BWP 1.00 =	1.26	1.26	1.26	1.26	227.53	369.19	5.99	10.48	85.78	0.08	0.10	1.00	0.46	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 Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Ghana Cedi P'000	Eurozone Euro P'000	Total Pula P'000
Cash and cash equivalents	151	-	-	-	-	-	-	-	-	63	105	151,135	-	11	151,465
Loans to subsidiaries	769	85,017	640,010	343,909	30,020	65,027	41,433	-	24,035	-	95,559	-	-	-	1,325,779
Total assets	920	85,017	640,010	343,909	30,020	65,027	41,433	-	24,035	63	95,664	151,135	-	11	1,477,244
Borrowings	711,673	-	-	-	-	-	-	8,153	-	-	-	1,281,307	-	-	2,001,133
Total liabilities	711,673	-	-	-	-	-	-	8,153	-	-	-	1,281,307	-	-	2,001,133
Net exposure	**(710,753)**	**85,017**	**640,010**	**343,909**	**30,020**	**65,027**	**41,433**	**(8,153)**	**24,035**	**63**	**95,664**	**(1,130,173)**	**-**	**11**	**(523,890)**

**Note that Share capital (ordinary shares and preference shares) has not been included in this, as its not subject to exchange movements*

Exchange rates at 31 December 2016 - mid rates: BWP 1.00 =	1.28	1.28	1.28	1.28	204.15	337.55	6.69	9.60	78.05	0.08	0.09	1.00		0.08

1 FINANCIAL RISK MANAGEMENT (continued)

1.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks exposure and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation including insurance where this is effective.

Compliance with Company`s standards is supported by a programme of periodic reviews undertaken by the Risk and Compliance Department. The results of reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit and Risk Committee and senior management of the Company.

1.7 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 hierachy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2017	Carrying amount					Fair value			
	Available-for-sale financial asset	Fair value - through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial assets measured at fair value									
Available-for-sale financial asset	53,591	-	-	-	53,591	-	-	53,591	53,591
Financial assets not measured at fair value									
Loans to subsidiaries			1,720,565		1,720,565				
Cash and cash equivalents	-	-	59,768	-	59,768				
Other receivables	-	-	13,885	-	13,885				
	-	-	1,794,219	-	1,794,219				
Financial liabilities measured at fair value									
Interest rate swap	-	4,113	-	-	4,113	-	4,113	-	4,113
Financial liabilites not measured at fair value									
Trade and other payables	-	-	-	321,556	321,556				
Borrowings	-	-	-	2,233,611	2,233,611				
	-	-	-	2,555,167	2,555,167				

31 December 2016	Carrying amount					Fair value			
	Available-for-sale financial asset	Fair value - through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial assets not measured at fair value									
Available-for-sale financial asset	53,591	-	-	-	53,591	-	-	53,591	53,591
Financial assets not measured at fair value									
Loans to subsidiaries			1,325,778		1,325,778				
Cash and cash equivalents	-	-	151,465	-	151,465				
Other receivables	-	-	35,454	-	35,454				
	-	-	1,512,696	-	1,512,696				
Financial liabilities measured at fair value									
Interest rate swap	-	6,079	-	-	6,079	-	6,079	-	6,079
Financial liabilites not measured at fair value									
Trade and other payables	-	-	-	225,300	225,300				
Borrowings	-	-	-	1,810,842	1,810,842				
	-	-	-	2,036,142	2,036,142				

1 FINANCIAL RISK MANAGEMENT (continued)

1.7 Financial assets and liabilities measured at fair value and disclosed by category (continued)

Measurement of fair values

The company 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 value levels, as well as significant unobservable inputs used.

