2014

DECEMBER
INTEGRATED ANNUAL REPORT

LETSHEGO 2014 DECEMBER INTEGRATED ANNUAL REPORT

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Refer to www.letshego.com for further information

HIGHLIGHTS

- Profit before tax increased by 24%* to P970 million (2014 January: P850 million)
- 60% of profits before tax generated outside of Botswana (2014 January: 58%)
- Dividend declared equates to 50% of profit after tax, a dividend yield of 6.5%
- Advances to customers (net) increased by 28% to P5.7 billion (2014 January: P4.4 billion)
- Impairment charges of 2.0% on average net advances (2014 January: 1.7%)
- Cost to income ratio 29% (2014 January: 33%)
- Diversification enhanced with deposit-taking launches in Mozambique and Rwanda
- Customer access points across Letshego's footprint increased by 19%, from 212 to 252
- Customer base increased by 11%, from 239 000 to 265 265
- Total headcount has risen to 1 425 from 1 319
- Independent Director oversight at Board subcommittee and subsidiary board level was strengthened
- Sale of minority interest in Tujijenge Tanzania concluded
- Sale of Finance South Sudan ratified by Board

* Annualised

MILESTONES

1998

Incorporation and trading commences in Botswana

2002

BSE-listing

2004

Legal Guard launched

2005

Ugandan operations commence

2010

Sale of Legal Guard

10 for 1 share split approved by shareholders

2011

Mozambique operations commence

LHL shareholders approve scrip dividend

Letshego's brand is trusted across Africa due to our reputation for being responsive to customer needs. We are committed to ethical lending and to full compliance with relevant regulations and guidelines in all countries in which we operate.

2006

Swazi operations commence

Tanzanian operations commence

2007

Zambian operations commence

Letshego Holdings obtains Botswana International Financial Services Centre (now part of Botswana Investment and Trade Centre) accreditation

2008

LHL 10-year anniversary

Acquisition of Eduloan Namibia (now Letshego Namibia)

Change of name to Letshego Holdings Limited

2009

30 million new Letshego shares issued on BSE

2012

ZAR700 million Medium Term Note programme listed on the JSE

Global credit rating obtained (Moody's – Ba3)

Core lending and banking system selected

2013

Group Managing Director, Mr Jan Claassen, retires after decade-long leadership

P350 million Botswana Stock Exchange-listed Medium Term Notes – maiden subscription

New Group Managing Director, Mr Chris Low, appointed

Micro Africa Limited acquired (62.5%)

Lesotho operations commence

YEAR ENDED JANUARY 2014

Remaining 37.5% in Micro Africa Limited acquired

Zambia operations sold as a going concern

11 MONTHS ENDED DECEMBER 2014

Deposit-taking commenced in Mozambique and Rwanda

Core lending and banking system implemented in six of Letshego's 10 operations

Group profit before tax crosses P1 billion mark (annualised)

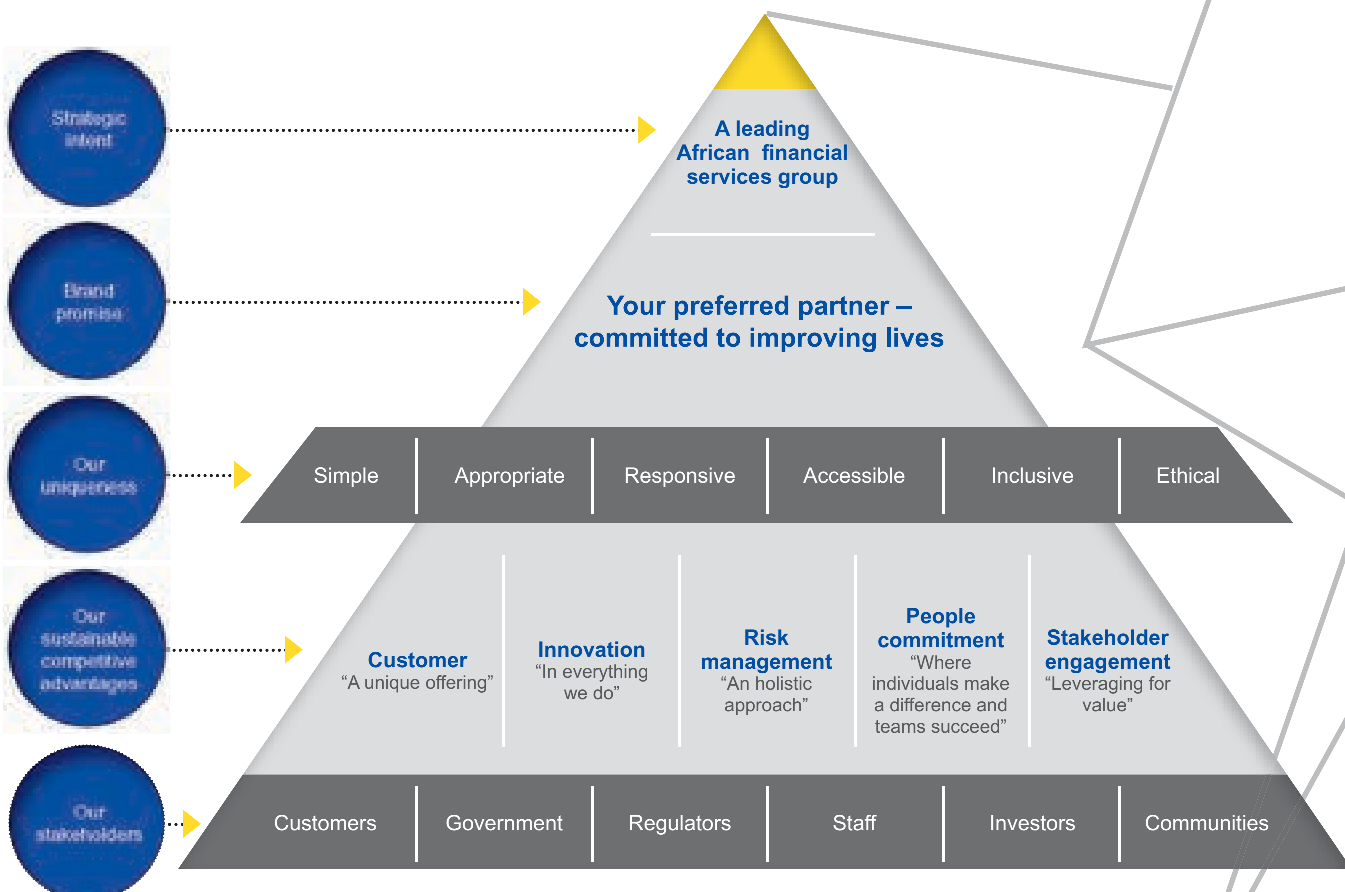
OUR VISION

To become a leading African financial services group.

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

While deduction at source lending to the formally employed populace remains our core business, continued investment is being made into deposit-taking, housing, small business and other micro-finance services. The medium to long term focus of Letshego is to ultimately become a leader in financially inclusive services across Africa.

We are committed to improving lives.



CORPORATE PROFILE

Letshego Holdings Limited was incorporated in 1998, is headquartered in Gaborone, Botswana, and has been publicly listed on the Botswana Stock Exchange (BSE) since 2002. We are a holding company with consumer and micro lending subsidiaries across 10 countries in Southern and East Africa – Botswana, Kenya, Lesotho, Mozambique, Namibia, Rwanda, South Sudan, Swaziland, Tanzania and Uganda.

Letshego is a Setswana word meaning “support” that epitomises the Group’s ability to partner with individuals as well as Micro and Small Enterprises (MSE) by providing appropriate financial services. The Letshego logo depicts a three legged artefact such as those used to support traditional cooking pots. It symbolises trust, self-sustenance and life improvement.

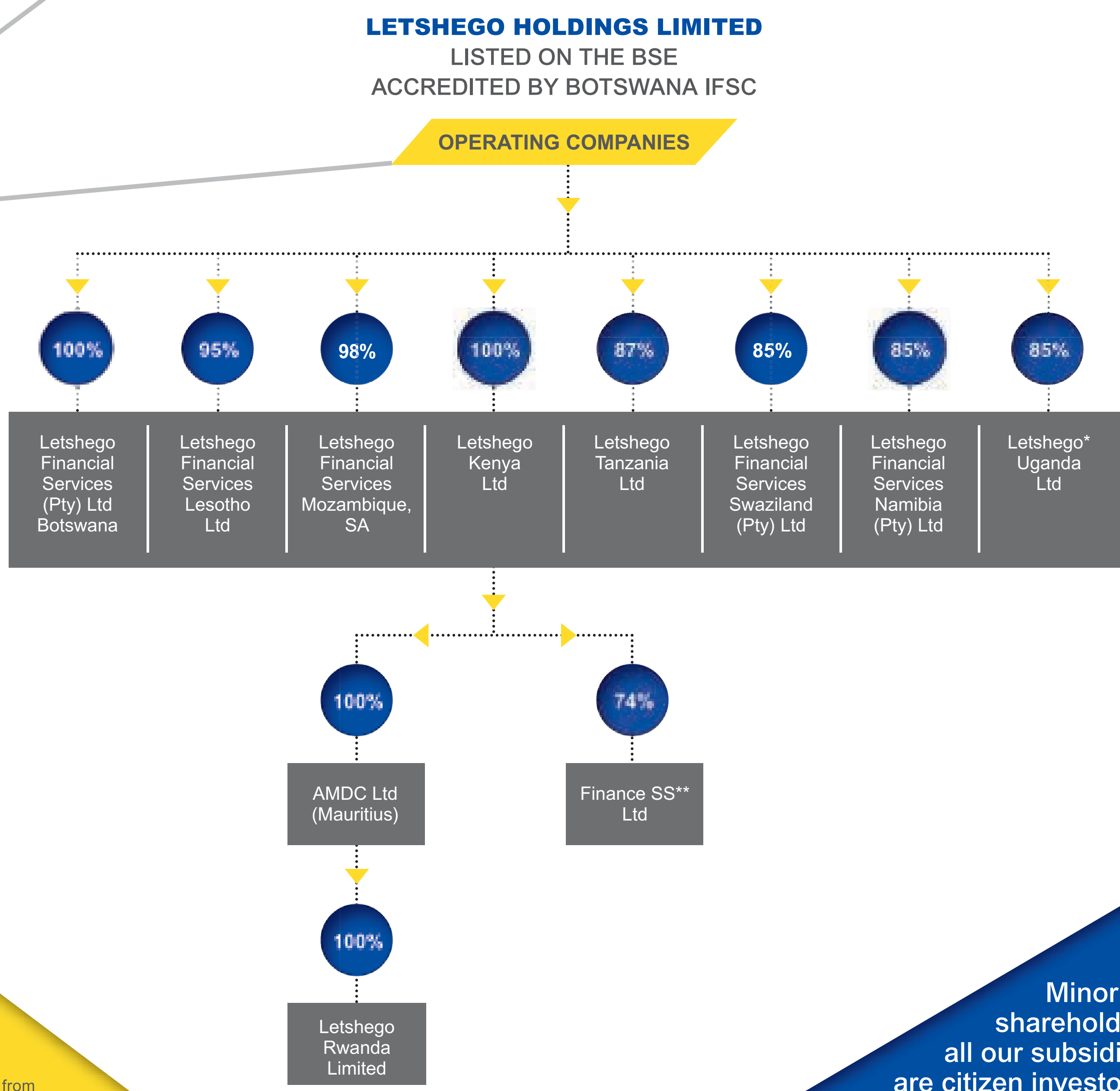
Letshego is presently the second largest company on the BSE, with a market capitalisation exceeding US$ 640 million. We are a truly pan-African financial services provider that is committed to financial literacy and skills development. The Group employs over 1 400 staff from more than 20 nationalities. Our footprint comprises 252 customer access points servicing more than 265 000 customers.

Over the last 17 years we have positioned ourselves to assist governments improve their financial options for employees. The Group offers innovative and competitively priced loans between US$500 and US$60 000, mainly through the model of payroll deduction at source. In 2012 we began providing loans to companies, MSEs and low income earners. We believe that our solutions must be simple to understand, affordable and inclusive.

Letshego’s brand is trusted across Africa due to our reputation for being responsive to customer needs. We are committed to ethical lending and to full compliance with relevant regulations and guidelines in all countries in which we operate.

Letshego celebrates its journey with a gala stakeholder event at Lansmore Hotel’s rooftop in Gaborone

COMPANY STRUCTURE



* With effect from 1 January 2014, Micro Uganda Limited operations were integrated into Letshego Uganda Limited.

** As of the date of this integrated annual report, Financé SS was reasonably certain of being disposed of as a going concern. The intention to dispose was approved by the Board of directors on April 2014.

Minority shareholders in all our subsidiaries are citizen investors. Letshego Holdings Limited's Board of directors has made a conscious decision to empower citizen investors by giving them a platform to invest in Letshego subsidiaries across Africa.

FINANCIAL PERFORMANCE

Letshego is a top 40 sub-Saharan Africa company by market capitalisation (excluding South Africa).

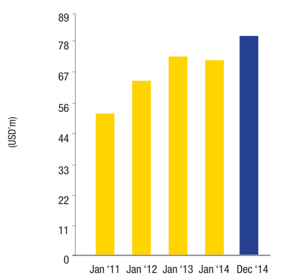
INDICATOR	2011 JANUARY	2012 JANUARY	2013 JANUARY	2014 JANUARY	2014 DECEMBER
Total operating income (BWP'million)	**823**	**991**	**1,184**	**1,370**	**1,494**
Profit before tax (BWP'million)	627	711	841	850	970
Net advances (BWP'million)	2,299	3,035	3,336	4,428	5,687
Return on average equity	30%	29%	25%	20%	21%*
Return on average assets	22%	21%	18%	14%	14%*
Basic earnings per share (thebe)	26	30	33	30	33
Debt to equity ratio	29%	35%	46%	36%	47%
Cost to income ratio	19%	24%	26%	33%	29%
Non-Performing Loans (NPLs) to average advances	2%	2%	1%	2%	2%

** Annualised*

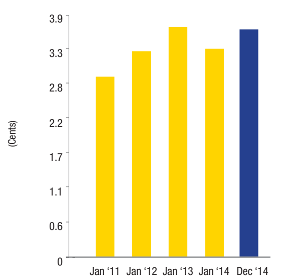
LETSHEGO'S CORE OPERATIONS AND GEOGRAPHICAL REPRESENTATION

Price/Book	Price/Earnings	Profit before Tax	Advances to Customers	Total Dividend Yield
1.4 times	7.9 times	US$ 97m 24%*	US$ 570m 28%	6.5%

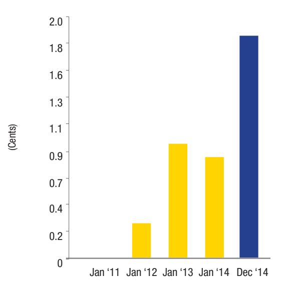
Profit after Tax (USD'm)



Basic Earnings per Share (Cents)



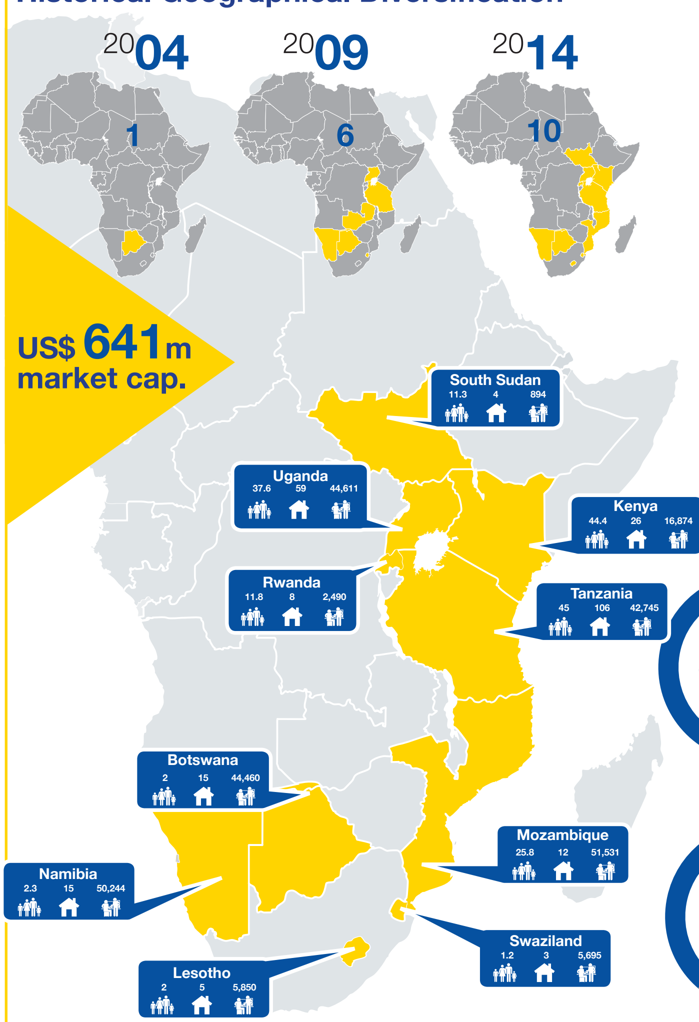
Dividends per Share (Cents)



Dividends per Share (Cents) A 1 to 7 scrip dividend was issued year ended January 2011

Where applicable all figures / ratios have been adjusted to take into account the 10 for 1 share split that was approved by shareholders during April 2010.

Historical Geographical Diversification



Key: Population ('millions') Customer Access Points Customers

Return on Assets

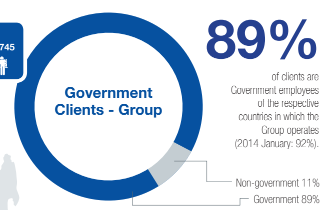
14%*

Return on Equity

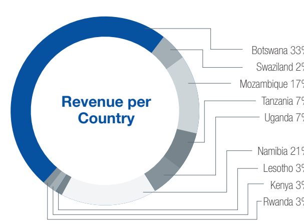
21%*

Return on assets and on **equity** both stabilised at prior period levels, with a slight improvement in RoE; both were above target levels.

* Annualised



89% of clients are Government employees of the respective countries in which the Group operates (2014 January: 92%).



* Note: South Sudan excluded from above

Delivering on Strategic Initiatives

Letshego's strategic intent is to build a **leading African** financial services group. Delivering the strategy is centred on **four key** areas of execution:

> Growing the franchise:

Deposit-taking commenced in Mozambique (February) and in Rwanda (October), whilst in Namibia a provisional licence was granted in July. We are developing the approach to financial inclusion including agency, and mobile banking. Payroll and microfinance operations in Uganda were successfully integrated.

> Building capabilities:

A unified platform was rolled out in six of our countries from which early benefits are being realised. Customer experience standards, sales teams' capacity and capabilities have been enhanced.

> New operating model:

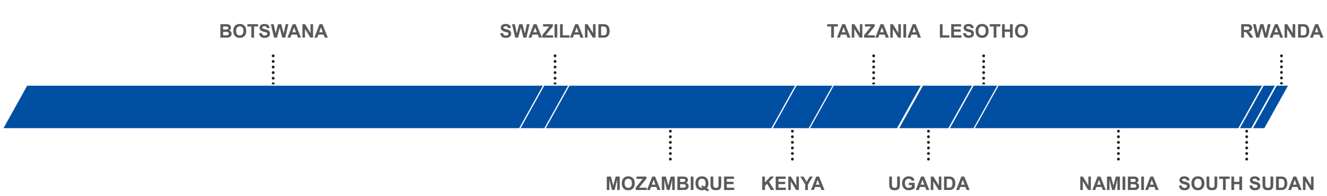
A King III aligned governance framework is being rolled out to all subsidiaries. Group functions are being strengthened in regional sales, human resources, transformational management and investor relations. At a country level, development of local talent is a key focus.

> Leveraging the balance sheet:

The diversification of funding sources has continued. The debt to equity ratio has improved to 47% (2014 January: 36%). The cost of borrowing has remained at prior levels. The group's credit rating, provided by Moody's, of Ba3 was maintained with an outlook of stable.

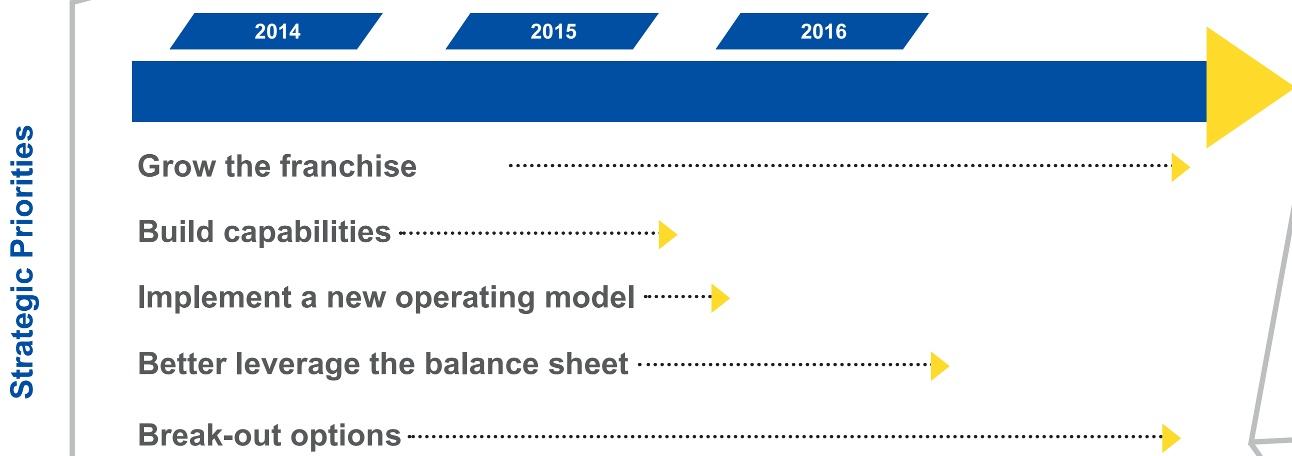
COUNTRIES OF OPERATION

COUNTRY CONTRIBUTION TO LOAN BOOK



STRATEGIC PRIORITIES AND EXECUTION

STRATEGY



Building a leading African financial services group

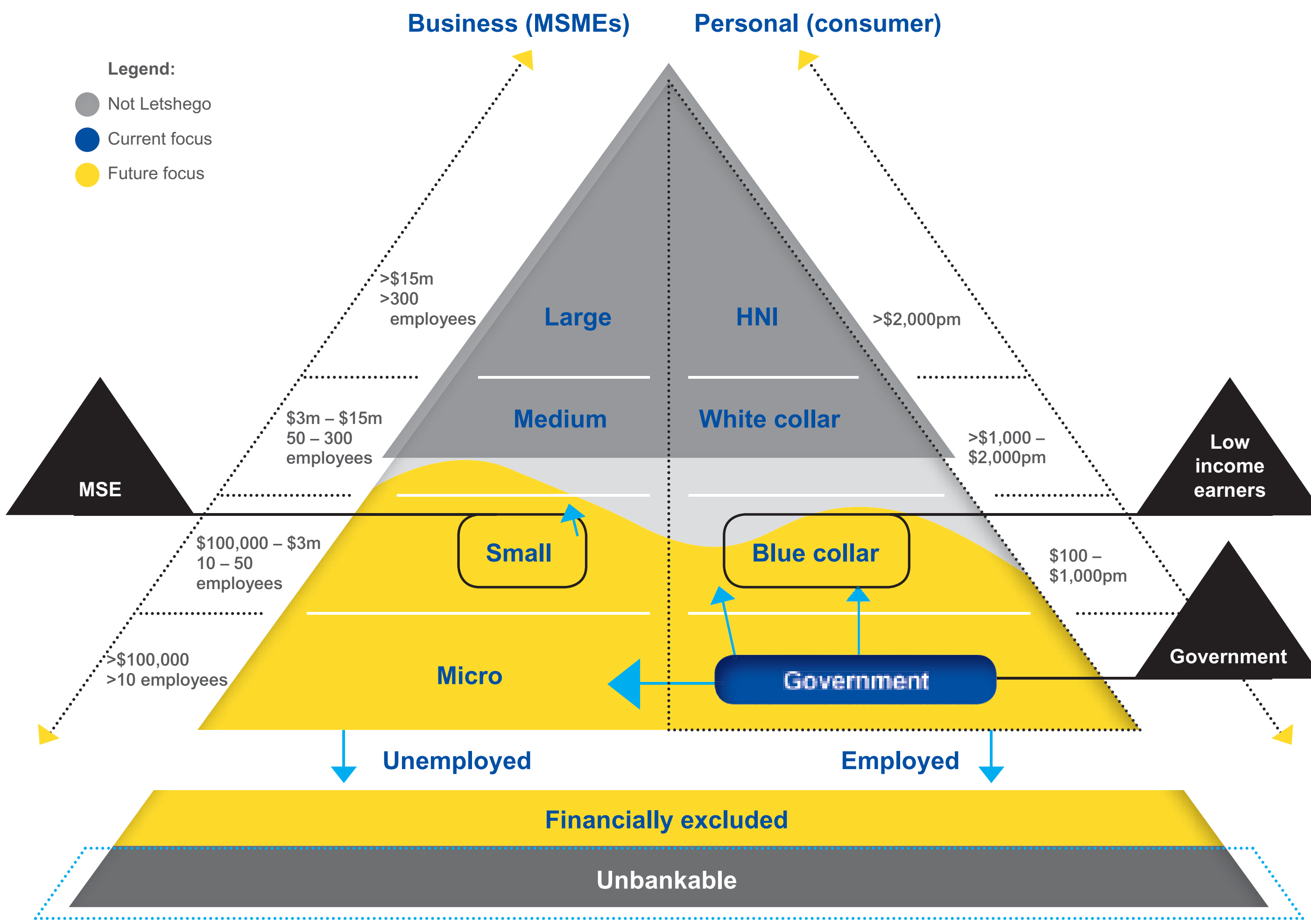
Letshego has no plans to become a commercial bank, rather we are transforming into a leading financial services group in Africa by offering financial solutions to market segments not targeted by commercial banks.

Letshego's strategy remains focused on the Group's core consumer payroll deduction business, while concurrently building out a broader set of financial solutions aimed at the low income and MSE segments of our growing footprint. This will enable a broader offering to existing clients and a growing base of previously excluded Africans by innovating across the Letshego value chain, holistic risk management and increased leverage of stakeholder relationships. Our strategy requires investing in high performing, committed individuals to lead teams throughout the continent to success.

We are progressing well with our strategy and future vision

As we build for a diversified future, Letshego intends becoming a deposit-taking financial institution in various markets and expanding into high growth geographies. We particularly seek opportunities where populations are financially excluded and need access to ethical lending. This includes entering into rural areas where access to financial services is highly limited.

WE ARE FOCUSING ON THREE KEY SEGMENTS



Letshego is clearly differentiated from commercial banks in most of our countries of operation due to differing risk appetites and cost structures.

As shown in the accompanying pyramid diagram, our products and services are focused on the government employee, micro, small and blue collar segments of the income pyramid. The commercial banks generally target white collar and high worth individuals, as well as medium and large businesses, in the upper part of the income pyramid. Letshego's unique range of competencies, business model and widespread footprint enable us to increasingly dominate our segments. We are determined to include growing numbers of unbanked Africans into the economic mainstream by engaging them with our solutions, which aligns with the objectives of governments and regulators across Africa.

Our strategic quadrants

The Letshego strategy is based on four pillars:

- growing the franchise;
- building capabilities;
- rolling out a new operating model; and
- leveraging our balance sheet.

We have a clear strategic agenda for 2015 and beyond. We have already made progress on the above four pillars.

LENDING THROUGH DEDUCTION AT SOURCE REMAINS CORE TO OUR FRANCHISE GROWTH

Letshego grew its share in all key markets, with Botswana, Mozambique and Namibia contributing about 80% to our customer advances book of P5.7 billion. In Botswana, which remains our largest market, we have diversified into home improvement loans and had already disbursed over BWP20 million in advances by December 2014.

All Letshego operations in our core market segment showed strong double digit growth, apart from Tanzania.

In Tanzania and other East African countries, the banks compete with us for payroll-deduction-based lending. We respond by consistently delivering on our unique service promise. Letshego pays close attention to developments within our regulatory and governing environments, which we address by lobbying and networking in the appropriate forums. All our operations maintained or improved asset quality and we manage non-performing loans with great rigour.

