LETSHEGO HOLDINGS LIMITED

Annual Report

2014

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About Us

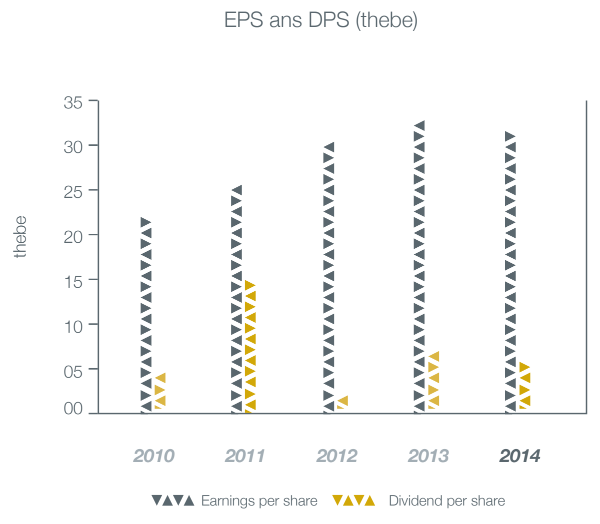
Group Financial Highlights

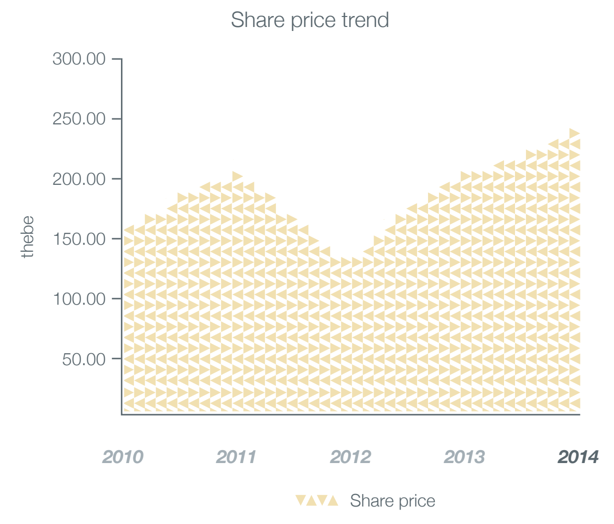
Profile and Overview

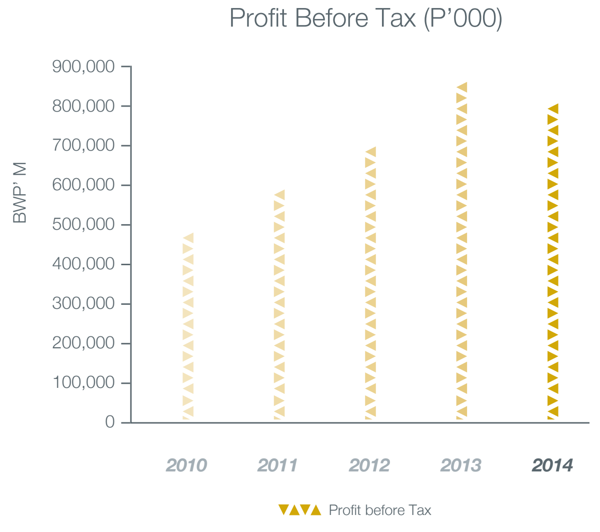
Group Financial Highlights

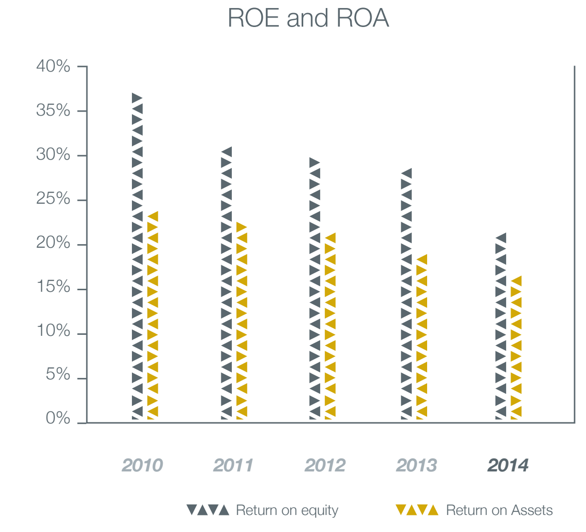
Highlights

- Net advances to customers increased by ***33%*** to ***P4.4 billion*** (2013: P3.3 billion)
- Cost to income ratio increased from 26% to ***33%***
- Impairment charges remained within the target range at ***1.7%*** for 2014 (2013: 1.3%) on average advances
- Profits before tax increased by ***1%*** to ***P850.2 million*** (2013: P841.3 million), with a 5 year compounded annual growth rate of above 30%
- Capital adequacy position remained strong at over 70% (2013: over 70%)
- Dividends declared during the year equate to ***25%*** of profit after tax
- Basic earnings per share decreased by ***9%*** due to the conversion of a loan to equity earlier in the financial year
- 158 105 858 shares were issued to Development Partners International by conversion of the loan facility advanced to Letshego Holdings Limited
- ***58%*** of profits before tax were generated outside of Botswana (2013: 40%)
- Sale of Zambia subsidiary was concluded in December 2013
- Change of year-end to 31 December, will be effected from 2014









Milestones

1998
- Incorporation and trading commences in Botswana

2002
- BSE listing

2004
- Legal Guard launched

2005
- Ugandan operations commence

2006
- Swazi operations commence
- Tanzanian operations commence

2007
- Zambian operations commence
- LHL BITC accreditation obtained

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

2010
- Sale of Legal Guard
- 10 for 1 share split approved by shareholders

2011
- Mozambique operations commence
- LHL Shareholders approve scrip dividend

2012
- Medium Term Note programme listed on the JSE
- Global credit rating obtained
- Core lending and banking system selected

2013
- Micro Africa Limited acquired
- Lesotho operations commence

2014
- Remaining 37.5% in Micro Africa Limited acquired
- BWP Medium Term Notes programme – maiden subscription
- New Group Managing Director, Mr Chris Low appointed
- Zambia operations sold as a going concern

Letshego Holdings Limited was incorporated in 1998, is headquartered in Gaborone and has been publicly listed on the Botswana Stock Exchange (BSE) since 2002. It is a holding company with consumer and micro lending subsidiaries across ten 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) through provision of financial services. Letshego, a three legged artefact as depicted within the Group logo, symbolises trust and the ability to provide the necessary resources for self-sustenance and life improvement.

Letshego is the third largest quoted company on the BSE with a market capitalization in excess of US$500 million. It is a truly pan African financial services provider and is committed to skills development – the Group employs over 1300 staff representing more than 20 nationalities. Further it has over 250 customer access points across its footprint, servicing a client base of more than 250 000.

Over the last 15 years, Letshego has positioned itself to assist governments with their financial deepening and financial inclusion agendas. The Group offers innovative and competitively priced unsecured loans between US$1,000 and US$40,000 that are appropriate to its client's every day needs, mainly through the deduction at source payroll model. The diversity of its product range was increased in 2012 through the acquisition of Micro Africa Limited in East Africa – today it provides loans to micro and small enterprises (MSE), to Groups as well as to the low income segment. Letshego believes that its products must be simple to understand, affordable and inclusive.

The Group's brand is trusted across Africa and has been built around being responsive to customers' needs. Further Letshego is committed to ethical lending and to full compliance with regulations and guidelines as set by its Regulators in all countries in which it operates.

Historical Geographical Diversification

2004

2009

2014

Our Vision

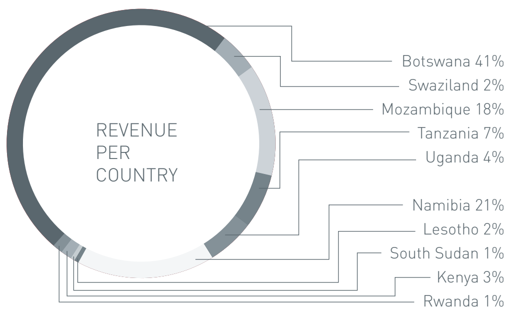
"Letshego of the future will offer simple, appropriate and inclusive products; flexible and convenient access; responsive and ethical credit; and support for the MSE owner to build his or her business – and all at a very low cost."

Strategic intent	A leading African financial services group					
Brand promise	Your preferred partner – committed to improving lives					
Our uniqueness	Simple	Appropriate	Responsive	Accessible	Inclusive	Ethical
Our Sustainable competitive advantages	**Customer** "A unique offering"	**Innovation** "In everything we do"	**Risk Management** "An holistic approach"	**People development** "Where individuals make a difference and teams succeed"	**Stakeholder engagement** "Leveraging for value"	
Our Stakeholders	Customers	Government	Regulators	Staff	Investors	Communities

Our Presence in Africa

Countries of Operations

1. Botswana
2. Namibia
3. Swaziland
4. Tanzania
5. Uganda
6. Mozambique
7. Lesotho
8. Kenya
9. Rwanda
10. South Sudan



Over 92% of clients are government employees of the respective countries in which the Group operates.

Corporate Structure

Shareholders 100%

Letshego Holdings Limited
(Listed on the Botswana Stock Exchange and Botswana Investment & Trade Centre (BITC) accredited)

- **100%** Letshego Financial Services (Pty) Limited (Botswana)
- **96.25%** Letshego Financial Services Mozambique SA
- **85%** Letshego Financial Services (Namibia) (Pty) Ltd
- **85%** Letshego Financial Services Swaziland (Pty) Limited
- **87%** Letshego Tanzania Limited
- **85%** Letshego Uganda Limited
- **95%** Letshego Financial Services Lesotho (Pty) Limited
- **100%** Letshego Kenya Limited (MAL)
  - **74%** Finance South Sudan Limited
  - **100%** Letshego Rwanda Limited
  - **100%** AMDC Limited (Mauritius)

Given the prevailing economic conditions and challenging global economic environment during the period under review, and the many initiatives underway within the Group, the Directors are satisfied with the financial performance of the Group for the period.