Type	Valuation technique		Significant unobservable inputs
Interest rate swap	Fair value cash flow	Level 2	Discount factor used to derive present value of cashflow (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 sales price per share

2 USE OF ESTIMATES AND JUDGMENTS

2.1 Share-based payment transactions

The Company operates an equity settled conditional Long Term Incentive Plan (LTIP). The plan is now only based on non market conditions such as performance against budgets and achievement of other key performance indicators. 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	4,661	4,089
Impact of a 25% deviation	11,653	10,224
Impact of a 50% deviation	23,306	18,584

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

2.2 Deferred tax asset

The Company has recognised a deferred tax asset of P110 million (2016: P73 million) which arises from tax losses that are available to set-off against future taxable income and other deductable temporary differences. The Company expects to generate sufficient taxable profits to utilise the deferred tax assets based on management's plan on future business prospects and through the use of various tax planning opportunities which are available.In addition the Company 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 in deferred tax asset on 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**

2.3 Income tax expense

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 Company 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.

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:

	At 31 Dec 2015		At 31 Dec 2015	At 31 Dec 2016		At 31 Dec 2016
Statement of financial position - extract	**Audited - (as previously stated)**	**Increase / Decrease**	**Restated**	**Audited - (as previously stated)**	**Increase / Decrease**	**Restated**
Balance Sheet	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Other receivables - (note 6)	78,250	(43,103)	35,147	100,659	(59,664)	40,995
Total assets	**3,285,937**	**(43,103)**	**3,242,834**	**3,474,201**	**(59,664)**	**3,414,537**
Income tax payable	-	15,521	15,521	-	58,624	58,624
Total liabilities	**1,991,196**	**15,521**	**2,006,717**	**2,075,054**	**58,624**	**2,133,678**
Retained earnings	291,764	(58,624)	233,140	499,231	(118,288)	380,943
Total shareholders' equity	**1,294,741**	**(58,624)**	**1,236,117**	**1,399,147**	**(118,288)**	**1,280,859**

	Year ended 31 Dec 2016		Year ended 31 Dec 2016
Statement of profit or loss and other comprehensive income - extract	**Audited - (as previously stated)**	**Increase / Decrease**	**Restated**
	P'000	**P'000**	**P'000**
Profit before taxation	614,880	-	614,880
Taxation	(35,728)	(59,664)	(95,392)
Profit for the year	**579,152**	**(59,664)**	**519,488**

4 CASH AND CASH EQUIVALENTS

	31 December 2017 P'000	31 December 2016 P'000
Cash at bank and in hand	59,768	151,465
	59,768	**151,465**

This is cash at bank is held with reputable financial institutions with good credit standing and reconciles to the statement of cash flows at the end of the financial year.

5 OTHER RECEIVABLES

	31 December 2017 P'000	Restated 31 December 2016 P'000
Deposits and prepayments	3,427	5,541
Receivable from other related parties	8,510	23,925
MTN programme deferred expenses	2,606	7,276
Other receivables	2,769	4,253
	17,312	**40,995**

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

	31 December 2017 P'000	31 December 2016 P'000
6 FINANCIAL INSTRUMENTS HELD AT FAIR VALUE		
Interest rate swap liability	4,113	6,079

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 P4.1 million (31 December 2016: P6.1 million) and any movements are recognised through profit or loss.

7 INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES

7(a) Investment in subsidiary companies

	31 December 2017 P'000	31 December 2016 P'000
Letshego Financial Services (Proprietary) Limited Botswana- ordinary shares	30,000	30,000
Letshego Kenya Limited - ordinary shares	59,944	59,944
Letshego Kenya Limited - preference shares	85,521	85,521
Letshego Financial Services Lesotho (Proprietary) Limited - ordinary shares	3,061	3,061
Letshego Financial Services Mozambique - ordinary shares	56,888	56,888
Letshego Financial Services Mozambique - preference shares	650,369	650,369
Letshego Holdings (Namibia) Limited - ordinary shares	63,123	68,385
Letshego Holdings (Namibia) Limited - preference shares	207,411	207,411
Letshego Financial Services Swaziland (Proprietary) Limited - ordinary shares	-	1
Letshego Tanzania Limited - ordinary shares	55,506	55,506
Letshego Tanzania Limited - preference shares	103,394	103,394
Letshego Uganda Limited - ordinary shares	850	850
Letshego Uganda Limited - preference shares	135,459	62,356
ERF 8585 (Proprietary) Limited - ordinary shares	1	1
Letshego Bank Tanzania Limited - ordinary shares	79,365	79,365
Letshego Bank Tanzania Limited - preference shares	30,798	20,508
Letshego Mauritius Limited - ordinary shares	26,326	26,326
Letshego South Africa Limited - Investment account	1	1
Letshego Microfinance Bank Nigeria Limited - ordinary shares	-	212,330
Afb Ghana Plc - ordinary shares	90,719	-
	1,678,736	**1,722,217**
Comprises of the following:		
Investment in subsidiary - Ordinary shares	465,784	592,658
Investment in subsidiary - Preference shares	1,212,952	1,129,559
Closing balance	**1,678,736**	**1,722,217**
Movement in investment in subsidiary companies		
Ordinary shares		
Balance at the beginning of the year	592,658	566,332
Acquisition of / investment in subsidiary	90,719	26,326
Sale of interest in subsidiary	(5,262)	-
Disposals / transfers	(212,331)	-
Balance at the end of the year	**465,784**	**592,658**
Preference shares		
Balance at the beginning of the year	1,129,559	933,144
Loans converted to preference shares	83,392	196,415
Balance at the end of the year	**1,212,952**	**1,129,559**