	LETSHEGO'S CURRENT MARKET PENETRATION (PRIOR YEAR)	GOVERNMENT EMPLOYEES	CURRENT LOAN BOOK	PAYROLL	NON-PAYROLL	TOTAL	LOAN GROWTH FROM PRIOR YEAR
	%2014 DEC (%2014 JAN)	('000)	P'000				
BOTSWANA	29%(23%)	150	2 005	99%	1%	35%	11%
KENYA	1%	450	201	13%	87%	4%	139%
MOZAMBIQUE	13%(8%)	400	1 114	100%	–	20%	40%
NAMIBIA	50%(45%)	100	1 366	100%	–	24%	45%
TANZANIA	9%(10%)	500	307	100%	–	5%	–
UGANDA	11%(12%)	275	249	68%	32%	4%	12%
SWAZILAND	11%(11%)	50	151	100%	–	3%	36%
RWANDA	0%	130	103	–	100%	2%	96%
LESOTHO	13%(14)	45	190	100%	–	3%	103%
		TOTAL	5 686	93%	7%	100%	28%

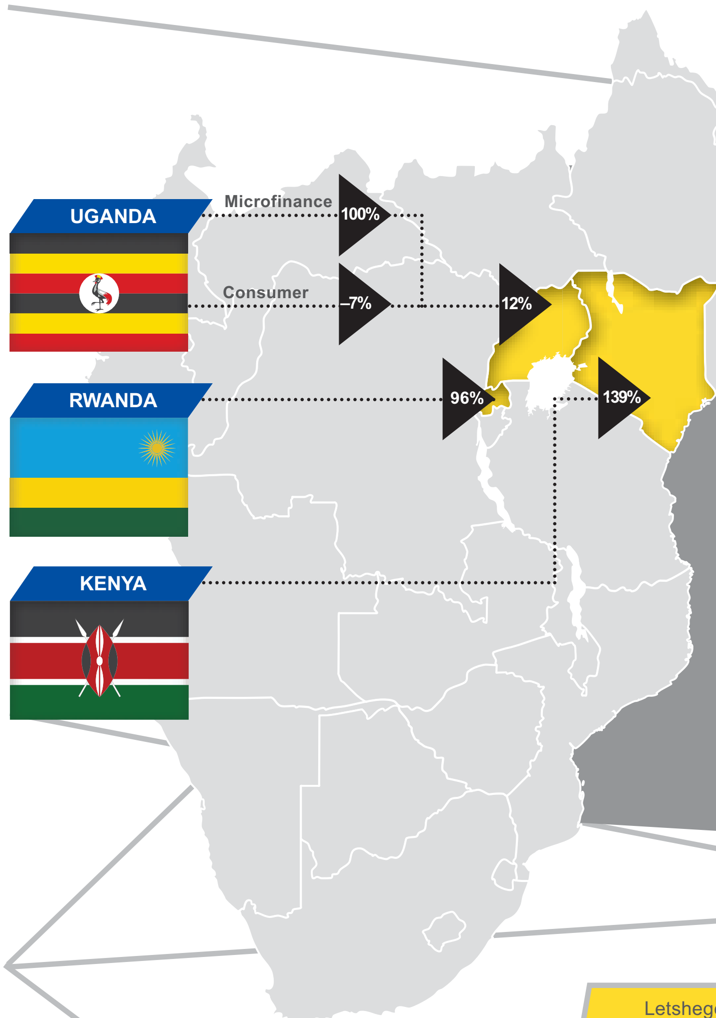
EAST AFRICAN GROWTH WILL SPUR OUR FRANCHISE FORWARD

Letshego's East Africa portfolio grew strongly with Kenya, Rwanda and Uganda averaging over 60% growth. At the same time we maintained our underlying asset quality and enhanced our lending and credit risk monitoring criteria. The Group's South Sudan operations remained on hold as we worked through the actions required to dispose of these as a going concern. We decided to exit South Sudan due to the rising levels of non-performing loans, mainly due to the ongoing political and civil unrest there.

In this period we broadened the variety of loan concepts that Letshego offers to include housing microfinance, education loans (tertiary and primary), health and agriculture-related enterprise funding, and sole trader start-up and working capital.

Growth in our MSE loans is being increasingly driven by our low-cost housing facilities. These include collateral over land and buildings owned by the borrower. While our East Africa portfolio is growing strongly, we remain prudent about the nature and extent of our exposure to its risks.

MICROFINANCE OPERATIONS GROWTH HAS BEEN STRONG



GROUP LENDING LOANS
- Loans extended to business persons who lack traditional collateral

INDIVIDUAL OR MSE LOANS
- Primary loan product (mostly) secured

CHECK-OFF (PAYROLL) LOANS
- Targets employees working with either private or public entities
- Payroll product limited to some individuals

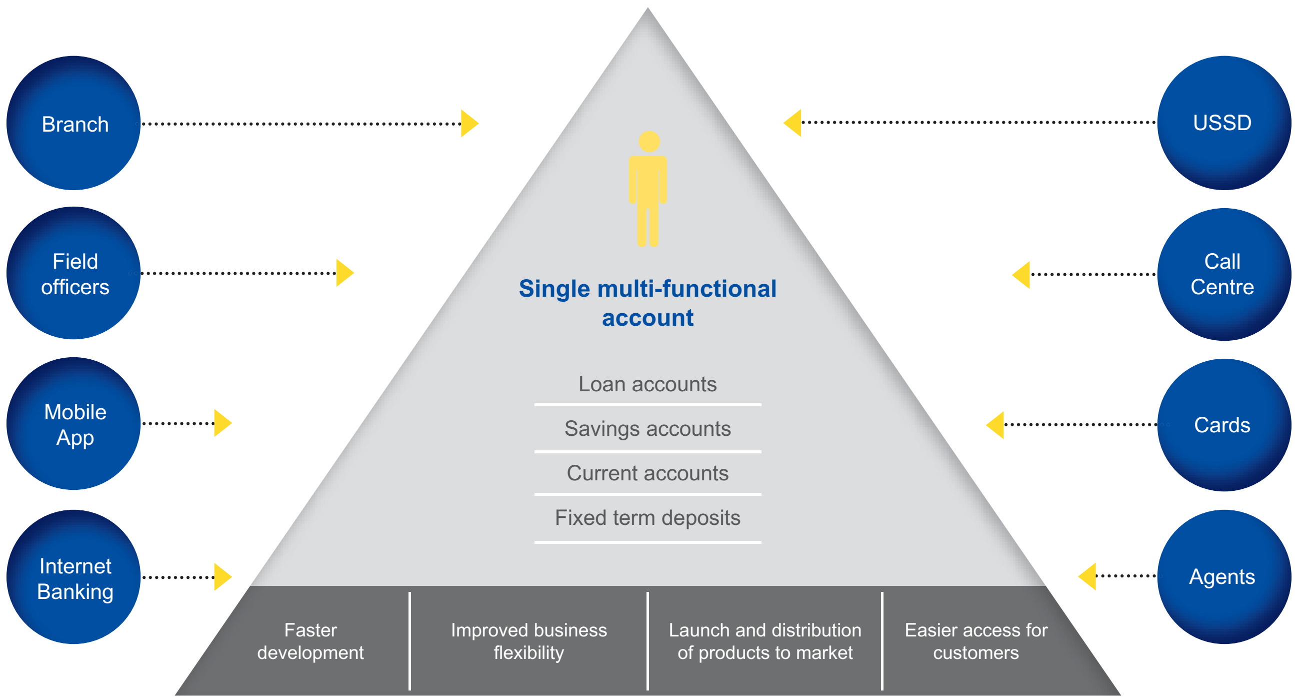
SCHOOL FEES LOANS
- Targets clients with school going children or dependants

MAJI NYUMBANI
- Assists individuals and communities to acquire water tanks and ensure water storage

BIOGAS
- Targets dairy farmers in Kenya

Letshego Mozambique Best performing branch awards. Winning team.

WE ARE INVESTING TO DRIVE FUTURE GROWTH



With a core integrated banking and financial reporting and planning system from TATA Consultancy "B@NCS" and Oracle Financials as a base, we are building infrastructure that will support delivery of our strategy.

INVEST, DIVERSITY OR EXIT: THREE APPROACHES TO FRANCHISE GROWTH

In October 2014, the Group exited Tujijenge, which was our Tanzanian microfinance associate interest acquired through the Micro Africa group in late 2012. We further anticipate exiting South Sudan by the second half of 2015. Letshego ended the association with Tujijenge to consolidate the existing position with Letshego Tanzania, our Tanzanian subsidiary. Letshego Tanzania was founded in 2006 as "Faidika" (Swahili for "your benefit"), and is now among our more mature deduction-at-source lending businesses. This subsidiary has a proven business model, well trained support and sales force, a country-wide distribution network and strong brand equity. We believe it is the most ideal platform from which to further diversify our Tanzanian offerings.

Outside of organic growth, Letshego is continuing to explore suitable acquisition opportunities.

Taking deposits is not a route to quick low-cost funds; however it is the first step towards transforming into a full-service financial inclusion institution. Deposit-taking does give us immediate access to our customers' transactional accounts, that will enable the Group to deliver our financial inclusion module more easily. This will be achieved over time, through a phased release of other value-adding services such as internet banking, unstructured supplementary service data (USSD) capability, debit, credit and pre-paid transmission cards, as well as mobile banking. All these channels will be enabled by, and based on, our new integrated banking system commissioned from Tata Consulting. The introduction of USSD functionality will enable us to achieve our goal of opening up financial transactions to individuals and business segments of the economy in the lower layers of the income pyramid.

WE ARE EXECUTING ON DIVERSIFICATION AND EXIT

INVEST TO GROW	DIVERSIFY/DEFEND	EXIT
Mozambique	Botswana	South Sudan
Namibia	Kenya	
Tanzania	Lesotho	
	Rwanda	
	Swaziland	
	Uganda	

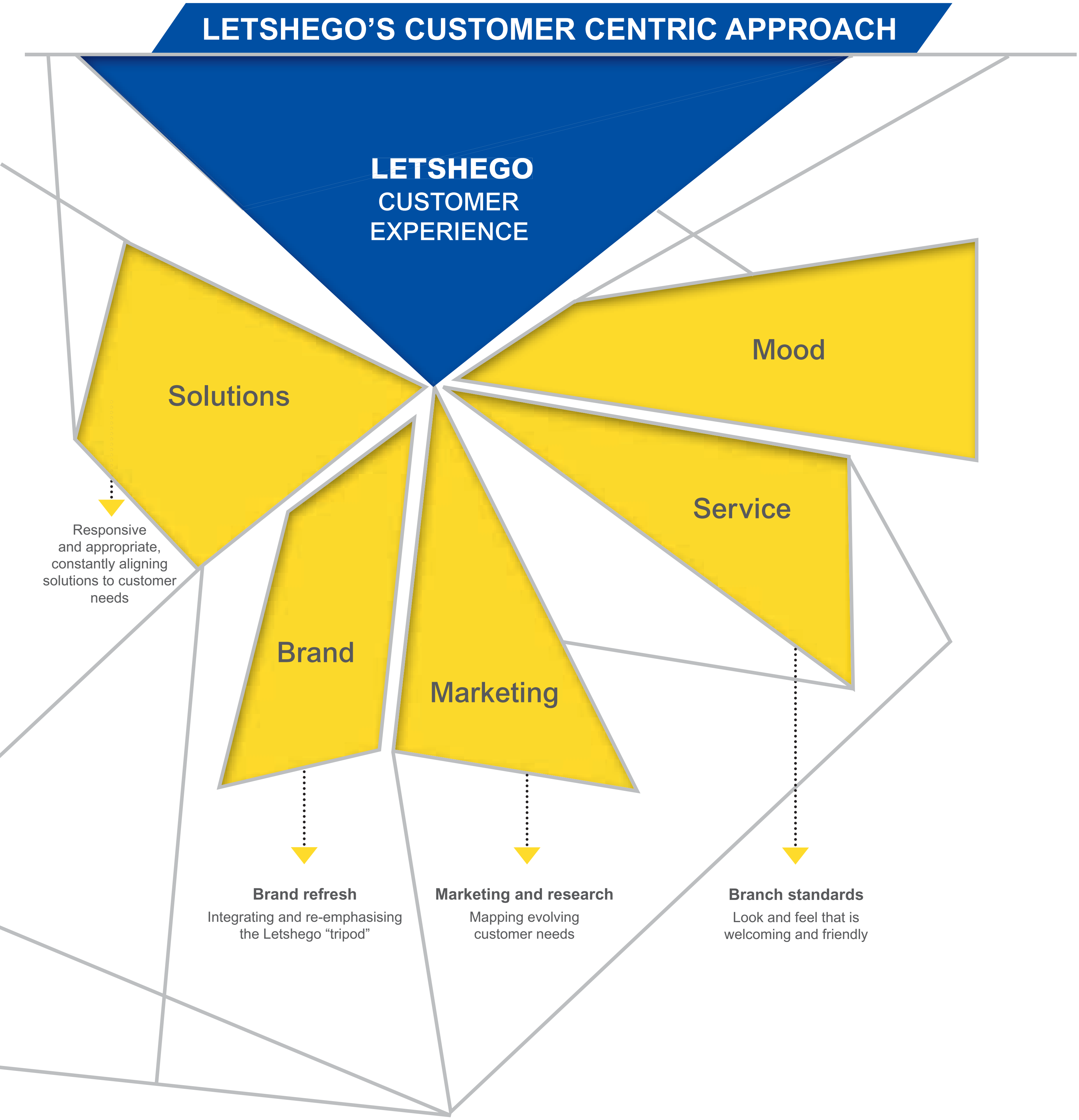
We are pleased with the launch of deposit-taking services in our two licenced banking operations, namely Letshego Mozambique and Letshego Rwanda. Deposit gathering in Mozambique commenced in February 2014, and for Rwanda in October 2014. Namibia operations have been awarded a provisional commercial banking licence from July 2014, which we should begin operating in the second half of 2015.

Deposit mobilisation has gone live in Mozambique (February) and Rwanda (October 2014)

Namibia has been granted a provisional banking licence in July 2014

Disposal of interest in South Sudan scheduled for completion in H2 2015

Exit of Tujijenge operations finalised in October 2014



LETSHEGO'S CUSTOMER CENTRIC APPROACH
LETSHEGO
CUSTOMER
EXPERIENCE
Solutions
Mood
Service
Brand
Marketing
Responsive and appropriate, constantly aligning solutions to customer needs
Brand refresh
Integrating and re-emphasising the Letshego "tripod"
Marketing and research
Mapping evolving customer needs
Branch standards
Look and feel that is welcoming and friendly

STRENGTHENING OUR CUSTOMER-CENTRIC APPROACH

The Letshego brand resonates strongly around swift responses to customers, service delivery, accessibility and simplicity.

To build on our brand reputation, we are upgrading and standardising branch look and feel across our 250-plus customer access points, while also stepping up service training and improving the effectiveness of our call centres.

Africa-wide internal and external market research has provided insight into what our staff and customers value in Letshego and in our peers. We are presently assimilating the outcomes, but the early indications show that over 80% of respondents confirm we are best known for our responsiveness, simplicity and accessibility. These results also highlight the fact that mobile and similar channels are key to providing customers with reliable access that deepens their bond with Letshego.

We are more convinced than ever that superior customer experience will be critical to our future success.

INFRASTRUCTURE INVESTMENT

Recently, we invested in the TCS BaNCS banking system provided by Tata Consulting Services’ banking system (TCS). Our payroll deduction-at-source operations in seven countries were migrated onto this lending platform by February 2015. TCS BaNCS offers significant synergies in terms of process efficiency, controls and cost management.

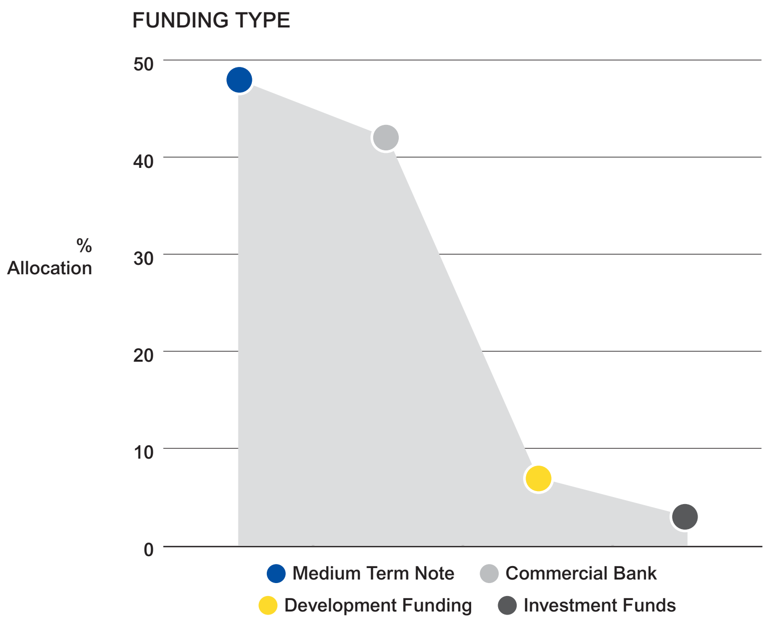
TCS BaNCS deposit modules were installed for Mozambique and Rwanda, while Namibia will be integrated in 2015. The last building block in this upgraded infrastructure investment will be a financial inclusion module, which will allow us to offer solutions through mobile, online and agent networks.

This model will enable total inter-operability between various Mobile Network Operators (MNOs), whether transferring money from a bank to a mobile wallet, or moving money from one MNO wallet to another MNO wallet. The ‘Any Channel, Anywhere’ approach that Letshego is developing will be fundamental to enabling low and middle income earners to improve their financial management. Our technology partner (TCS) for this platform has already offered a financial inclusion module to over 20 banks in India.

AFFIRMATION OF CREDIT RATING IN A DECLINING RATING ENVIRONMENT

Letshego obtained a global credit rating of Ba3 from Moody’s Investor Services before issuing the South African Rand-denominated Medium Term Note in late 2012. After performing its bi-annual review in 2014, Moody’s has confirmed that Letshego‘s rating remains unchanged at Ba3, with a stable outlook, in an environment of general downgrade within the sector.

WE HAVE DIVERSIFIED OUR SOURCES OF FUNDING AND LOWERED OUR OVERALL COST OF FUNDS



- Commercial bank funding still an important part of core funding
- Number of relationship banks increased to six
- Market conditions permitting, there is capacity to issue more senior unsecured debt under BWP and ZAR DMTN
- Ongoing Private Placements under Mozambique DMTN

DIVERSIFICATION AND LOWERED COST OF FUNDS

In recent years Letshego has diversified its sources of funding to include development finance institutions (DFIs), commercial banking, our Medium Term Notes, and investment funds, including pension funds. In 2014 we moderately reduced our interest rate on funding to 11.2% per annum, from the 11.3% per annum mark of the previous period (excluding the effect of foreign exchange fluctuations). We now have key banking relationships with six major banks and have substantially increased our bank borrowings to reduce our overall weighted average cost of funds.

At the same time we doubled our borrowings from DFIs, though the impact on our cost of funds was lower due to the presently smaller scale of this funding.

The recent destabilising events in the sub-Saharan banking industry muted the appetite for our Rand-denominated Medium Term Note, which offers tenures of one to seven years, on a secured and unsecured basis. This year we doubled the dividend pay-out ratio, which in conjunction with our increased borrowings took our debt/equity ratio up to 47%.

THE NEW OPERATING MODEL

Our new operating model is intrinsically about the split of roles, responsibilities and contribution between group and local country operations. Key functions being strengthened at Group level include brand ownership, governance and risk management, which will be supported by centralised audit, investor relations, policies, standards and procedures. Our operations in each individual country can then focus on new business, distributing solutions, servicing clients and managing their local risks.

Our country based operations also identified new, local development finance institution (DFI) funding that benefits Letshego due to reduced foreign currency exposure and cost of funding at subsidiary and Group level. This also diversifies our sources of funding. A central Asset Liability Management (ALM) function will serve country teams better.

LETSHEGO INNOVATION MANAGER AT THE LAUNCH OF THE GROUP'S "LETS-GO" INNOVATION PLATFORM


John Burbidge

The more good business Letshego does, the more Africans across the continent can elevate themselves out of structural poverty and build thriving communities

Net advances to customers

▲28%

to P5.7 billion

Africa's growing working class that are unbanked

80%

(Approximately 800 million)

Average projected growth in key African economies

▲6%

LETSHEGO CHAIRMAN'S REPORT

Last year I reported on a fundamental review of Letshego's business strategy. Our new Group Managing Director, Mr. Christopher Low, brings with him an outstanding corporate track record in the financial services and banking arena spanning sub-Saharan Africa, Asia and the United Kingdom. He faced the immediate challenge of implementing a major transformation of the business, as envisaged in the business strategy.

Transformation strategy and performance

In brief, Letshego's new strategy involves entering new micro-finance markets adjacent to our core payroll deduction offering. To do so in a low risk and responsible manner requires a major internal transformation of how the Group and its subsidiaries operate. It requires major investment into our information technology (IT) and into building up the capacity of the Letshego workforce, as well as significant training and realignment of our employees to understand and rise to the demands of the new business operating model.

Letshego's transformation is in response to the need to evolve beyond payroll deductions for its long term sustainability, as well as to leverage on opportunities provided by the new financial platforms that are transforming Africa's economy. Letshego's transaction systems are being re-designed to meet the technological challenges. This is a key driver of the business strategy.

While leading this transformation, the management team is also working to deliver the financial returns anticipated by shareholders and investors. On behalf of the Board, I am pleased to report that the team has met all objectives set for the financial period. Letshego's internal transformation and diversification into new financial markets over a five year horizon is well under way, and we can report on an excellent start indeed.

In an 11 month financial period (due to the change of financial year end to 31 December), Letshego's profits before tax increased by 24%* to P970 million (2014 January: P850 million) and the net advances book grew by 28% to P5.7 billion. Despite our investments into transformation, the cost to income ratio improved to 29% (2014 January: 33%), while impairment charges on the net portfolio were kept down to 2.0%.

These exemplary results, when read together with our non-financial highlights, demonstrate that Letshego's long-term sustainability is being increasingly assured. I anticipate that our results will continue improving in the years ahead as Letshego continues building out and leveraging its new business operating model.

The socio-economic reality and opportunity

In sub-Saharan Africa, the economies of the so-called "African Lion" countries are growing consistently at over 6% per annum, outstripping many other regions in the world. Although rising off a low base, these economies are benefiting from a wealth of natural resources, rapid infrastructure development and rising consumer demand. At current growth rates, these African economies will more than double in size over the next decade.

While economies grow and ordinary African citizens start earning more cash than before, nearly 80% of this population of close to 1 billion people remains unbanked. Due to their cost and organisational structures, most traditional banks are not equipped to engage this lower income yet highly entrepreneurial class of people. At the same time many, if not most, in this income band lack the assets and conventional financial literacy to approach these banks.

This has given rise to a wide disconnect between a population looking for financial access and banks that are simply not structured to meet this need. Ever resourceful, Africans are turning to mobile and other technologies to transfer cash between them. The rate and costs of technology advancement must act as enablers for the growth of those moving up the pyramid in a safe and regulated manner.

Based on our established and core payroll deduction business, Letshego is transforming itself to provide simple, accessible and responsible financial solutions to the unbanked millions. We intend helping them up the next step in the ladder to join the growing middle class that will transform Africa itself.

Managing market risks

Letshego offers consumer and business development loans to middle and lower income segments. To minimise risk, these loans require more comprehensive background checking than payroll deduction loans. The Group's recently implemented integrated banking platform enables more comprehensive data management, and the Group is lobbying for central credit registers in those countries still lacking in this regard. Strict policies for taking on new customers and extending further credit to existing customers apply. Each credit application is aligned to an individual financial plan, incorporating affordability assessments.

Many unregistered lenders are operating in African markets in an irresponsible manner. The lack of financial literacy in the lower income bands is a root cause of over-borrowing. In Botswana, Letshego is running a financial literacy programme to meet this need in close co-operation with the government. Should this three year programme make significant inroads into reducing financial illiteracy, we will certainly consider rolling it out to our other markets.

Given that a high percentage of Letshego's customers are government employees, we carefully assess the concentration risks in our customer base. Certain governments are tightening their budgets. Affordability for civil servants remains an area of focus. This is a major reason why diversification is being implemented as a key aspect of our forward strategy.

Regulatory compliance and corporate governance

The Board ensures that we comply with regulatory requirements in each country where we operate. Bureaucracy can be a challenge at times, but the Group has built up the local experience to manage this. Letshego also has a policy of identifying suitable local equity partners, managers and employees in each country, which helps ensure that we engage each market appropriately. Our multi-national workforce is a Letshego strength, as this diversity encourages the cross-pollination of ideas and learnings between the respective country teams. While listed in Botswana, we view Letshego as an authentic and growing pan-African group.

Over the past two years Letshego has taken steps to introduce best practices in corporate governance policy and structures. We consider rigorous corporate governance to be a cornerstone of risk management and the responsible and ethical lending we are contributing to African economies.

The Group accordingly adopted The King Code of Governance Principles and the King Report on

Governance (King III), which is a South African governance standard universally regarded as one of the world's finest. As guided by King III we made some changes to the Letshego Board to re-balance responsibilities and bring in a wide spread of expertise. We performed a similar exercise with the boards of certain subsidiaries, by appointing 12 new independent, non-executive directors.

King III requires company boards to diligently and regularly evaluate their performances. Until now our Board has conducted an annual self-evaluation exercise, but this year established a benchmark by appointing the Institute of Directors South Africa (IoDSA) to conduct an independent evaluation. The results were highly satisfactory and the Board will continue commissioning independent evaluations from time to time.

Letshego's financial year-end was changed to 31 December to harmonise the Group's reporting. A significant number of our subsidiaries already had a December year-end based on regulatory requirements or industry practice.

Urban and rural – crossing the divide

Africa is urbanising rapidly, but many rising earners in the cities are still tied to their rural families and settlements. Letshego is compelled to track its customers to ensure that they remain in contact and that credit extended to them is not being unduly dissipated for consumptive purposes. Where customers borrow in an urban area and apply their finances rurally, this creates the opportunity for Letshego to penetrate those rural areas as mobile access expands.

Positioning Letshego as an African brand

Letshego is focused on an African growth strategy, and we constantly research how the Letshego brand is perceived in each country. As work progresses towards standardised but superior service delivery in support of the brand promise, the Letshego identity and franchise continue to perform well in any particular African market, despite political or economic differences.

Sustainability – of Letshego's business model and the community

There are two sides to the Letshego sustainability coin: the sustainability of the business itself – and how its operations impact the societies. Letshego's transformational and diversity strategy is aimed at sustainability in all respects. Given Letshego's technology-driven business model minimal impact is made on the environment. The Group's vision and strategy are aligned with creating greater scale of upliftment amongst societies we impact, both relating to financial services and Letshego's corporate social responsibility projects. The more good business Letshego does, the more Africans across the continent can elevate themselves out of structural poverty and build thriving communities.

Letshego's own future sustainability took a major stride forward this year. The core franchise strategy remains healthy, with a strong and growing customer base. The Group's diversification for sustainable growth is achieved by investing in appropriate and responsible financial solutions. We will continue building our capacity and our people, while maintaining tight control of costs and applying a disciplined and prudent approach to risk. For shareholders to gain their due rewards, Letshego must create lasting value for all stakeholders.

The Letshego Group of today is equipped to innovate – to consider and embrace new and better business practices. This is rooted in steering away from complexity and empowering people to perform. Financial services are changing faster than ever before and Letshego has grasped this opportunity to become increasingly relevant to the African economies and societies in which the Group serves.

Appreciation – belief and passion

The Group has made commendable advances in building a highly capable financial services Group. This ambitious path has not been without its challenges.

I remain keenly aware of the support of my fellow Board members in fulfilling our joint governance duties for this dynamic Group. I would like to take the opportunity of thanking Mr. Legodile Serema, who has served the Group ably for the last six years, and retired from the Board in 2014.

Letshego's 1,425 management and staff members across Africa have brought their passion, commitment and good work ethic to bear. Their efforts have helped to reposition Letshego for a brighter and sustainable future, and I thank you all.

I also extend appreciation to our customers who continue to grow with us and the Group will continue to embrace ways of improving the quality and impact of its services.

Equally crucial to our past and future successes are Governments, regulators, local shareholders and the global investor community.

We are well on track to achieving greater transformation and impact. On behalf of the Board, I thank you all.

John Burbidge
Chairman, Board of Directors

*All financial amounts and measures have been annualised where appropriate.

Chris Low

These results demonstrate that our new strategy, announced last year, is aligned to market opportunities and that investing into Group capacity will continue to accelerate performance.