Our Reviews

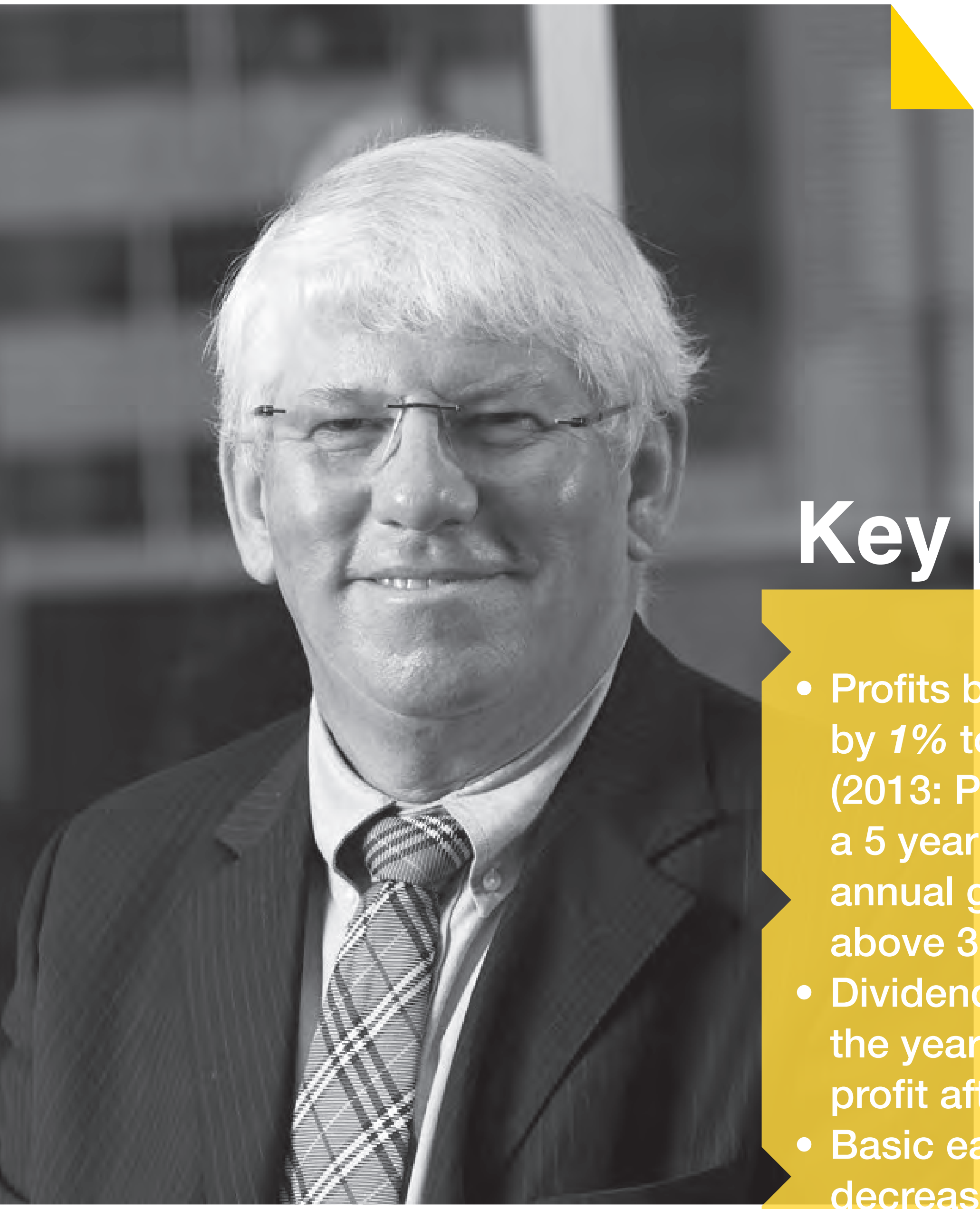
Chairman's Report

Managing Director's Report

Board of Directors

Senior Management

Chairman's Report



Key Highlights

- Profits before tax increased by *1%* to *P850.2 million* (2013: P841.3 million), with a 5 year compounded annual growth rate of above 30%
- Dividends declared during the year equate to *25%* of profit after tax
- Basic earnings per share decreased by *9%* due to the conversion of a loan to equity earlier in the financial year

Strong performance and strategic priorities

Over the last five years, we have expanded further across Southern and East Africa from our origins in Botswana, adding Kenya, Lesotho, Mozambique, Rwanda and South Sudan, bringing our country footprint to 10. During this period, we have shown strong growth in advances to customers and profitability, as shown in the Managing Director's report below on page 17. While the business environment has remained competitive, we have continued to grow our market share and, for the future, our strategic priorities are to continue the transformation of our business, through becoming a broader financial services institution in a number of markets and expansion into geographies with high growth prospects. In particular we will seek opportunities for further diversification of the business where there are financial inclusion imperatives and a need for productive lending. We remain committed to expanding our footprint into rural locations where access to financial services remains limited in many of our markets while continuing to grow our core payroll lending business.

Financial services strategy

The Board undertook a comprehensive review of the group's five year strategic plan in late 2013. This coincided with the appointment of a new Group Managing Director of which more is set out below. A clear vision and strategy has been agreed towards becoming a leading African financial services group with clear and measurable milestones being set for management to achieve. The strategy is built around delivering sustainable competitive advantages in the areas of 'customer experience, innovation, risk management, people development and stakeholder engagement'.

The implementation of this broader, transformational strategy has and will continue to require considerable investment in information technology systems, a critical evaluation of available resources and an understanding of regulatory requirements in each country. Much of this has already been started and we have a very strong base and franchise to build upon. We remain alert to appropriate acquisition opportunities while ensuring organic growth of our existing operations.

I am confident that the effective, measured roll out of this strategy will ensure the sustainability of the Group well into the future.

Board of directors

The Letshego Group subscribes to the spirit and the intention of the King III Code of Corporate Governance. The process of constituting the board and its committees in accordance with King III was progressed during the current financial year. Messers Josias de Kock, Hannington Karuhanga, Stephen Price and Robert Thornton were appointed to the board as independent non-executive directors. They bring a wealth of relevant experience and we look forward to a long and rewarding relationship with them.

Subsequent to the year end, Ms. Margaret Dawes resigned from the board and was replaced by her alternate director, Mr. Gerrit van Heerde. Mr Dumisani Ndebele stepped down as an executive director; however he remains as the Company Secretary. Mr. Jan Claassen retired as the Group Managing Director and was replaced by Mr. Christopher Low, who was also appointed to the board. Mr Claassen subsequently resigned from the board effective January 2014 and the board wishes to thank him for his contribution to the Group. The Group experienced tremendous growth in terms of the nature of business as well as in its financial performance under the astute leadership of Mr. Claassen during his ten years of dedicated service, and boasts an African footprint in Southern and East Africa with operations now spanning ten countries.

In the same breath, my Board and I warmly welcome Mr. Low to this dynamic group. This appointment follows an extensive recruitment process that started over two years ago when Jan indicated his desire to step down. Having commenced his career as a chartered accountant with Arthur Andersen, Mr. Low went on to acquire extensive leadership experience in the banking industry with Goldman Sachs, Standard Chartered Bank, and National Bank of Kuwait, amongst others, across the UK, India, South Africa and East Africa. Mr. Low brings a proven track record of developing and executing country and regional transformational strategies, as well as embedding robust risk management, governance and management accounting best practices.

Chairman's Report (continued)

Letshego Botswana CEO

Mr. Low has been responsible for customer and franchise development for Wholesale, SME, Private and Consumer banking businesses, including in mature domestic markets as well as for start-up businesses (micro-, agricultural and project financing). One of the first deliverables the Board set for Mr. Low was a review of the five year strategic plans for the group which was presented to the Board in January 2014 (as mentioned earlier). We have no doubt that Mr. Low will ably steer the Group through its exciting strategic journey, and look forward to supporting him and his team through it.

Corporate social investment

Social responsibility and sustainability have become an integral part of our business model that aims to address social, environmental, ethical lending and consumer concerns in close cooperation with all stakeholders. We commit 1% of our profit after tax annually and invest this into programmes where needs exist, in the health and education sectors, as well as where productive livelihoods can be promoted.

Minority shareholders

Our history of equitable treatment of shareholders demonstrates consistent conformance with international market practices. Minority shareholders are provided with adequate notice and agenda of all shareholders' meetings, and are encouraged to participate and vote at shareholders' meetings.

Prospects

The Group continues to actively explore new regions in Africa and new business streams, both through acquisitive and "green fields" methods. Given prevailing economic conditions, the Directors expect continued growth in the advances book and continued profitability during the financial period to 31 December 2014.

Gratitude

Our business depends on a wide range of stakeholders for its continued success. On behalf of the board, I am grateful to our customers, staff, shareholders, regulators and other stakeholders who have contributed to our growth and continue to be pivotal to our prospects.

I thank you.

John Burbidge
Chairman, 16 April 2014

Group Managing Director presenting an inclusive award to the Botswana Call Centre Manager

Managing Director's Report

Key Highlights

- Net advances to customers increased by ***33%*** to ***P4.4 billion*** (2013: P3.3 billion)
- Cost to income ratio increased from 26% to ***33%***
- Impairment charges remained within the target range at ***1.7%*** for 2014 (2013: 1.3%) on the average advances
- ***58%*** of profits before tax were generated outside of Botswana (2013: 40%)

I am pleased to present my first annual report of Letshego Holdings Limited and its subsidiaries ("the Group") for the year ended 31 January 2014. Having joined Letshego in November 2013, the trajectory and potential this Group has for becoming a leading pan-African financial services provider is both compelling and exciting. I would like to thank my predecessor, Mr Jan Claassen, for handing over the Letshego that it is today and for the pivotal role that he played in the Group over the last 10 years.

The Letshego Group today

Currently Letshego boasts the third largest market capitalisation for a Botswana-based company on the Botswana Stock Exchange and is among the top 50 companies outside South Africa, across Sub-Saharan Africa.

Having planted roots in Botswana in 1998, the Group is now in 10 countries across Eastern and Southern Africa, servicing over 250,000 customers with in excess of 250 customer service points. The Group employs over 1,300 management and staff members, and is richly diverse with more than 20 nationalities represented.

On the back of a Moody's Ba3 Stable rating, the Group listed a Medium-Term Note programme on the Johannesburg Stock Exchange in late 2012 and the Botswana Stock Exchange in late 2013, raising 700 million Rand and 350 million Pula respectively.

These characteristics underpin the continued strong financial performance we report this year, and, we believe, provide a firm springboard off which to pursue our transformational strategy.

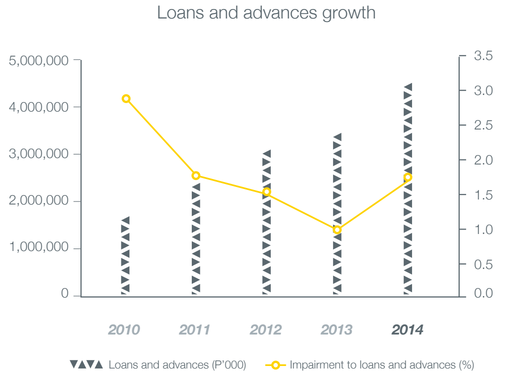
Financial highlights

During a challenging year, we achieved satisfactory performance in terms of growth.

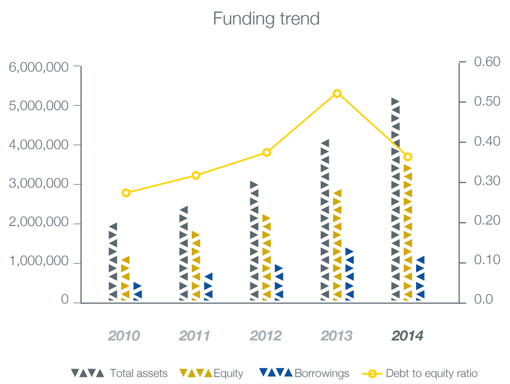
Revenue increased by 18% and the advances book increased by 33% with the main contributions coming from our three largest markets, Botswana, Mozambique and Namibia. Importantly, the quality of the advances book is well within our target levels with an impairment charge on the average net portfolio of 1.7% for the year as compared to 1.3% in the prior year.

Operating expenses increased by 62% when compared with the prior financial year. Currently, the Group is experiencing a higher cost base in East Africa while economies of scale are being developed. Further, this is compounded by the full year consolidation of Micro Africa Limited's results as opposed to seven months in the preceding year. Additionaly, the Group incurred once-off provisions in relation to additional impairment allowances in South Sudan due to political uncertainty as well as contingent costs raised against certain assets in Swaziland. On a like for like basis costs increased by 25% and we believe are a necessary investment in the Letshego franchise.

The quality of the loan book remains satisfactory with the impairment ratio at 1.7%



With a debt equity ratio of only 36%, we believe there is headroom to leverage growth.



Managing Director's Report (continued)

Pre-tax profit growth was flat year on year increasing by 1% on prior year to P850 million. This was a combined result of the pressure on margins, strategic investments in technology and group expansion initiatives. 58% of profits before tax were generated outside of Botswana compared to 40% during the 2013 financial year, which is in line with our stated objective of diversifying geographically. Earnings per share are lower due to the conversion of a loan to equity earlier in the financial year, which is a non-recurrent phenomenon.