7 INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES (continued)

7(b) Loans to subsidiary companies

	31 December 2017 P'000	31 December 2016 P'000
Letshego Kenya Limited - loan account	133,613	-
Letshego Rwanda Limited - current / loan account	-	24,034
Letshego Financial Services Lesotho (Proprietary) Limited - term loan	300,726	343,909
Letshego Financial Services Mozambique - loan account	64,090	41,433
Letshego Micro Financial Services (Namibia) (Proprietary) Limited - term loan	720,240	622,404
Letshego Bank (Namibia) Limited - current account	399	-
Letshego Financial Services Swaziland (Proprietary) Limited - term loan	186,632	85,017
Letshego Tanzania Limited - term loan	2,988	19,302
Letshego Uganda Limited - term loan	11,510	65,027
ERF 8585 (Proprietary) Limited - loan account	20,124	17,606
Letshego Bank Tanzania Limited - loan account	-	10,718
Letshego Mauritius Limited - loan account	277,174	95,559
Letshego South Africa Limited - loan account	-	769
Afb Ghana Plc - loan / current account	3,069	-
	1,720,565	**1,325,778**

Movement in loans to subsidiary companies		
Balance at the beginning of the year	1,325,778	1,477,373
Additions during the year	626,716	547,467
Conversion to preference shares	(83,392)	(196,415)
Repayments during the year	(148,537)	(502,647)
Balance at the end of the year	**1,720,565**	**1,325,778**
The maturity profile of loans to subsidiaries are as follows:		
Maturing within 1 year	14,897	65,796
Maturing within 1 - 3 years	270,846	168,092
Maturing within 3 - 5 years	1,134,096	747,984
Maturing after 5 years	300,726	343,906
	1,720,565	**1,325,778**

Loans to subsidiairies are not considered to be net investment in subsidiaries.

Conversion of loan to preference shares

In June 2017, P10 million loan to Letshego Bank Tanzania was converted to preference shares.

In December 2017, P73 million loan to Letshego Uganda Limited was converted to preference shares.

Acqusition of subsidiary:

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 purchase consideration paid in cash was P91 million. AFB Ghana has over 42,000 customers, 233 members of staff and 25 customer access points.

Transfer of entities to Letshego Mauritius Limited:

The Group has introduced an intermediate holding company structure in Mauritius and over time, the subsidiaries of Letshego Holdings Limited 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. Below are the enties that have been transfered:

Current year

In August 2017 Letshego Holdings Limited transferred its ownership in Letshego Financial Services Swaziland to Letshego Mauritius Limited for a purchase consideration of P135 million. The cost of the investment was P85 and Letshego Holdings Limited recognised a gain of P135 million.

In September 2017, Letshego Holdings Limited transferred its ownership in Letshego Microfinance Bank Nigeria to Letshego Mauritius Limited for a purchase consideration of P70 million. The cost of the investment was P212 million and Letshego Holdings Limited recognised a loss of P142 million.