Group Profit before Tax (11 months)

P970m

(2014 January: P850m)

Deposit-taking capable countries

2 out of 10

Group Cost to Income ratio

29%

(2014 January: 33%)

OVERVIEW

I am delighted to write to you about an exceptional set of results in this, my second annual report as Group Managing Director of the Letshego Holdings Limited Group. This excellent performance is not limited to financial results, but includes the large strides that the group has taken to transform and diversify itself into a broader financial services group. Our on-going transformation sets the stage for coming years.

Despite major expenditure into staff training and alignment, new technology and upgrading our customer interfaces across Africa, we have achieved growth while reducing our cost to income ratio. These results demonstrate that our new strategy, announced last year, is aligned to market opportunities and that investing into Group capacity will continue to accelerate performance.

Growth across Africa

Many sub-Saharan African countries, sometimes referred to as the "African Lions", are growing strongly in the wake of political stability and economic policies which encourage investment inflows. As Africans access entrepreneurial opportunities, in growing numbers, they are adopting mobile financial technologies quicker than just about any other region in the world.

Although Africans are earning larger amounts of cash or drawing civil servant salaries, large segments of country populations do not have easy access to financial or banking services, while many lack financial literacy. People in these emerging income groups are prone to being exploited by irresponsible lenders.

Letshego has identified these income groupings as a natural opportunity for growing its business. Based on our solid foundation in responsible and ethical payroll-based lending, Letshego is introducing simple and appropriate products that these groups can easily access. We can offer these facilities at greater speed and convenience than the traditional banks by routing our products and services through our new integrated banking backbone and the incoming mobile transaction technologies.

In so doing, we will be supporting the drive of African governments to integrate the emerging lower-income and middle classes into the economic mainstream. Enabling these earners to be included in a manner that can be tracked and recorded will add further impetus to growth in these economies.

Letshego's strategic pillars

Letshego's business strategy is implemented through four primary levers. These are: growing the franchise, building capabilities through human capital and technology, rolling out a new business model throughout the group, and leveraging of the balance sheet.

We are successfully making progress on all four of these pillars, as discussed throughout this report.

Financial highlights

2013 was about embedding a new five year strategy and this current reporting period in 2014 has been about delivering in terms of growth and profitability.

Profit before tax climbed by 24%* to P970 million (2014: P850 million), with 96% (P931 million) of profit before tax flowing from our five more established markets: Botswana, Mozambique, Namibia, Tanzania and Uganda.

Fee and commission income increased marginally to P128 million for the 11 month period (an annualised increase of 4%) over the P134 million of the previous 12 month period. Total costs increased by only 4% annualised, bringing the Group cost to income ratio to 29% (2014 January: 33%).

Risk costs on the advances portfolio remained within target levels with an impairment charge on the net portfolio at 2.0% (2014 January: 1.7%) for the period.

The net advances book grew by 28% to P5.7 billion. The largest contributors in absolute terms to this notable growth were Namibia, Mozambique and Botswana operations, in descending order. These three operations contributed to (75%) P944 million of the net growth.

Our Uganda operations posted healthy advances growth at 12%, closing at a quarter of a billion Pula. This was the first full period of integration with the microfinance business of Micro Africa Uganda Limited.

Letshego's other micro and small enterprise lending operations, in Kenya, Rwanda and South Sudan, achieved commendable growth of 55%, coming in at a combined P305 million.

Our Lesotho operations doubled their customer portfolio to P190 million, while Swaziland revived portfolio growth after product reviews to deliver a book of P151 million, up 41% from the preceding period. Tanzania remained flat at P307 million due to market operational challenges and stiff competition.

Establishing a new operating model

To diversify the Group and continue geographical expansion requires a thorough re-evaluation of how we operate our business. This was done in 2013 and implementation started this reporting period.

It was apparent that Letshego required an enhanced operating model that would be scaleable for new service offerings and geographies, while also being cost-efficient. As the Group leadership and core functions are based in Gaborone, Botswana, the bulk of our support systems are centralised here. This provides the opportunity to refocus each Letshego subsidiary on the distinct requirements of their specific country, without management focus being distracted by non-core duties.

In 2014, Letshego accordingly strengthened the governance and capabilities of these subsidiaries, while also re-balancing the split of functions between them and the Group. We appointed 12 independent non-executive Directors across the boards of subsidiary companies to introduce appropriate expertise and enhance governance oversight at those levels.

This re-balancing required the Group to take over functions that could be standardised and cost-effectively managed from our head office in Gaborone. These functions include funding and foreign exchange, brand ownership, governance and risk management, and investor relations. These are in addition to information and communications technology (ICT), human resources reward and administration, financial control and reporting, and internal audit services which were centralised prior to 2013. As part of this re-organisation, policies and procedures continue to be standardised throughout the Group.

Business transformation gets underway

Letshego Rwanda Board and Letshego Group heads with Central Bank Rwanda Deputy Governor, Supervision Director at deposits launch

Although Letshego is not planning to become a commercial bank, we are entering into deposit-taking where this fits with our financial inclusion model. The Group was granted deposit-taking licences in Mozambique and Rwanda, followed by a provisional banking licence award in Namibia in July 2014. Deposit taking has commenced in Mozambique (February 2014) and Rwanda (October 2014). The Group intends commencing deposit-taking operations in Namibia in the second half of 2015.

We plan for deposit taking to lead to further value-adding services delivered via the internet and mobile banking, as well as debit, credit and pre-paid transmission cards.

Performance of subsidiaries

Our Southern African subsidiaries in Botswana, Mozambique and Namibia recorded strong double digit growth and together contribute to about 80% of the book. Botswana is a mature market, with slower growth than in Mozambique and Namibia, but we added home improvement loans to our offering and have already built this portfolio to BWP20 million in a few months.

The East African subsidiaries face stiffer competition, particularly in Tanzania and Kenya. Nevertheless, we recorded robust loan growth in Kenya (+130%), Uganda (+25%) and Rwanda (+95%). Viable clients in those countries secured loans for a variety of purposes, such as for paying school fees and funding business and farming infrastructure. Many of these loans are secured against properties.

In Tanzania the commercial banks compete directly against our core payroll deduction product, which muted our growth in that country. The board and I still believe that Tanzania offers outstanding potential and we are conducting further research into that market before launching new solutions, that will address healthcare, education and agribusiness.

We disposed of our 24% share in the microfinance business of Tujijenge Tanzania Limited, which had been part of Letshego's acquisition of Micro Africa Limited. This was assessed as a non-core business that diverts management focus in Tanzania for minimum reward.

Another exit decision this year was for South Sudan, which, due to continuing political instability, was driving up the risk of non-performing loans. We anticipate that this business will have been disposed of by the second half of 2015.

Balance sheet management

The group works continuously to diversify and lower our cost of funding. In this period we established funding relationships with two new banks in addition to the four with which Letshego already has arrangements. This provided the opportunity to increase the group's borrowings significantly and shift our debt to equity ratio from 36% to 47%, which improves liquidity and remains well within our set parameters.

In each country of operations we prioritise the establishment of relationships with development finance institutions (DFIs) that can offer local funding to reduce the currency exchange risk of cross-border finance. Although we did not raise significant DFI funding in this period, this avenue will continue to be a focus, especially as the positive social aspects of our products become more apparent.

On the downside, we received a lukewarm response to the Rand denominated Medium Term Note issued in 2013. It appears that recent concerns with stability of financial institutions have presently dampened investor appetite for the sector.

The impact of technology

Africa lacks much of the basic communications infrastructure that developed economies take for granted. As much as this reality has stunted growth in the past, it does mean that the continent is ripe for digital and mobile communication technologies that do not require extensive base infrastructure. Letshego accepts this reality as a competitive advantage - as long as we deploy modes of communication that enable simple and fast customer access to our products.

To leverage this opportunity, we contracted Tata Consulting Services (TCS) to develop and implement an integrated banking platform (BaNCS and Oracle Financials) across the Group. Botswana, Lesotho, Mozambique, Namibia, Swaziland, Tanzania and Uganda (all our payroll-deduction centric operations) had all gone live on the TCS BaNCS platform by February 2015.

The BaNCS system is designed to offer a widening array of services by offering specific modular solutions. The deposit-taking module has also been commissioned for Mozambique and Rwanda. The Namibia installation is scheduled for late 2015, should our commercial banking licence there be confirmed. This financial module, similar to that used by over 20 banks in India, will enable Letshego to seamlessly channel our solutions through mobile, online and agent networks.

Our clients will be able to interact through any or all channels they may decide to use with inter-operability between different mobile network operators, which is a vital advantage to have in Africa.

Building sustainable competitive advantage

Customer Experience

Over the years Letshego has been renowned for the quality of its customer service, but that is only one part of the entire customer experience package. To maintain our customer-facing edge over competitors, we research and refine various aspects of customer contact and engagement. In Africa, client engagement is often not straightforward, as physically travelling to an agent's office may be arduous and internet access is not universally available. Letshego takes care to ensure that every aspect along the customer experience chain, from initial contact right through to servicing a Letshego product, is a seamless and rewarding process. This requires rigorous training of all our client-facing personnel, supported by multiple channels through which clients and potential clients can engage with us. Our solutions must also be responsible, appropriate and easy to understand.

Ensuring that the end-to-end customer experience works as it should requires on-going attention into maintaining turnaround times, upgrading the look and feel of our access points, improving call centre interaction and setting and maintaining service standards.

Further, improving the Letshego experience for customers has been identified as a priority for the 2015 year and beyond.

- **Innovation**

The technological innovation required to remain ahead of competitors was a major focus of the period under review. This culminated in the successful implementation of our new integrated banking platform, which will be the primary conduit for systems interaction with our network and with customers for years into the future.

In ensuing years, our technological focus will be on adding in new service modules and expanding interoperability through the platform. These streams are intended to enable customer retention and acquisition, while enhancing business flexibility and lowering costs over time.

Nevertheless, innovation is not just about technology. We ask ourselves how innovation can grow revenues, reduce operating costs, mitigate risks and lower our costs of funding. All products and processes must be re-evaluated from time to time to ascertain how these can be improved or re-aligned to fit evolving realities. Letshego has instituted a Group Innovation and Change Committee (GICC) to investigate the risks and benefits of potential innovations and also to measure the impact of those that are implemented.

- **Risk Management**

Understanding and managing our risks is critical to Letshego's sustainability as a viable business into the long term. We maintain that Letshego can be counted as a successful African financial services group, without losing sight of our risk parameters.

Letshego is well aware that entering into financing segments adjacent to our core payroll deduction offering potentially increases overall risk. To counter the possibility of weakening risk management, the Group works constantly to instil a prudent risk mind-set across the workforce.

Our agents and employees are required to operate within a rigorous risk management framework introduced to all subsidiary companies and overseen by Group risk management. Our group-wide enterprise risk management (ERM) framework considers the existence of credit bureaus and central credit registers, where these exist. Where they do not, additional compensating controls are implemented internally. Certain of our geographies, particularly in East Africa, do not have effective central registers, which has compelled Letshego to institute strict internal controls to mitigate risk before accepting new clients in these regions.

As discussed elsewhere in this report, Letshego adopts an exceptionally conservative approach when accepting new clients, which is an on-going competitive advantage that we fully intend to maintain.

- **People commitment**

Team Letshego celebrate after participating in a sponsored charity event

Forward planning and innovation will have little impact unless our people have the capability to carry out Group strategy. Getting our people ready is a vital part of preparing Letshego for transformation and expansion. Over this past year significant time and energy was expended into engaging with management and employees at all levels to align them with the new five-year strategy. We conducted 55 strategy dissemination conferences across 34 locations in three months and conducted numerous employee roadshows to drive home the strategy and to enable individuals to understand their role in execution. A staff network of "strategy champions" was trained who conducted these workshops in their respective offices, further emphasising the need to set a good pace for strategy absorption and achievement.

As part of this initiative, the Group performed a thorough assessment of the quality of human capital within our subsidiaries, while also aligning and standardising job descriptions. We now have a comprehensive picture of our management and critical resource capacities, linked to the skills development required for our transformation strategy to be realised.

Another key aspect of our people commitment is to align remuneration and bonuses with performance. The overall remuneration package for individuals will be determined against regularly updated local salary reviews and recommendations (for our industry), and against achievement of targets set at Group, subsidiary and individual levels.

- **Stakeholder engagement**

Establishing sound two-way relationships is fundamental to the sustainability of a widespread financial services group such as Letshego. We have numerous shareholders and investors, engage with authorities in 10 countries, have over 260 000 clients and more than 1 400 employees and commission-based agents.

This year we focused particularly on government regulators, investors and our staff. I have already outlined the high level of staff engagement this year to align them with Group objectives, but our government stakeholders are equally important.

Governments need the assurance that Letshego is a responsible business that can be relied on to create responsible financial solutions, delivering financial success to its citizens.

Equally, we in turn need governments to create the right environments that enable fair trading. In East Africa, for example, Letshego is lobbying for the establishment of central registers that record the collective debt of all individuals. These would reduce the risk of lending to over-indebted individuals and also enable debt management plans to be put in place where individuals are over-committed.

Our management teams at each country subsidiary are tasked with building up sound working relations with the industry regulators in their areas. This enables regular dialogue around any issues that arise, while also advising regulators on best practices when reviewing or designing policies.

Our corporate social investment initiatives are always aimed at improving health, education or livelihoods and this includes literacy programmes, education funding, social enterprise funding and subsidisation of health-care and health-awareness costs.

Sotho schoolchildren performing at Letshego Lesotho sponsored academic awards

Letshego maintains cordial relations with competitors in each country through industry forums so that, for example, we can spot trends and collate knowledge ontrends in levels of indebtedness.

Despite our history, size and spread, Letshego has a surprisingly low profile in the investor community. In this past year the leadership team worked on heightening investor awareness through more one-on-one conversations, participating in more investor forums which are aligned to our objectives, developing analyst presentations and other business networking events than previously.

DIVIDEND

During the period, the Board approved an increase in our dividend pay-out ratio from 25% to 50% of profit after tax. As a result we declared a final dividend of 8 thebe per share for the period ending 31 December 2014, bringing the total dividend declared during the current financial period to 16.50 thebe (P359 million).

This decision rewards our shareholders' trust in us, and reflects the Board's confidence in the future sustainability of the Group as we drive our transformation and financial inclusion strategy forward.

LOOKING FORWARD

I feel it is my responsibility to deliver and report on concrete results.

In this report, as with many presentations over the past year, we have clearly outlined what Letshego's business strategy is, and how we intend achieving the goals linked to it. We also discuss the opportunities, risks and the matters we consider most material to Letshego, our shareholders and stakeholders. With the support of the Board and my dedicated team, I am eager to continue executing on our strategy.

A LAST WORD

The prior year was my first in this role and one in which the Group had embarked on a significant change. Under the circumstances of that year, we still delivered a good set of results.

That our results were so exemplary this year is due to everyone at Letshego embracing change and working especially hard to implement our strategy. We look to our future confident that, with the shared dedication and belief in ourselves, we will continue transforming, diversifying and delivering upon that solid foundation.

Our external stakeholders are equally important to our historical and future success. Without the support of Governments and regulators in our footprint, we would not be able to grow responsibly. Our investor community has also been an impactful element in our growth. The media have relayed our story well as it unfolds. Most important in the external fabric are our clients and wider communities whom we sincerely thank, and hope to continue improving the lives of as we move forward.

Thank you one and all.

A Christopher M Low
Managing Director

*All financial amounts and measures have been annualised where appropriate.

BOARD OF DIRECTORS




1 John Alexander Burbidge 2 Gaffar Hassam 3 Legodile E Serema 4 Idris Mohammed

1 John Alexander Burbidge (64)

Chairman

Chairman of the Nominations Committee

Chartered Accountant

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

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

2 Gaffar Hassam (39)

Non-Executive Director

Member of the Investment Committee and the Nominations Committee

FCCA; MBA (Oxford Brookes)

Gaffar is the Chief Executive Officer of Botswana Insurance Holdings Limited and represents the company on the Letshego Board. He has held various roles with Botswana Insurance Holdings since joining the company in 2003.
Prior to this, Gaffar worked with PricewaterhouseCoopers in Malawi and Botswana.

Appointed to the Board: 2009
Nationality: Malawi
Residence: Gaborone, Botswana

3 Legodile Serema (67)

Independent Non-Executive Director

Member of the Nominations Committee

BSc (University of Minnesota; St Paul, USA); various marketing qualifications

Legodile has served the Botswana Government and many different organisations in Botswana since 1971 including the Botswana Meat Commission, Botswana Ash and Sugar Industries. He was a Councillor in the Lobatse Town Council from 2004 to 2009 and served as Mayor from 2007 to 2009. Legodile sits on the Boards of a number of other companies. Legodile retired from the Letshego Board in July 2014.

Appointed to the Board: 2009
Nationality: Botswana
Residence: Lobatse, Botswana

4 Idris Mohammed (44)

Non-Executive Director

Member of the Human Resources Committee, the Investment Committee and the Group Audit and Risk Committee

CFA; BSc (Industrial Engineering); MBA (Finance and Strategic Management, Wharton School, University of Pennsylvania)

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

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



5 Josias De Kock 6 Stephen Price 7 Robert Thornton

5 **Josias De Kock (55)**

Independent Non-Executive Director

Chairman of the Investment Committee and member the Group Audit and Risk Committee

BCom; BAcc; CA; Higher Diploma in Taxation; Executive Development Programme (University of Manchester)

Josias joined the Letshego Board in 2013 with a wealth of experience as a chartered accountant and as member of the SA Institute of Chartered Accountants. His extensive background working within the banking and insurance industry has seen Josias serve, most recently, as Head of Credit and Advances and then as Group Risk Manager at BOE Bank Ltd (Boland PKS), before moving on to work at PSG Investment Bank Ltd. Josias also served as Chief Risk Officer of the Sanlam Group and as Chief Financial Officer at Premier Foods.

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

6 **Stephen Price (62)**

Independent Non-Executive Director

Chairman of the Group Audit and Risk Committee and member of the Nominations Committee

BA (Hons); Chemical Engineering, CA

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

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

7 **Robert Thornton (62)**

Independent Non-Executive Director

Chairman of the Human Resources Committee and member of the Investment Committee and Nominations Committee

BA (Hons); History and German

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

Appointed to the Board: 2013
Nationality: USA
Residence: Abidjan, Ivory Coast



8 Allan Christopher Michael Low
9 Gerrit Lodewyk van Heerde
10 Hannington Karuhanga

8 Allan Christopher Michael Low (54)

Group Managing Director

MA (Zoology); St Peters College, Oxford University; ACA; Member of the ICAEW

Chris Low was appointed to Letshego Group as Letshego Holdings Limited Managing Director and Executive Director effective November 2013. Chris trained as a Chartered Accountant with Arthur Andersen & Company (London) before moving to Goldman Sachs (London) as Vice-President of Finance. He later moved to Standard Chartered PLC where over an 18-year period, he held a number of senior positions in Africa and Asia, including but not limited to Chief Executive Officer, Tanzania; Chief Executive Officer, Kenya; General Manager, East Africa; Chief Executive Officer, South Africa, Head of New Entry Markets, Southern Africa and Chief Executive Officer, India. Also Chris served a three-year contract as Deputy Chief Executive Officer, International Banking Division, at the National Bank of Kuwait, Kuwait City before moving back to London in 2011. During his 25 years in the financial services industry, 10 years were Africa-based or Africa-focused roles. Chris has been responsible for start-up businesses, new market entry, customer and franchise development, good governance and risk management as well as Consumer Banking and Wholesale Banking operations.

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

9 Gerrit Lodewyk van Heerde (47)

Non-Executive Director

Member of the Group Audit and Risk Committee and the Human Resources Committee

Hons BCom; Fellow of the Institute and Faculty of Actuaries

Gerrit represents Botswana Insurance Holdings Limited on the Letshego Board. He is the Chief Financial Officer of Sanlam Emerging Markets, part of the Sanlam Group which holds a controlling shareholding in Botswana Insurance Holdings Limited. His responsibilities include Finance, Actuarial, Risk Management, Compliance and Credit. Prior to his current position he held various roles within the Sanlam Group, which included the oversight responsibility for Sanlam Home Loans, Sanlam Personal Loans and Anglo African Finance. He is a director of Sanlam Emerging Markets and represents Sanlam Emerging Markets on various other boards and committees.

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

10 Hannington R Karuhanga (55)

Independent Non-Executive Director

Member of the Group Audit and Risk Committee, the Human Resources Committee and the Nominations Committee

BA (Hons); Makerere University; Uganda; MBA (University of Wales; Cardiff Business School) (UK)

Hannington joined the Letshego Board in October 2013 as an Independent Non-Executive Director. Before joining Letshego, he was Board Chairman of Stanbic Bank (Uganda) Ltd from 2008 to 2013 where he was a board member since 2004. He is currently the Managing Director of Savannah Commodities Co Ltd, a position he has held since 2004. His current roles amongst others include member of the board, Airtel Uganda Ltd since 1996 and currently Chairman; Director, Uganda Coffee Development Authority since 2009; Chairman of the Board Capital Radio Ltd since 2002; Member of the Board, Lion Assurance Company Ltd since 2004. Hannington has had a career spanning more than 25 years in commodities trading of which more than 15 years has been at executive level where he was a Group Managing Director for Sucafina SA Group of Companies, a commodity trading group that operates mostly in East Africa. He had previously worked for Uganda Coffee Marketing Board Ltd as Marketing Manager for nine years.

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

GROUP MANAGEMENT COMMITTEE

2 Colm Patterson

3 Dumisani Ndebele

4 Mythri Sambasivan-George

1 **Christopher Low (54)**
Group Managing Director

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

Please refer to page 30 under Board of Directors for summary

Shareholding: 1,453,659

2 **Colm Patterson (43)**
Group Chief Financial Officer

Colm started his career in Ireland at McQuillan Kelly & Co in 1991, where he did his articles and later moved to Green Issacson & Co in 1995, where he was appointed audit senior. Thereafter he worked for Pricewaterhouse Coopers for 10 years (until 2007) as associate director in the assurance and audit division before joining Letshego as Group Chief Financial Officer.

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

Colm is a Fellow Chartered Accountant (FCA) with the Institute of Chartered Accountants of Ireland and a Fellow of the Botswana Institute of Chartered Accountants.

Nationality: Ireland
Shareholding: 1,005,376

Joined Letshego: 2007

3 **Dumisani Ndebele (48)**
Head of Governance and Compliance

Dumi joined Letshego in February 1999 as finance and administration manager and went on to hold several senior positions in the group before his current appointment as Group Head of Governance and Compliance. Dumi also served on the Letshego Holdings Board as Executive Director and Company Secretary until his retirement in July 2014.

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

Dumi is a member of the Chartered Institute of Management Accountants (UK) and a Fellow Certified Public Accountant (Botswana). He is a member of the Institute of Directors (IoD – RSA) the Information Systems Audit and Control Association (ISACA) as well as the Institute of Internal Auditors. He also holds a BA (Hons) Accounting degree and a MBA from the University of Derby (UK).

Nationality: Botswana
Shareholding: 2,268,792

Joined Letshego: 1999

4 **Mythri Sambasivan-George (35)**
Head of Corporate Affairs

Mythri joined Letshego in 2010 as Group Finance Manager with a mandate to streamline operational, process and reporting control and quality across the Group's 10 country footprint. This included overseeing the implementation of an integrated banking and financial reporting system from the Group's finance and ICT shared service centre across Africa.

In 2014, Mythri moved to Letshego's newly created Group Corporate Affairs function. She is responsible for driving the stakeholder engagement and communications agenda, championing brand equity and directing the Group's corporate social investment.

Prior to joining Letshego, Mythri gained over 10 years' experience in the accounting and advisory profession, the last seven of which were in senior management in KPMG's Audit and Assurance division.

Mythri is a Fellow Chartered Certified Accountant (FCCA), has completed Chartered Institute of Management Accountants examinations and is a Fellow of the Botswana Institute of Chartered Accountants.

Nationality: India
Shareholding: 610,530

Joined Letshego: 2010

5 Shawn Bruwer

6 Tim Mwai

7 Tom Kocsis

5 Shawn Bruwer (37)

Deputy Group Managing Director

Shawn was appointed Deputy Managing Director and Head of Southern Africa at Letshego Holdings Limited in 2014. He joined Letshego in October 2006 as the Group Chief Information Officer (CIO) and was appointed Group Chief Operating Officer (COO) in 2012.

As the Group CIO, his primarily role was to look after technology for the Group. As Group COO his responsibilities included the ICT function, project management, as well as providing operational support for the country CEOs. Overall, Shawn has been responsible for successfully directing the technology developments and strategy of the Group through its growth phases.

Prior to joining Letshego, Shawn had worked in various capacities at FNB Namibia with his last post there being Head of Electronic Business.

Shawn completed a BCom in Business Accountancy at the University of Stellenbosch and has completed his Chartered Institute of Management Accountants (CIMA) examinations.

Nationality: Namibia
Shareholding: 2,530,169

Joined Letshego: 2006

6 Tim Mwai (60)

Head of Human Resources

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

He was formerly the Executive Director of Standard Chartered Bank Kenya as well as Regional Head of Human Resources for Africa and Dubai. As Regional Head, he was in charge of 13 African countries. Tim began his career at Unilever in a management position, rising to become Head of Human Resources before joining Citibank as the Head of Human Resources, followed by Marshalls East Africa as Director of Human Resources.

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

Tim holds a MSc degree in Agricultural Economics from the University of Idaho, USA.

Nationality: Kenya
Shareholding: None

Joined Letshego: 2014

7 Tom Kocsis (45)

Head of East Africa

Tom oversees the strategic and operational effectiveness of five country operations, namely Kenya, Rwanda, South Sudan, Tanzania and Uganda.

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

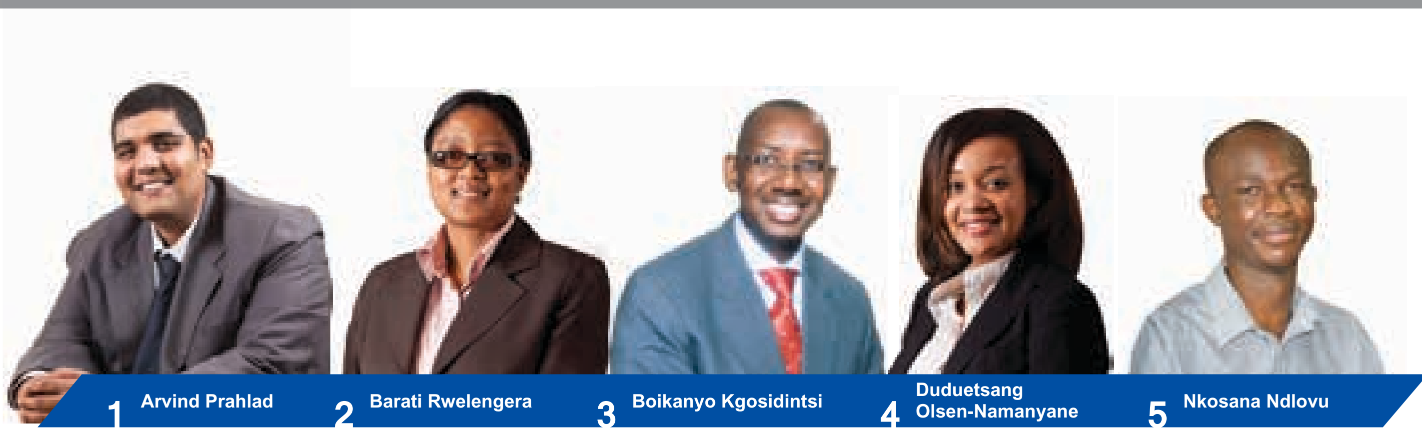
He has experience in consumer, microfinance and SME banking operations, deposit mobilisation, delivery channel and product development, and institutional transformation.

Tom holds a BSc degree in Engineering from the University of Rochester, New York.