With a return on average assets of 14%, return on average equity of 20% and debt equity ratio of only 36%, we believe there is considerable headroom within which to leverage debt and deliver steadily improving return metrics going forward.

Investment in subsidiaries

In pursuit of building a sustainable and diversified business, we continuously re-evaluate our investments in existing operations and align them to our long term strategy.

- On 28 February 2013 we acquired the remaining 37.48% shareholding in Micro Africa Limited. This brought our ownership to 100% in a group with operations across Kenya, Rwanda, South Sudan and Uganda.
- During July 2013 we acquired the remaining 2.5% shareholding in Letshego Rwanda Limited (previously Micro Rwanda Limited) bringing our total shareholding to 100%.
- On 1 December 2013 we sold 100% of our shareholding in Letshego Financial Services Zambia Limited and disinvested from this subsidiary in full.
- There were no other changes in shareholding of the subsidiaries.

Balance sheet management

Currently the Group is holding excess capital and all aspects of balance sheet management and structure are being reviewed to ensure that there is sufficient and appropriate new funding lines available for further growth in parallel to a more leveraged balance sheet. As a short to medium term target, the Group is looking to increase its debt levels.

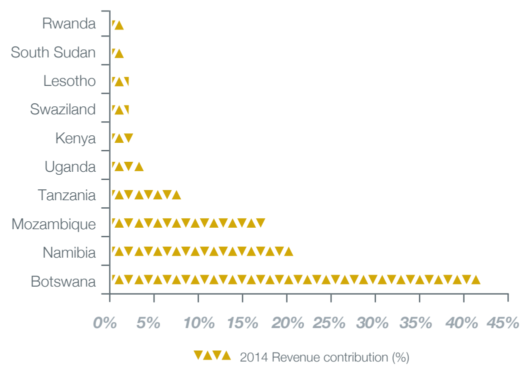
During the current financial period, P350 million was raised from the maiden issue of Letshego's Botswana Stock Exchange listed medium term note programme. Additionally several lower value lines of funding with lower interest rates (in comparison to the Medium Term Note Programmes) were drawn down in order to reduce the Group average cost of borrowings to 12% per annum for the year (2013: 13% p.a.).

The Group remains well capitalised and has cash resources of over P300 million (2013: P807 million) which are available to grow the business further.

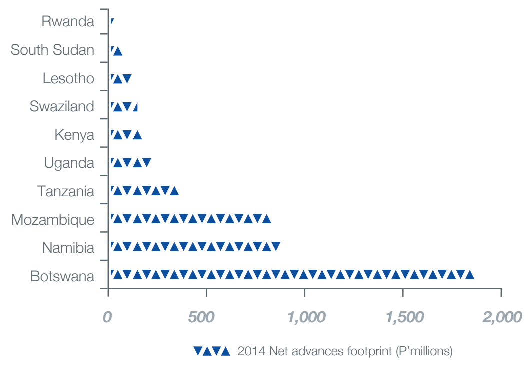
On 3 December 2013, Moody's affirmed Letshego Holdings Limited's Ba3 issuer rating (three notches below investment grade) and changed the outlook from negative to stable. The rating reflects the company's continued high levels of profitability and solid capitalisation base, that provides the Group with a significant buffer to absorb any negative effects of change in the business environments it currently operates in.

58% of profits before tax were generated outside of Botswana compared to 40% during the 2013 financial year, which is in line with our stated objective of diversifying geographically.

2014 Revenue contribution (%)



2014 Net advances footprint (P'millions)



Managing Director's Report (continued)

According to Moody's, the rating is constrained by the Group's concentration on the payroll deduction model for loan repayment collections. Our geographic and operating model transformation strategy alluded to in the Chairman's report will address the need for a broader financial services offering.

The Group launched fixed deposit taking in Mozambique during February 2014. This is the first step towards deposit taking in the Group with the long term intention of diversifying the funding base; however it is recognised that significant deposit mobilisation will take considerable time to be put into place.

Information technology projects

The group continued with the development and roll out of enhanced information systems in relation to its Financial Reporting Systems and Loans Management Systems. The investment and development of these new systems was necessary to consolidate the multiple legacy reporting and operations systems within the Group and to create capacity as well as to embrace the latest technologies to enhance our product offering and customer experience. The implementation of an enhanced financial reporting system in Southern Africa was completed during the current financial year and the implementation of the new loans management platform in Southern Africa is expected to be completed by December 2014.

The second phase of the development project is the implementation of both the financial reporting and the loans management systems in East Africa. This will commence during the 2015 financial year.

Sustainable operating model

On joining the Group, the Board, senior management team and I initiated a full review of our strategy, with particular focus on building a business model that ensures continued value delivery for our stakeholders. The strategy that emerged was cognisant of the fact that, currently, lending to Government and civil service employees by deduction at source was our predominant business stream and will continue to be. However, complimentary products and offerings were identified and these will be rolled out over time across the Group to adjacent customer segments to our existing base.

Given our core competencies of responsive service, a robust enterprise-wide risk management framework, and strong cost control supported by centralisation of key functions such as finance, audit, information and communication technology and payroll management, we have identified six unique traits that we will embody in all businesses: *simple, responsive, ethical, accessible, appropriate and inclusive.* In combination with core competitive advantages, we believe our strategic intent to become a leading African financial services group is not only achievable but also one that delivers sustainability, balanced with attractive growth prospects.

Building sustainable competitive advantage

Customer experience

We continue to simplify our business model and processes, developing products and services which meet our customers' needs, and invest in technology infrastructure to provide an enabling environment. Also, we are making progress with other customer-focused priorities including developing capabilities to serve the micro and small enterprise (MSE) sector. Our aim is to excel in customer service and empowerment in each of our operations.

We want to make it easy for customers to do business with us. We believe that an important part of engaging our customers is to demonstrate that we have our customers' best interests at heart, whether it is through developing products and services that are appropriate and responsive to their needs or making sure those products are easy to use through transparent and ethical pricing structures. Further, we believe that by providing these services efficiently, responsibly and ethically we can make a real impact on sustainable development in our markets, contributing to local and regional economic growth for the long term.

We will continue to introduce new products, enhance existing ones and remove those that were no longer appropriate for our customers as we evolve with our customers' needs. For example, in Mozambique we have introduced deposit-taking at competitive rates to enable our customers to develop their savings plans. The Group will use the introduction of the deposit taking in Mozambique to build the deposit taking capabilities across the Group as a step towards product diversification and sustainability.

We pride ourselves in our support for entrepreneurial groups, micro and small enterprises (MSEs) on providing accessible finance through responsible lending. Responsible lending starts with the right training and development. We

Managing Director's Report (continued)

are committed to ensuring that all our customer-facing staff members across the Group are well trained and equipped to address customer needs. As part of this we have significantly strengthened our training tools and professional development programmes.

We appreciate customers taking the time to tell us what has gone wrong, so we can improve the service we provide. Also, we have simplified our process so that it is easier to log and then resolve complaints immediately.

Innovation

At Letshego, innovation is not just about technology, rather it is about looking at every process, be it internal or external to the Group, in a new way on a constant basis. Through this lens, we strive to keep ahead of the curve and through remaining constantly relevant both within and outside the Group environment, we assure ourselves of sustainability.

We continue to implement and renew IT infrastructure across the group, develop the technology and partnerships with mobile network operators to foster financial inclusion and product and services uptake. This is expected to drive revenue growth through improved business flexibility, faster development, launch and distribution of products to market as well as by providing easier access for our customers.

In order to serve customers well, our people need to understand customers' needs and that means taking time to assist them. Letshego continues to simplify its business and processes, enhance training, constantly improving its sales channels and changing its incentive model to encourage excellent customer service.

Risk Management

Letshego aspires to have a prominent position as a sustainable financial services Group in Africa that takes responsibility for its actions and engagements. We are committed to minimising our own direct impact on the environment as well as our indirect impact through our own activities and those of our clients

In order to achieve this, Letshego has made sustainability a core part of the Group's business model. This sustainability framework fits into the Group's existing enterprise risk management framework, and will consist of a coherent set of policies, guidelines and statements that will define Letshego's sustainability standards for relevant financial services organisation activities and the different sectors in which the Group is active.
As a provider of financial services, we believe we have a responsibility to engage, understand and promote the wider environmental, social and ethical risks associated with the sectors we support.

People Development

Our strength lies in our employee base of over 1,300 full-time and sales agents combined. Employees work in a trusting environment, that is free from discrimination, prejudice, bias and harassment. Employee rights and labour regulations are respected through the Group-wide Human Resources management function, industrial relations and legal and compliance frameworks in place. Employees are free to belong to a trade union or collective bargaining council.

Executives and management interact with staff members on the basis of an open-door policy and employees are given the necessary infrastructure, training and support required to perform their duties professionally and effectively.

The Group has put in place a remuneration strategy to employ the necessary skills for the Group to achieve its strategic objectives and bases remuneration on personal, country and group performance in accordance with competitive market practices. Further, we use independent remuneration specialists to undertake regular general and sector-specific salary surveys to benchmark staff remuneration. The Group uses various incentive schemes with a long-term perspective that promote key employees to align with the delivery of the strategy.

The Group has an HIV/AIDS policy and promotes healthy lifestyles. HIV/AIDS awareness is celebrated annually and in conjunction with medical scheme service providers and other stakeholders. An employee wellness day is held on an annual basis to ensure that employees are aware of their overall health status.

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 play a vital role in establishing, maintaining and improving relationships

Managing Director's Report (continued)

with Letshego's various stakeholder groups.

Our philosophy is one of improving the lives of those we touch, both within the Group, and externally. With the majority of our loans being used productively, we have furthered our stakeholder agenda by pursuing financial inclusion and skills deepening initiatives as well as building strategic alliances with technical assistance partners.

At a minimum, and in keeping with our traditional approach, we set aside 1% of our post-tax Group profits towards corporate social investments that are relevant not only to the needs of our regions, but also which speak to our uniqueness.

Dividend

The dividend declared during the year equates to 25% of profit after tax.

Change of year end

The board has decided to change the year end to 31 December. Therefore, Letshego will prepare interim results for the six month period to 31 July 2014 which will be published on or around mid-October 2014, and then prepare audited results for the 11 months ended 31 December 2014. These will be published on or around mid-March 2015.

Looking forward

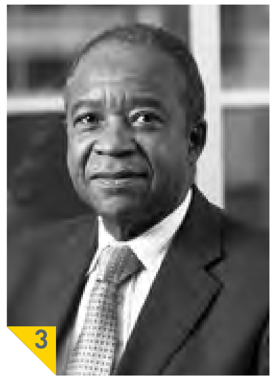
Looking ahead, the Group is poised to achieve strong growth and shareholder return.

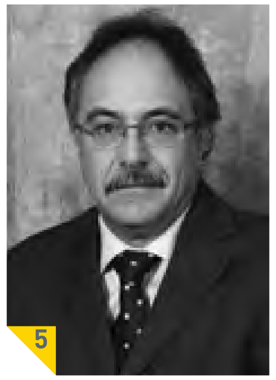
I move into the Group with a highly energised, diverse and vibrant staff base across Africa with a wealth of combined knowledge and experience. Letshego will continue to forge strong relationships with regulators and all stakeholders who are key to ensuring a level playing field for all financial service providers. Above all, the Group will look to ensure consistent value delivery towards the realisation of continued economic growth across Africa's consumer and micro finance sector.