	31 December 2017 P'000
Carrying amount of investment in subsidiaries disposed of	212,331
Net gain/(loss) on disposal of subsidiaries (note 17 & 18)	- 7,784
Sales proceeds	204,547

Prior year

In December 2016, Letshego Kenya Limited transferred its ownership in Letshego Mauritius Limited (formerly known as African Microcredit Development Company) to Letshego Holdings Limited for a purchase consideration of P26 million.

In December 2016, Letshego Holdings Limited transferred its Class B (dividend bearing) ordinary shares of Letshego Bank Namibia to Letshego Mauritius. The purchase consideration was P88 million (N$113m), which was the catch-up dividend due to Letshego Holdings Limited.

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 Company disposed of 7% interest out of the 85% interest held in LHN for a net consideration of P87 million. The cost of the investment was P5 million and Letshego Holdings Limited recognised a gain of P82 million.

	31 December 2017 P'000
Carrying amount of investment in subsidiaries disposed of	5,262
Gain on disposal of interest in subsidiaries (note 17)	82,216
Sales proceeds	87,478

7 INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES (continued)

The nature of the businesses of the subsidiary companies and the ownership details are provided 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

The terms and conditions attaching to subsidiary companies - other balances with Letshego Holdings Limited are detailed below:

Letshego Kenya Limited
The loans are mutliple in number and are denominated in United States Dollar (USD), with the different loans bearing interest at Libor plus 4%. The loans are unsecured, have terms of 5 years and commenced at different intervals.

The loans are mutliple in number and are denominated in Kenyan Shillings (KES), and bear interest at 15% per annum. The loans are unsecured and have terms of 5 years and commenced at different intervals.

The preference shares are redeemable, convertible, and bear interest at the rate of 15% per annum.

Letshego Financial Services Lesotho
The loan is denominated in Maloti (M), bears interest of prime plus 4% per annum as published by First National Bank of Lesotho, is unsecured and repayable in 2027.
The Maloti (M) and the ZAR are both members of the Common Currency Area and have the same effective exchange rate.

Letshego Financial Services Mozambique, SA
The loan is denominated in Meticais (MZN), bears interest at Mozambique Central Bank lending rate plus 4% per annum, is unsecured loan commencing 2013.
The preference shares are denominated in Mozambican Meticais (MZN). The preference shares are redeemable and bear non-cumulative interest at Mozambique Central Bank lending rate plus 4% per annum.

Letshego Holdings (Namibia) Limited
The loan is denominated in Namibian Dollars, bears interest at Namibian prime plus 2% per annum, is unsecured and has a term of 10 years commencing June 2009. The preference shares are redeemable, bear non-cumulative interest at Namibia prime interest rate plus 2% per annum, which can be waived at the option of the issuer.

The Namibian Dollar and the ZAR are both members of the Common Currency Area and have the same effective exchange rate.

INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES (continued)

Letshego Financial Services Swaziland (Proprietary) Limited
The loan is denominated in South African Rand (ZAR), bears interest at Swaziland prime plus 2% per annum, is unsecured and maturing in 2022.

The Swazi Emalangeni (SEL) and the ZAR are both members of the Common Currency Area and have the same effective exchange

In August 2017, the ownership of Letshego Financial Services Swaziland was transferred from Letshego Holdings Limited to Letshego Mauritius Limited however the loan facility remained with Letshego Holdings Limited.

Letshego Tanzania Limited
The loan is denominated in Tanzania Shillings, bears interest at Tanzania prime plus 4% per annum, is unsecured and has a term of 5 years, commencing September 2015. The preference shares are irredeemable, bear non-cumulative interest at Tanzania prime interest rate plus 4% per annum, which can be waived at the option of the issuer.

Letshego Uganda Limited
The loan is denominated in Botswana Pula, bears interest at Botswana prime plus 2% per annum, is unsecured and has a term of 5 years commencing February 2012.
The preference shares are denominated in Botswana Pula, are redeemable, bear non-cumulative interest at an interest rate of 19% per annum, which can be waived at the option of the issuer.

ERF 8585 (Proprietary) Limited
The loan is denominated in Namibian Dollars, bears interest at Namibian prime plus 2% per annum, is secured and has a term of 5 years commencing January 2016.