Nationality: USA
Shareholding: None

Joined Letshego: 2014

GROUP FUNCTION HEADS



1 **Arvind Prahlad (31)**
Regional Finance Manager
ACMA; FCCA; FCA (BICA)

Nationality: India

Joined Letshego: 2013

Shareholding: None

2 **Barati Rwelengera (37)**
Head of Internal Audit
AAT; ACCA; ACPA (BICA)

Nationality: Botswana

Joined Letshego: 2008

Shareholding: 460,724

3 **Boikanyo Kgosidintsi (45)**
Head of Investor Relations
LLB; Various banking accreditation courses

Nationality: Botswana

Joined Letshego: 2014

Shareholding: None

4 **Duduetsang Olsen-Namanyane (37)**
Chief Information Officer
BBA; MSc Strategic Management

Nationality: Botswana

Joined Letshego: 2009

Shareholding: 696,831

5 **Nkosana Ndlovu (33)**
Regional Finance Manager
ACPA (ICAZ); ACPA (BICA)

Nationality: Zimbabwe

Joined Letshego: 2014

Shareholding: None

6 **Peter Chadwick (52)**
Head of Banking Implementation
Master of Business and Technology

Nationality: Australia

Joined Letshego: 2014

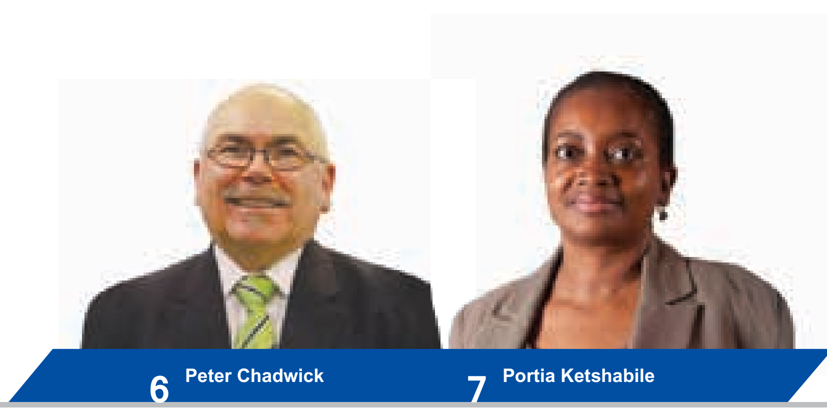
Shareholding: None

7 **Portia Ketshabile (45)**
Head of Performance and Remuneration
Diploma in Personnel and Training Management; Management Development Programme

Nationality: Botswana

Joined Letshego: 2001

Shareholding: 5,589



CHIEF EXECUTIVE OFFICERS

1 Bernard Kivava | 2 Charles Njoroge | 3 Chipiliro Katundu | 4 Doreen van Tonder | 5 Ester Kali

1 **Bernard Kivava (42)**
CEO Rwanda
BA
Nationality: Kenya
Joined Letshego: 2012
Shareholding: None

2 **Charles Njoroge (45)**
CEO Kenya
BA; MSc Microfinance; MBA
Nationality: Kenya
Joined Letshego: 2012
Shareholding: None

3 **Chipiliro Katundu (38)**
CEO Mozambique
BSc Social Sciences; MBA Business Leadership
Nationality: Malawi
Joined Letshego: 2013
Shareholding: None

4 **Doreen van Tonder (62)**
CEO Lesotho
BSc Business Administration/Accounting; MSc Business Administration
Nationality: Lesotho
Joined Letshego: 2013
Shareholding: None

5 **Ester Kali (47)**
CEO Namibia
MBA; Leadership Development Programme
Nationality: Namibia
Joined Letshego: 2014
Shareholding: None

6 **Frederick Mmelesi (45)**
CEO Botswana
AAT; MBA; Executive Development Programme
Nationality: Botswana
Joined Letshego: 1999
Shareholding: 1,001,952

6 Frederick Mmelesi

7 **Geoffrey Kitakule (44)**
CEO Uganda
Bachelor of Statistics; MBA Finance; MSc Computer Science; LLM in Information Technology and Telecommunications
Nationality: Uganda
Joined Letshego: 2008
Shareholding: 100,000

7 Geoffrey Kitakule

8 **Marion Moore (60)**
CEO Tanzania
CA; CISA
Nationality: South Africa
Joined Letshego: 2007
Shareholding: 714,740

8 Marion Moore

9 **Mbuso Dlamini (37)**
CEO Swaziland
BCom; CA (SA)
Nationality: Swaziland
Joined Letshego: 2010
Shareholding: 428,204

9 Mbuso Dlamini

BUILDING A RISK MANAGEMENT CULTURE

A priority this year was to further reinforce the internal mind-set regarding Letshego's risk enterprise framework and a risk management culture.

Credit risk

Letshego has embedded a rigorous credit risk management process throughout, supported by strong oversight at Group level.

This required us to build in the necessary internal controls, aligned with credit bureau, central registries and industry forums. We are conservative about growing the portfolio, and employees are regularly reminded of the importance of mitigating the risk of default. This attribute sets us apart from other competitors in our markets and remains one of our great strengths.

The advances book has grown significantly due to market penetration and entrenchment, and retained its quality through prudent credit risk management.

Governance

Risk management was significantly improved in King III terms at governance level by appointing additional independent directors to the boards of Letshego's subsidiaries. The Group risk framework and enterprise risk management have been cascaded down to country level management to improve oversight over macro and micro risks.

Balance sheet risk management

We adjusted gearing and debt levels. Over the period the level of debt to equity increased from 36% to 47%. This ratio will shift further over time, but within our set limits for continued profitability and liquidity.

An improvement in the term match between debt and assets was achieved, and we are working towards further optimising the term match over time, as we diversify our funding profile.

Business model sustainability

The risk of ongoing business sustainability is managed by identifying sustainability best practice for our industry and by engaging with government and regulators regarding these. We have also engaged with other market players through industry forums to review affordable levels of debt and what facilities consumers most require, such as for education or housing.

Letshego arranged with the Botswana's Directorate of Public Service Management to introduce a financial literacy campaign that is intended to cover all working class Batswana over time. This campaign is under way and will roll out over three years.

In Tanzania, Letshego conducts an annual exercise to collect and collate our customers' costs of living. This data, once aggregated for comparison against borrowing levels and take home pay, is shared with regulators and industry peers alike to re-align statutory limits and protect consumers from over borrowing.

These initiatives – and others – help keep Letshego's business model sustainable. Stakeholder engagement, household indebtedness, credit consumption habits and financial literacy are vital factors in our drive for a sustainable industry. Letshego is lobbying for a responsible and level playing field for all independent industry players.

Internal control systems and Group internal audit

The Group's internal audit function reports directly to the Board's Group Audit and Risk Committee.

A key internal audit function is to support a continuously improving risk management culture. Internal audits help to identify risks and provide a financial bird's eye view of the Group. This is an important competency that enables us to respond quickly and appropriately to events.

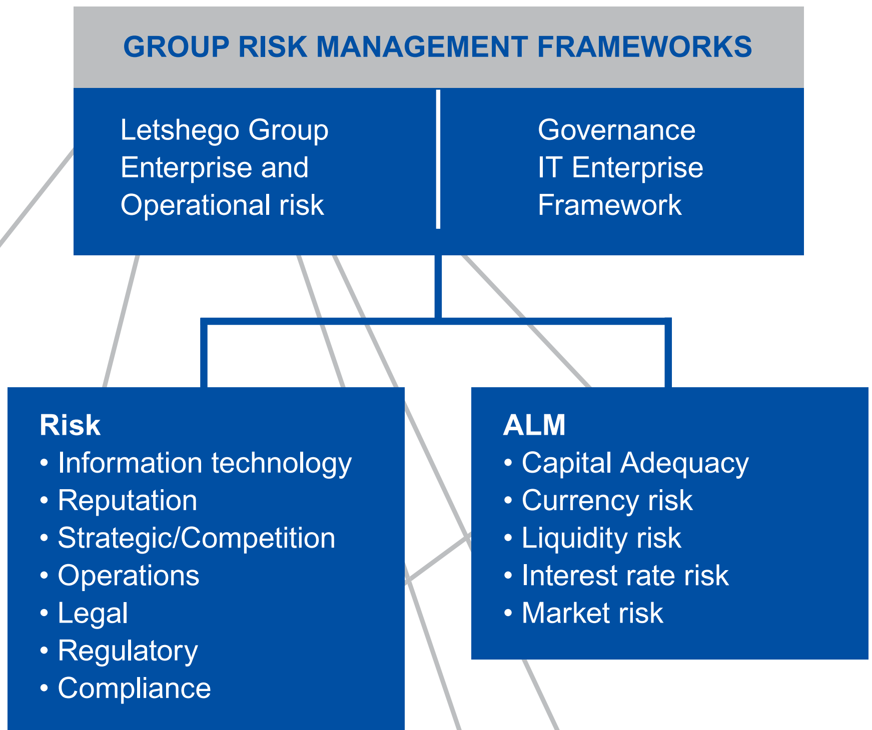
Our internal audit methodology complies with international standards in terms of review and work programmes. Internal audit functions are mandatory in certain countries (such as Mozambique and Rwanda) where Letshego has deposit-taking licences.

Transformation risk

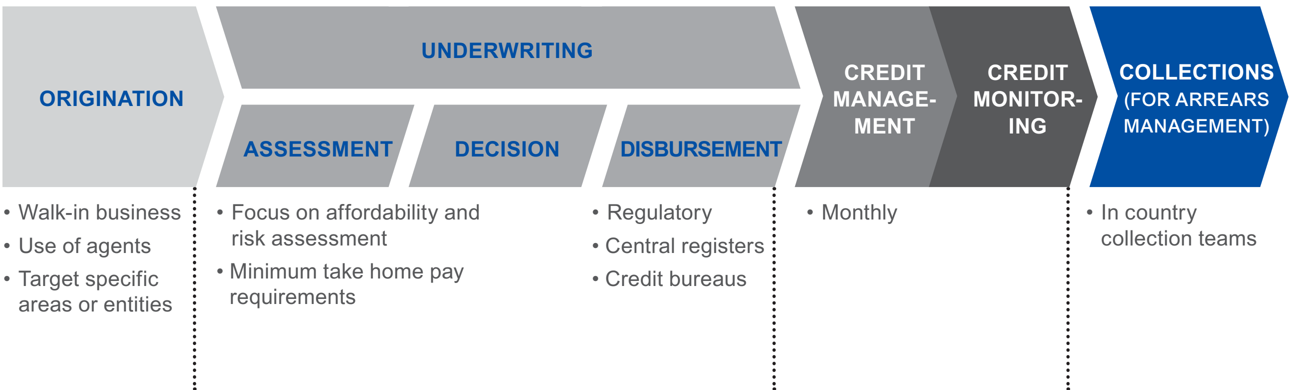
Letshego is transforming into a micro-lending and deposit taking business; but in identified countries we will take on commercial banking licences to achieve this. However, this transformation and expansion must not disrupt existing processes and value chains.

We have taken the following steps to ensure that our transformation propels Letshego towards its vision of a leading African financial services group, while building on existing competencies and strengths. These are:

- The formation of a Group Innovation and Change Committee to review and approve new processes and services. The potential risks and benefits of innovations are weighed and this committee will also measure any consequent rollouts of these initiatives.
- An Innovation platform launched in early 2015 in Botswana, with a wider Africa release scheduled for the second quarter of 2015.
- The formation of a Business Process Improvement Committee that examines efficiencies in existing processes and countries.



EFFECTIVE AND PRUDENT RISK MANAGEMENT WILL BE ESSENTIAL



Payroll deduction loans

The deduction-at-source payroll lending portfolio comprises almost 90% of the Group's net advances to customers, and therefore we review its risk management processes in detail.

Prior to loan disbursement, several macro level and customer level risk mitigation processes are performed. There has to be a source deduction agreement with the client's employer, and we ensure that industry-wide affordability rules reflect the current cost of living. The prospective client's ability to afford the costs and cash flows of a loan facility are then thoroughly checked. Any disbursement from Letshego must not adversely affect the client's minimum disposable income ("take-home pay").

Having independent central registries in place is vital for both Letshego and the client. Where possible, Letshego lobbies for independent central registers to be established so that we can check consolidated borrowings, minimum take-home pay, and affordability before offering the facility to the client.

These registries, along with credit bureaux, are instrumental in ensuring that industry practices remain fair and sustainable.

Our lending model supports a monthly instalment plan that quickly shows up missed payments. If a missed instalment is due to default, the loan is either recovered via insurance (where possible) or is immediately written off.

Letshego credit management staff members undergo intensive risk assessment training so that their actions undertaken prior to and after a loss event minimise the risk of loss to Letshego and the client.

As an additional mitigation against default and non-recovery, or should the customer leave a regular collection channel, Letshego will have obtained a direct debit mandate when the loan was originated.

Notwithstanding these mitigations, Letshego's credit policy is for non-performing loans to be written off strictly within 90 days of default. Our provisions for credit risk and impairment are IFRS compliant, and are continuously reviewed against actual internal and market credit risk trends.

THE SIX CAPITALS – AND HOW LETSHEGO REPORTS ON THEM

Letshego has adopted the IIRC's 'six capitals' model as best practice for logical and transparent reporting on our operational, financial and broader activities. In our view the King III recommended 'six capitals' reporting stance enables a clear view of the tangible (financial, manufactured, human, natural) and intangible (intellectual, social and relationship) capitals that flow through Letshego Holdings to create short-, medium- and long-term value.

Not all capitals are equally relevant or applicable to all organisations. While most organisations interact with all capitals to some extent, these interactions might be relatively minor or indirect, therefore not sufficiently important to include in the integrated report.

Letshego has thoroughly evaluated how the Group relates to the capitals and decided that the financial, human, intellectual and social and relationship capitals are fundamental to our organisation. Therefore this integrated report will focus on these.

Manufactured capital is less important, as Letshego does not rely on large built infrastructure or transport fleets to conduct our business. Our services and products are primarily conveyed through digital communications.

Similarly, our lack of large built infrastructure and physical logistics means that our negative impacts on the environment are minimal.

In various parts of this integrated report, including the Group Managing Director's Review, the Sustainability Report and the section on Strategic performance and goals, we discuss Letshego's unique competitive advantages. These tie directly into the capitals we have evaluated as being most vital to Letshego.

COMPETITIVE ADVANTAGE (LINK TO SIX CAPITALS)

- **Customer experience (Social and relationship capital)**

  A unique offering

- **Innovation (Intellectual capital)**

  In everything we do

- **Risk Management (Intellectual capital)**

  A holistic approach

- **People commitment (Human capital)**

  Where individuals make a difference and teams succeed

- **Stakeholder engagement (Social and relationship capital)**

  Leveraging for value

FINANCIAL CAPITAL

What is Letshego's financial capital?

- Access to funding and credit is a critical element of the Group's business model. Letshego generates cash, but for it to grow and create wealth, financial capital is fundamental to the Group's ability to employ staff, develop products and services, enhance its IT backbone and service its network through 10 countries.
- The bulk of the Group's financial capital is invested in customer products and services and the related value chain.
- The Group also invests financial capital in significant volumes to meet day-to-day operating expenses, financial liabilities as and when they fall due, and as a contingency for unexpected events.
- The providers of financial capital include Letshego's shareholders, its bankers and other funders, all of whom are considered to be important and influential stakeholders.

Performance

We recorded profit before tax of P970 million, of which 96% came from our five most established markets, being Botswana, Mozambique, Namibia, Tanzania and Uganda. These contributed significantly to the annualised increase in profit before tax of 24%. This was a strong performance based on relatively stable margins, despite challenges in certain of our operations.

Fee and commission income increased marginally from P134 million in the preceding year to P128 million for the 11-month period. This annualised increase of 4% was due to slight pricing reductions. Investments made in the preceding year, coupled with tighter cost control across the Group, resulted in costs increasing by only 4% (annualised). Total Group cost to income was 29% (2014 January: 33%).

The quality of the advances book remained within target levels, with an impairment charge on the net portfolio at 2.0% (2014 January: 1.7%) for the period.

Growth

As noted in the preceding section, impairment and credit quality costs were contained within target levels, while the net advances book grew by 28% to P5.7 billion. The largest contributors in absolute terms to this impressive growth were Namibia, Mozambique and Botswana operations (in descending order). These three operations contributed to P944 million, or 75%, of net growth.

Our Uganda operations, which had its first full period after integrating with the microfinance business of Micro Africa Uganda Limited, also posted healthy advances growth at 12%, closing at P250 million. The remaining micro and small enterprise lending operations (Kenya, Rwanda and South Sudan) also achieved noteworthy combined growth of 55%, coming in at P305 million at period-end. Lesotho doubled its portfolio to P190 million. Swaziland revived its portfolio after reviewing its products and closed its book on P151 million, up 41% from the preceding period. Lastly, Tanzania remained flat at P307 million after a period of operational challenges and stiff competition.

While the Group remains well capitalised, with cash resources of over P321 million (2014 January: P311 million), further debt funding was injected. This improved our debt equity ratio to 47%, which was significantly up from 36% at January 2014. This new debt was mainly sourced from our commercial banking partners and development financial institutions.

The Group has sufficient funding for existing operations in the near future and continues to explore the most effective methods to fund both organic and inorganic growth.

Total customer deposits from Mozambique and Rwanda closed at P4 million (2014 January: P nil). This post-launch period was used primarily to test all supporting process linkages.

Returns

Basic earnings per share for the period was 33.2 thebe, which (on an annualised earnings basis) translated to an increase of 20% on the preceding year's measure of 30.2 thebe.

The dividend declared for the period remains 50% of profit after tax; this equates to a final dividend of eight thebe a share, and a divided yield for the period of 6.5%.

INTELLECTUAL CAPITAL

Organisational, knowledge-based intangibles, including:

- intellectual property, such as copyrights, software, rights and licences; and
- "organisational capital" such as tacit knowledge, systems, procedures and protocols.

In terms of organisational capital, Letshego's corporate governance structures have been considerably strengthened in line with King III principles. The Board has introduced charters to govern its own activities and those of its various sub-committees. Governance throughout the Group is now more transparent and logical.

These charters are supported by internal policies and procedures designed to accord with best practice and empirical experience. The principles and processes encapsulated in these charters are cascaded down through all management levels and are reviewed periodically.

Letshego's support and IT services are primarily centralised in Botswana, which enables nimble growth and quick penetration into other countries, particularly for the payroll deduction and non-banking offerings.

Innovation is at the heart of Letshego's intellectual capital. The Group's board and executive management are steering a growth and diversification strategy based on offering a range of affordable financial products to underserved income segments that fall outside the scope of traditional banking. Letshego is accessing or developing the low cost technologies to enable these consumers to easily link into financial products tailor-made for their specific circumstances. By providing the links and the products to fulfil this market, Letshego is also helping governments bring their less advantaged populaces into the economic mainstream.

The intellectual capital that will drive this strategy is the collective expertise and experience of Letshego's leadership teams at Group and country levels. Letshego is vigorously developing its in-house leadership resources and recruiting new talent from across Africa to fulfil the demands of this innovation-led strategy.

Our intellectual capital is being recognised across Africa. For example, in Mozambique, Letshego was the only micro-financing bank invited to sit on a consultative committee regarding Mozambique's Central Bank's proposed agency banking framework. In Swaziland the micro-lenders forum often requests Letshego to mediate between regulators and peers.

HUMAN CAPITAL

What is Letshego's human capital?

- Direct employees and agents
- Board and management at all levels
- The range of experience, skills, talent and innovative ideas offered by our people
- The motivation of our people to succeed and their alignment with Letshego's ethics, governance and risk management

Skilled and motivated human capital is vital to Letshego's mission of transforming into a pan African financial services provider. The Group employs 1 425 staff representing more than 20 nationalities. Letshego has 252 customer access points across its footprint, servicing a client-base of 265 265.

Letshego uses direct sales agents to grow its distribution of products and services. This innovative model keeps fixed cost structures low and performance high. As direct sales agents work for commissions, they are motivated to meet or exceed high targets. They usually sign exclusive contracts and/or service level agreements (SLAs) with Letshego. Agents presently make up a third of our total human capital.

Transferring skills across the group is a key part of our strategy.

We have developed "leadership champions" and conducted a stocktake of capacities and positions across our operations in all countries. These were the first steps to ensuring that we have the right leadership teams for the specific operations in each country. Talent is recruited externally or developed from within the Group.

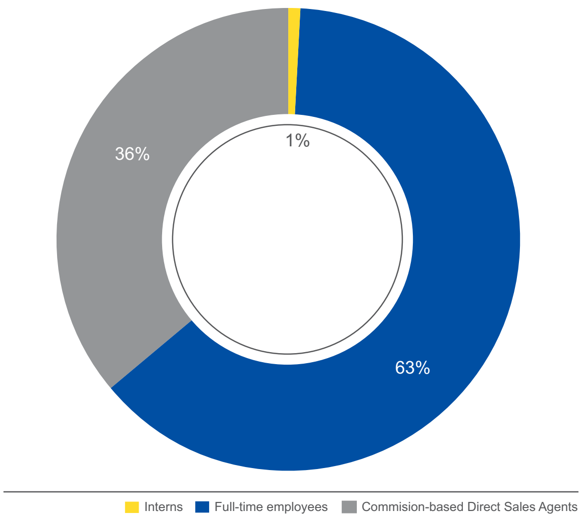
Optimising the talent within the workforce includes identifying

- exceptional performers with real potential for high level development
- those employees operating in critical roles
- core contributors to necessary functions, but able to be replaced in those roles, or trained for others and
- underachievers who require further training

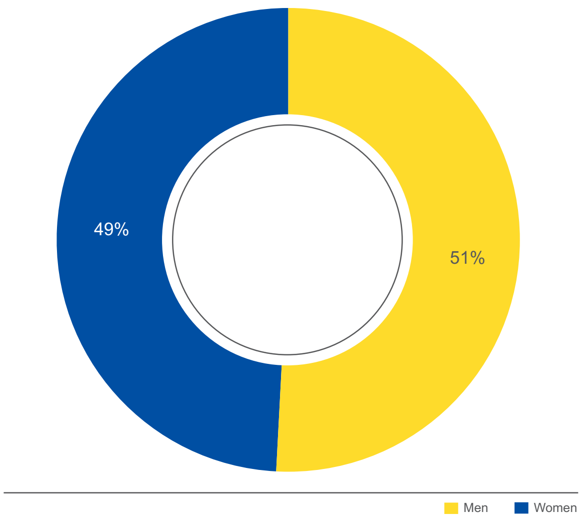
This human capital framework helps to identify and embed robust performance management. We are able to assess where development and improvement plans needed to be implemented and who should be rewarded.

- Succession planning is now matched to critical resource staff
- Taking an inventory of skills has enabled the Group to standardise job descriptions throughout
- We have stepped up communication and recognition in connection with job performance

Letshego Team: Workforce Composition



Letshego Team: Gender distribution



SOCIAL AND RELATIONSHIP CAPITAL

What is Letshego's social and relationship capital?

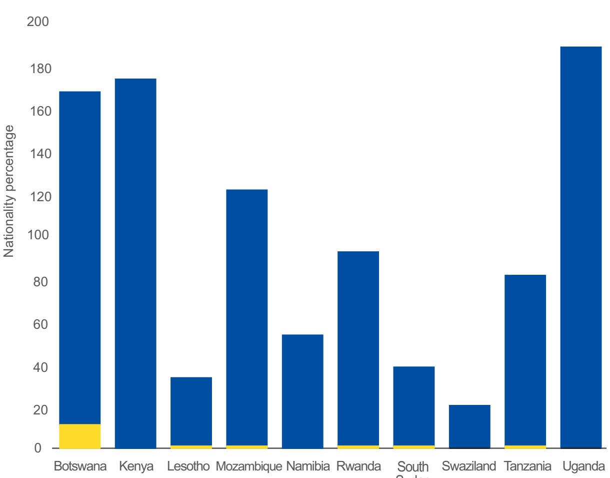
Our stakeholders are the people, groups or organisations that have a direct interest in Letshego in that they can affect, or be affected by, our operations, policies and procedures. Stakeholders are identified at both the operational level and by the various governance structures of the Group. Identified key stakeholders include:

- the investor community – shareholders, prospective investors, asset managers, analysts, bankers and institutional or development funders
- employees
- customers
- business partners – agents and resellers
- suppliers
- civil society – local communities and the consumer
- government and regulatory agencies

Letshego Band performing Botswana's National Anthem at gala celebration dinner

Letshego Botswana Chairman Legodile Serema recognising 15 years' dedicated service from Gloria Kgosimore (and 6 others)

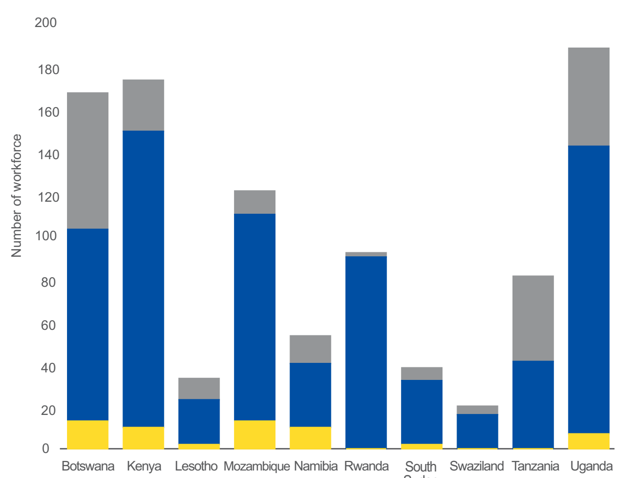
Letshego Team: Workforce Composition (full-time employees and interns)



	Botswana	Kenya	Lesotho	Mozambique	Namibia	Rwanda	South Sudan	Swaziland	Tanzania	Uganda
Non-Citizens	11	0	1	1	0	1	1	0	1	0
Citizens	156	173	32	120	53	91	37	20	80	188

Non-citizens   Citizens

Letshego Team: Age distribution (full-time employees and interns)



	Botswana	Kenya	Lesotho	Mozambique	Namibia	Rwanda	South Sudan	Swaziland	Tanzania	Uganda
<25 Years	13	10	2	13	10	0	2	0	0	7
>25 to 35 Years	90	139	21	97	30	90	30	16	41	135
>35 Years	64	24	10	11	13	2	6	4	40	46

<25 Years   >25 to 35 Years   >35 Years

Stakeholder engagement

A key driver of sustainable performance will be the Group's commitment to stakeholder engagement. Communication, both internal and external and through the use of different channels plays a vital role in establishing, maintaining and improving relationships with Letshego's various stakeholder groups. The following table identifies the ongoing issues and Letshego's approach to address them.

Stakeholder	Method of communication	Material issues	Our approach
Customers	• Call centres • Branches • Advertisements • Website • Annual report	• Affordability • Responsible lending • Appropriateness • Accessibility • Inclusion • Responsiveness • General queries and concerns	• Adherence to affordability criteria • Driving central register implementation • One-on-one loan advice • Insurance optionality • Customer surveys
Government	• Specific meetings • Industry forums • Presentations • Website	• Promotion of central registers • Fair competition • Responsible lending • Financial skills deepening • Financial inclusion	• Engaging with government to understand their concerns • Promotion of best practice
Regulators	• Specific meetings • Presentations • Website • Annual report	• Compliance with new and existing legislation • Industry developments	• Ensuring own and peer compliance • Engaging with industry participants to ensure fair and consistent conduct • Implementation of King III requirements
Staff	• Internal communications • Staff meetings • Individual engagement	• Focus on ethical conduct • Development and progression of staff • Commitment to group strategy	• Training and transfer of skills • Constant communication
Investors (including shareholders and analysts)	• Annual General Meeting • Presentations • Site visits • Annual report • Website • Investment updates • Industry specific conferences	• Sustainability of the business model • Sustainability of profits • Over-commitment (customers' borrowing levels)	• Continued regional expansion and diversification • Steady and conservative growth • Affordability checks • Central registers and promotion of industry best practice
Communities	• Regular meetings • Public announcements	• Improving lives	• 1% of profit after tax set aside for community investment

Customers

Approximately 90% of Letshego customers are government employees. Government employee policies are therefore critical.

We are moving towards internet banking for deposit taking, which is a way of improving customer experience.

A major aspect of our customer service is how quickly and easily our direct sales agents can be contacted. This is a definite competitive advantage.

Stakeholder relations

At decision-making level, our senior managers have sound working relationships with relevant government counterparts, regulators, suppliers and communities. As a result, Letshego is able to enter and entrench in new markets with relative speed.

At the same time, we remain in touch with our competitors through industry forums, to ascertain key trends that may impact our future sustainability.

In 2014 Letshego focused more intensely on leveraging stakeholder relationships and stepping up the level of engagement. We are committed to improving lives by providing various forms of support and intend being a financial partner for both financially included and excluded people.

Executive and senior managers are developing cross-border relationships and networks to share knowledge and transfer skills. This cross pollination is vital to developing the corporate culture and intra-country cooperation that will transform Letshego.

Social investment

Corporate Social Investment (CSI) is a key area of focus for the Letshego group as it underpins our promise of being a partner that is committed to improving the lives of our stakeholders. To this end, we uphold our commitment to invest up to 1% of our after-tax profits to projects that are impactful and make a difference in the communities where we operate.