A. C. M. Low
Managing Director, 16 April 2014

Board of Directors










1 John Alexander Burbidge (63)
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 (38)
Non-Executive Director
Member of the Group Audit and Risk Committee and 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 E Serema (66)
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.
Appointed to the Board: 2009
Nationality: Botswana
Residence: Lobatse, Botswana

4 Idris Mohammed (43)
Non-Executive Director
Chairman of Human Resources Committee,
Member of the Investment Committee, Group Audit and Risk Committee and the Nominations 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 a Vice President at WPA Inc., the fund manager for Africa International Financial Holdings. Before that, Idris was a 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. Idris is a Chartered Financial Analyst and holds a BSc in Industrial Engineering from Lehigh University and an MBA in Finance and Strategic Management from the Wharton School of the University of Pennsylvania. He is a citizen of Nigeria and the US.
Appointed to the Board: 2010
Nationality: USA
Residence: London, UK

5 Josias De Kock (55)
Independent Non-Executive Director
Chairman of the Investment Committee
B Comm, B Acc, 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. Josias wields a number of academic qualifications including a B Comm, B Acc, CA, Higher Diploma in Taxation, and participation in the Executive Development Programme from University of Manchester. 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 the Chief Financial Officer at Premier Foods.
Appointed to the Board: 2013
Nationality: RSA
Residence: Stellenbosh, RSA

6 Stephen Price (61)
Independent Non-Executive Director
Chairman of the Audit and Risk 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 (61)
Independent Non-Executive Director
Member of the Investment Committee and Human Resources 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 (53)
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 eighteen 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 (46)
Non-Executive Director
Member of the Group Audit and Risk Committee, Human Resources Committee and Investment Committee Hons B.Com, 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: South Africa
Residence: Cape Town, RSA

10 Hannington R. Karuhanga (54)
Independent Non-Executive Director
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 the 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, the 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 S.A 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 9 years.
Appointed to the Board: 2013
Nationality: Uganda
Residence: Kampala, Uganda

Senior Management

Allen Christopher Michael Low, (53)
Group Managing Director
MA (Zoology) St Peters College, Oxford University; ACA (UK), Member of ICAEW
Joined Letshego: 2013

Dumisani Ndebele (48)
Director of Risk and Compliance
BAcc (Hons); MBA (University of Derby) (UK); FCMA (UK); FCPA (Botswana)
Nationality: Botswana
Joined Letshego: 1999

Colm Patterson (42)
Group Chief Financial Officer
FCA (Ireland); CPA (Botswana)
Nationality: Ireland
Joined Letshego: 2007

Portia Ketshabile (45)
Group Human Resource Manager
Diploma in Personnel and Training Management; Management Development Programme
Nationality: Botswana
Joined Letshego: 2001

Shawn Bruwer (37)
Group Chief Operations Officer and Deputy MD
B.Comm; CIMA (UK); various certificates in banking and credit management
Nationality: Namibia
Joined Letshego: 2006

Barati Rwelengera (36)
Group Risk and Compliance Manager
AAT (UK); ACCA (UK); CPA (Botswana)
Nationality: Botswana
Joined Letshego: 2008

Lydia Andries (41)
Strategy and Communication
Nationality: Botswana
Joined Letshego: 2008
(resigned post year end)

Duduetsang Olsen-Namanyane (36)
Group Chief Information Officer
Bachelor of Business Administration; MSc Strategic Management
Nationality: Botswana
Joined Letshego: 2009

Mythri Sambasivan George (35)
Group Finance Manager
CIMA (UK); FCCA (UK); FCPA (Botswana)
Nationality: India
Joined Letshego: 2010

Team photo of Senior Management, CEOs and Extended Leadership Team.

Our approach to running our business is all-inclusive and comprehensive. We consider not only the commercial imperative of growing our profits sustainably, but our broader impact, being a constantly growing provider of financial services through Africa.

Governance

Corporate Governance
Sustainability Report
Corporate Social Investment

Corporate Governance

Letshego's Board of Directors remains committed to upholding strong corporate governance throughout the Group. During the past year concerted efforts were made towards implanting the recommendations of the King III Report (King III) introduced by the Institute of Directors (South Africa) in September 2009.

A gap analysis is conducted frequently 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. Letshego strives to maintain high standards of business ethics and integrity throughout the Group.

The Board structure

Letshego had a Board membership of 11 directors on 31 January 2014, comprising six independent non-executive directors, three non-executive directors and two executive directors. The following changes to the Board occurred post-balance sheet:

- Ms Margaret Dawes resigned from the Board and was replaced by her alternate Mr Gerrit van Heerde; and
- Mr Dumisani Ndebele resigned from the board as part of an on-going Board process to 'apply' the King Code of Corporate Governance to become Company Secretary only. Prior to that, Mr D Ndebele was an executive Board member as well as Company Secretary at the same time.

The executive in charge of the finance function is not a director however; the Board is satisfied with the experience and expertise of the Chief Financial Officer who performs the duties of a finance director. At least one third of the non-executive directors rotate every year in line with Board Charter which is aligned to King III.

A brief curriculum vita of each director has been set out earlier in this annual report.

The Board conducts self-assessments annually, while plans are underway to introduce formal performance assessments for individual directors. 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 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; however they 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. Also, 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 without executive management to execute 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
- Puts in place an effective risk-based internal audit.

Group Managing Director presenting a risk management award to the Sales and Marketing Manager of Letshego Lesotho

Corporate Governance (continued)

Board Charter

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

- 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 adviser 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 as 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 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 January 2014:

- No formal succession planning for the role of Chairman;
- Deputy Chairman position not filled
- The executive in charge of finance is not a director
- The company secretary is an executive director (this was addressed post year end)
- Three out of five members of the Group Audit and Risk Committee are not independent non-executive directors
- Two out of four members of the Group Nominations Committee are not independent non-executive directors
- Two out of three members of the Group Human Resources Committee are not independent non-executive directors
- Four out of seven members of the Investment Committee are not independent non-executive directors.

Performance evaluation

The following salient issues regarding performance evaluation are noted:

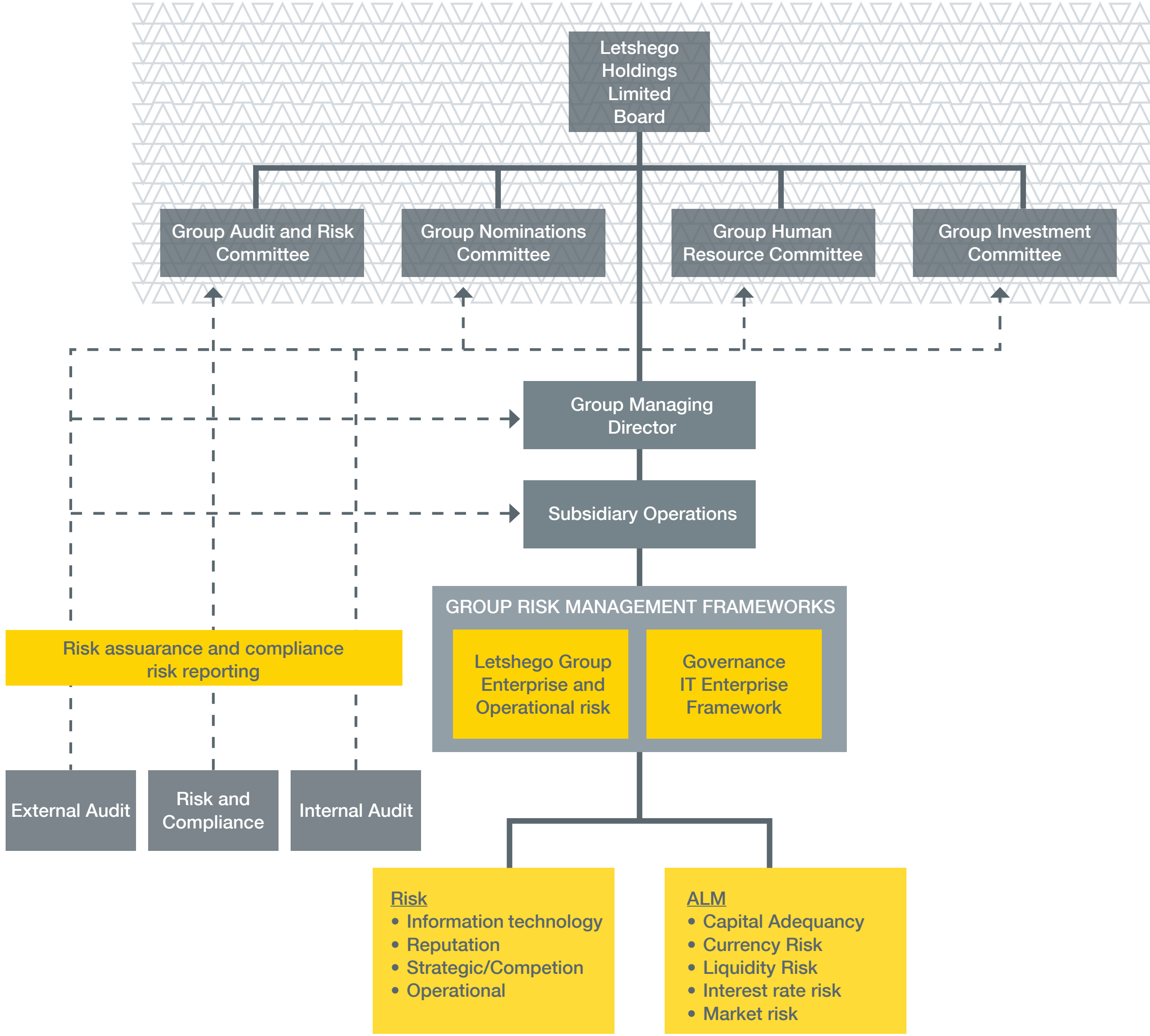
- Executive directors are appraised based on predetermined strategic objectives and achievement of specific Group financial performance targets that are approved by the Board annually; and
- Self-assessments are conducted annually for the Board and its committees.

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, etc. Through the scores, the Board and its committees are able to determine the strengths and weaknesses. New objectives are then agreed to address any weaknesses identified and then action plans with timelines are drawn to implement the agreed actions in order to improve the scores in the future.