Letshego Mauritius Limited
The loan is denominated in Botswana Pula, bears interest at Botswana prime plus 6% per annum, and is unsecured.
In August and September 2017 ownership of Letshego Financial Services Swaziland and Letshego Microfinance Bank Nigeria respectively was transferred to Letshego Mauritius Limited but the loan facility of Letshego Swaziland remained with Letshego Holdings

8 AVAILABLE-FOR-SALE FINANCIAL ASSET

	31 December 2017 P'000	31 December 2016 P'000
Available-for-sale financial asset	53,591	53,591

The Company 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.

9 PROPERTY, PLANT AND EQUIPMENT

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Leasehold improvents P'000	Work in progress P'000	Total P'000
Balance at 1 January 2016	144	11,812	2,573	2,956	705	18,190
Additions	-	273	291	170	-	734
Transfer of WIP	-	-	-	705	(705)	-
Disposals	-	-	-	-	-	-
Balance at 31 December 2016	144	12,085	2,864	3,831	-	18,924
Accumulated depreciation						
Balance at 1 January 2016	144	6,755	1,837	592	-	9,328
Depreciation charge for the period	-	2,562	309	673	-	3,544
Disposals	-	-	-	-	-	-
Balance at 31 December 2016	144	9,317	2,146	1,265	-	12,872
Net book value at 31 December 2016	**-**	**2,768**	**718**	**2,566**	**-**	**6,052**

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Leasehold improvents P'000	Work in progress P'000	Total P'000
Balance at 1 January 2017	144	12,085	2,864	3,831	-	18,924
Additions	-	4,375	515	298	-	5,188
Transfer of WIP	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31 December 2017	**144**	**16,460**	**3,379**	**4,129**	**-**	**24,112**
Accumulated depreciation						
Balance at 1 January 2017	144	9,317	2,146	1,265	-	12,872
Depreciation charge for the period	-	2,610	374	744	-	3,728
Disposals	-	-	-	-	-	-
Balance at 31 December 2017	**144**	**11,927**	**2,520**	**2,009**	**-**	**16,600**
Net book value at 31 December 2017	**-**	**4,533**	**859**	**2,120**	**-**	**7,512**

10 INTANGIBLE ASSETS

	31 December 2017 P'000	31 December 2016 P'000
Computer software		
Cost		
Opening balance	57,674	55,077
Additions	-	2,597
Retired	-	-
Closing balance	**57,674**	**57,674**
Amortisation		
Opening balance	16,307	10,796
Charge for the year	5,470	5,511
Disposal	-	-
Closing balance	**21,777**	**16,307**
Net book value	**35,897**	**41,367**

Computer software relates to existing lending and financial reporting software acquired by the Company. Computer software is amortised over the expected useful life of the asset, which for off-the shelf software is 10 years.

11 TRADE AND OTHER PAYABLES

	2017	2016
Trade and other payables	36,380	35,008
Amount due to subsidiary companies		
- Letshego Financial Services Botswana (Pty) Ltd	276,645	182,139
- Letshego Kenya Limited	-	8,153
- Letshego Rwanda Limited	8,194	-
- Letshego South Africa Limited	337	-
Staff incentive provision (note 11.1)	25,955	29,914
Deferred income (note 11.2)	1,952	2,919
	349,463	**258,133**

Trade and other payables, and amounts due to related parties are either short term in nature or expected to be settled within the next 12 months.

11.1 Movement in staff incentive provision

	2017	2016
Balance at the beginning of the year	29,914	26,509
Current period charge (note 18)	8,892	18,921
Paid and released during the period	(12,851)	(15,516)
Balance at the end of the period	**25,955**	**29,914**

11.2 Movement in deferred income

	2017	2016
Balance at the beginning of the period	2,919	3,042
Realised during the period	(967)	(123)
Balance at the end of the period	**1,952**	**2,919**

11.2 Movement in amount due to subidiaries

	2017	2016
Balance at the beginning of the year	190,292	-
Amount advanced from subsidiaries	94,884	190,292
Balance at the end of the period	**285,176**	**190,292**