In the 2014 financial year, capacity building was an important consideration when selecting projects to support. We realise that social investment is about giving beneficiaries an opportunity to build on support received from us and to sustain that impact thereafter. Furthermore, our investments focused on deepening their skills to better manage donated funds and other materials.

In 2014, Letshego's primary CSI focus areas were healthcare, education, livelihood improvement and capacity building.

Health

Healthcare provision continues to be a challenge in most African economies. As such, governments and corporates have to work together towards a common vision in order to improve it. With low investments in the sector, Letshego has selected this focus area in its quest to improve the quality of life of all Africans.

Education

Education is a means to bring about a desired change in society, to develop a generation of virtuous individuals and contribute to the development of people. Letshego equally focuses on opportunities to improve education in Africa.

Livelihood improvement and capacity building

This area gives priority to programmes that encourage self-sustenance and enable beneficiaries to provide for themselves and their families over the long-term.

A few case studies of how we achieved this in our various geographies are shared below.

- **Providing medical cover in Rwanda**

  Rwanda's health system reforms started in 1999 when the Ministry of Health implemented a pilot programme of 54 community-based health insurance (CBHI) schemes across the country. Management of each scheme was placed in the hands of its members. The schemes cover a basic package that includes all services and drugs provided by the health centre as well as an ambulance to transport patients to a district hospital. Enrollees wait one month after enrollment before receiving care. As a result of this government initiative, access to medical cover has risen from just 1% in 2000 to 90% in 2009.

  In 2014, Letshego donated funds towards the full annual medical insurance costs for 850 residents of the Nyarugenge district who were in dire need of medical care and were unable to afford government medical cover. The Nyarugenge district is where Letshego Rwanda was founded, and remains a performance stronghold today – it was therefore only fitting that we supported the very community where our growth has been fostered so well.

  This cover included primary and secondary healthcare such as minor surgery, pre- and post-natal care, essential and generic drugs through to hospitalisation and major surgery. Enabling Letshego Rwanda's 850 beneficiaries to access such healthcare much improved their chances of earning a livelihood and raising their standard of living.

Ministry of Finance director Eric Rwigamba and Nyarugenge Mayor Solange Mukasonga receiving Letshego Rwanda health insurance aid

- **Paving the path for literacy and education in Uganda**

  Attaining literacy and education, though taken for granted by most people, is not obvious in Uganda. It is influenced by many imbalances, most of which are social and economic. In 1997, the government introduced programmes to help provide free primary education. Through these programmes, equitable access to basic education was improved by removing the burden of paying school fees, and enhancing the quality of primary education by providing schools with resources necessary to run them.

  However, the programme was still plagued by challenges like inadequate teaching materials, absenteeism by both teachers and pupils and delays in government disbursements of financial resources.

  To help alleviate these problems, Letshego Uganda donated text books to the 26 poorest academically performing schools in the previous year's Primary Leaving Examination (PLE). A total of 5 000 English, Mathematics, Science and Social Studies books were donated to schools across the country. The donation was well received by the government and school heads. Reports have been received of dramatically improved pass rates and attendance.

  This was the fourth year in which Letshego Uganda has contributed to local education needs positively.

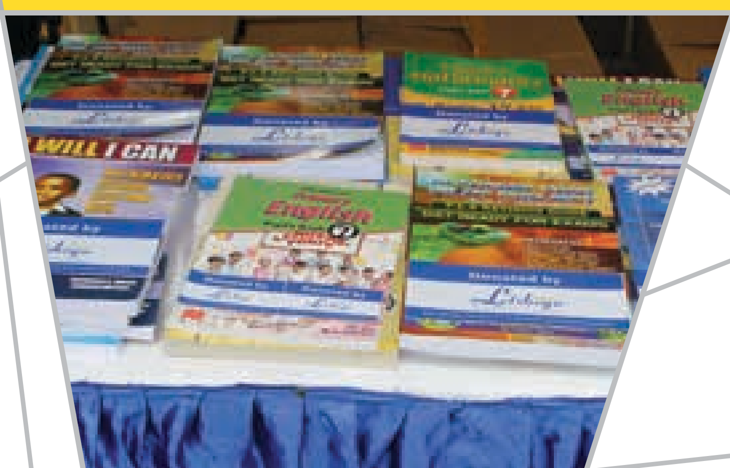
- **Capacity building through financial literacy in Botswana**

  The workforce in Botswana is becoming overindebted, as confirmed by the IMF and World Bank. The broad populace appears to lack the financial literacy to manage their personal finances. Letshego Botswana identified personal financial education as a vital CSI project.

  After negotiations with the Botswana Government, we were given the go-ahead to launch a campaign to develop financial literacy in Botswana by imparting the basics of personal financial management, such as budgeting, financial planning and discipline.

  This campaign targets civil servants, Letshego customers and the broader Botswana community. Letshego partners with a local financial education coach to conduct training as part of workshops organised by government departments, private companies and parastatals. Through these workshops, Letshego hopes to leave a lasting impact that will see household debts decrease over time, while concurrent financial empowerment and independence takes hold. The campaign is scheduled to run for three years.

UGX 88 million worth of text books were donated by Letshego Uganda to under-performing district primary schools



Honourable Minister of State for Public Affairs, Seezi Mbaguta with Letshego Uganda CEO Geoffrey Kitakule at a CSI event

OUR APPROACH TO SUSTAINABILITY

Letshego recognises that accountability towards the communities in which we operate, and conducting our business ethically, are fundamental parts of our licence to operate. We believe that our most significant contribution to sustainable development is to efficiently offer simple to understand products that promote responsible and appropriate lending practices. By providing responsible access to credit and insurance products, we enable individuals to improve their quality of life and enhance their financial security.

The very nature of our business positions us to help our customers and stakeholders manage social and environmental challenges and invest for the future. This contributes to the viability and growth of local markets and national economies. The success of our customers and other stakeholders guarantees future business, which strengthens the Group's sustainability. Where possible, we align our strategies to government priorities for financial literacy and inclusion.

We ensure the sustainability of our competitive advantages as follows:

Customer experience

"A unique offering"

- Enhancing our operating model to serve our customers better.
- Building a cohesive, consistent Letshego brand that is relevant to all markets.
- Maintaining and driving product simplicity and relevance through innovation.
- Providing ongoing consumer education to enable our customers to make sound financial decisions.
- Driving customer retention by remaining current with their various needs.
- Working with other industry stakeholders and law enforcement bodies to promote responsible lending.

Innovation

"In everything we do"

- Leading in corporate social responsibility.
- Developing an innovative approach to establishing sustainable business initiatives in line with our responsible ethics.
- Environmental, social and governance approach to operating our business.
- Actively engaging our employees in our sustainability initiatives.
- Facilitating Letshego employees across the Group to participate in 'Let's Give Day', in which they voluntarily perform community work.
- Allocate 1% of profit after tax to community projects.

Kenya Central Bank Governor Prof Njuguna Ndungu (L) awarding Letshego Kenya client the Citi Micro-enterprise Platinum award

Risk management

"A holistic approach"

- Updating risk registers to continually align with the culture, direction and strategy of the Group.
- The Group's sustainability committee sets and monitors policy and performance standards for environmental and social risk.
- Continually reviewing corporate governance structures to maintain robust governance and risk management frameworks.
- Constantly reviewing and improving risk management and internal control functions across our operations.
- Deepening relationships with key regulators and industry bodies to leverage best practice in compliance and governance.
- Continually embedding a culture of zero tolerance for regulatory breaches.

People commitment

"Where individuals make a difference and teams succeed"

- Expanding executive management at Group and subsidiary levels.
- Aiming to be an employer of choice for talent who understand local dynamics and can guide our operations there accordingly.
- Continuing to roll out new HR tools covering policies, performance management, succession planning and training.
- Differentiated employee rewards based on the performance of individuals, local business units and the Group.
- Developing talent management and leadership development programmes to nurture the required skills.
- Heightened employee engagement and morale building across the Group.

Stakeholder engagement

"Leveraging for value"

- Actively engaging with stakeholders to build trust, foster dialogue and learn from their expertise and perspectives.
- Organising forums for the various stakeholder needs.
- Regular contact with institutional investors and other shareholders.
- Numerous one-on-one meetings with stakeholders to review our past year's performance and future plans.
- Holding regular shareholder meetings.
- Employing customer feedback processes to ascertain their views.

DELIVERING SUSTAINABLE FINANCIAL PERFORMANCE – RISK MANAGEMENT

Our business model to date has allowed us to continue to expand and grow our operations across Africa. Looking forward our strategy looks to diversify into a broader financial services business and expand our operations into additional countries that demonstrate good growth potential and sound economic fundamentals.

Focus will be critical to the management of risk to ensure continued financial viability. To this end a risk matrix has been developed to ensure all risks are properly assessed and mitigating actions put in place to manage them.

The table below describes the most significant strategic and operational risks the Group faces and how they are addressed:

Risk factor	Mitigating actions
Funding risk Being largely a non-deposit-taking institution, we need to constantly ensure sufficient lines of funding are available at optimum cost to finance our growing asset base	• Lines of funding from various sources have been put in place • Listing of MTN programme on the JSE and BSE • Process of applying for deposit-taking licences started
Credit risk Since the greater part of our business risk is mitigated by deducting instalments at source, the residual risk arises due to employment attrition, death, disability or resignation of borrowers	• Compliance with take-home pay and affordability regulations • Promotion of the establishment of central registries in each country • Rigorous collection systems and teams • Maintenance of the relationships with regulators, employers, unions and central registers • Set up and testing of alternative deduction options • Robust credit-scoring policies and practices for our non-payroll deduction business segment including obtaining collateral for MSE loans • Death, disability or comprehensive insurance on each loan
Currency risk As a result of multinational operations	• Match borrowing currency with lending currency • Review hedging options to mitigate foreign currency exposures
Operational risk Lack of policing and abuse of salary deduction codes by operators may result in over-commitment of customers	• Support and promotion of the establishment of central registers in countries in which we operate • Promotion of improved industry regulations
Competition risk Local and foreign competition in consumer and micro lending entering the market	• Competitor analysis • Monthly management reporting of competitor developments • Advertising and marketing initiatives • Corporate social responsibility initiatives
Commercial or business risk • Pressure on governments to change domestic fiscal policies due to global financial crisis • Shrinkage of donor funding and access to foreign loans to finance national budgets • Governments may freeze new employment or retrench civil servants • Rescinding/non-granting of deduction codes	• Increase of market share in non-traditional markets • Further regional diversification • Set up alternative deduction options for collections

CORPORATE GOVERNANCE REPORT

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

We have invested heavily in bringing our board, committee and governance structures in line with King III (as issued by the Institute of Directors (South Africa) in September 2009). We have standardised subsidiary constitutions, updated our shareholder agreements where we have minorities, created local Board Charters and have appointed 12 independent non-executive directors for our subsidiary boards.

In 2015 we will further strengthen our governance and enterprise risk management frameworks and are in the process of hiring a number of key risk professionals as well as country risk officers in Mozambique, Namibia and Rwanda. We are also establishing a central asset and liability function that will manage our funding, liquidity and foreign exchange risk, all of whose work will be considered by the Group Audit and Risk Committee.

A gap analysis is frequently conducted in applying the principles outlined in King III, as appropriate to the business. Actions and timelines are agreed by the Board to address any gaps that are identified, on a continuous basis. Governance is actively monitored to identify opportunities for improvement of operational and corporate practices. We strive to maintain high standards of business ethics and integrity throughout the Group.

Strengthening governance

- Revised charters and governance policies have been rolled out in line with King III to all subsidiaries.
- Appointment of additional independent non-executive directors to a few remaining subsidiary boards is underway.
- A Group Management Committee member now sits on each subsidiary board.

The Board structure

Letshego had a board membership of nine directors on 31 December 2014, comprising five independent non-executive directors, three non-executive directors and one executive director.

The executive in charge of the finance function is not a director. Nevertheless, the Board is satisfied with the experience and expertise of the Chief Financial Officer who is performing the duties of a finance director.

At least one third of the non-executive directors rotate every year in line with the Board Charter, which is aligned to King III.

A brief curriculum vita of each director is also set out in this annual report.

The Board conducts self-assessments annually, while formal benchmarking assessments for individual directors were performed by December 2014. Board self-assessment is designed to ensure that the Board and members of various sub-committees are conscious of the Board culture, areas for improvement and the need for constructive change. The self-assessment exercise provides open and constructive two-way feedback to board members, which enables the collective establishment of acceptable levels of performance in various principal governance areas.

The Board meets at least quarterly. Four regular board meetings were held during the year and one non-routine meeting took place. Directors are fully briefed by the Company Secretary and provided with all necessary information sufficiently ahead of the scheduled board meetings to enable effective discharge of their responsibilities.

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

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

Non-executive directors meet at each regular quarterly board meeting in the absence of executive management to discuss and exercise objective judgement on the affairs of the Group and to contribute to the performance and actions of executive management.

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

In addition, the Board:

- ensures the Group has an effective independent Group Audit and Risk Committee;
- oversees the governance of risk by ensuring that appropriate enterprise risk management frameworks are in place and functioning properly;
- manages the governance of enterprise information technology;
- ensures compliance with applicable laws and adherence to non-binding rules, codes and standards; and
- puts in place an effective risk-based internal audit function and plan.

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

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

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

The Company Secretary ensures that Board and Committee Charters are kept up to date and that Board papers are circulated. Also he assists in eliciting responses, input and feedback for board and board committee meetings.

The Company Secretary assists the Nominations Committee in ensuring that the correct procedures are followed for the appointment of directors.

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

Board processes
Appointments to the Board
New board appointments are proposed by the Nominations Committee, taking into account the appropriate balance of skills, experience and diversity required to lead, control and best represent the Group. To this end, the Committee submits a formal proposal to the Board for its consideration.

Background and reference checks are performed before the nomination and appointment of directors. The appointment of non-executive directors is formalised through a letter of appointment and the Board makes full disclosure regarding individual directors to enable shareholders to make their own assessment of directors.

On-going training and development of directors is provided where necessary.

Succession planning
Letshego promotes succession planning for all key positions. Succession plans are integrated into the key performance areas at management and executive levels.

Succession plans are reviewed by the Group Human Resources Committee for key Group personnel through the year and report-backs are given to the Board at subsequent meetings. Board succession is the responsibility of the Nominations Committee.

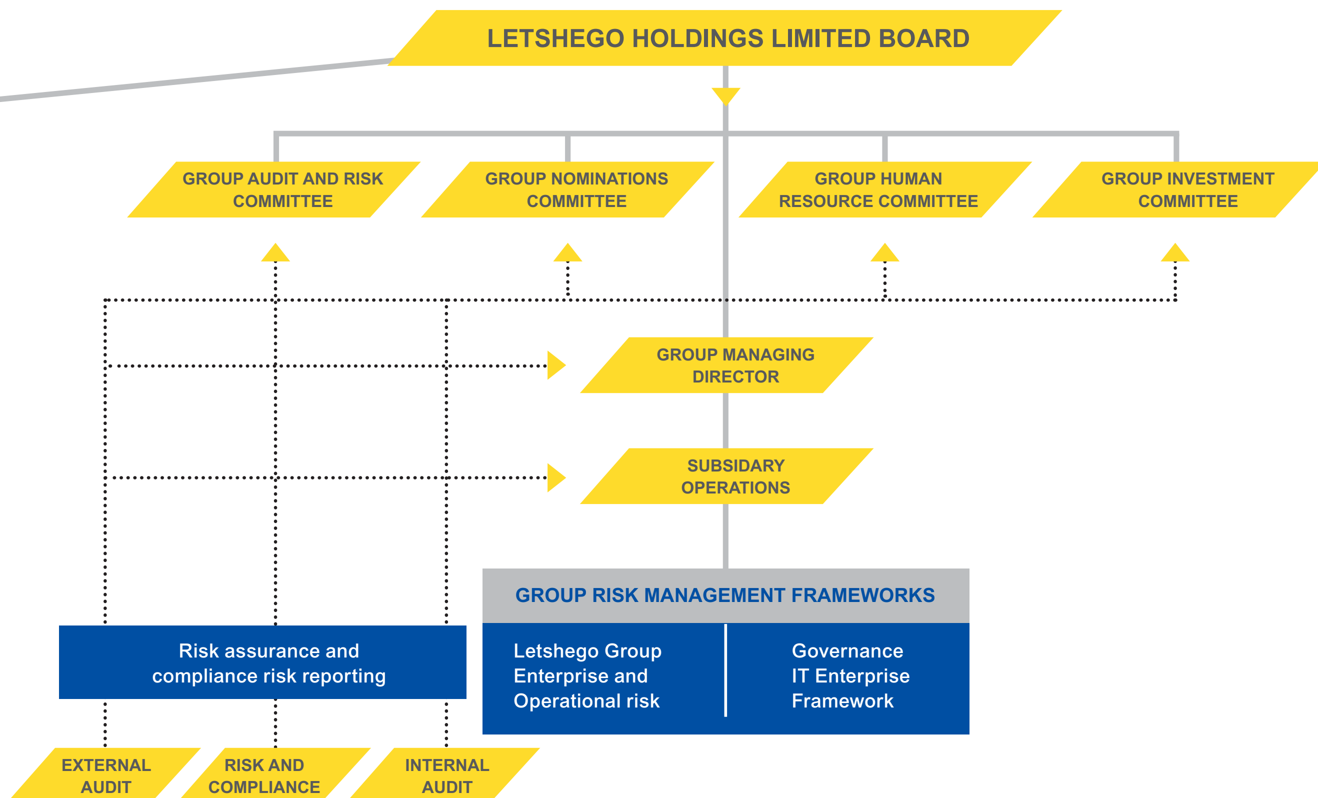
Corporate Governance Gaps
The following King III gaps are noted as at 31 December 2014:

- No formal succession planning for the role of Chairman and the Deputy Chairman position is not filled.
- The executive in charge of finance is not a director.
- Two out of four members of the Group Investment Committee are not independent non-executive directors.
- Two out of four members of the Group Human Resources Committee are not independent non-executive directors.

Performance evaluation
The following salient issues regarding performance evaluation are noted:

- Executive directors are appraised based on predetermined strategic objectives and achievement of specific Group financial performance targets that are approved by the Board annually.
- Self-assessments are conducted annually for the Board and its committees.
- The self-assessments, which are based on a scoring system, cover a number of areas on the responsibilities of the Board and its committees, such as governance issues, risk management, strategy formulation and evaluation, performance measurement and monitoring, executive management evaluation, compensation and succession planning. Through the scores, the Board and its committees are able to determine strengths and weaknesses. New objectives are then agreed to address any weaknesses identified and action plans with timelines are drawn up to implement the agreed actions so that scores improve in future.

GOVERNANCE STRUCTURE



Committee	Purpose	Composition	Quorum	Frequency of meeting	Corporate Governance gaps
Group Audit and Risk Committee	• Review Group financial and integrated reports and recommend to the Board for approval • Provide ongoing identification, monitoring and management of Group risks • Recommend to the Board for the appointment of external auditors and oversight of the external audit process and the results thereof • Approve annual internal and external audit plans • Monitor the ethical conduct of the Group • Review compliance with applicable laws • Annually assess the adequacy and skills of the internal audit, Group financial management and reporting functions	**Independent non-executive Directors** S Price (Independent) *(Chairman)* H Karuhanga J de Kock **Non-executive Directors** I Mohammed *Non-Executive Director* G van Heerde *Non-executive Director* **Independent attendees** F Roos *(Engagement partner of KPMG)* **Management attendees** C Low S Bruwer C Patterson D Ndebele D Olsen-Namanyane B Rwelengera	Minimum of three members and majority required for a quorum	Meets at least four times a year	Not applicable Fully compliant
Group Human Resources Committee (Formerly Remuneration Committee)	• Review the remuneration policies of the Group • Oversight on policies for selecting, planning for succession and professional development of executive directors and senior management • Ensure that directors and staff are fairly rewarded • Ensure that market-related reward strategies are adhered to • Establish performance targets for the Group's incentive scheme	**Independent non-executive Directors** R Thornton *(Chairman)* H Karuhanga **Non-executive Directors** I Mohammed G van Heerde **Management attendees** C Low S Bruwer C Patterson T Mwai D Ndebele *(Company Secretary)*	Minimum of three members and majority required for a quorum	Meets at least once a year	Majority members of the Group Human Resources Committee are not independent non-executive directors
Group Investment Committee	• Reviews and recommends to the Board regarding all new strategic investments and major funding initiatives the Group may enter into, including the mechanism for investment • Formulating the overall investment policies of the Group, subject to approval by the Board	**Independent non-executive** Directors J de Kock *(Chairman)* R Thornton **Non-executive Directors** I Mohammed G Hassam **Executive Directors** C Low **Management attendees** S Bruwer C Patterson T Kocsis D Ndebele *(Company Secretary)*	Minimum of three members and majority required for a quorum	Meets as and when necessary	Majority members of the Group Investment Committee are not independent non-executive directors

Committee	Purpose	Composition	Quorum	Frequency of meeting	Corporate Governance gaps
Group Nominations Committee	• Recommend to the Board on all new board appointments • Undertake a formal process of reviewing the balance and effectiveness of the Board • Oversight of the directors' induction, performance evaluation, directors' development • Conduct annual directors' independence assessment	**Independent non-executive Directors** J Burbidge *(Chairman)* R Thornton H Karurhanga S Price **Non-executive Directors** G Hassam **By invitation** C Low **Management attendee** D Ndebele *(Company Secretary)*	Minimum of three members and majority required for a quorum	Meets at least once a year	Not applicable Fully compliant
Group Management Committee	• Identification, monitoring and management of Group risks per agreed board risk management framework • Day-to-day operational decision-making • Implementation of board-approved strategic agenda	C Low *(Group Managing Director)* *(Chairman)* S Bruwer *(Deputy Managing Director/ Head of Southern Africa)* T Kocsis *(Head of East Africa)* C Patterson *(Chief Financial Officer)* T Mwai *(Consultant Head of Human Resources)* D Ndebele *(Head of Governance and Compliance)* M Sambasivan-George *(Head of Corporate Affairs)* **By invitation** Country CEOs	Majority of GMC members	Meets monthly	Not applicable

REMUNERATION POLICY

During the past year, the Group Human Resources Committee (formerly the Group Remuneration Committee) met twice as required by the committee's terms of reference that are reviewed and approved by the Board annually. The broad terms of reference of the Group Human Resources Committee are outlined in the table above.

A key strategic objective of the Group is to attract and retain high calibre staff and individuals. In April 2014, the Group Human Resources Committee engaged external consultants to review the Group's overall compensation structure, with particular focus on the Long Term Incentive Plan (LTIP). The review results revealed that the Group's compensation practices are generally in line with international standard practice.

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

- Calculation of grants – changed to between 75% to 200% of basic salary (was 115% to 215% of basic salary)
- Grant term – changed to one vesting at the end of three years (was in three annual batches)
- Grant targets – changed to Earnings per Share (EPS) and Return on Equity targets (was a combination of annual budgeted EPS, split of geographical profits and individual performance appraisals).

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

These remuneration schemes are designed to ensure that executive and management remuneration is driven by increase in shareholder value as well as delivery of the Group's strategic objectives.

Surveys conducted by independent consultants indicate that basic salaries paid by the Group to members of staff are aligned to industry and market rates. In awarding annual increases to employees, consideration is given to an employee's performance as well as the impact of inflation in the countries in which the Group operates.

The different incentives schemes offered by the Group are summarised below:

	Share-based plans	Deferred bonus plans	Standard bonus plan
Group Management Committee	✔		✔
Extended leadership team		✔	✔
Management			✔
Middle managment			✔
Sales and support staff			✔

Non-executive directors

After conducting research into trends in non-executive Director remuneration, non-executive Directors' fees are proposed by the Group Human Resources Committee. Non-executive Directors' fees are fixed for the year.

Generally, directors of the Group's Board and subsidiaries are remunerated on a structure consisting of an annual retainer and sitting fees for meetings attended. Non-executive Directors do not receive any fees which are related to the performance of the Group and do not participate in any share-based payments or incentives.

DIRECTORS' ATTENDANCE AND REMUNERATION

Directors attendance and remuneration – year ended 31 December 2014

Directors	Main board attendance	Group Audit and Risk Committee attendance	Group Human Resources Committee attendance	Group Investment Committee attendance	Nominations Committee attendance	Strategic/ ad hoc meetings attendance	Main board fees
J A Burbidge	5/5	–	–	1/1	3/3	6/6	145,000
S Price	5/5	4/4	–	–	1/1	6/6	136,425
I Mohammed	5/5	4/4	3/3	3/3	2/2	–	136,425
L E Serema	2/2	–	–	–	2/2	–	54,570
G Hassam	5/5	2/2	–	3/3	3/3	–	136,425
J De Kock	3/5	3/4	–	3/3	–	4/6	81,855
R Thorntorn	5/5	–	3/3	3/3	–	5/6	136,425
H Karuhanga	4/5	2/2	1/1	–	1/1	–	109,140
G van Heerde	5/5	4/4	3/3	2/2	–	–	136,425
C Low	5/5	4/4	3/3	3/3	–	6/6	–
Total							1,072,690

EXECUTIVE DIRECTORS

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

All figures in BWP

Executive director	For management services	Pension fund contributions	Performance bonus	Total
C Low	3,008,089	–	3,000,000	6,008,089
Total	**3,008,089**	**–**	**3,000,000**	**6,008,089**

In terms of the Long-Term Incentive Scheme no shares vested to the Executive Director during March 2015 that related to the financial period ended 31 December 2014.

TOP THREE EARNING MANAGERS (THAT ARE NOT EXECUTIVE DIRECTORS)

All figures in BWP

	For management services	Pension fund contributions	Performance bonus	Total
Employee 1	2,028,645	–	1,000,000	3,028,645
Employee 2	1,909,212	190,921	450,000	2,550,133
Employee 3	1,699,683	–	800,000	2,499,683

In terms of the Long-Term Incentive Scheme 3,443,365 shares vested to the top three managers during March 2015 that related to the financial period ended 31 December 2014.

All figures in BWP

Directors	Retainer	Group Audit and Risk Committee fees	Group Human Resources Committee fees	Group Investment Committee fees	Nominations Committee fees	Strategic/ ad hoc meetings fees	Total fees
J A Burbidge	95,975	–	–	15,000	45,000	60,000	360,975
S Price	55,000	109,140	–	–	15,000	60,000	375,565
I Mohammed	55,000	109,140	45,000	45,000	30,000	–	420,565
L E Serema	30,000	–	–	–	30,000	–	114,570
G Hassam	55,000	54,570	–	45,000	45,000	–	335,995
J De Kock	55,000	81,855	–	45,000	–	40,000	303,710
R Thorntorn	55,000	–	45,000	45,000	–	50,000	331,425
H Karuhanga	55,000	54,570	15,000	–	15,000	–	248,710
G van Heerde	55,000	109,140	45,000	30,000	–	–	375,565
C Low	–	–	–	–	–	–	–
Total	510,975	518,415	150,000	225,000	180,000	210,000	2,867,080

GOVERNANCE AND COMPLIANCE IT GOVERNANCE FRAMEWORK

The Group has developed an information technology (IT) governance framework. The Group's operations and sustainability are critically dependent on IT.

The value of IT, management of IT-related risks and increased requirements for control over information are key elements of IT enterprise governance.

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

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

Legal compliance

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

Assets and liabilities management (ALM)

ALM is the responsibility of the Group Management Committee. ALM deals with the management of capital adequacy, currency, liquidity, interest rate risk, and market risk as well as credit risks ensuring that the regulatory prudential ratios are maintained. With regard to central bank regulated subsidiaries, such as Letshego Financial Services Mozambique which holds a micro finance banking licence, there is a local Assets and Liabilities and Credit Committee in line with the Bank of Mozambique's requirements.

Compliance and risk management

The Head of Governance and Compliance provides the Board with assurance that the Group is compliant with all applicable laws, regulations, rules and codes applicable across its Africa subsidiaries.

External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented and that they are prepared in compliance with International Financial Reporting Standards (IFRS). Their audit also includes an assessment of selected key internal controls.

The preparation of the annual financial statements and the adequacy of the system of internal controls remain the responsibility of the directors.

Internal audit

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

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

Reputation management

Internal and external matters that can impact Letshego's reputation are regularly monitored and reported on. Corporate communication is managed in a structured manner to ensure that accurate information is disseminated consistently to all stakeholders. All customer complaints are tracked and appropriate corrective action is implemented as soon as practicable.

Letshego uses an internally developed customer satisfaction index to ensure that critical aspects of customer service delivery are maintained at a high level. Where relevant, the Group adheres to industry-regulated codes of conduct in the countries in which it operates.