Group CFO and CEO of Letshego Tanzania

Corporate Governance (continued)

Governance Structure



Corporate Governance (continued)

	Committee	Purpose	Composition	Quorum	Frequency of meeting	Corporate Governance gaps
1	Group Audit and Risk Committee	• Review Group financial and integrated reports and recommend to Board for approval • Provide ongoing identification, monitoring and management of Group risks as part of ownership of the Group's 'Enterprise Risk Framework' and IT Governance framework • 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 • Monitor any issues raised from the internal 'whistle blowing' line	**Independent Non-Executive Directors** S Price (Chairman with effect from 16 April 2014) J De Kock **Non-Executive Directors** M Dawes (former Chairman – Resigned with effect from 25 March 2014) G van Heerde G Hassam I M Mohammed **Independent attendees** F Roos – Engagement partner of KPMG **Management attendees** C Low (Joined on 4 November 2013) J A Claassen (Retired on 31 October 2013) S Bruwer C Patterson D Ndebele D Olsen-Namanyane B Rwelengera M S-George **By invitation** All directors	Minimum of three members and majority required for a quorum	Meets at least three times a year	Majority members of the Group Audit and Risk Committee are not independent non-executive directors

Corporate Governance (continued)

	Committee	Purpose	Composition	Quorum	Frequency of meeting	Corporate Governance gaps
2	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 senior management • Ensure that directors and staff are fairly rewarded • Ensure that market-related reward strategies are adhered to • Approve performance targets for the Group's incentive scheme.	**Independent Non-Executive Directors** R Thornton **Non-Executive Directors** I M Mohammed (Chairman) G van Heerde (joined 16 April 2014) M Dawes (resigned 30 March 2014) **Management attendees** C Low (Joined on 4 November 2013) J A Claassen (Retired on 31 October 2013) S Bruwer C Patterson D Ndebele **By invitation** All directors	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

Corporate Governance (continued)

	Committee	Purpose	Composition	Quorum	Frequency of meeting	Corporate Governance gaps
3	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 J A Burbidge **Non-Executive Directors** I M Mohammed (Chairman) G van Heerde (joined 16 April 2014) G Hassam **Executive Directors** C Low (Joined on 4 November 2013) J A Claassen (Retired on 31 October 2013) **Management attendees** S Bruwer C Patterson D Ndebele **By invitation** All directors	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

Corporate Governance (continued)

	Committee	Purpose	Composition	Quorum	Frequency of meeting	Corporate Governance gaps
4	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 • Approval of Chairman appointments of subsidiary companies	**Independent Non-Executive Directors** J A Burbidge (Chairman) L E Serema **Non-Executive Directors** I M Mohammed G Hassam **By invitation** C Low (Joined on 4 November 2013) J A Claassen (Retired on 31 October 2013) **Management attendee** 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 Nominations Committee are not independent non-executive directors

Corporate Governance (continued)

Group Remuneration and Human Resources Committee Report

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 terms of reference of the former Group Remuneration Committee were changed to incorporate broader human capital management aspects with effect from 16 April 2013 and at the same time the name of the Committee was changed. The broad terms of reference of the Group Human Resources Committee are outlined in the above tabulation.

Remuneration policy

A key strategic objective of the Group is to attract and retain high calibre staff and individuals.

In April 2014, Group Human Resources Committee engaged external consultants to review the Group's overall compensation structure, with particular focus on the Long Term Incentive Scheme (LTIP). The review results revealed that the Group's compensation practices are generally in line with international standard practice.

However, three key changes were made to the Long Term Incentive Plan – these 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 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 year 2 and 50% at the end of year 3). The deferred cash bonus is adjusted upwards for any increase in the group's share price during the period of the bonus.

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 that the Group operates.

During the year, the former Group Managing Director's (Mr. J.A Claassen) exit package was approved by the Board of Directors, in line with the Group's remuneration policy. Mr. Claassen oversaw significant growth in terms of the nature of business as well as financial performance of the Group during his tenure. Under his leadership, the group grew from a single country entity (Botswana) to a group with an African footprint in Southern and East Africa, with operations spanning into ten countries. His exit package comprised contractual payoffs, cash consideration in lieu of shares granted under the LTIP scheme and a consultancy fee paid for his services during the six month hand over period through to 30 April 2014.

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 management			✓
Sales and support staff			✓

Corporate Governance (continued)

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 Company 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 – year ended 31 January 2014. All figures in BWP.

Directors	Board Attendance	Audit Committee Attendance	HR Committee Attendance	Investment Committee Attendance	Nominations Committee Attendance	Strategic /adhoc Meetings Attendance	Board Attendance	Audit Committee Attendance	HR Committee Attendance	Investment Committee Attendance	Nominations Committee Attendance	Strategic Meetings Attendance	Other services	Retainer	TOTAL
J Burbidge	5/5	-	-	2/2	1/1	2/2	136,000	-	-	30,000	15,000	60,000	212 500*	104,700	345,700
S Price	5/5	3/3	-	-	-	2/2	129,140	81,855	-	-	-	40,000	300 000**	50,000	300,995
I Mohammed	5/5	4/4	2/2	2/2	1/1	2/2	129,140	109,140	30,000	30,000	15,000	60,000	-	58,000	431,280
L Serema	4/5	-	-	-	1/1	2/2	81,855	-	-	-	15,000	60,000	-	58,000	214,855
M Dawes	5/5	4/4	2/2	-	-	2/2	129,140	109,140	30,000	-	-	60,000	-	58,000	386,280
G Hassam	5/5	4/4	-	2/2	1/1	2/2	129,140	109,140	-	30,000	15,000	60,000	-	58,000	401,280
J De Kock	2/5	2/4	-	1/2	-	1/2	54,570	54,570	-	15,000	-	40,000	-	54,000	218,140
B Thorntorn	5/5	-	1/1	1/2	-	1/2	129,140	-	15,000	15,000	-	40,000	-	50,000	249,140
H Karuhanga	2/2	-	-	-	-	1/1	54,570	-	-	-	-	40,000	-	20,000	114,570
J Claassen	3/5	2/2	-	1/1	1/1	2/2	-	-	-	-	-	-	-	-	-
D Ndebele	5/5	4/4	2/2	2/2	1/1	2/2	-	-	-	-	-	-	-	-	-
C Low	2/2	2/2	-	1/1	-	-	-	-	-	-	-	-	-	-	-

**This amount relates to services rendered and time spent by the Chairman during the process of recruiting the Group Managing Director.*

***This amount relates to services rendered and time spent by the director in developing a forecast strategic financial analysis of the Group.*

The board last reviewed Directors fees during April 2013 and the following fee structure has been in place since then:

Board Chairman	BWP 29,000 per board meeting
Non –executive Directors	BWP 27,250 per board meeting
Audit and Risk Committee members	BWP 27,250 per committee meeting
HR, Investment and Nominations Committee members	BWP 15,000 per committee meeting
Ad hoc meetings / assignments	BWP 20,000 per day

An annual retainer of BWP 104,700 is paid to the Chairman of the Board and BWP 60,000 to non-executive directors.

The fees are paid to the individual Directors or the organisations they represent.

Corporate Governance (continued)

Executive directors

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

Executive directors' remuneration – year ended 31 January 2014. All figures in BWP.

Executive Directors	For management services	Pension fund and medical aid contributions	Performance bonus	Exit package* Relocation allowance**	Total
J A Claassen	1 872 200	-	-	29 731 832*	31 604 032
C Low	745 000	-	1 493 800	745 000**	2 983 800
D Ndebele	1 840 094	238 476	150 000	-	2 228 570

In terms of the Long Term Incentive Scheme 2 218 953 shares vested to the executive directors during April 2014 that related to the financial year 31 January 2014.

Top three earners (that are not executive directors)

Remuneration of the top three earners, who are not executive directors, for the year ended 31 January 2014 was as follows: All figures in BWP.

Top three earners	For management services	Pension fund and medical aid contributions	Performance bonus	Total
Employee 1	1 777 122	-	700 000	2 477 122
Employee 2	1 667 415	185 886	400 000	2 253 301
Employee 3	1 693 630	169 363	350 000	2 212 993

In terms of the Long Term Incentive Scheme 2 334 259 shares vested to the top three earners during April 2014 that related to the financial year 31 January 2014.

Corporate Governance (continued)

Governance and compliance

IT governance framework

The Group has developed an IT governance framework. The Group's operations and sustainability is critically dependent on Information Technology.

The value of IT, the 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 activities and functions of the IT organisation are aligned, to enable and support the priorities of the organisation
- IT delivers envisioned benefits against the 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; there is an awareness of risk and the organisation's appetite for risk is managed
- Performance is optimally tracked and measured and envisioned benefits are realised, including the 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 of 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 to management, responsibility 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 Group Management Committee. ALM deals with the management of capital adequacy, currency, liquidity, interest rate risk, market risk and credit risks to ensure that the regulatory prudential ratios are maintained. With regard to central bank regulated subsidiaries such a Letshego Financial Services Mozambique which holds a micro finance banking licence, there is a local Assets and Liabilities and Credit Committees in line with the Bank of Mozambique 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. 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 remains the responsibility of the directors.

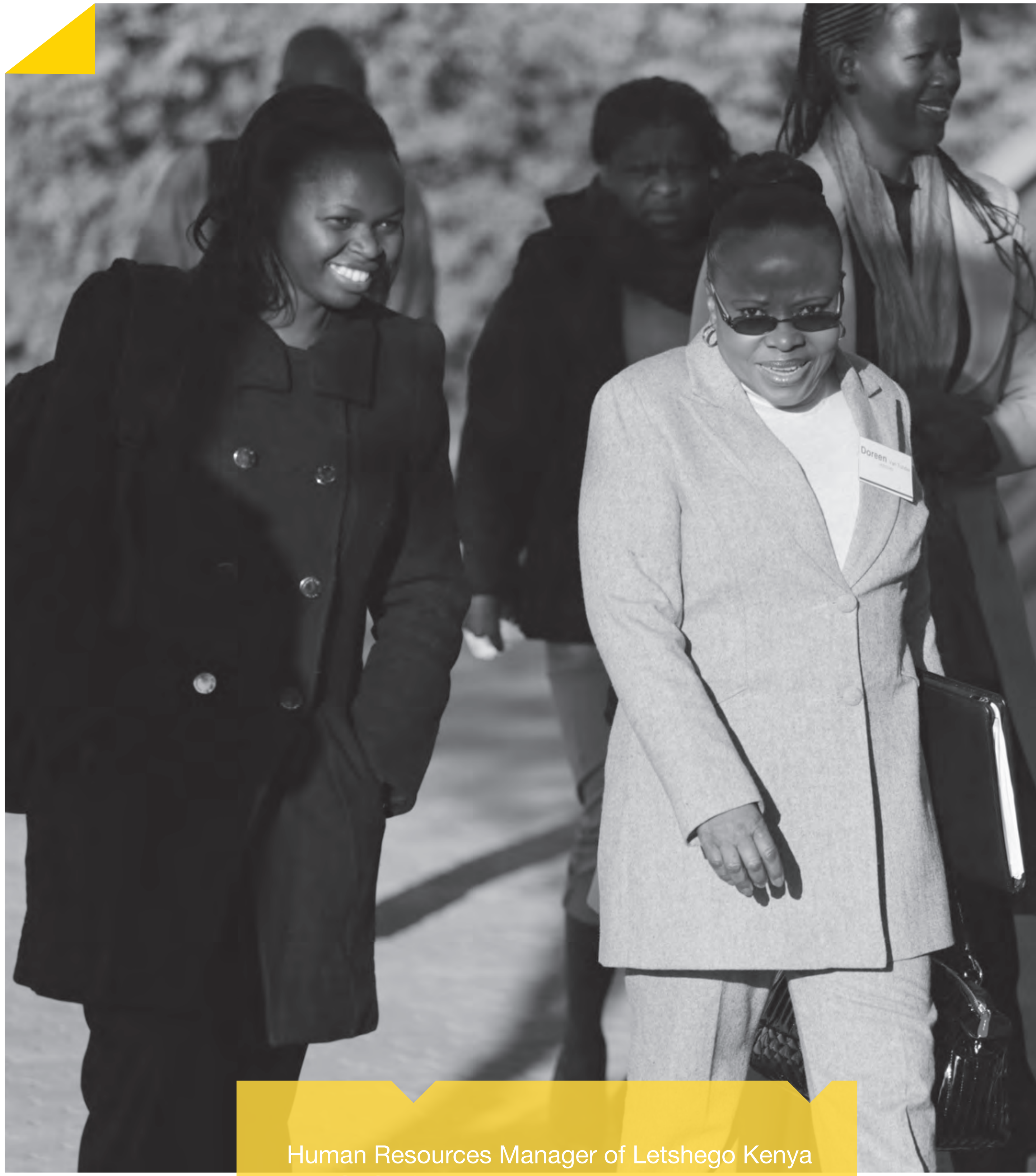
Internal audit

The Group has an Internal Audit function that has been established to assist the Group to accomplish 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. Further the Internal Audit team conducts internal audit 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 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 certain high level. Where relevant, the Group adheres to industry-regulated codes of conduct in the countries in which it operates.