	31 December 2017 P'000	31 December 2016 P'000
12 BORROWINGS		
Commercial banks	444,367	100,000
African Alliance Botswana Liquidity Fund	173,336	132,520
Medium Term Note - BSE Listed Bond BWP	324,530	350,000
Medium Term Note - JSE Listed Bond ZAR	636,644	705,594
Medium Term Note - Bond BWP	654,734	522,728
	2,233,611	**1,810,842**
Movement in borrowings		
Balanace at the beginning of the year	1,810,842	1,951,110
Finance repaid to third parties	491,718	233,661
Finance obtained from third parties	(68,950)	(373,929)
	2,233,611	**1,810,842**
Maturity analysis		
Maturing within one year	454,089	661,786
Maturing after one year within five years	1,449,929	805,378
Maturing after five years	329,593	343,678
Total borrowings	**2,233,611**	**1,810,842**

African Alliance Botswana

Promissory note facilities amounting to P173 million having terms ranging from 6 months to 36 months with fixed interest rates ranging from 5.75% to 10.40% per annum. The promissory notes are unsecured and are denominated in Botswana Pula. The notes are rolled over on maturity and as a result are revolving and long term in nature.

Commercial banks

This includes loans and overdraft facility obtained from Standard Chartered Bank. There is a loan facility of P400 million and attracts interest at Botswana prime per annum and this is repayable in March 2020. In addition to this the Company has an overdraft facility of P70 million. The term loan and the overdraft facilities are secured by the terms of the security sharing agreement which includes:

- an unlimited pari passu cession of the loan and Advances book of Letshego Financial Services (Proprietary) Limited (Botswana) and Letshego Micro Finance Services Namibia (Proprietary) Limited.
- an unlimited pari passu cession of the loan between Letshego Holdings Limited and Letshego Financial Services (Proprietary) Limited (Botswana) and between Letshego Holdings Limited and Letshego Holdings Namibia (Proprietary) Limited.

Medium Term Note - JSE Listed Bond

The Company has listed Medium Term Note programmes with a combination of fixed and floating rates on the Johannesburg Stock Exchange.

Floating Rate bond - "LHL017, LHL 26, LHL27 and LHL28" 3 - month JIBAR rate plus interest of 550, 600, 450 and 590 basis points respectively, compounded quarterly and maturing in November 2018, September 2020, February 2021 and February 2022 respectively.

Fixed Rate bonds - "LHL018 and LHL019" Interest of 13.32% and 14.30% respectively, compounded quarterly and maturing November 2018 and November 2019.

All the above bonds are denominated in ZAR. They are secured by the loan and advances book of Letshego Financial Services (Proprietary) Limited (Botswana), Letshego Micro Financial Services (Namibia) (Proprietary) Limited and Letshego Financial Services Swaziland (Proprietary) Limited.

Medium Term Note - BSE Listed Bond

The Company completed the listing of a Medium Term Note programme with a combination of fixed and floating senior secured bonds on the Botswana Stock Exchange. This was issued on 8 November 2013 under the first tranche as follows:

Fixed Rate bond - "LHL06"	Fixed coupon of 10.50% compounded semi-annually and maturing November 2023
Fixed Rate bond - "LHL07"	Fixed coupon of 10.50% compounded semi-annually and maturing November 2025
Fixed Rate bond - "LHL08"	Fixed coupon of 11.00% compounded semi-annually and maturing November 2027

	31 December 2017 P'000	31 December 2016 P'000
13 STATED CAPITAL		
Issued and fully paid :		
2,144,045,175 ordinary shares of no par value (2016:	**849,845**	**875,639**
Number of shares at the beginning of the period ('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 period	**2,144,045**	**2,134,764**

In terms of the Company LTIP (note 14), shares with a value of P15.296 million (2016: P16.209 million) vested at Company level. This increased the number of shares in issue by 9.281 million shares (2016: P2.645 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 Company considers both debt and equity to be capital. In managing its capital, the company monitors its debt to equity ratio as a key metric.