GLOSSARY OF TERMS AND ABBREVIATIONS

ALM	Asset and liability management
BSE	Botswana Stock Exchange
BWP	Botswana Pula, the currency of Botswana
CBHI	Community-based health insurance
CSI	Corporate social investment
DFI	Development finance institution
EPS	Earnings per share
GARC	Group Audit and Risk Committee
IA	Internal Audit
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IT	Information Technology
JSE	Johannesburg Stock Exchange
LHL	Letshego Holdings Limited
LTIP	Long Term Incentive Plan
MNO	Mobile Network Operator
MSE	Micro and Small Enterprises
MTN	Medium Term Note
NBFIRA	Non-Bank Financial Institutions Regulatory Authority
NPL	Non-Performing Loan
PLE	Primary Leaving Examination
SLA	Service level agreement
TCS	Tata Consulting Services
TCS BaNCS	Banking system provided by Tata Consulting Services
USSD	Unstructured Supplementary Service Data

GLOSSARY OF TERMS AND ABBREVIATIONS (continued)

Advance	To supply or lend money on credit
Blue collar	A working class person who performs manual labour
Credit bureau	A credit reference agency
Debt to equity	The proportion of equity and debt the Company is using to finance its assets
Deduction at source model	Payroll deduction loans
Deposit taking institution	An institution which is licensed to receive money on deposit from private individuals and to pay interest on it
Financial literacy	Knowledge and understanding of (personal) financial matters
Gearing	The extent to which operations are funded by lenders versus shareholders
Impairment charge	A specific reduction on a company's balance sheet that adjusts the value of the company's net advances and other assets
King III	The King Code of Governance Principles
Medium Term Note	A funding programme that is usually listed on a stock exchange
Micro lending	Extension of very small loans (microloans) to the unemployed, to small entrepreneurs and to others living in poverty that are not considered bankable
Moody's Investor Services	Bond credit rating business of Moody's Corporation
Non-performing loan	A loan that is either in default or close to being in default
Sustainability	The endurance of systems and processes
the Board	Letshego Holdings Limited board of directors
the Group	Letshego Holdings Limited and its subsidiaries
Thebe	BWP (Botswana's currency) is subdivided into 100 thebe
Tujijenge	Letshego's Tanzanian microfinance associate
Unsecured loans	A loan that is issued and supported only by the borrower's creditworthiness, rather than by a type of collateral
White collar	A person who works in an office or other professional environment.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the period ended 31 December 2014

CONTENTS

BASIS FOR PREPARATION AND PRESENTATION

Letshego Holdings Limited's (the Group) integrated annual report covers the financial period 1 February 2014 to 31 December 2014, which comprised 11 months following the Group's decision to change from a January to a December financial year-end. This decision aligns the Group's financial reporting with its Kenya, Mozambique, Rwanda and South Sudan subsidiaries who were already on December year-end cycles.

The report aims to provide a balanced and succinct view of the Group's financial and non-financial performance and covers Letshego's operations in Botswana, Kenya, Lesotho, Mozambique, Namibia, Rwanda, South Sudan, Swaziland, Tanzania and Uganda. It provides information on our financial performance over the period and outlines Letshego's strategies for growth, efficiency, transformation, diversification, sustainability and corporate governance.

The presentation of information in this integrated annual report has been guided by local and international requirements.

These include the:

- Botswana Companies Act, 2003;
- BSE Code of Best Practice on Corporate Governance;
- King III Code of Governance reporting principles (the King III Code);
- International Integrated Reporting Council's (IIRC) Integrated Reporting framework; and
- International Financial Reporting Standards (IFRS).

Since the release of the Group's 2014 January integrated annual report, there has been no material change to the structure, ownership or products and services of the organisation.

DISCLOSURE AND ASSURANCE

The Group strives to achieve high standards in all disclosures included in this report to provide material, accurate, transparent and balanced information to stakeholders. The Board, its committees and management were involved in finalising the disclosures made in this integrated annual report and assume responsibility for the information contained therein.

The financial information included in this report has been prepared in accordance with IFRS. The annual financial statements were independently assured by KPMG.

The non-financial information was not independently assured.

BOARD RESPONSIBILITY

This report was approved by the Board on 25 February 2015. The Letshego Holdings Limited board of Directors (the Board) acknowledges its responsibility in ensuring the accuracy of this 2014 integrated annual report. The Board has applied its collective expertise to this report and, in its opinion this report addresses all material issues and presents an integrated and accurate view of Letshego's performance in the year under review.

FEEDBACK ON REPORT

We welcome your feedback on this report. Please email your comments to Mythri Sambasivan George (mythris@letshego.com).

FORWARD LOOKING STATEMENTS

Certain statements in this document are forward looking. These relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of Letshego Holdings Limited, its subsidiaries and its investments. Words such as “anticipates”, “estimates”, “expects”, “projects”, “believes”, “intends”, “plans”, “may”, “will” and “should” and similar expressions are typically indicative of a forward-looking statement. These statements are not guarantees of Letshego's future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements. Letshego makes no representations or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Due to the point in time nature of this integrated annual report, Letshego cannot undertake to continuously update the historical information or forward-looking statements in this document.

GROUP CORPORATE INFORMATION

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

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

Independent External Auditors
KPMG
Plot 67977
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

The Directors have pleasure in submitting to the shareholders their report and the audited consolidated financial statements of Letshego Holdings Limited (the Company) and its subsidiaries (the Group) for the period ended 31 December 2014.

CHANGE OF YEAR-END

During the current financial period, the Group changed its year-end from 31 January to 31 December to align the financial year to the calendar year. These consolidated annual financial statements are for the 11 months ended 31 December 2014. The comparative information presented is for the 12 months ended 31 January 2014.

NATURE OF BUSINESS

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

STATED CAPITAL

Stated capital of the Group at 31 December 2014 amounted to P975,510,000 (31 January 2014: P959,554,000).

On 16 April 2014, 8,935,436 ordinary shares were issued at various prices in terms of the Group's long-term incentive plan. This increased the stated capital by P15,956 000.

In the prior year on 21 April 2013, 10,796,099 ordinary shares were issued at various prices in terms of the Group's long-term incentive plan. Also, in April 2013 shares were issued to ADP I by conversion of the loan facility advanced to Letshego Holdings Limited. These amounted to 158,105,858 shares. This increased the stated capital by P270,311,000.

DIVIDENDS

An interim dividend of 8.5 thebe per share (Prior period: 4.2 thebe per share) was declared on 23 September 2014.

A second and final dividend of 8.0 thebe per share (Prior period: 3.2 thebe per share) was declared on 25 February 2015.

DIRECTORS

The following persons were Directors of the Company during the period:

*JA Burbidge[3]	*(Chairman)*
*MM Dawes[4]	(Resigned 25 March 2014)
*G Hassam[5]	
ACM Low[3]	*(Managing Director)*
*J de Kock[4]	
*S Price[3]	
*IM Mohammed[2]	*(Alternate Director* – RN Alam[2]*)*
*R Thornton[2]	
*LE Serema[1]	(Retired on 30 July 2014)
*G Van Heerde[4]	(Appointed 16 April 2014)
*H Karuhanga[6]	
*D Ndebele[1]	(Resigned 16 April 2014)

*Non-executive
[1]Botswana
[2]USA
[3]UK
[4]RSA
[5]Malawi
[6]Uganda

DIRECTORS' SHAREHOLDINGS

The aggregate number of shares held directly by Directors at 31 December 2014 is 1,482,646 (31 January 2014: 1,727,351). Full details of this shareholding are available at the registered office of the Company or at the office of the transfer secretaries.

LONG-TERM INCENTIVE PLAN

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Letshego Holdings Limited, comprising the consolidated statement of financial position at 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

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

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

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

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS:

The consolidated annual financial statements of Letshego Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 25 February 2015 and signed by:

JA Burbidge
Chairman

ACM Low
Managing Director

KPMG

KPMG, Chartered Acountants
Audit
Plot 67977, Off Tlokweng Road
Fairground Park
PO Box 1519, Gaborone, Botswana

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

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

We have audited the accompanying consolidated annual financial statements of Letshego Holdings Limited, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 66 to 115.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated annual financial statements give a true and fair view of, the consolidated financial position of Letshego Holdings Limited as at 31 December 2014, and its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards.

KPMG

KPMG
Certified Auditors
Practising Member: Francois Roos (20010078:45)

Gaborone
20 March 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	31 December 2014 P'000	31 January 2014 P'000
ASSETS			
Cash and cash equivalents	3	**320 544**	310 525
Advances to customers	4	**5 686 796**	4 427 757
Other receivables	5	**151 103**	101 911
Property and equipment	6	**51 762**	53 988
Intangible assets	7	**45 592**	6 117
Goodwill	8	**55 250**	55 250
Deferred taxation	19.1	**25 866**	14 617
Total assets		**6 336 913**	4 970 165
LIABILITIES AND EQUITY			
Liabilities			
Deposits from customers		**3 995**	–
Trade and other payables	9	**209 521**	127 217
Cash collateral	10	**41 692**	42 293
Taxation payable		**49 228**	46 517
Borrowings	11	**1 937 844**	1 249 871
Total liabilities		**2 242 280**	1 465 898
Shareholders' equity			
Stated capital	12	**975 510**	959 554
Foreign currency translation reserve		**(2 189)**	(94 826)
Legal reserve		**5 108**	2 696
Share-based payment reserve	13	**21 246**	17 470
Retained earnings		**2 940 521**	2 522 666
Total equity attributable to equity holders of the parent company		**3 940 196**	3 407 560
Non-controlling interests		**154 437**	96 707
Total shareholders' equity		**4 094 633**	3 504 267
Total liabilities and equity		**6 336 913**	4 970 165

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2014

	Note	11 months ended 31 December 2014 P'000	12 months ended 31 January 2014 P'000
Interest income	14	**1 345 194**	1 176 176
Interest expense	15	**(167 582)**	(62 488)
Net interest income		**1 177 612**	1 113 688
Fee and commission income	16	**128 436**	134 236
Other operating income	16.1	**188 098**	122 202
Revenue		**1 494 146**	1 370 126
Employee benefits	17	**(207 034)**	(199 658)
Other operating expenses	18	**(225 500)**	(255 772)
Net income before impairment and taxation		**1 061 612**	914 696
Impairment of advances	4	**(91 480)**	(64 495)
Profit before taxation		**970 132**	850 201
Taxation	19	**(248 280)**	(205 511)
Profit from continuing operations		**721 852**	644 690
Discontinued operations			
Loss on sale of subsidiary (net of taxes)		**–**	(1 060)
Profit for the period		**721 852**	643 630
Attributable to:			
Equity holders of the parent company		**674 915**	601 151
Non-controlling interest		**46 937**	42 479
Profit for the period		**721 852**	643 630
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		**106 304**	(55 303)
Total comprehensive income for the period		**828 156**	588 327
Attributable to:			
Equity holders of the parent company		**767 552**	552 636
Non-controlling interest		**60 604**	35 691
Total comprehensive income for the period		**828 156**	588 327
Basic earnings per share – (thebe)	20	**33.2**	30.2
Diluted earnings per share – (thebe)	20	**32.8**	29.8
Dividends per share : interim (thebe) – paid	21	**8.5**	4.2
: final (thebe) – proposed and paid	21	**8.0**	3.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2014

	Stated capital P'000	Retained earnings P'000	Share-based payment reserve P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non-controlling interests P'000	Total P'000
Balance at 1 February 2014	**959 554**	**2 522 666**	**17 470**	**(94 826)**	**2 696**	**96 707**	**3 504 267**
Total comprehensive income for the period							
Profit for the period	**–**	**674 915**	**–**	**–**	**–**	**46 937**	**721 852**
Other comprehensive income, net of income tax							
Foreign currency translation reserve	**–**	**–**	**–**	**92 637**	**–**	**13 667**	**106 304**
Transactions with owners, recorded directly in equity							
Allocation to share-based payment reserve	**–**	**–**	**19 732**	**–**	**–**	**–**	**19 732**
Allocation to legal reserve	**–**	**(2 412)**	**–**	**–**	**2 412**	**–**	**–**
New shares issued from Long-term incentive scheme	**15 956**	**–**	**(15 956)**	**–**	**–**	**–**	**–**
Dividends to equity holders	**–**	**(254 648)**	**–**	**–**	**–**	**(2 874)**	**(257 522)**
Balance at 31 December 2014	**975 510**	**2 940 521**	**21 246**	**(2 189)**	**5 108**	**154 437**	**4 094 633**
Balance at 1 February 2013	689 243	2 112 485	19 173	(45 982)	–	85 524	2 860 443
Total comprehensive income for the period							
Profit for the year	–	601 151	–	–	–	42 479	643 630
Other comprehensive income, net of income tax							
Foreign currency translation reserve	–	–	–	(48 515)	–	(6 788)	(55 303)
Transactions with owners, recorded directly in equity							
Non-controlling interest in Micro Africa Limited acquired	–	(6 301)	–	–	–	(4 446)	(10 747)
Allocation of additional shares to ADP I Holding 2	252 969	–	–	–	–	–	252 969
Allocation to share-based payment reserve	–	–	15 639	–	–	–	15 639
Allocation to legal reserve	–	(2 696)	–	–	2 696	–	–
Disposal of Letshego Financial Services Zambia Proprietary Limited	–	(4 235)	–	(329)	–	–	(4 564)
New shares issued from long-term incentive scheme	17 342	–	(17 342)	–	–	–	–
Dividends to equity holders	–	(177 738)	–	–	–	(20 062)	(197 800)
Balance at 31 January 2014	959 554	2 522 666	17 470	(94 826)	2 696	96 707	3 504 267

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2014

	Note	11 months ended 31 December 2014 P'000	12 months ended 31 January 2014 P'000
OPERATING ACTIVITIES			
Profit before taxation		**970 132**	850 201
Adjustments for:			
– Amortisation	7	**4 089**	1 733
– Depreciation	6	**9 304**	6 988
– Impairment of advances movement	4	**47 215**	11 051
– Deferred income – credit life commission	16	**(327)**	(460)
– Deferred income – credit life administration fees	16	**–**	(409)
– Profit on disposal of property and equipment	16.1	**(21)**	(98)
– Loss on sale of subsidiaries		**–**	1 060
– Long-term incentive plan provision	17	**19 732**	15 639
– Unrealised foreign currency translation gains/(losses)		**106 304**	(48 841)
– Unrealised gain on fair value derivatives		**3 076**	1 205
– Dividends received		**(5 173)**	(7 490)
Changes in working capital:			
Movement in advances to customers		**(1 306 256)**	(1 102 604)
Movement in other receivables		**(52 268)**	(64 767)
Movement in trade and other payables		**82 631**	49 258
Movement in deposits from customers		**3 995**	–
Movement in cash collateral		**(601)**	8 109
Cash used in operations		**(118 168)**	(279 425)
Income tax paid		**(256 818)**	(192 999)
Net cash flows used in operating activities		**(374 986)**	(472 424)
INVESTING ACTIVITIES			
Acquisition of additional investment in subsidiaries		**–**	(16 049)
Proceeds from sale of a subsidiary		**–**	4 188
Dividends received		**5 173**	7 490
Proceeds from sale of property and equipment		**21**	356
Purchase of property and equipment and intangible assets	6 & 7	**(50 641)**	(42 068)
Net cash flows used in investing activities		**(45 447)**	(46 083)
FINANCING ACTIVITIES			
Dividends paid		**(257 522)**	(197 800)
Finance obtained from third parties		**776 029**	481 695
Repayment of borrowings		**(88 055)**	(262 117)
Net cash flows from financing activities		**430 452**	21 778
Net movement in cash and cash equivalents		**10 019**	(496 729)
Movement in cash and cash equivalents			
At the beginning of the period		**310 525**	807 254
Movement during the period		**10 019**	(496 729)
At the end of the period	3	**320 544**	310 525

SIGNIFICANT ACCOUNTING POLICIES

For the period ended 31 December 2014

REPORTING ENTITY

Letshego Holdings Limited ("the Company") is a limited liability company incorporated in Botswana. The address of the Company is Letshego Place, Plot 22 Khama Crescent, Gaborone, Botswana. The consolidated financial statements of the Company as at and for the period ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the ("Group") and individually as ("Group entities"). The Group is primarily engaged in the provision of short-to-medium term unsecured loans to employees of the public, quasi-public and private sectors as well as provision of loans to MSE entities.

The Group financial statements for the period ended 31 December 2014 have been approved for issue by the Board of Directors on 25 February 2015.

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

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION

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

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

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Significant judgements made by management in the application of International Financial Reporting Standards consist mainly of loans and advances, impairment (note 4) and share-based payment calculations (note 2). Judgement is also applied to the valuation of goodwill recognised (note 8) and the probability of having sufficient taxable profits against which deferred tax assets may be utilised (note 19).

BASIS OF CONSOLIDATION

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable are taken into account. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

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

BASIS OF CONSOLIDATION (continued)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

NON-CONTROLLING INTERESTS

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

LOSS OF CONTROL

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

PROPERTY AND EQUIPMENT

Property 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 property and equipment. The estimated useful lives for current and prior periods are as follows:

Computer equipment	three years
Office furniture	four years
Office equipment	five years
Motor vehicles	four years

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

The Group recognises in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense incurred. Gains and losses on disposal of property and equipment are determined by comparing proceeds with the carrying amounts and are recognised in profit or loss.

Work in progress

Work in progress comprises:

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

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN OPERATIONS' FINANCIAL STATEMENTS

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

FOREIGN CURRENCY TRANSLATION RESERVE

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

OPERATING LEASES

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

INTANGIBLE ASSETS

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

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

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software for current and prior periods is three to 10 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The Group derecognises an intangible asset when no future economic benefits are expected from the intangible asset or when it transfers the right to the intangible asset due to which substantially all the risks and rewards of ownership are transferred.

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. 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.

DEFERRED TAX (continued)

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.

Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or losses and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

INTEREST INCOME

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

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

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

FEE AND COMMISSION INCOME

Fees and commissions are recognised on an accrual basis when the service has been provided. Fees and commissions arising from Group credit life insurance schemes are recognised on a time-apportioned basis over the period the service is provided.

INTEREST EXPENSE

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

INTEREST FROM BANK DEPOSITS

Interest from bank deposits is recognised on an accrual basis at the agreed interest rate with the respective financial institution.

OTHER INCOME

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

DIVIDEND INCOME

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

LEGAL RESERVE

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

For the period ended 31 December 2014

STATED CAPITAL

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

DIVIDENDS PAID

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

EMPLOYEE BENEFITS

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

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

PAYROLL ADMINISTRATION COSTS

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

SHARE-BASED PAYMENT TRANSACTIONS

The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. The number of vesting awards is subject to achievement of non-market conditions.

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

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

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

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

The cost of issued shares is credited to stated capital when the options are exercised.

SEGMENT REPORTING

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

EARNINGS PER SHARE

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

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

CONTINGENT LIABILITIES

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

FINANCIAL ASSETS AND LIABILITIES

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

Advances to customers

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

Borrowings and deposits from customers

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

Other receivables

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

Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 30 to 90-day terms, are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group, and are subsequently measured at their armortised cost using the effective interest rate method. These are classified as "other financial liabilities".

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held on call with banks, net of bank overdraft facilities subject to sweeping arrangements. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

Cash collateral

Cash collateral consists of cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer. The cash collateral is set off against a loan balance only when the loan balance is deemed irrecoverable from the customer. Cash collateral is classified as "other financial liabilities" and is initially measured at fair value plus incremental direct transaction costs, and is subsequently measured at amortised cost using the effective interest rate method.

FINANCIAL ASSETS AND LIABILITIES (continued)

Recognition

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

Derecognition

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

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

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

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

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

Offsetting

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

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

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation, using the effective interest rate 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. The fair value of the interest rate swap is determined by using internal valuation techniques.

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

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

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

FINANCIAL ASSETS AND LIABILITIES (continued)

Identification and measurement of impairment

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

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

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

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

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

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

Designation at fair value through profit or loss

The Group 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; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

INSURANCE ARRANGEMENTS

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

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

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

INSURANCE ARRANGEMENTS (continued)

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

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

DERIVATIVES HELD FOR RISK MANAGEMENT PURPOSES

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards and amendments to standards are issued but not yet effective for periods beginning on or after 1 January 2014. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39: *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. In addition, IFRS 9 will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's consolidated financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for revenue recognition. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 31 December 2015 consolidated financial statements.

STANDARDS ISSUED BUT NOT YET ADOPTED (continued)

Other standards/amendments

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

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IFRS 11 – effective 1 January 2016).
- Equity Method in Separate Financial Statements (Amendments to IAS 27 – effective 1 January 2016).

1. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Interest rate risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk.

1.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board has established the Group Audit and Risk Committee ("GARC"), Group Human Resources Committee ("GHRC"), Group Investment Committee, Group Management Committee ("GMC"), Group Innovation and Change Committee ("GICC") and subsidiary companies' Country Management Committees ("CMC") which are responsible for developing and monitoring Group risk management policies in their respective areas. All Board committees have both executive and non-executive members, apart from the GMC which comprises executive directors and senior management. The GMC reports regularly to the Board of Directors and its sub committees on its activities.

The Group's Enterprise Risk Management framework is established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and responsibilities.

1.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and advances to customers. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, employer default risk, country and sector risk).

The provision of unsecured loans to formally employed individuals is the main aspect of the Group's business. As such, exposure to credit risk and the management of this risk is a key consideration for the Board.

The model that the Group uses to mitigate this risk is arrangements with the respective employers of Letshego customers to allow the employer to deduct monthly loan repayments directly from the employees' (the Letshego customers) salary. This salary deduction code model is used throughout the Group with the exception of Kenya, Rwanda and South Sudan operations, which are made up of group, MSE and housing microfinance lending.

For the portion of the customer advances portfolio that is not extended to government and civil service employees with instalments deducted at payroll source, credit risk occurs chiefly at the individual obligor level. To mitigate this risk, the Group applies a variety of measures, the most significant of which are:

(i) Securing non-payroll deduction loans with cash collateral contribution from customers;
(ii) Credit scoring and customer education in advance of the extension of credit to customers; and
(iii) Regular reviews of group, MSE and individual borrowers' financial status including personal visits by loan officers and supervisors.

1. FINANCIAL RISK MANAGEMENT (continued)

1.2 Credit risk (continued)

Management of credit risk

As set out above, the main activity of the Group is the provision of unsecured loans to formally employed individuals. The Board of Directors has delegated responsibility for the oversight of credit risk to its respective CEO's and credit departments of each subsidiary. However, this must be viewed in light of the overall framework of the exclusive use of 'salary deduction codes' as the loan repayment mechanism for the payroll deduction business.

It is the responsibility of each CEO to ensure that the Group's policies regarding credit risk, credit scoring, collateral contribution, affordability levels and minimum take home pay are complied with at all times.

Each subsidiary ensures these procedures are performed as part of the loan application and disbursement process. Thereafter, the performance of the loan book is monitored by the in-country credit department which is assisted by head office via the finance department. Each credit department, reporting to the local CEO and supported by the finance department, is responsible for management of the Group's credit risk.

Since the acquisition of the Letshego Kenya Limited Group, the Group is also exposed to credit risk from advancing funds to customers who are part of group lending schemes, or who engage in micro and small enterprises (MSE's).

Loan application process

Payroll deduction business

Clients are employees of participating employers. Where an employer is not a participating employer, Letshego engages with that employer and obtains a deduction authorisation to enable deductions of instalments from the employees' monthly salary.

All loans/services provided are repayable in equal monthly installments that are collected through a salary deduction authorisation (Salary Deduction Code) granted by the participating employer, i.e. deduction at source. The participating employer does not guarantee loans advanced to employees, and is only obliged to deduct the monthly installments payable, from the employee's salary prior to the salary being paid into the employee's bank account. The deductions are subsequently paid directly to Letshego on a monthly basis, by the participating employer. Loan proceeds are electronically transferred to the employee's bank accounts to eliminate the risk of carrying cash.

Loans are only granted to employees who are able to present their last three months' original salary advice or bank statement (this differs by country) and have an active bank account. This is a prerequisite as loans are not disbursed in cash. The main criteria considered by the Group are the loan applicant's ability to meet his/her financial commitments and to remain with sufficient funds to fund household needs. The Group applies this criteria for all customers and this is complementary to any regulatory requirements.

Group Housing Microfinance and MSE lending

Loan applicants are required to submit their personal financial statutes as well as complete a loan application form and the financial viability of the loan proposal. A credit scoring is then completed based on which the loan disbursement value is determined or recommended.

1. FINANCIAL RISK MANAGEMENT (continued)

1.2 Credit risk (continued)

Loan application process (continued)

Letshego offers life insurance products to all its clients in Botswana, Namibia, Mozambique, Lesotho and Swaziland, which cover the repayment of the outstanding capital balances on the loan to Letshego in the event of death or permanent disability of the customer. This saves Letshego having to pursue the deceased's estate to recover any outstanding balance or having any claim against the loan holder's employment benefits. In addition to the life cover offered in Namibia, Letshego Namibia and Letshego Holdings Limited invested in Hollard Life Namibia Limited (HLNL). Through this vehicle Letshego Namibia's and Letshego Financial Services Swaziland's advances are insured for risk of default including such risks as loss of employment, employer default, absconding and even temporary disability. As such risk of loss to the Group is further minimised. In the countries where no such cover is in place such as Kenya, Rwanda, South Sudan, Uganda and Tanzania this risk is addressed through pricing and stringent monitoring provisioning policies.

The insurance cover existent in Mozambique similarly extends to all risks as covered in Namibia and Swaziland operations.

Monitoring of monthly collections

In the event that a customer does not have sufficient funds from their net salary or income to meet their monthly loan instalment the reasons for this are immediately established. If the customer is no longer employed then the loan is written off and recovery efforts are commenced.

If the customer has changed employment, to an employer with which the Group does not have a 'deduction code', then pre-authorised direct debit mandates are utilised to recover loan repayments from the bank account of the customer.

If a customer is on a reduced salary, for example when taking study or maternity leave, then loan repayments are rescheduled to recommence full repayments once the customer returns to full salary.

If, in the case of Group and MSE customers, the customer is either untraceable or does not have sufficient funds to meet his/her/their loan obligations, rescheduling, liquidation of collateral or write off (as a last resort) are considered.

Follow up action on non-performing loans

For loans that are written off, the credit departments follow set procedures to recover repayments. This involves, in certain instances, the appointment of legal agents to secure debt judgements. Where the legal right over cash or other forms of collateral is already established, liquidation of such collateral against outstanding amounts is pursued.

Approval of new employers – payroll deduction

All new employers are subject to a set assessment criteria prior to entering into deduction code agreements. The approval provided is by the GMC.

No cash transactions

Loan disbursements are performed electronically and funds are directly deposited into a customer's bank account. This reduces cash holding risk. Due to this methodology only customers with bank accounts can be assisted.

Regular audits of business units and credit processes are undertaken by the Group Risk and Compliance Department.

Impaired loans

Impaired loans and securities are loans and advances on which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

1. FINANCIAL RISK MANAGEMENT (continued)

1.2 Credit risk (continued)

Past due but not impaired loans

Past due but not impaired loans are those for which contractual repayments are past due but the Group believes that impairment is not appropriate on the basis of the specific case such as, the customer may be on a reduced salary due to taking study leave, or the customer may be unable to meet loan obligations due to a temporary change in financial circumstances.

Loans with renegotiated terms

This applies in cases where, for payroll deduction lending, the employer does not make a loan deduction and this was not the fault of the customer. In such cases these loans are rescheduled so as not to penalise the customer. In case of Group and MSE lending, terms are renegotiated when instalments are missed due to bank errors, co-borrowers' errors/default or temporary disruption of finances. The number and value of these loans was not significant during the financial period.

Allowances for impairment – payroll deduction lending

The Group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Impairment and provisioning – Group Housing Microfinance and MSE lending

Group policy requires the review of individual financial assets regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the age of arrears at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses the realisable value of collateral held (including re-confirmation of its enforceability) and the age of arrears for that individual account.

Write-off policy

The Group writes off a loan balance, and any related allowances for impairment losses, when the Country Management Committee determines 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.

1. FINANCIAL RISK MANAGEMENT (continued)

1.2 Credit risk (continued)

Maximum exposure to credit risk

The table below presents the maximum exposure to credit risk of advances to customers recognised on the statement of financial position after taking account of any collateral held.