Human Resources Manager of Letshego Kenya and CEO of Letshego Lesotho

Sustainability report

Botswana management team

Our approach to sustainability

Our approach to running our business is inclusive and comprehensive, recognising that our accountability towards the communities in which we operate, and conducting our business ethically, are all important parts of our licence to operate. We believe that our most important contribution to sustainable development is to operate an effective, efficient and profitable Group engaged in the provision of simple to understand products that promote responsible and appropriate lending practices that are easily accessible by our target segments and are responsively delivered. 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 continues to position us to help our customers and stakeholders manage social and environmental challenges and invest for the future, which in turn contributes to the viability and sustainable growth of local markets and national economies. The success of our customers and other stakeholders guarantees future business, which strengthens the Group's sustainability. Further wherever possible we align our strategy to facilitate local Government agenda for financial inclusion and financial skills deepening.

Scope of this report

This sustainability report covers the 2014 financial year and has drawn on the King III Code of Governance Principles and Global Reporting Initiative guidelines. It extends to Letshego's subsidiaries. The report covers, amongst other aspects of our strategic drivers, stakeholder engagement and material business issues.

Sustainability report (continued)

Our Sustainability Approach

Customer Experience
"A unique offering"

- Aligning 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 to make products and services competitive
- Providing ongoing consumer education through various mediums such as brochures, product and service labelling and advertisements that enable our customers to make sound financial decisions.
- Driving customer retention by effectively and continually engaging with our customers to understand their different needs.
- Working with other industry stakeholders and law enforcement bodies to promote responsible lending

Innovation
"In everything we do"

- Focusing on being a leader in the area of corporate social responsibility.
- Developing an innovative approach to establishing a comprehensive set of sustainable business initiatives that is designed to facilitate the Group's Environmental Social and Governance approach to operating its business.
- Engaging our employees actively in all of its sustainability initiatives.
- Facilitating Letshego employees across the Group to participate in Lets Give Day on the first Saturday of September annually by volunteering their time to give back to the community
- Committing to giving back 1% PAT annually to deserving CSR projects in the communities we operate in.

Risk Management
"A holistic approach"

- Managing our risks through risk registers in order to continually define the culture, direction and strategy of the Group.
- Through the Group sustainability committee creating a consistent approach to environmental and social risk management by facilitating policy and performance standards, as well as monitoring and evaluating the group's performance.
- Continually reviewing corporate governance structures to maintain robust governance and risk management frameworks,
- Constantly review 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 breaches of regulatory compliance

Your preferred partner -

People Development
"Where individuals make a difference and teams succeed"

- Building out the top team to support execution of the Group and Country agendas
- Aiming to be an employer of choice for talent who understand local dynamics, and who can provide the fundamental insight on where we need to change our strategy
- Continuing to roll out new HR tools covering policies, performance management, succession planning and training
- Differentiating employee rewards based on performance of the individual, local business unit and Group
- Developing talent management and leadership development programmes to nurture the skills we need to meet our strategic objectives
- Focusing increased employee engagement and building morale across the group

Stakeholder Engagement
"Leveraging for value"

- Actively engaging with stakeholders, through different forums to build trust and foster dialogue, leveraging their expertise and perspective to strengthen the Group.
- Organising targeted forums focused on the different stakeholder needs.
- Regularly outreaching to institutional investors and other shareholders
- Holding several one-on-one meetings with stakeholders to review our previous year's performance and future plans.
- Holding annual shareholders meetings
- Employing customer feedback back processes to get the customers' voice

Committed to improving lives

Sustainability report (continued)

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 play a vital role in establishing, maintaining and improving relationships with Letshego's various stakeholder groups. The following table identifies the ongoing issues identified and Letshego's approach to address them.

	Stakeholder	Method of communication	Material issues	Our approach
1	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
2	Government	• Specific meetings • Industry forums • Presentations • Website	• Promotion of Central Registrars • Fair competition • Responsible lending • Financial skills deepening • Financial inclusion	• Engaging with Government to understand their concerns • Emplementation of King III requirements
3	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 consitent conduct • Promotion of best practice
4	Staff	• Internal newsletters • Staff meetings • Individual engagement	• Focus on ethical conduct • Development and progression of staff	• Training and transfer of skills
5	Investors (including shareholders and analysts)	• Annual General Meeting • Presentations • Site visits • Annual report • Website • Investment updates • Industry specific confences	• Sustainability of the business model • Sustainability of profits • Over-commitment (customers' borrowing levels)	• Continued regional expansion • Conservative but steady growth • Affordability checks • Central registers and promotion of industry best practice
6	Communities	• Regular meetings	• Improving lives	• 1% of profit after tax set aside for projects

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.

Sustainability report (continued)

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
1	**Funding risk** Being a non-deposit taking institution, we need to constantly ensure sufficient lines of funding at optimum costs to finance our growing asset base	• Lines of funding from various sources have been put in place • Listing of MTN program on the JSE and BSE • Process of applying for deposit taking licences started
2	**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 • Maintainance 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
3	**Currency risk** As a result of multinational operations	• Match borrowing currency with lending currency • Review hedging options to mitigate foreign currency exposures
4	**Interest rate risk** Mismatch of lending tenor versus funding sources	• Matching interest rate terms between lending and borrowings • Introducing new non-interest revenue streams
5	**Strategic risk** Reliance on a single geography and limited product offering	• Expansion into other countries • Development of alternative interest streams • Investment in a new debtors' systems with increased functionality • Micro banking licences being explored for deposit taking
6	**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 more industry regulations
7	**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
8	**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 Social Investment

Social Impact

Our commitment to improving lives (social impact) underpins our long-term sustainability. Letshego will continue to contribute to the socioeconomic development of the countries in which it operates in a way that is consistent with the nature and size of our operations and include Governments agenda of financial inclusion. We will provide responsible financial services and products, bearing in mind the needs of society, our customers, our staff, our shareholders, the environment and future generations.

Social responsibility and sustainability has become an integral part of Letshego's business model that aims to address social, environmental, ethical lending and consumer concerns in close cooperation with all of its stakeholders. Letshego group aims to commit 1% of its profit after tax annually to invest in programs where real needs exist in the health and education sectors as well as where productive livelihoods can be promoted.

Specifically Letshego

- endeavours proactively to initiate solutions
- supports projects that are apolitical and are not driven by self-interest agendas
- has created a corporate culture in which employees give back to the community in partnership with the company and other stakeholders – "Let's Give Days".

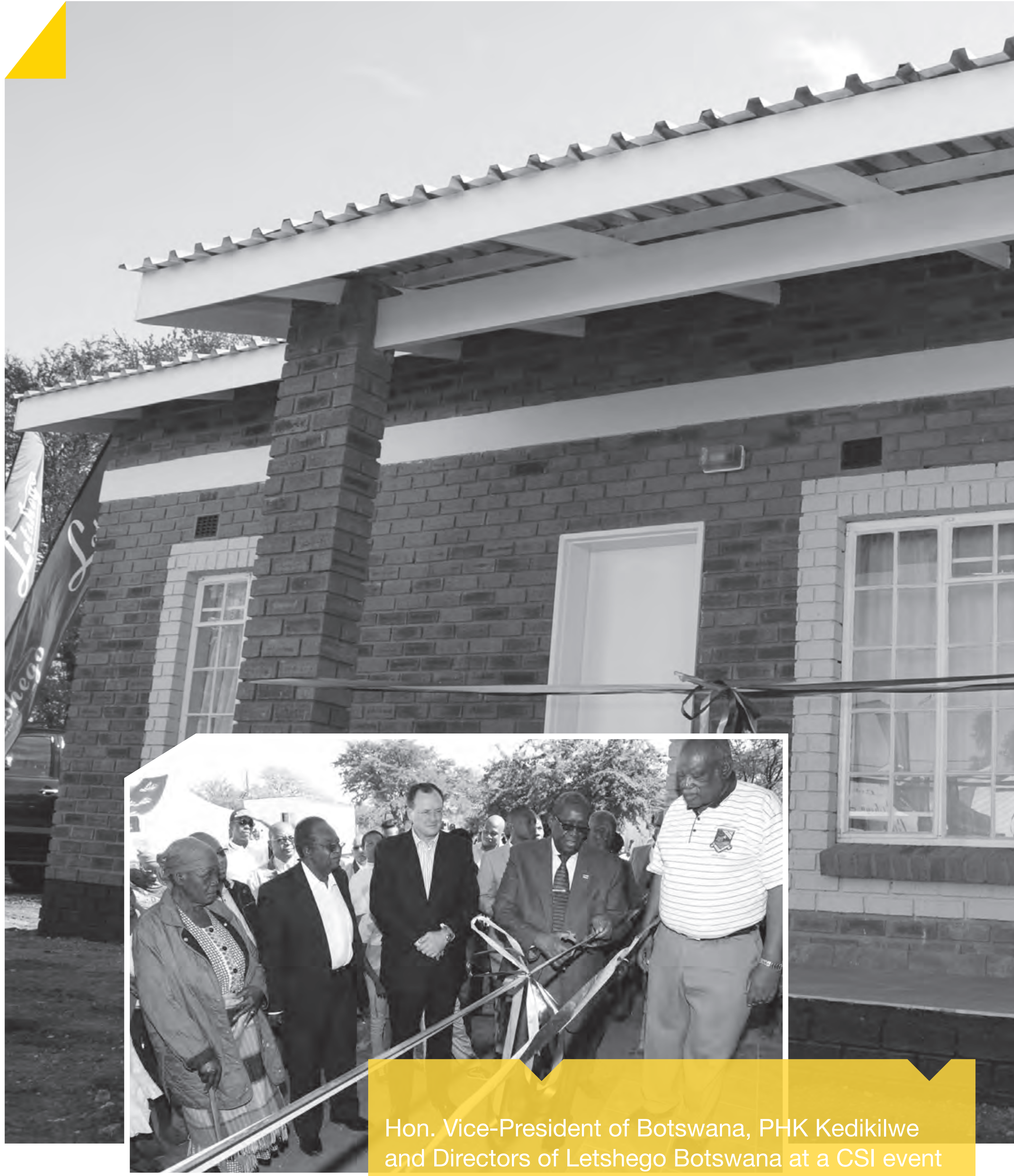
Letshego is actively involved in a broad range of projects in the areas of health, education and capacity building for socially marginalised groups such as people living with disability. In 2014, Letshego supported corporate social responsibility (CSR) activities, these form an integral part of Letshego's corporate culture and epitomises the Group's core values. Some of the projects that Letshego embarked on this financial are as follows:

Encouraging sustainable use of loans through financial literacy (Tanzania): It is Letshego's belief that people are empowered when they learn that they can create their own choices in life, are aware of the implications of those choices and make informed decisions. It is with this in mind that Letshego Tanzania Limited hosted financial literacy seminars in different regions around the country focusing mainly on marginalized groups. The aim of the seminars was provision of entrepreneurship and financial education through enterprise development training to the general public and facilitating uptake. The seminars, that were appropriately themed "I CAN", facilitated practical knowledge of financial and business plan services by providing a platform to educate and empower the marginalised groups in the society such as people living with disability who are micro entrepreneurs. This CSI initiative clearly demonstrated Letshego's commitment to financial inclusion and its quest to educate individuals on the effective use of debt to create wealth for oneself (financial skills deepening).