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:
• To safeguard the Company'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 Company's capital consists of shareholders' funds (stated capital and reserves) and long term borrowings. The Company 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
Debt to equity	277%	167%
Return on equity	4%	41%

The Return on equity in 2016 was significantly high due to the substantial dividend that was received.

14 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 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 Company.

As at 31 December 2017, 32 602 800 total awards were outstanding (31 December 2016: 27 414 201) at grant date share prices of P2.39, P2.50 and P2.13 for 2015, 2016 and 2017 awards respectively (31 December 2016: 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	27,414,201	P1.87/P2.40/P2.39	21,017,660
Granted during the year	P2.13	17,113,200	P2.50	13,435,000
Exercised during the year	P2.40	(6,373,125)	P2.05	(1,911,238)
Forfeited due to not meeting performance	P2.40	(1,351,875)	P2.05	(1,541,421)
Forfeited due to resignations	P2.39/P2.50/P2.13	(4,199,601)	P2.40/P2.39/P2.50	(3,585,800)
Outstanding at the end of the year	**P2.39/P2.50/P2.13**	**32,602,800**	**P2.40/P2.39/P2.50**	**27,414,201**

14 SHARE INCENTIVE SCHEME (continued)

The share awards outstanding at 31 December 2017 have average vesting periods of 3,15 and 27 months. The expense recognised during the period is disclosed in note 18.

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
15 INTEREST INCOME		
Other - deposits with banks	592	535
- interest from minority shareholders	1,709	1,979
- related party (note 22.1)	293,678	233,669
	295,979	**236,183**
16 INTEREST EXPENSE		
Overdraft facilities and term loans	233,882	187,944
Foreign exchange gains	(12,466)	642
	221,416	**188,587**
17 OTHER OPERATING INCOME		
Management fees from related parties (note 22.1)	103,833	69,069
Guarantee fees from related parties (note 22.1)	31,550	10,357
Arrangement fees from related parties (note 22.1)	966	552
Other income	39	883
Dividend from related party (note 22.1)	9,132	600,000
Gain on disposal of investment in subsidiaries	216,762	88,407
	362,282	**769,269**
18 EMPLOYEE BENEFITS		
Salaries and wages	68,773	59,490
Staff incentive (note 11.1)	8,892	18,921
Staff pension fund contribution	3,723	2,642
Directors' remuneration – for management services (executive)	8,317	7,535
Long term incentive plan	20,652	17,355
	110,357	**105,943**
19 OTHER OPERATING EXPENSES		
Accounting and secretarial fees	218	531
Advertising	4,541	4,978
Audit fees - audit services	673	545
- other fees paid to auditors	104	775
Bank charges	444	1,349
Computer expenses	5,807	7,856
Depreciation - Computer equipment (note 9)	2,610	2,562
- Office furniture and equipment (note 9)	374	309
- Motor vehicles (note 9)	-	-
- leasehold improvements (note 9)	744	673
Amortisation of intangible assets (note 10)	5,470	5,511
Directors' fees – non executive	6,887	6,905
Insurance	4,255	3,975
Loss on disposal of investment in subsidiary	142,330	-
Office expenses	925	836
Operating lease rentals - property	3,995	3,281
Other operating expenses	31,220	10,089
Professional and consultancy fees	31,558	29,922
Telephone and postage	3,857	2,765
Travel	12,159	13,180
	258,171	**96,042**

		31 December 2017 P'000	Restated 31 December 2016 P'000
20	**TAXATION**		
	Company taxation		
	- Basic taxation	-	-
	- Under provision from prior year	337	(4,507)
	- Withholding tax paid in other jurisdictions not claimed	64,149	59,711
	- Withholding tax on dividend/ interest	-	45,000
		64,486	100,204
	- Deferred taxation movement	(36,820)	(4,812)
		27,666	**95,392**

The Company has the following tax losses that are available to be utilised in the future before they expire and these are summarised below:

Arising from financial year	Tax loss	Year of expiry
January 2014	75,672	2018
December 2014	78,641	2019
December 2015	133,906	2020
December 2016	104,386	2021
December 2017	168,237	2022
	560,843	