Maximum exposure to credit risk at 31 December 2014	Gross advances P'000	Specific provision P'000	Portfolio provision P'000	Net advances P'000	Security held P'000
Southern Africa	**4 874 919**	**(34 439)**	**(14 480)**	**4 826 000**	**–**
East Africa	**887 239**	**(1 846)**	**(24 597)**	**860 796**	**(41 692)**
Total at 31 December 2014	**5 762 158**	**(36 285)**	**(39 077)**	**5 686 796**	**(41 692)**
Maximum exposure to credit risk at 31 January 2014					
Southern Africa	3 753 459	(677)	(9 547)	3 743 235	–
East Africa	702 445	(378)	(17 545)	684 522	(42 293)
Total at 31 January 2014	4 455 904	(1 055)	(27 092)	4 427 757	(42 293)

Credit quality

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

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

Analysis of sector risk at 31 December 2014	Government P'000	Private (including parastatals) P'000	Total net advances P'000
Southern Africa	**4 348 431**	**477 569**	**4 826 000**
East Africa	**532 872**	**327 924**	**860 796**
	4 881 303	**805 493**	**5 686 796**
Analysis of sector risk at 31 January 2014			
Southern Africa	3 429 211	314 024	3 743 235
East Africa	503 995	180 527	684 522
	3 933 206	494 551	4 427 757

1. FINANCIAL RISK MANAGEMENT (continued)

1.2 Credit risk (continued)

The table below presents an analysis by geographic location of the credit quality of advances based on the Group's internal credit rating.

31 December 2014	Southern Africa P'000	East Africa P'000	Total P'000
Neither past due nor impaired	**4 663 525**	**837 605**	**5 501 130**
Past due but not impaired	**177 012**	**21 049**	**198 061**
Impaired	**34 382**	**28 585**	**62 967**
Total gross advances to customers	**4 874 919**	**887 239**	**5 762 158**
Less: Impairment provision	**(48 919)**	**(26 443)**	**(75 362)**
Net advances to customers at 31 December 2014	**4 826 000**	**860 796**	**5 686 796**
31 January 2014			
Neither past due nor impaired	3 489 496	691 168	4 180 664
Past due but not impaired	253 578	7 651	261 229
Impaired	10 385	3 626	14 011
Total gross advances to customers	3 753 459	702 445	4 455 904
Less: Impairment provision	(10 224)	(17 923)	(28 147)
Net advances to customers at 31 January 2014	3 743 235	684 522	4 427 757

Other exposures to credit risk	31 December 2014 P'000	31 January 2014 P'000
Cash and cash equivalents	**320 544**	310 525
Other receivables	**110 234**	92 500
	430 778	403 025

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 receivables maintained with reputable financial institutions. The risk of loss due to credit risk is assessed as low.

For the period ended 31 December 2014

1. FINANCIAL RISK MANAGEMENT (continued)

1.3 Interest rate risk

The Group 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 advances to customers is fixed, whereas interest on borrowings is floating. The table below summarises the exposure to interest rate risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of repricing or maturity dates.

31 December 2014	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Non-interest-bearing P'000	Total P'000
ASSETS						
Cash and cash equivalents	117 318	49 582	–	–	153 644	320 544
Advances to customers	13 223	302 237	1 536 637	3 834 698	–	5 686 796
Other receivables	–	–	–	–	151 103	151 103
Property and equipment	–	–	–	–	51 762	51 762
Intangible assets	–	–	–	–	45 593	45 592
Goodwill	–	–	–	–	55 250	55 250
Deferred taxation	–	–	–	–	25 866	25 866
	130 541	351 819	1 536 637	3 834 698	483 218	6 336 913
EQUITY AND LIABILITIES						
Trade and other payables	–	–	–	–	209 521	209 521
Cash collateral	–	–	–	–	41 692	41 692
Deposits from customers	335	3 660	–	–	–	3 995
Borrowings	–	631 678	666 678	639 488	–	1 937 844
Taxation payable	–	–	–	–	49 228	49 228
Shareholders' equity	–	–	–	–	4 094 633	4 094 633
	335	635 338	666 678	639 488	4 395 074	6 336 913
Net interest sensitivity gap	130 206	(283 519)	869 959	3 195 210	(3 911 856)	–

1. FINANCIAL RISK MANAGEMENT (continued)

1.3 Interest rate risk (continued)

31 January 2014	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Non-interest-bearing P'000	Total P'000
ASSETS						
Cash and cash equivalents	275 118	25 581	–	–	9 826	310 525
Advances to customers	–	374 802	755 488	3 297 467	–	4 427 757
Other receivables	1 781	6 887	–	–	93 243	101 911
Plant and equipment	–	–	–	–	53 988	53 988
Intangible assets	–	–	–	–	6 117	6 117
Goodwill	–	–	–	–	55 250	55 250
Deferred taxation	–	–	–	–	14 617	14 617
	276 899	407 270	755 488	3 297 467	233 041	4 970 165
EQUITY AND LIABILITIES						
Trade and other payables	–	–	–	–	127 217	127 217
Cash collateral	–	–	–	–	42 293	42 293
Borrowings	–	55 000	773 531	421 340	–	1 249 871
Taxation payable	–	–	–	–	46 517	46 517
Shareholders' equity	–	–	–	–	3 504 267	3 504 267
	–	55 000	773 531	421 340	3 720 294	4 970 165
Net interest sensitivity gap	276 899	352 270	(18 043)	2 876 127	(3 487 253)	–

The majority of the Group's borrowings are linked to market interest rates. The Group has entered into an interest rate swap arrangement with a local financial institution to fix the interest rates associated with a portion of the Group borrowings. Further details on this swap is found in note 5.

New facilities entered into during current financial period were fixed in nature.

	2014 December	2014 January
The average cost of borrowings with variable rates in percentage terms was (excluding the impact of foreign exchange gains or losses)	**10.40%**	8.91%
The impact of a 1% increase in lending rates on interest expense would be adverse (P'000)	**1 594**	1 264
The impact of a 1% increase in lending rates on equity would be adverse (P'000)	**1 243**	986
% change in profit before tax	**0.2%**	0.1%

The effect of a 1% decrease in interest rate would result in an equal and opposite decrease in interest expense and equity. 1% is used as the matrix of adjustment as it is the most likely variance on bank prime rates in the countries the Group operates in.

For the period ended 31 December 2014

1. FINANCIAL RISK MANAGEMENT (continued)

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 Group and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Group and also from available financial institution facilities.

The following table shows the undiscounted cash flows on the Group's assets and liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments may vary from this analysis. For example, regular meetings and updates are provided to the Group'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 2014	**Up to 1 month P'000**	**From 1 to 12 months P'000**	**From 1 year to 3 years P'000**	**From 3 years and above P'000**	**Non-sensitive P'000**	**Total P'000**
Total assets	**130 541**	**351 819**	**1 536 637**	**3 834 698**	**483 218**	**6 336 913**
Total liabilities and equity	**(335)**	**(635 338)**	**(666 678)**	**(639 488)**	**(4 395 074)**	**(6 336 913)**
Net liquidity gap	**130 206**	**(283 519)**	**869 959**	**3 195 210**	**(3 911 856)**	**–**
31 January 2014						
Total assets	276 899	407 270	755 488	3 297 467	233 041	4 970 165
Total liabilities and equity	–	(55 000)	(773 531)	(421 340)	(3 720 294)	(4 970 165)
Net liquidity gap	276 899	352 270	(18 043)	2 876 127	(3 487 253)	–

1. FINANCIAL RISK MANAGEMENT (continued)

1.4 Liquidity risk (continued)

Assets and liabilities profile

	31 December 2014 Current P'000	31 December 2014 Non-current P'000	31 January 2014 Current P'000	31 January 2014 Non-current P'000
Assets				
Cash and cash equivalents	**320 544**	**–**	310 525	–
Advances to customers	**315 460**	**5 371 336**	374 802	4 052 955
Other receivables	**151 103**	**–**	101 911	–
Property and equipment	**–**	**51 762**	–	53 988
Intangible assets	**–**	**45 592**	–	6 117
Goodwill	**–**	**55 250**	–	55 250
Deferred taxation	**–**	**25 866**	–	14 617
	787 107	**5 549 806**	787 238	4 182 927
Liabilities				
Deposits from customers	**3 995**	**–**	–	–
Cash collateral	**–**	**41 692**	–	42 293
Trade and other payables	**209 521**	**–**	127 217	–
Taxation payable	**49 228**	**–**	46 517	–
Borrowings	**631 678**	**1 306 166**	55 000	1 194 871
	894 422	**1 347 858**	228 734	1 237 164

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.

Assets and liabilities in each local currency are matched to a large extent. The Group has borrowings in Rand, Mozambique Metical, Kenyan Shillings, Tanzanian Shillings, Rwandan Francs and Botswana Pula. The Rand liabilities are matched with assets in Lesotho, Swaziland, Namibia and a fixed deposit placement with financial institutions which are part of the common currency area with South Africa. The other foreign currency liabilities are matched with assets held in the currency.

For the period ended 31 December 2014

1. FINANCIAL RISK MANAGEMENT (continued)

1.5 Market risk (continued)

The Group aims not to maintain significant open currency positions. The Group had the following currency exposures (Pula equivalent) at the reporting date (monetary assets and liabilities only).

31 December 2014	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	1	7 749	40 610	9 025	25 038	13 519
Advances to customers	–	150 966	1 366 485	190 179	307 496	248 612
Other receivables	–	207	57 351	165	2 285	3 398
Total assets	**1**	**158 922**	**1 464 446**	**199 369**	**334 819**	**265 529**
Deposits from customers	–	–	–	–	–	–
Cash collateral	–	–	–	–	–	8 675
Borrowings	593 220	–	–	–	–	98 300
Trade and other payables	–	3 434	52 586	2 144	10 058	6 509
Total liabilities	**593 220**	**3 434**	**52 586**	**2 144**	**10 058**	**113 484**
Net exposure	**(593 219)**	**155 489**	**1 411 860**	**197 224**	**324 761**	**152 045**
Exchange rates at 31 December 2014 – assets: BWP 1.00 =	1.25	1.25	1.25	1.25	191	298
Exchange rates at 31 December 2014 – liabilities: BWP 1.00 =	1.18	1.18	1.18	1.18	170	297

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	South Sudan Pound P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
130 306	36 904	6 120	6 558	15	35	44 653	12	320 544
1 113 673	188 130	103 651	12 907	–	–	2 004 697	–	5 686 796
22 916	2 785	1 956	1 880	–	–	62 390	–	151 103
1 266 895	227 819	111 726	21 346	15	35	2 111 740	12	6 158 443
2 577	–	1 418	–	–	–	–	–	3 995
–	29 897	824	2 297	–	–	–	–	41 692
239 461	192 614	64 984	14 549	–	–	734 716	–	1 937 844
12 662	7 093	3 397	3 517	–	–	108 120	–	209 521
254 700	229 604	70 623	20 363	–	–	842 836	–	2 193 052
1 012 195	(1 784)	41 103	982	15	35	1 268 904	12	3 965 391
3.35	9.90	74.80	0.33	0.07	0.11	1.00	0.09	
3.41	9.15	70.00	0.31	0.07	0.10	1.00	0.08	

For the period ended 31 December 2014

1. FINANCIAL RISK MANAGEMENT (continued)

1.5 Market risk (continued)

The Group aims not to maintain significant open currency positions. The Group had the following currency exposures (Pula equivalent) at the reporting date (monetary assets and liabilities only).

31 January 2014	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	1	23 244	25 581	3 216	36 143	1 252
Advances to customers	–	106 794	939 246	95 140	304 529	222 446
Other receivables	–	369	(200)	211	2 216	15 312
Total assets	1	130 407	964 627	98 567	342 888	239 010
Cash collateral	–	–	–	–	–	10 197
Borrowings	575 483	–	–	–	–	91 821
Trade and other payables	–	3 500	5 004	962	4 819	3 770
Total liabilities	575 483	3 500	5 004	962	4 819	105 788
Net exposure	(575 482)	126 907	959 623	97 605	338 069	133 221
Exchange rates at 31 January 2014 – assets: BWP 1.00 =	1.27	1.27	1.27	1.27	190	335
Exchange rates at 31 January 2014 – liabilities: BWP 1-00 =	1.20	1.20	1.20	1.20	185	334

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	South Sudan Pound P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
9 825	17 256	3 958	2 570	30	1	187 435	13	310 525
792 670	78 719	52 821	26 007	–	–	1 809 385	–	4 427 757
4 634	3 711	1 132	2 245	–	–	13 286	–	42 916
807 129	99 686	57 911	30 822	30	1	2 010 106	13	4 781 198
–	26 627	849	4 620	–	–	–	–	42 293
19 500	39 267	19 665	42 097	–	–	462 038	–	1 249 871
4 933	7 241	–	–	–	–	96 988	–	127 217
24 433	73 135	20 514	46 717	–	–	559 026	–	1 419 382
782 696	26 551	37 397	(15 895)	30	1	1 451 080	13	3 361 816
3.88	10.30	81.19	0.43	0.07	0.11	1.00	0.09	
3.81	9.44	71.95	0.40	0.07	0.11	1.00	0.09	

For the period ended 31 December 2014

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Market risk (continued)

Set out below is the impact of a 10% appreciation of the BW Pula:

31 December 2014	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	1	7 045	36 918	8 205	22 762	12 290
Advances to customers	–	137 242	1 242 259	172 890	279 542	226 011
Other receivables	–	188	52 137	150	2 077	3 089
Total assets	1	144 475	1 331 314	181 244	304 381	241 390
Deposits from customers	–	–	–	–	–	–
Cash collateral	–	–	–	–	–	7 886
Borrowings	–	–	–	–	–	89 363
Trade and other payable	–	3 122	47 805	1 949	9 143	5 918
Total liabilities	–	3 122	47 805	1 949	9 143	103 167
Net exposure – if 10% appreciation of BWP	1	141 352	1 283 509	179 295	295 237	138 223
Net exposure – at actual year-end rates	1	155 489	1 411 860	197 224	324 761	152 045
Impact of 10% appreciation of BWP	–	(14 136)	(128 351)	(17 929)	(29 524)	(13 822)

A 10% depreciation would result in the inverse of the above.

31 January 2014	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	1	21 130	23 255	2 924	32 857	1 138
Advances to customers	–	97 085	853 860	86 491	276 844	202 224
Other receivables	–	335	(182)	192	2 015	13 920
Total assets	1	118 551	876 933	89 607	311 716	217 281
Cash collateral	–	–	–	–	–	9 270
Borrowings	523 166	–	–	–	–	83 474
Trade and other payable	–	3 182	4 549	875	4 381	3 427
Total liabilities	523 166	3 182	4 549	875	4 381	96 171
Net exposure – if 10% appreciation of BWP	(523 165)	115 370	872 384	88 732	307 336	121 110
Net exposure – at year-end rates	(575 482)	126 907	959 623	97 605	338 069	133 221
Impact of 10% appreciation of BWP	52 317	(11 537)	(87 238)	(8 873)	(30 734)	(12 111)

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	South Sudan Pound P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
118 460	**33 549**	**5 564**	**5 962**	**14**	**32**	**44 653**	**11**	**295 464**
1 012 430	**171 027**	**94 228**	**11 734**	**–**	**–**	**2 004 697**	**–**	**5 352 060**
20 833	**2 532**	**1 778**	**1 709**	**–**	**–**	**62 390**	**–**	**146 883**
1 151 723	**207 109**	**101 569**	**19 405**	**14**	**32**	**2 111 740**	**11**	**5 794 406**
2 343	**–**	**1 289**	**–**	**–**	**–**	**–**	**–**	**3 632**
–	**27 179**	**749**	**2 088**	**–**	**–**	**–**	**–**	**37 902**
217 692	**175 104**	**59 076**	**13 227**	**–**	**–**	**1 327 936**	**–**	**1 882 398**
11 511	**6 448**	**3 089**	**3 197**	**–**	**–**	**108 120**	**–**	**200 303**
231 545	**208 731**	**64 202**	**18 512**	**–**	**–**	**1 436 056**	**–**	**2 124 234**
920 177	**(1 622)**	**37 367**	**893**	**14**	**32**	**675 683**	**11**	**3 670 172**
1 012 195	**(1 784)**	**41 103**	**982**	**15**	**35**	**675 683**	**12**	**3 965 391**
(92 018)	**162**	**(3 737)**	**(89)**	**(1)**	**(3)**	**–**	**(1)**	**(295 219)**

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	South Sudan Pound P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
8 932	15 687	3 598	2 336	27	1	187 435	12	299 335
720 609	71 563	48 019	23 643	–	–	1 809 385	–	4 189 723
4 213	3 374	1 029	2 041	–	–	13 286	–	40 223
733 754	90 624	52 647	28 020	27	1	2 010 106	12	4 529 281
–	24 207	772	4 200	–	–	–	–	38 449
17 727	35 697	17 877	38 270	–	–	462 038	–	1 178 250
4 484	6 583	–	–	–	–	96 988	–	124 469
22 212	66 487	18 649	42 470	–	–	559 026	–	1 341 168
711 542	24 137	33 997	(14 450)	27	1	1 451 080	12	3 188 113
782 696	26 551	37 397	(15 895)	30	1	1 451 080	13	3 361 815
(71 154)	(2 414)	(3 400)	1 445	(3)	–	–	(1)	(173 700)

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 Group'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 behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group'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 Group 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; and
- risk mitigation including insurance where this is effective.

Compliance with Group 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 Group Audit and Risk Committee and senior management of the Group.

1. FINANCIAL RISK MANAGEMENT (continued)

1.7 Financial assets and liabilities measured at fair value

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

	Carrying amount				Fair value			
	Fair value – hedging instrument P'000	Loans and receivables P'000	Amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
31 December 2014								
Financial assets measured at fair value								
Other receivables – interest rate swap	3 685	–	–	3 685	–	3 685	–	3 685
Financial assets not measured at fair value								
Cash and cash equivalents	–	320 544	–	320 544				
Advances to customers	–	5 686 796	–	5 686 796				
Other receivables	–	106 550	–	106 550				
	–	6 113 890	–	6 113 890				
Financial liabilities not measured at fair value								
Trade and other payables	–	–	209 521	209 521				
Cash collateral	–	41 692	–	41 692				
Borrowings	–	–	1 937 844	1 937 844				
	–	41 692	2 147 365	2 189 057				

1. FINANCIAL RISK MANAGEMENT (continued)

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

	Carrying amount				Fair value			
	Fair value – hedging instrument P'000	Loans and receivables P'000	Amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
31 January 2014								
Financial assets measured at fair value								
Other receivables – interest rate swap	1 910	–	–	1 910	–	1 910	–	1 910
Financial assets not measured at fair value								
Cash and cash equivalents	–	310 525	–	310 525				
Advances to customers	–	4 427 757	–	4 427 757				
Other receivables	–	100 001	–	100 001				
	–	4 838 283	–	4 838 283				
Financial liabilities not measured at fair value								
Trade and other payables	–	–	127 217	127 217				
Cash collateral	–	42 293	–	42 293				
Borrowings	–	–	1 249 871	1 249 871				
	–	42 293	1 377 088	1 419 381				

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

1. FINANCIAL RISK MANAGEMENT (continued)

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

Valuation techniques and significant observable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as significant unobservable inputs used.

Financial instruments measured at fair value
Under other receivables, the Group uses valuation techniques to recognise asset listed below:

Type	Valuation technique	Significant unobservable inputs
Interest rate swap	Fair value cash flow	Discount factor used to derive present value of cash flow (6%)

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

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

For the period ended 31 December 2014

1. FINANCIAL RISK MANAGEMENT (continued)

1.8 Summary of all financial risks and potential impact

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

	31 December 2014 P'000	31 January 2014 P'000
Credit risk		
Effect of increase in emergence period by one month		
– increase in portfolio provision	**6 016**	4 570
Effect of increase in loss ratio by 1%		
– increase in portfolio provision	**8 068**	9 245
	14 084	13 815
Effect on profit before tax	**1.5%**	1.6%
Interest rate risk		
Effect of increase in average borrowing cost by 1%		
– increase in interest expense	**1 594**	1 264
Effect on profit before tax	**0.2%**	1.5%
Currency risk		
Effect of BWP appreciation by 10%		
– decrease in net foreign currency assets	**295 219**	173 700
Effect on profit before tax	**30.4%**	20.4%
	32.0%	22.2%

Summary

Impact of all above risks on profit before tax:

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

2. USE OF ESTIMATES AND JUDGEMENTS

2.1 Impairment of advances to customers

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group regularly reviews its loan portfolio (note 4) and makes judgements in determining whether an impairment loss should be recognised in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and loss experience.

Sensitivity analysis of impairment charges is shown as follows:

	31 December 2014 Portfolio Provision P'000	31 January 2014 Portfolio Provision P'000
Southern Africa		
Impact on change to emergence period – from three months to four months – increase in provision	**3 683**	3 006
Impact on change to loss ratio – increase in provision	**5 346**	7 463
East Africa		
Impact on change to emergence period – from three months to four months – increase in provision	**2 333**	1 564
Impact on change to loss ratio – increase in provision	**2 721**	1 782
Overall total	**14 084**	13 815

** Southern Africa includes: Botswana, Lesotho, Mozambique, Namibia and Swaziland.*
*** East Africa includes: Kenya, Rwanda, South Sudan, Tanzania and Uganda.*

The emergence period and historical loss ratios are re-evaluated at each reporting date. The emergence periods used in the current year are consistent with prior year. The historical loss ratios have been adjusted to reflect the most recent five-year history.

2.2 Share-based payment transactions

The Group operates an equity settled conditional Long Term Incentive Plan (LTIP). The plan is now only based on non-market conditions. These non-market performance conditions are determined by the Remuneration Committee. The number of awards to vest are assessed and adjusted for the attrition in participants as well as the extent of achievement of those conditions at the reporting dates.
The assumptions are that there will be an 85% 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 85% vesting probability.

	31 December 2014 P'000	31 January 2014 P'000
Impact of a 10% deviation (75% vesting)	**1 183**	1 071
Impact of a 25% deviation (60% vesting)	**2 957**	2 678
Impact of a 50% deviation (35% vesting)	**5 916**	5 355

In the event that more than 85% of the shares vest the impact would be adverse to profit. In the event that less then 85% of the shares vest, the impact would be favourable to profit.

For the period ended 31 December 2014

2. USE OF ESTIMATES AND JUDGEMENTS (continued)

2.3 Goodwill

As required by IAS 36, the goodwill values in respect of Letshego Financial Services Namibia (Pty) Limited, Letshego Tanzania Limited and Letshego Kenya Limited were evaluated for impairment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and the suitable discount rate in order to calculate the present value (note 8).

	31 December 2014 P'000	31 January 2014 P'000
3. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**311 665**	296 341
Short-term bank deposits	**8 879**	14 184
	320 544	310 525

Short-term bank deposits constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest at 5.0% per annum (31 January 2014: 5.0%). Cash at bank is held with reputable financial institutions with good credit standing.

4. ADVANCES TO CUSTOMERS

	31 December 2014 P'000	31 January 2014 P'000
Gross advances to customers	**5 762 158**	4 455 904
Less : Impairment provisions – specific	**(36 285)**	(1 055)
: Impairment provisions – portfolio	**(39 077)**	(27 092)
Net advances to customers	**5 686 796**	4 427 757

Certain advances to customers are pledged as security to borrowings as set out in note 11.

Impairment of advances

	31 December 2014 P'000	31 January 2014 P'000
Balance at the beginning of the year	**28 147**	17 096
Impairment charge for the year	**47 215**	11 051
Balance at the end of the year	**75 362**	28 147

An analysis of net advances by credit risk, including related impairment provisions, is contained in note 1.2 to these financial statements.

Charges to profit or loss

	31 December 2014 P'000	31 January 2014 P'000
Amounts written off	**99 718**	113 521
Recoveries during the year	**(55 453)**	(60 077)
Impairment adjustment	**47 215**	11 051
	91 480	64 495

	31 December 2014 P'000	31 January 2014 P'000
5. OTHER RECEIVABLES		
Deposits	**15 927**	13 383
Credit life claims receivable from insurance arrangements	**81 361**	75 949
Withholding tax and value added tax	**40 869**	9 411
Other receivables	**12 946**	3 168
	151 103	101 911

Included under the caption other receivables is an interest rate swap designated as a financial instrument held at fair value. In April 2013, the Company entered into an interest rate swap agreement with a local financial institution in respect of bonds listed on the JSE. The interest rate swap hedges the variable factor of the interest coupons payable on the medium term note programme listed on the Johannesburg Stock Exchange as follows:

Bond	Interest rate per bond	Fixed rate per interest rate swap	Maturity date
LHL01	JIBAR + 500 basis points	11.50%	13 Dec 2016
LHL03	JIBAR + 600 basis points	10.33%	13 Dec 2015

Letshego Holdings Limited pays the coupon interest on these bonds every quarter and the counterparty 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 2014 is P3 685 262 (31 January 2014: P1 910 252).

For the period ended 31 December 2014

6. PROPERTY AND EQUIPMENT

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture and equipment P'000	Work in progress P'000	Total P'000
Balance at 1 February 2013	1 848	12 292	16 086	–	30 226
Additions	788	3 608	3 434	38 845	46 675
Disposals	(181)	(415)	(646)	–	(1 242)
Balance at 31 January 2014	2 455	15 485	18 874	38 845	75 659
Accumulated depreciation					
Balance at 1 February 2013	1 300	7 929	6 439	–	15 668
Charge for the year	444	3 763	2 781	–	6 988
Disposals	(281)	(572)	(132)	–	(985)
Balance at 31 January 2014	1 463	11 120	9 088	–	21 671
Net book value at 31 January 2014	992	4 365	9 786	38 845	53 988

Cost	**Motor vehicles P'000**	**Computer equipment P'000**	**Office furniture and equipment P'000**	**Work in progress P'000**	**Total P'000**
Balance at 1 February 2014	**2 455**	**15 485**	**18 874**	**38 845**	**75 659**
Additions	**977**	**14 299**	**8 002**	**27 364**	**50 642**
Transfer to intangible assets	**–**	**–**	**–**	**(43 564)**	**(43 564)**
Disposals	**–**	**(87)**	**(12)**	**–**	**(99)**
Balance at 31 December 2014	**3 432**	**29 697**	**26 864**	**22 645**	**82 638**
Accumulated depreciation					
Balance at 1 February 2014	**1 463**	**11 120**	**9 088**	**–**	**21 671**
Charge for the period	**735**	**4 310**	**4 259**	**–**	**9 304**
Disposals	**–**	**(87)**	**(12)**	**–**	**(99)**
Balance at 31 December 2014	**2 198**	**15 343**	**13 335**	**–**	**30 876**
Net book value at 31 December 2014	**1 234**	**14 354**	**13 529**	**22 645**	**51 762**

Work in progress comprises of assets acquired but not yet commissioned for use. At 31 December 2014, the balance consist of system development costs with respect to the ongoing rollout of the lending system across the Group and a property in construction intended to be the head office of the Group's Namibia operations.

	31 December 2014 P'000	31 January 2014 P'000
7. INTANGIBLE ASSETS		
Computer software		
Cost		
Opening balance	**12 434**	5 389
Transfer from work in progress or additions	**43 564**	7 045
Closing balance	**55 998**	12 434
Amortisation		
Opening balance	**6 317**	4 584
Charge for the year	**4 089**	1 733
Closing balance	**10 406**	6 317
Net book value	**45 592**	6 117

Intangible assets consists of computer software, the lending and financial reporting software acquired by the Group.

8. GOODWILL

	31 December 2014 P'000	31 January 2014 P'000
Goodwill arose on the acquisition of:		
Letshego Financial Services Namibia (Proprietary) Limited	**25 760**	25 760
Letshego Tanzania Limited	**2 064**	2 064
Letshego Kenya Limited	**27 426**	27 426
	55 250	55 250

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that it was not impaired in respect of all cash-generating units noted above Letshego Financial Services Namibia Proprietary Limited, Letshego Tanzania Limited and Letshego Kenya Limited. The recoverable amount of the cash-generating units was determined with reference to the value in use. The discount rate used is the Group weighted average cost of capital of 9% for current and prior period. The period of forecast cash flows is five years. A growth in cash flows of 10% (for current and prior period) is estimated for the next five years. The growth rate is estimated based on past experience and anticipated future growth. This results in a recoverable amount in excess of carrying amount. Therefore, no impairment has been recognised (31 January 2014: Nil).