Healthcare Improvement (Uganda): Elevating healthcare service delivery is one of Letshego's key CSI focus areas. There have been constant reports and outcry on the situation in government hospitals in general regarding shortage of medical facilities, including basic facilities like beds/ mattresses. In Uganda, Government hospitals are overwhelmed by numbers and this has led to patients sleeping on bare floors or children sharing beds. To make a contribution towards this, Letshego Uganda donated one thousand mattresses to hospitals in five regions in Uganda. The use of these mattresses will reduce the spread of contagious diseases in hospitals by reducing the number of people that have to share beds.

Using our Hands to Improve Learning Facilities (Botswana): Through Letshego's "Let's Give Day"; Letshego employees across the Group have managed to continuously make a meaningful contribution to communities in which we operate. Naledi Education Centre was the beneficiary of this year's Let's Give Day project. Naledi Education Centre, in Gaborone, Botswana providing primary education for children that are too old to be accepted into government day schools, as well as provides primary education for adults who did not have the opportunity to attend school as children (night school). Further it provides day care facilities for pre-school children living in Old Naledi (an under privileged community in the heart of Gaborone). The Letshego team renovated the centre by installing ceilings in the classrooms, fencing and painting the buildings. Further, the spirit of "Ubuntu" was demonstrated by Letshego employees when they assisted the Old Naledi community whose learning centre was on the brink of collapsing due to some structural defects.

Corporate Social Investment (continued)



Hon. Vice-President of Botswana, PHK Kedikilwe and Directors of Letshego Botswana at a CSI event

The Group Directors have the pleasure of submitting to the shareholders their report and audited financial statements.

Audited Annual Financial Statements

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Group Directors' Report and Responsibility Statement

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 year 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.

Stated capital

Total Stated Capital of the Group amounted to P 959,554,000 (2013; P 689,243,000).

On 21 April 2013, 10,796,129 ordinary shares were issued at various prices in terms of the Group's Long Term Incentive Plan. In April 2013 shares were also issued to ADP I Holding 2 by conversion of the loan facility advanced to Letshego Holdings Limited. These amounted to 158,105,858 shares. This increased the stated capital by P 270,311,000.

In the prior year on 16 May 2012, 13,640,378 ordinary shares were issued at various prices in terms of the Group's long term incentive plan. This increased the stated capital by P19, 367,000.

Subsidiary companies

- On 28 February 2013 the Group finalised a transaction to acquire the remaining 37.48% shareholding in Micro Africa Limited, which brought the ownership to 100%.
- During July 2013 the group acquired the remaining 2,5% shareholding in Letshego Rwanda Limited bringing the total shareholding to 100%.
- On 1 December 2013 the Group sold 100% of its shareholding in Letshego Financial Services Zambia Limited and disinvested from this subsidiary in full.
- There were no other changes in shareholding of the subsidiaries.

Dividends

An interim dividend of 4.2 thebe per share (2013: 4.2 thebe per share) was declared on 16 October 2013 (2013: 16 October 2012).

A second and final dividend of 3.2 thebe per share (2013: 4.0 thebe per share) was declared on 16 April 2014 (2013: 17 April 2013).

Directors

The following persons were directors of the company during the period and up to the date of approval of the financial statements:

* J.A. Burbidge [3]	(Chairman)	
* M.M. Dawes [4]		(Resigned on 25 March 2014)
* G. Hassam [5]		
J.A. Claassen [4]	(Managing Director)	(Resigned on 24 January 2014)
A.C.M. Low [3]	(Managing Director)	(Appointed 1 November 2013)
* J.de Kock [4]		(Appointed 1 March 2013)
D. Ndebele [1]		(Resigned on 16 April 2014)
* S. Price [3]		(Appointed 1 April 2013)
* I.M. Mohammed [2]		(Alternative Director – RN Alam 2)
* R Thornton [2]		(Appointed 1 April 2013)
* L.E. Serema [1]		
* G. Van Heerde [4]		(Appointed 16 April 2014)
* H. Karuhanga [6]		(Appointed 1 October 2013)

* 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 January 2014 is 1,727,351 (2013: 3,000,000). 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. With effect from 1 February 2008, the number of vesting share awards is subject to achievement of certain non-market conditions. Prior to this date, vesting of share awards was subject to the achievement of certain market and non-market conditions, which required a fair valuation element. With the removal of market conditions, the estimation of shares to vest for a year is based on internal projections as to the specified conditions being achieved. Shares are awarded in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange.

Statement of responsibility

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

The directors are also responsible for such internal control as 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 those 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 business will not be a going concern in the foreseeable future.

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 16 April 2014 and are signed on its behalf by:

J.A. BURBIDGE
CHAIRMAN

A.C.M. LOW
MANAGING DIRECTOR

Report of The Independent Auditors

KPMG, Chartered Accountants
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/

To the members of Letshego Holdings Limited

We have audited the accompanying group annual financial statements of Letshego Holdings Limited, which comprise the consolidated statement of financial position as at 31 January 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 55 to 106.

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 judgment, 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 group financial statements give a true and fair view of, the consolidated financial position of Letshego Holdings Limited as at 31 January 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

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

Gaborone
26 May 2014

Consolidated Statement of Financial Position

AT 31 JANUARY 2014

	Note	2014 P'000	2013 P'000
ASSETS			
Cash and cash equivalents	3	310,525	807,254
Advances to customers	4	4,427,757	3,336,204
Other receivables	5	101,911	38,349
Long term receivables		-	11,468
Plant and equipment	6	53,988	14,559
Intangible assets	7	6,117	12,457
Goodwill	8	55,250	49,948
Deferred taxation	22.1	14,617	8,939
Total assets		**4,970,165**	**4,279,178**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	9	127,217	78,828
Cash collateral	10	42,293	34,185
Taxation payable		46,517	28,327
Borrowings	11	1,249,871	1,277,395
Total liabilities		**1,465,898**	**1,418,735**
Shareholders' equity			
Stated capital	12	959,554	689,243
Foreign currency translation reserve		(94,826)	(45,982)
Legal reserve		2,696	-
Share based payment reserve	13	17,470	19,173
Retained earnings		2,522,666	2,112,485
Total equity attributable to equity holders of the parent company		**3,407,560**	**2,774,919**
Non - controlling interest	14	96,707	85,524
Total shareholders' equity		**3,504,267**	**2,860,443**
Total liabilities and equity		**4,970,165**	**4,279,178**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 JANUARY 2014

	Note	2014 P'000	2013 P'000
Interest income	17	1,176,176	1,074,822
Interest expense	18	(62,488)	(108,807)
Net interest income		**1,113,688**	**966,015**
Fee and commission income	19	134,236	132,907
Other operating income	19.1	122,202	58,044
Operating income		**1,370,126**	**1,156,966**
Employee benefits	20	(199,658)	(123,087)
Other operating expenses	21	(255,772)	(157,395)
Net income before impairment and taxation		**914,696**	**876,484**
Impairment of advances	4	(64,495)	(35,097)
Profit before taxation		**850,201**	**841,387**
Taxation	22	(205,511)	(181,750)
Profit from continuing operations		**644,690**	**659,637**
Discontinued operations			
Loss on sale of subsidiary (net of taxes)		(1,060)	-
Profit for the year		**643,630**	**659,637**
Attributable to :			
Equity holders of the parent company		601,151	628,084
Non - controlling interest		42,479	31,553
Profit for the year		643,630	659,637
Other comprehensive income, net of tax			
Foreign operations - foreign currency translation differences		(55,303)	(15,833)
Total comprehensive income for the year		**588,327**	**643,804**
Attributable to :			
Equity holders of the parent company		552,636	614,623
Non - controlling interest		35,691	29,181
Total comprehensive income for the year		**588,327**	**643,804**
Basic earnings per share – (thebe)	23	30.2	33.1
Fully diluted earnings per share – (thebe)	23	29.8	30.1
Dividends per share : interim (thebe) - paid	24	4.2	4.2
: final (thebe) - proposed	24	3.2	4.0
Weighted average number of shares in issue during the period (millions)	23	2,129	1,995
Number of shares in issue at the end of the period (millions)	12	2,167	1,999
Dilution effect - number of shares (millions)	23	27,6	195

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 JANUARY 2014

	Note	Stated Capital P'000	Retained Earnings P'000	Share Based Payment Reserve P'000	Foreign Exchange Translation Reserve P'000	Legal Reserve P'000	Non Controlling Interest P'000	Total P'000
Balance at 1 February 2013		689,243	2,112,485	19,173	(45,982)	-	85,524	2,860,443
Total comprehensive income for the year								
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 Holdings		252,969	-	-	-	-	-	252,969
Allocation to share based payment reserve	13	-	-	15,639	-	-	-	15,639
Allocation to Legal Reserve		-	(2,696)	-	-	2,696	-	-
Disposal of Letshego Financial Services Zambia (Pty) Ltd		-	(4,235)	-	(329)	-	-	(4,564)
New shares issued from long term incentive scheme	13	17,342	-	(17,342)	-	-	-	-
Dividends to equity holders	24	-	(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**
Balance at 1 February 2012		669,876	1,617,969	15,654	(32,521)	-	53,876	2,324,854
Total comprehensive income for the year								
Profit for the year		-	628,084	-	-	-	31,553	659,637
Other comprehensive income, net of income tax								
Foreign currency translation reserve		-	-	-	(13,461)	-	(2,372)	(15,833)
Transactions with owners, recorded directly in equity								
Allocation of subsidiary net assets to NCI at acquisition		-	-	-	-	-	2,467	2,467
Allocation to share based payment reserve	13	-	-	22,886	-	-	-	22,886
New shares issued from long term incentive scheme	13	19,367	-	(19,367)	-	-	-	-
Dividends to equity holders	24	-	(133,568)	-	-	-	-	(133,568)
Balance at 31 January 2013		**689,243**	**2,112,485**	**19,173**	**(45,982)**	**-**	**85,524**	**2,860,443**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 JANUARY 2014

	Note	2014 P'000	2013 P'000
OPERATING ACTIVITIES			
Cash (used in) / generated from operations	15	(279,425)	593,138
Income tax paid		(192,999)	(166,828)
Net cash flows (used in) / from operating activities		**(472,424)**	**426,310**
INVESTING ACTIVITIES			
Additional investment in subsidiaries		(16,049)	(26,239)
Proceeds from sale of a subsidiary		4,188	-
Divestment in short term investments		-	12,044
Dividends received		7,490	-
Proceeds from sale of property, plant and equipment		356	207
Purchase of property, plant and equipment and intangible assets		(42,068)	(19,643)
Net cash flows used in investing activities		**(46,083)**	**(33,631)**
FINANCING ACTIVITIES			
Dividends paid		(197,800)	(133,568)
Finance obtained from third parties		481,695	739,663
Repayment of borrowings		(262,117)	(265,132)
Net cash flows from financing activities		**21,778**	**340,963**
Net movement in cash and cash equivalents		**(496,729)**	**733,642**
Movement in cash and cash equivalents			
At the beginning of the year		807,254	73,612
Movement during the year		(496,729)	733,642
At the end of the year	3	**310,525**	**807,254**

Significant Accounting Policies

FOR THE YEAR ENDED 31 JANUARY 2014

Reporting entity

Letshego Holdings Limited (the "Company") is a company incorporated in Botswana. The address of the company, which is a limited liability company, is Letshego Place, Plot 22 Khama Crescent, Gaborone, Botswana. The consolidated financial statements of the Company as at and for the year ended 31 January 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 micro and small entities.

The Group financial statements for the year ended 31 January 2014 have been approved for issue by the Board of Directors on 16 April 2014.

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 the International Financial Reporting Standards.

Basis of preparation

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

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

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

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

Significant judgements made by management in the application of International Financial Reporting Standards consist mainly of loans and advances impairment and share based payment calculations as disclosed in 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 22).