		31 December 2017 P'000	31 December 2016 P'000
20.1	**Deferred tax asset**		
	Balance at the beginning of the period	73,072	68,260
	Current year movement	36,820	4,812
	Balance at the end of the period	**109,892**	**73,072**

The company 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	31 December 2016 P'000
Deferred taxation arises from temporary differences on the following		
Plant and equipment	3,309	1,554
Share based payment provision	6,153	5,341
Staff incentive provision	6,577	7,287
Deferred rent provision	101	145
Deferred expenditure / income	(1,327)	(2,820)
Tax loses	95,079	61,564
	109,892	73,072
Reconciliation of current taxation		
Profit before taxation	**68,317**	**614,880**
Tax calculated at relevant tax rates	15,030	135,274
Under provision/write off in respect of prior periods	337	(4,460)
Effect of foreign income taxed at 15%	11,245	7,112
WHT tax credit adjustments - note 3	64,149	59,664
Withholding tax on dividends income	-	45,000
Expenses and revenues not deductible for tax purposes	(63,095)	(147,198)
	27,666	95,392

		31 December 2017 P'000	31 December 2016 P'000
20.2	**Income taxation payable**		
	Opening Taxation Payable	58,624	15,521
	Movement in the Year	59,664	43,103
		118,288	58,624

			31 December 2017 P'000	31 December 2016 P'000
21	**DIVIDEND PAID**			
	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.

22 RELATED PARTY TRANSACTIONS

The Company 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 Group Managing Director, the Group Risk and Compliance Director, the Group Chief Financial Officer, the Group Head Corporate Affairs, the Group Head Strategy and Transformation, the Group Chief Information Officer and the Group Head Human Resources, the Group Head Consumer Solutions, the Group Head Micro Finance, the Group Head Customer Experience.

The Company is listed on the Botswana Stock Exchange. Botswana Insurance Holdings Limited ("BIHL") is a shareholder of Letshego Holdings Limited and has significant influence on the Company.

	Transactions with related parties	**31 December 2017 P'000**	**31 December 2016 P'000**
22.1	**Income received from subsidiaries**		
	Interest income from subsidiaries (note 15)	293,678	233,669
	Management fees from subsidiaries	103,833	69,069
	Guarantee fees from subsidiaries	31,550	10,357
	Arrangement fees from subsidiaries	966	552
	Dividend from subsidiaries	9,132	600,000
		439,159	**913,647**
22.2	**Dividends paid to related parties**		
	Gross dividend paid to BIHL	**84,155**	**93,455**
22.3	**Compensation paid to key management personnel (executive directors)**		
	Paid during the period		
	- Short-term employee benefits	**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.

Balances with related parties

22.4 Loans and current account balances with subsidiary companies - Refer note 7 and 11

22.5 Sale of entity to subsidiary party

In August 2017 Letshego Holdings Limited transferred its ownership in Letshego Financial Services Swaziland to Letshego Mauritius Limited for a purchase consideration of P135 million, resulting in a gain of P135 million included in Other operating income (note 17).

In September 2017, Letshego Holdings Limited transferred its ownership in Letshego Microfinance Bank Nigeria to Letshego Mauritius Limited for a purchase consideration of P70 million resulting in a loss of P142 million included in Other operating expenses (note 19).

In the prior year, Letshego Kenya Limited transferred its ownership in Letshego Mauritius to Letshego Holdings Limited for purchase consideration of P33m.

	31 December 2017 P'000	31 December 2016 P'000

23 OPERATING LEASE COMMITMENTS

Where the Company is the lessee, 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	2,514	2,911
Later than 1 year and no later than 5 years	-	3,143
	2,514	**6,054**

24 CAPITAL COMMITMENTS

	31 December 2017 P'000	31 December 2016 P'000
Authorised by the directors:		
- Not contracted for	**10,106**	**15,296**

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

25 CONTINGENCIES

The Company has provided guarantees to various banks and financial institutions in respect of loan facilities of its subsidiaries which are denominated in various currencies. The amount guaranteed as of year end approximates to P282 million (31 December 2016 : P398 million) .

26 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 Company between the 31 December 2017 year end and the date of approval of these financial statements.