	31 December 2014 P'000	31 January 2014 P'000
9. TRADE AND OTHER PAYABLES		
Trade and other payables	**164 753**	99 697
Staff incentive accrual (note 9.1)	**44 768**	27 520
	209 521	127 217
9.1 Movement in staff incentive accrual		
Balance at the beginning of the year	**27 520**	14 214
Current period charge (note 17)	**37 304**	21 515
Paid during the year	**(20 056)**	(8 209)
Balance at the end of the year	**44 768**	27 520

For the period ended 31 December 2014

	31 December 2014 P'000	31 January 2014 P'000
10. CASH COLLATERAL		
Cash collateral on loans and advances	**41 692**	42 293

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

	31 December 2014 P'000	31 January 2014 P'000
11. BORROWINGS		
Commercial banks	**836 034**	198 361
Note programmes	**934 449**	934 050
DFI's	**110 597**	61 388
Pension funds	**56 764**	56 072
Total borrowings	**1 937 844**	1 249 871

Security
Pula 1.2 billion of the borrowings is secured by the advances to customers of Letshego Financial Services Namibia Proprietary Limited and Letshego Financial Services Proprietary Limited (Botswana) totalling P3.3 billion (31 January 2014: P2.7 billion) by way of a Security Sharing Agreement. Pula 740 million is unsecured or secured by a corporate guarantee from Letshego Holdings Limited.

Interest rate
Pula 1.1 billion of the borrowings are at fixed interest rates. Pula 837 million are loans issued at variable interest rates, linked to each country's prime lending rate.

Maturity profile
The borrowings range from overdraft facilities which mature on-demand to fixed term debt with maturities ranging from one to 14 years. The detailed maturity profile is shown under the financial risk management section of these financial statements.

	31 December 2014 P'000	31 January 2014 P'000
12. STATED CAPITAL		
Issued: 2,176,475 000 ordinary shares of no par value (31 January 2014: 2,167,540,000)	**975 510**	959 554
Number of shares at the beginning of the year ('000)	**2 167 540**	1 998 638
Shares issued during the year ('000)	**8 935**	168 902
Number of shares at the end of the year ('000)	**2 176 475**	2 167 540

In terms of the Group LTIP (note 13), shares with a value of P15.956 million (2014: P17.342 million) vested at Group level. This increased the number of shares in issue by 8.935 million shares (2014: 10.796 million shares).

12. STATED CAPITAL (continued)

In the prior year, shares were also issued to ADP I Holding 2 by conversion of the loan facility advanced to Letshego Holdings Limited. These amounted to 158.106 million shares. This increased the stated capital by P270,311,000.

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

CAPITAL MANAGEMENT

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

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

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

The Group monitors the adequacy of its capital using internally measured benchmarks such as gearing, return on equity and forecasts of asset and profitability performance. These measures are broadly in line with, or more stringent than, industry norm. A risk-based approach is also adopted whereby balances with counterparties are required to be supported by capital to a greater extent than other internally held assets.

The Group's capital consists of shareholders' funds (stated capital and reserves) and long-term borrowings. The Group's capital is not regulated by any external regulator. Subsidiaries with regulated capital requirements have complied with all regulator requirements.

13. SHARE INCENTIVE SCHEME

Shares granted in terms of the long-term incentive plan (LTIP) may not exceed 10% of the issued ordinary shares of the holding Company. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.

As at 31 December 2014, 32 198 982 total awards were outstanding (31 January 2014: 32 493 926) at grant date share prices of P1.40, P2.05 and P2.40 for 2012, 2013 and 2014 awards respectively (31 January 2014: P1.84, P1.40 and P2.05 for 2011, 2012 and 2013 awards respectively).

Reconciliation of outstanding awards	**31 December 2014** Weighted price	**31 December 2014** No. of awards	31 January 2014 Weighted price	31 January 2014 No. of awards
Outstanding at the beginning of the period	**P1.84/P1.40/P2.05**	**32 493 926**	P1.65/P1.84/P1.40	37 716 521
Granted during the year	**P2.40**	**14 175 000**	P2.05	17 480 310
Exercised/forfeited during the year	**P1.84/P1.40/P2.05**	**(14 469 944)**	P1.65/P1.84/P1.40	(22 702 905)
Outstanding at the end of the year	**P1.40/P2.05/P2.40**	**32 198 982**	P1.84/P1.40/P2.05	32 493 926

The amounts outstanding at 31 December 2014 and 31 January 2014 have average vesting periods of 3, 15 and 27 months. The expense recognised during the period is disclosed in note 17.

For the period ended 31 December 2014

	11 months 31 December 2014 P'000	12 months 31 January 2014 P'000
14. INTEREST INCOME		
Advances to customers	**1 338 982**	1 172 553
Other – deposits with banks	**6 212**	3 623
	1 345 194	1 176 176
15. INTEREST EXPENSE		
Overdraft facilities and term loans	**165 755**	106 666
Related party interest expense (note 23.2)	**–**	5 867
Foreign exchange loss/(gains)	**1 827**	(50 045)
	167 582	62 488
16. FEE AND COMMISSION INCOME		
Administration fees – lending	**128 109**	133 334
Credit life insurance commission (note 23.1)	**327**	460
Credit life settlement profit share	**–**	33
Commission	**–**	409
	128 436	134 236
16.1 Other operating income		
Profit on disposal of plant and equipment	**21**	98
Management fees from related parties (note 23.1)	**–**	732
Early settlement fees	**34 566**	20 012
Income from insurance arrangements	**134 461**	78 828
Sundry income	**19 050**	22 532
	188 098	122 202
17. EMPLOYEE BENEFITS		
Salaries and wages	**136 915**	118 764
Staff incentive (note 9.1)	**37 304**	21 515
Staff pension fund contribution	**7 075**	6 924
Directors' remuneration – for management services (executive)	**6 008**	36 816
Long-term incentive plan	**19 732**	15 639
	207 034	199 658

	11 months 31 December 2014 P'000	12 months 31 January 2014 P'000

18. OTHER OPERATING EXPENSES

	11 months 31 December 2014 P'000	12 months 31 January 2014 P'000
Accounting and secretarial fees	**364**	332
Advertising	**14 516**	16 021
Audit fees – current year	**3 133**	2 431
Bank charges	**3 735**	3 632
Computer expenses	**7 669**	6 856
Consultancy and professional fees	**9 448**	11 522
Depreciation and amortisation	**13 392**	8 721
Directors' fees – non executive	**2 867**	2 662
Direct cost	**65 822**	99 398
Insurance	**4 640**	2 155
Office expenses	**7 224**	6 063
Operating lease rentals – property	**21 247**	18 076
Other operating expenses	**40 364**	54 058
Payroll administration costs	**865**	1 428
Telephone and postage	**10 644**	8 801
Travel	**19 570**	13 616
	225 500	255 772

19. TAXATION

	11 months 31 December 2014 P'000	12 months 31 January 2014 P'000
Amounts recognised in profit or loss		
Company taxation		
– Basic taxation	**259 529**	211 189
– Origination and reversal of temporary differences	**(11 249)**	(5 678)
	248 280	205 511

For the period ended 31 December 2014

	11 months 31 December 2014 P'000	12 months 31 January 2014 P'000
19. TAXATION (continued)		
19.1 Deferred taxation		
Balance at the beginning of the year	**14 617**	8 939
Current year movement	**11 249**	5 678
Balance at the end of the year	**25 866**	14 617
The Group expects to generate sufficient taxable profits to utilise the deferred tax asset based on historical profitability trends and management judgement on future business prospects.		
Deferred taxation arises from temporary differences on the following items:		
Property and equipment	**5 262**	530
Share-based payment provision	**5 090**	1 586
Staff incentive provision	**9 278**	7 836
General impairment provision	**7 232**	2 691
Taxation losses	**–**	173
Deferred rent provision	**160**	122
Leave pay provision	**199**	1 128
Severance pay	**106**	–
Deferred income/(expenditure)	**(480)**	551
Prepayments	**(963)**	–
Unrealised exchange gains	**(18)**	–
	25 866	14 617
19.2 Reconciliation of current taxation		
Profit before taxation	**970 132**	850 201
Tax calculated at Botswana statutory rate of 22%	**213 429**	187 044
Foreign income taxed at 15%	**(8 092)**	(15 359)
Effect of tax rates in foreign jurisdictions	**38 051**	32 019
Expenses and revenues not deductible for tax purposes	**4 892**	1 807
	248 280	205 511

20. EARNINGS PER SHARE

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

	31 December 2014 P'000	31 January 2014 P'000
Profit after taxation	**721 852**	643 630
Number of shares:		
At beginning of period	**2 167 540 301**	1 998 638 344
Effect of debt conversion (31 December 2014 – Nil; 31 January 2014 – 158 105 858 shares)	**–**	121 719 852
Effect of share options issued (31 December 2014 – 8 935 436; 31 January 2014 – 10 796 099 shares)	**6 120 162**	8 311 517
Weighted number of shares at end of period	**2 173 660 463**	2 128 669 714
Basic earnings per share (thebe)	**33.2**	30.2
The calculation of diluted earnings per share is based on after taxation earnings and the weighted average number of shares in issue during the year, adjusted for the effects of dilutive potential ordinary shares as follows:		
Number of share:		
Weighted number of shares at end of period	**2 173 660 463**	2 128 669 714
Effect of share options in issues	**32 198 982**	32 493 926
	2 205 859 444	2 161 163 640
Diluted earnings per share (thebe)	**32.8**	29.8

21. DIVIDEND PER SHARE

Current year

An interim dividend of 8.5 thebe per share was declared on 23 September 2014, amounting to P185 million.
A second and final dividend of 8.0 thebe per share was declared on 25 February 2015, amounting to P174 million.
Both these dividends were for the period ended 31 December 2014.

Prior year

A second and final dividend of 3.2 thebe per share for the year ended 31 January 2014 was declared on 16 April 2014, amounting to P69 million.

For the period ended 31 December 2014

22. SEGMENT INFORMATION

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

The Group operates in 10 countries, namely Botswana, Kenya, Lesotho, Mozambique, Namibia, Rwanda, South Sudan, Swaziland, Tanzania and Uganda. The geographical segments represent the Group's primary segments, divided by sub-region in Africa, namely southern and east Africa.

The Group's two primary segments are made up as follows:

i) Southern Africa – This primary segment represents operations in Botswana, Lesotho, Mozambique, Namibia, and Swaziland.

ii) East Africa – This primary segment represents operations in Kenya, Rwanda, South Sudan, Tanzania and Uganda.

Geographical segments

	Southern Africa*		**East Africa****		**Elimination**			
	2014 December P'000	2014 January P'000	**2014 December P'000**	2014 January P'000	**2014 December**	2014 January	**2014 December P'000**	2014 January P'000
Revenue	**1 126 170**	1 020 282	**367 976**	349 844	**–**	–	**1 494 146**	1 370 126
Interest expense	**(326 562)**	(201 663)	**(50 917)**	(34 463)	**209 896**	173 638	**(167 582)**	(62 488)
Depreciation and amortisation	**(8 626)**	(4 701)	**(4 766)**	(4 020)			**(13 392)**	(8 721)
Impairment expense	**(51 403)**	(32 973)	**(40 077)**	(31 522)			**(91 480)**	(64 495)
Segment profit before tax	**794 555**	660 126	**175 577**	189 015	**–**	–	**970 132**	849 141
Taxation consolidated							**(248 280)**	(205 511)
Profit for the period consolidated							**721 852**	**643 630**
Gross advances to customers	**4 874 919**	3 753 459	**887 239**	702 445	**–**	–	**5 762 158**	4 455 904
Impairment provisions	**(48 919)**	(10 224)	**(26 443)**	(17 923)	**–**	–	**(75 362)**	(28 147)
Net advances	**4 826 000**	**3 743 235**	**860 796**	**684 522**	**–**	**–**	**5 686 796**	**4 427 757**
Total segment assets	**5 494 352**	**4 332 867**	**842 562**	**637 298**	**–**		**6 336 913**	**4 970 165**
Borrowings	**1 568 508**	1 005 507	**369 336**	244 364	**–**	–	**1 937 844**	1 249 871
Total segment liabilities	**1 796 560**	**1 187 725**	**445 719**	**278 173**	**–**	**–**	**2 242 280**	**1 465 898**

** Southern Africa includes: Botswana, Lesotho, Mozambique, Namibia and Swaziland.*
*** East Africa includes: Kenya, Rwanda, South Sudan, Tanzania and Uganda*

23. RELATED PARTY TRANSACTIONS

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

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

The Company is listed on the Botswana Stock Exchange. Botswana Insurance Holdings Limited and ADP I Holding 2 are shareholders of Letshego Holdings Limited and have transacted with the Group during the period.

Transactions with related parties

Transactions were carried out in the ordinary course of business and on an arm's length basis as detailed below:

23.1 Income received from related parties

	31 December 2014 P'000	31 January 2014 P'000
– Botswana Insurance Holdings Limited – Commission fees (note 16)	**327**	460
– Botswana Insurance Holdings Limited – Administration fees (note 16)	**–**	409
– Management fees from Legal Guard	**–**	732
	327	1 601

23.2 Expenses paid to related parties

	31 December 2014 P'000	31 January 2014 P'000
ADP I Holding 2		
– Interest	**–**	5 867
Interest expenses paid to related parties	**–**	5 867
Botswana Insurance Holdings Limited		
– Directors' fees	**–**	696
ADP I Holding 2		
– Directors' fees	**–**	413
Other operating expenses	**–**	1 109

23. RELATED PARTY TRANSACTIONS (continued)

23.3 Compensation paid to key management personnel (executive director)

	31 December 2014 P'000	31 January 2014 P'000
Paid during the period		
– Short-term employee benefits	**6 008**	6 846
– Termination benefits	**–**	29 732
– Post-employment benefits	**–**	238
	6 008	36 816

24. OPERATING LEASE COMMITMENTS

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

No later than one year	**9 296**	5 117
Later than one year and no later than five years	**23 241**	5 809
Later than five years	**2 198**	–
	34 735	**10 926**

Capital commitments

Authorised by the Directors:		
– Not contracted for	**138 285**	83 574

25. SUBSEQUENT EVENTS

On 25 February 2015, the Directors declared a final dividend of 8.0 thebe per share.

26. INVESTMENTS IN SUBSIDIARY COMPANIES

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

Details of subsidiaries of the Group are shown below:

Subsidiary company	Country of incorporation	Nature of business	31 December 2014 % holding	31 January 2014 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	**100**	100
Letshego Kenya Limited	Kenya	Group lending, MSE and unsecured consumer lending	**100**	100
Letshego Financial Services Lesotho Limited	Lesotho	Unsecured consumer lending	**95**	95
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending	**98**	98
Letshego Financial Services (Namibia) (Proprietary) Limited	Namibia	Unsecured consumer lending	**85**	85
Letshego Financial Services Swaziland (Proprietary) Limited	Swaziland	Unsecured consumer lending	**85**	85
Letshego Tanzania Limited	Tanzania	Unsecured consumer lending	**87**	87
Letshego Uganda Limited	Uganda	Unsecured consumer lending	**85**	85

Significant restrictions

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

27. INVOLVEMENT WITH UNCONSOLIDATED ENTITIES

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

Type	Nature and purpose	Interest held by the Group	Total assets P'000
Insurance Cell Captives	To mitigate against the Group's credit risk in Mozambique, Namibia and Swaziland	Insurance Cell captives declare dividends to the Group Companies	**77 362**

STATEMENTS OF FINANCIAL POSITION

	2014 December P'000	2014 January P'000	2013 January P'000	2012 January P'000	2011 January P'000
ASSETS					
Cash and cash equivalents	**320 544**	310 525	807 254	73 612	51 848
Advances to customers	**5 686 796**	4 427 757	3 336 204	3 034 639	2 298 880
Short-term investments	–	66 565	12 143	24 187	12 593
Other receivables	**151 103**	35 346	37 674	29 850	19 159
Property and equipment	**51 762**	53 988	14 559	9 513	7 045
Intangible assets	**45 592**	6 117	12 457	3 291	306
Goodwill	**55 250**	55 250	49 948	27 824	27 824
Deferred taxation	**25 866**	14 617	8 939	9 809	12 575
Total assets	**6 336 913**	**4 970 165**	**4 279 178**	**3 212 725**	**2 430 230**
LIABILITIES					
Deposits from customers	**3 995**	–	–	–	–
Trade and other payables	**209 521**	127 217	78 828	70 732	109 200
Cash collateral	**41 692**	42 293	34 185	–	–
Taxation payable	**49 228**	46 517	28 327	14 275	28 100
Borrowings	**1 937 844**	1 249 871	1 277 395	802 864	505 174
Total liabilities	**2 242 280**	**1 465 898**	**1 418 734**	**887 870**	**642 474**
Shareholders' equity					
Stated capital	**975 510**	959 554	689 243	669 876	412 814
Foreign currency translation reserve	**(2 189)**	(94 826)	(45 982)	(32 521)	(9 774)
Legal reserve	**5 108**	2 696			
Share-based payment reserve	**21 246**	17 470	19 173	15 654	12 545
Retained earnings	**2 940 521**	2 522 666	2 112 485	1 617 969	1 334 016
Total equity attributable to equity holders of the Company	**3 940 196**	3 407 560	2 774 919	2 270 978	1 749 601
Non-controlling interests	**154 437**	96 707	85 524	53 876	38 155
Total equity and liabilities	**6 336 913**	**4 970 165**	**4 279 178**	**3 212 725**	**2 430 230**

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2014 December P'000	2014 January P'000	2013 January P'000	2012 January P'000	2011 January P'000
Interest income	**1 345 194**	1 176 176	1 074 822	900 514	721 900
Interest expense	**(167 582)**	(62 488)	(108 807)	(65 395)	(42 959)
Net interest income	**1 177 612**	**1 113 688**	**966 015**	**835 119**	**678 941**
Fee and commission income	**128 436**	134 236	211 891	150 668	135 499
Other operating income	**188 098**	122 202	6 218	5 172	8 716
Revenue	**1 494 146**	**1 370 126**	**1 184 124**	**990 959**	**823 156**
Employee benefits	**(207 034)**	(199 658)	(123 086)	(100 297)	(73 051)
Other operating costs	**(225 500)**	(255 772)	(184 555)	(179 350)	(168 289)
Operating income before impairment	**1 061 612**	**914 696**	**876 484**	**755 341**	**665 673**
Impairment loss	**(91 480)**	(64 495)	(35 097)	(44 109)	(38 957)
Operating income before taxation	**970 132**	850 201	841 387	711 232	626 716
Taxation	**(248 280)**	(205 511)	(181 750)	(133 433)	(153 379)
Net income from continuing operations	**721 852**	**644 690**	**659 637**	**577 799**	**473 337**
Discontinued operations					
Loss on sale of subsidiary	–	(1 060)	–	–	–
Net income for the year	**721 852**	**643 630**	**659 637**	**577 799**	**473 337**
Appropriations					
Dividends	**(254 648)**	(177 738)	(133 568)	(273 647)	(55 242)
Retained income	**467 204**	465 892	526 069	304 152	418 095
Attributable to:					
Equity holders of the parent company	**674 915**	601 151	628 084	555 944	456 893
Non-controlling interests	**46 937**	42 479	31 553	21 855	16 444
	721 852	**643 630**	**659 637**	**577 799**	**473 337**

GROUP VALUE-ADDED STATEMENT

For the period ended 31 December 2014

	31 December 2014 P'000	31 January 2014 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	1 345 194	1 176 176
Cost of services	(167 582)	(62 488)
Value added services	1 177 612	1 113 688
Fee and commission income	128 436	134 236
Other operating income	188 098	122 202
Other operating costs	(212 108)	(247 051)
Impairment of advances	(91 480)	(64 495)
	1 190 558	**1 058 580**
Value allocated		
To employees		
Staff costs	207 034	199 658
To expansion and growth		
Retained income	467 204	466 952
Depreciation	9 303	6 988
Amortisation	4 089	1 733
Deferred tax	(11 249)	(5 678)
	469 347	469 995
To government		
Taxation	259 529	211 189
To providers of capital		
Dividends to shareholders	254 648	177 738
	1 190 558	**1 058 580**
Summary	%	%
Employees	17.4	18.8
Expansion and growth	39.4	44.4
Government	21.8	20.0
Providers of capital	21.4	16.8
	100.0	**100.0**

At 31 December 2014

Top 10 shareholders	31 December 2014 Shares held ('000) Number	31 December 2014 %	31 January 2014 Shares held ('000) Number	31 January 2014 %
• Botswana Life Insurance Limited	**506 347**	**23.3**	506 347	23.4
• ADP I HOLDING 2	**180 484**	**8.3**	180 484	8.3
• First National Bank of Botswana Nominess Proprietary Limited – FAM BPOPF	**168 389**	**7.7**	179 098	8.3
• First National Bank of Botswana Nominess Proprietary Limited – BIFM BPOPF Active	**106 221**	**4.9**	107 373	5.0
• Standard Chartered Bank of Botswana Nominees Proprietary Limited – FRANKLIN TEMPLETON INVESTMENTS FUNDS	**101 927**	**4.7**	80 545	3.7
• Stanbic Nominees Botswana Proprietary Limited – Botswana Insurance Fund Management Limited	**101 185**	**4.6**	101 984	4.7
• Standard Chartered Bank of Botswana Nominees Proprietary Limited – NTGSLUX 010/03	**83 161**	**3.8**	81 364	3.8
• First National Bank of Botswana Nominess Proprietary Limited – IAM BPOPFP	**64 820**	**3.0**	116 537	5.4
• SCBN(PTY) LTD RE JPM BW0000011655 – TEMPLETON GLOBAL INVESTMENT	**61 550**	**2.8**	–	0.0
• First National Bank of Botswana Nominees Proprietary Limited – FAM BPOPF3- 10001030	**38 130**	**1.8**	40 979	1.9
	1 412 214	**64.9**	1 394 714	64.3
Other corporate entities, nominees and trusts and individuals	**764 261**	**35.1**	772 826	35.7
Total	**2 176 475**	**100.0**	2 167 540	100.0

Directors' shareholdings	31 December 2014 Shares held ('000) Number	31 December 2014 %	31 January 2014 Shares held ('000) Number	31 January 2014 %
• Christopher Low	**1 454**	**0.1**	–	–
• Harrington Karuhanga	**29**	**0.0**	29	0.0
• Dumisani Ndebele	**–**	**–**	1 698	0.1
	1 483	**0.1**	1 727	0.1

Notice is hereby given that the 16th Annual General Meeting of the Shareholders of Letshego Holdings Limited will be held at Lansmore Hotel on Wednesday 27 May 2015 at 4.30pm, with registration to commence at 4.00pm for the following purposes:

ORDINARY BUSINESS

To consider and adopt the following ordinary resolutions:

1. **Resolution 1**
   To receive, consider and adopt the annual financial statements for the period ended 31 December 2014 together with the Directors' and auditor's reports thereon.

2. **Resolution 2**
   To ratify the dividends declared and paid during the period being an interim dividend of 8.5 thebe per share paid to Shareholders on or around 24 October 2014 and a final dividend of 8.0 thebe per share paid to shareholders on or around 27 March 2015.

3. **Resolution 3**
   Directors
   Messrs J A Burbidge, I M Mohammed and S D Price who retire in accordance with Article 19.9 of the Constitution. Messrs J A Burbidge, G H van Heerde and S D Price being eligible, offer themselves for re-election.

   3a. To confirm the re-election of Mr J A Burbidge who retires in accordance with Article 19.9 of the Constitution and being eligible, offer himself for re-election.

   3b. To confirm the re-election of Mr G H van Heerde who retires in accordance with Article 19.9 of the Constitution and being eligible, offer himself for re-election.

   3c. To confirm the re-election of Mr S D Price who retires in accordance with Article 19.9 of the Constitution and being eligible, offer himself for re-election.

4 **Resolution 4**
   To approve the remuneration of the Directors for the past financial period as disclosed in Notes 17 and 18 to the Annual Financial Statements in the Annual Report.

5. **Resolution 5**
   To approve the remuneration of the auditors for the past financial period as disclosed in Note 18 to the Annual Financial Statements in the Annual Report.

6. **Resolution 6**
   To ratify the appointment of PwC as external auditors for the ensuing year in place of KPMG.

7. **Resolution 7**
   To consider and adopt the following ordinary resolution as set out in clause 3.2.3 of the Circular:

   "THAT, subject to the Company's compliance with all rules, regulations, orders and guidelines made pursuant to the Companies Act, 2003, the provisions of the Company's Constitution and the Listing Requirements of the BSE, the Company be and is hereby authorised to the fullest extent permitted by law, to buy-back and then cancel at any time such amount of ordinary shares of no par value in the Company as may be determined by the Directors of the Company from time to time through the BSE upon the terms and conditions that may be deemed fit and expedient in the interest of the Company ("Proposed Share Buy-Back") provided that:

   (a) *The maximum number of shares which have may be purchased and then cancelled by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total stated share capital of the Company for the time being quoted on the BSE; and*

   (b) *The maximum amount of funds to be allocated by the Company pursuant to the Proposed Share Buy-Back shall not exceed the sum of retained profits of the Company based on its latest financial statements available up to the date of a transaction pursuant to the Proposed Share Buy-Back.*

   THAT the shares purchased by the Company pursuant to the Proposed Share Buy-Back will be cancelled; and

   THAT such authority shall commence upon the passing of this resolution, until the conclusion of the next annual general meeting of the Company or the expiry of the period within the next annual general meeting is required by law to be held unless revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting but so as not to prejudice the completion of a purchase made before the expiry date;

AND THAT the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or give effect to the Proposed Share Buy-Back with full powers to amend and/or assert to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act, 2003, the provisions of the Company's constitution and the requirements of the BSE and all other relevant governmental/regulatory authorities."

SPECIAL BUSINESS

To consider and adopt the following special resolution as set out in clause 3.2.3 of the Circular:

1. "THAT, subject to the shareholders of Letshego approving the Share Buy Back Mandate and it being implemented, accordingly the Company be and is hereby authorised in terms of section 59 of the Companies Act to reduce its stated share capital as may be determined by the Directors of the Company from time to time upon the terms and conditions that may be deemed fit and expedient in the interest of the Company ("Reduction of Capital") provided that:

(a) *only a limit of 218,490,166 shares shall be reduced from a stated share capital of 2,184,901,665 shares such that post reduction the stated share capital would be 1,966,411,499 shares; and*

(b) *the reduction of capital will not result in the Company failing the solvency test as prescribed in terms of the Act.*

THAT such authority shall commence upon the passing of this resolution, until the conclusion of the next annual general meeting of the Company or the expiry of the period within the next annual general meeting is required by law to be held unless revoked or varied by special resolution of the shareholders of the Company in a general meeting or extraordinary general meeting but so as not to prejudice the completion of the Reduction of Capital made before the expiry date;

AND THAT the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or give effect to the Reduction of Capital with full powers to amend and/or assert to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act, 2003, the provisions of the Company's constitution and the requirements of the BSE and all other relevant governmental/regulatory authorities."

2. To transact other business which may be transacted at an Annual General Meeting

Proxies

A shareholder entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a shareholder. Proxy forms should be deposited at Letshego Holdings Limited, 1st Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P.O. Box 381, Gaborone, not less than 48 hours before the meeting.

By order of the board

D. Ndebele
Secretary

5 May 2015

LETSHEGO HOLDINGS LIMITED

Letshego

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

FORM OF PROXY

For completion by holders of ordinary shares

(PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

For use at the Annual General Meeting of ordinary shareholders of the Company to be held at Lansmore Hotel on Wednesday 27 May 2015 at 4.30pm Registration commences at 4.00pm.

I/We

(name/s in block letters)

of (address)

being a member of Letshego Holdings Limited hereby appoint (see note 2)

Appoint (see note 2):

1. or failing him/her,

2. or failing him/her,

3. The Chairman of the meeting,

as my/our proxy to act for me/us at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instructions (see note 2):

	Number of Ordinary Shares		
	For	Against	Abstain
Ordinary resolution number 1			
Ordinary resolution number 2			
Ordinary resolution number 3a			
Ordinary resolution number 3b			
Ordinary resolution number 3c			
Ordinary resolution number 4			
Ordinary resolution number 5			
Ordinary resolution number 6			
Ordinary resolution number 7			
Special resolution number 1			

Signed at on this day of 2015

Signature

Assisted by (where applicable)

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

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

1. A shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to The Secretary, Letshego Holdings Limited, 1st Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P.O. Box 381, Gaborone to be received not less than 48 hours before the Annual General Meeting (i.e. not later than 5.00pm Monday 25 May 2015)

4. The completion and lodging of this form will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.

5. The Chairman of the Annual General Meeting may -reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.

6. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

8. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

9. Where ordinary shares are held jointly, all joint shareholders must sign.

10. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

LETSHEGO 2014 DECEMBER INTEGRATED ANNUAL REPORT

Letshego

www.letshego.com