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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Significant Accounting Policies (continued)
FOR THE YEAR ENDED 31 JANUARY 2014

Basis of consolidation (continued)
The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in 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. An impairment loss recognised on goodwill is not reversed in a subsequent period.

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 interest
The interest of minority shareholders in the consolidated equity and results of the Group are shown separately in the consolidated statement of financial position and statement of profit and loss and other comprehensive income. Minority shareholders are viewed as equity participants of the Group and all transactions with minorities are therefore accounted for as equity transactions and included in the consolidated statement of changes in equity.

Recognition and de-recognition of assets and liabilities
The Group recognises an asset when it obtains control of a resource as a result of past events and future economic benefits are expected to flow to the Group. The Group derecognises a financial asset when it loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. A financial liability is derecognised when it is legally extinguished. Any resulting gain or loss is recognised in the profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Plant and equipment
Plant and equipment are stated at cost less accumulated depreciation and impairment in value.

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

Computers	3 years
Furniture and fittings	4 years
Office equipment	5 years
Motor vehicles	4 years
Software system	10 years (Disclosed as part of intangible assets on SOFP)

The residual value and useful life of each part of plant and equipment, if not insignificant, is reassessed annually. Depreciation costs are recognised on a prorate basis from the date the asset is commissioned for use.
Gains and losses on disposal of plant and equipment items are determined by comparing proceeds with the carrying amounts and included in profit or loss.

Work in progress
Work in progress comprises of costs incurred in the system development currently on-going in respect of the customised lending and financial reporting module of the Group. The costs associated with this development process is recognised as work in progress until a time the systems are commissioned for use at which point the respective element will be transferred to computer equipment and software and depreciated using the same basis as noted above.

Significant Accounting Policies (continued)
FOR THE YEAR ENDED 31 JANUARY 2014

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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Pula at foreign exchange rates at the dates the values were determined.

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 stated 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 stated 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 is three to ten years.

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

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

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

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

Provisions

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

Income tax

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

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

Deferred tax

Deferred tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

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

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

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.

Revenue recognition

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

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

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

Fee and commission income

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

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

Finance costs

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

Interest from bank deposits

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

Other income

Other income comprises 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.

Legal reserve

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

Stated capital

Stated capital is recognised at the fair value of the consideration received.

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.

Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds and the redemption value is recognised in profit or loss over the period of the borrowings.

Employee benefits

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

The Group also operates an employee bonus incentive scheme. The provision for employee bonus incentive is based on a predetermined group policy and is recognised in other accruals. 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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

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 Group expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to a share-based payment reserve in the statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

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

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

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

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

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.

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 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.

Related party transactions

Related parties comprise Directors and key management personnel of the Group and Companies with common ownership and/ or Directors.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

Financial assets and liabilities

Recognition

The Group initially recognises advances to customers, borrowings issued and cash collateral on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the 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. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

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

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

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

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 such as in the Group's trading activity.

Amortised cost measurement

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

Fair value measurement

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

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

Financial assets and liabilities (continued)
Fair value measurement (continued)

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 options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

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

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

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

Identification and measurement of impairment

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

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

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

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

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

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

Identification and measurement of impairment (continued)

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

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

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

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

Designation at fair value through profit or loss

The 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;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Cell captive insurance

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 risks, such as death and disability, are insured through this cell. Monthly premiums are collected from customers by the Group and are paid into the insurance cell.

Premium reserves 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.

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 comprehensive expenses. 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 bi-annually as a dividend. Dividends are recognised in profit or loss in the reporting period that these are approved by the Directors.

Impairment for non-financial assets

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

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

Impairment for non-financial assets (continued)

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.

Investment in subsidiary companies

The Group determines control over any operating entity largely by virtue of effective voting rights regarding any corporate actions the entity may engage in.

Details of these rights (shareholding) are shown in the table below:

Subsidiary company	Country of incorporation	Nature of business	2014 % holding	2013 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100	100
Letshego Kenya Limited	Kenya	MSE and unsecured consumer lending	100	63
Letshego Financial Services Lesotho Limited	Lesotho	Unsecured consumer lending	95	95
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending	96.25	96.25
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
Letshego Financial Services Zambia Limited	Zambia	Unsecured consumer lending	-	100

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 JANUARY 2014

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"), Remuneration Committee ("Remco"), Investment Committee, Group Executive Committee ("Exco") and subsidiary companies' Advisory Committees ("ADCO") 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 Group Exco which comprises of executive directors and senior management and reports regularly to the Board of Directors and its sub committees on their 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 the monthly loan repayment directly from the employees' (the Letshego customer) salary. This salary deduction code model is used throughout the Group with the exception of Micro Africa operations, which are made up of group, SMME and payroll lending.

For the portion of the customer advances portfolio that is not extended to Government and civil service employees with installments 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;
iii) Regular review of group, SMME and individual borrowers' financial status including personal visits by loan officers and supervisors.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

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 is 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 Micro Africa Limited ("MAL") 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 ("MSEs").

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 the installment 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 two months' original salary advice (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 is 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 complimentary to any regulatory requirements.

Group and MSE lending

Loan applicants are required to submit their personal financial statutes as well as complete a loan application form along with the field officers' to reflect this, as well as the financial viability of the customer's loan proposal. A credit scoring is then completed based on which the loan disbursement value is determined or recommended.

Letshego offers life insurance products to all its clients in Botswana, Namibia, Mozambique, Zambia, 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 Life Limited (HLNL). Through this vehicle Letshego Namibia's and Letshego Financial Services Swaziland's advances books are insured for risk of default including such risks as loss of employment, employer default, absconscion 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 provisioning policies.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

1 FINANCIAL RISK MANAGEMENT (continued)
1.2 Credit risk (continued)

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 installment 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 the use of 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 SMME 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 judgments. 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 is made by the Group Exco.

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 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.

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 e.g. 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 negotiated 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.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

1 FINANCIAL RISK MANAGEMENT (continued)
1.2 Credit risk (continued)

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 and SMME lending

The corporate 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 Group Credit 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 will not be sufficient to pay back the entire exposure.

Maximum exposure to credit risk

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

Maximum exposure to credit risk at 31 January 2014

	Gross Advances P'000	Specific Provision P'000	Portfolio Provision P'000	Net Advances P'000	Security Held P'000
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)**

Maximum exposure to credit risk at 31 January 2013

	Gross Advances P'000	Specific Provision P'000	Portfolio Provision P'000	Net Advances P'000	Security Held P'000
Southern Africa	2,713,097	(562)	(7,375)	2,705,160	-
East Africa	640,203	-	(9,159)	631,044	(34,185)
Total at 31 January 2013	**3,353,300**	**(562)**	**(16,534)**	**3,336,204**	**(34,185)**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

1 FINANCIAL RISK MANAGEMENT (continued)
1.2 Credit risk (continued)

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 SMME 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 January 2014

	Government P'000	Private (including parastatals) P'000	Total net advances P'000
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**

Analysis of sector risk at 31 January 2013

	Government P'000	Private (including parastatals) P'000	Total net advances P'000
Southern Africa	2,593,148	112,012	2,705,160
East Africa	492,614	138,430	631,044
	3,085,762	**250,442**	**3,336,204**

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

31 January 2014	Southern Africa P'000	East Africa P'000	Total P'000
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**
31 January 2013			
Neither past due nor impaired	2,583,996	610,083	3,194,079
Past due but not impaired	116,528	16,678	133,206
Impaired	12,573	13,442	26,015
Total gross advances to customers	2,713,097	640,203	3,353,300
Less: impairment provision	(7,937)	(9,159)	(17,096)
Net advances to customers at 31 January 2013	**2,705,160**	**631,044**	**3,336,204**

Notes to the Consolidated Financial Statements (continued)
FOR THE YEAR ENDED 31 JANUARY 2014

1 FINANCIAL RISK MANAGEMENT (continued)
1.2 Credit risk (continued)

Other exposures to credit risk

	2014 P'000	2013 P'000
Cash and cash equivalents	310,525	807,254
Other receivables (including long term receivables)	101,911	49,817
	412,436	857,071

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

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.

Notes to the Consolidated Financial Statements (continued)
FOR THE YEAR ENDED 31 JANUARY 2014

1 FINANCIAL RISK MANAGEMENT (continued)
1.3 Interest 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 (including long term 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	19,210	3,701	-	-	23,606	46,517
Shareholders' equity	-	-	-	-	3,504,267	3,504,267
	19,210	**58,701**	**773,531**	**421,340**	**3,697,383**	**4,970,165**
Net interest sensitivity gap	**257,689**	**348,569**	**(18,043)**	**2,876,127**	**(3,464,342)**	**-**

31 January 2013

	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
EQUITY AND LIABILITIES						
Cash and cash equivalents	807,254	-	-	-	-	807,254
Advances to customers	22,907	359,912	1,088,767	1,847,422	17,196	3,336,204
Other receivables (including long term receivables)	12,143	-	11,468	-	26,206	49,817
Plant and equipment	-	-	-	-	14,559	14,559
Intangible assets	-	-	-	-	12,457	12,457
Goodwill	-	-	-	-	49,948	49,948
Deferred taxation	-	-	-	-	8,939	8,939
	842,304	**359,912**	**1,100,235**	**1,847,422**	**129,305**	**4,279,178**
EQUITY AND LIABILITIES						
Trade and other payables	-	-	-	-	78,828	78,828
Cash collateral	-	-	-	-	34,185	34,185
Borrowings	89,315	142,802	399,979	645,299	-	1,277,395
Taxation payable	-	-	-	-	28,327	28,327
Shareholders' equity	-	-	-	-	2,860,443	2,860,443
	89,315	**142,802**	**399,979**	**645,299**	**3,001,783**	**4,279,178**
Net interest sensitivity gap	**752,989**	**217,110**	**700,256**	**1,202,123**	**(2,872,478)**	**-**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Interest risk (continued)

The majority of the Group's borrowings are linked to fixed interest rates (2013: variable). 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 on note 5.

New facilities entered into during 2014 financial year were fixed in nature.

	2014 P'000	2013 P'000
The average cost of borrowings with variable rates in percentage terms was (excluding the impact of foreign exchange gains or losses)	8.91%	10.05%
The impact of a 1% increase in lending rates on interest expense would be adverse (P'000)	1,264	10,401
% change in profit before tax	0.1%	1.2%

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

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 financial liabilities and unrecognised loan commitments 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.

	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
31 January 2014						
Total assets	276,899	407,270	755,488	3,297,467	233,041	4,970,165
Total liabilities and equity	(19,210)	(58,701)	(773,531)	(421,340)	(3,697,383)	(4,970,165)
Net liquidity gap	257,689	348,569	(18,043)	2,876,127	(3,464,342)	-
31 January 2013						
Total assets	842,304	359,912	1,100,235	1,847,422	129,305	4,279,178
Total liabilities and equity	(123,500)	(142,802)	(399,979)	(645,299)	(2,967,598)	(4,279,178)
Net liquidity gap	718,804	217,110	700,256	1,202,123	(2,838,293)	-

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

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

Currency risk

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

Assets and liabilities in each local currency are matched to a large extent. The Group has borrowings in Rand, Euros and Dollars. The Rand liabilities are matched with assets in Lesotho, Swaziland, Namibia and a fixed deposit placement with financial institutions (Note 3) which are part of the common currency area with South Africa. The Dollar liability is matched with cash and cash equivalents held in the currency.

Notes to the Consolidated Financial Statements (continued)
FOR THE YEAR ENDED 31 JANUARY 2014

Notes to the Consolidated Financial Statements (continued)
FOR THE YEAR ENDED 31 JANUARY 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 (including short term investments)	22,047	23,244	77,961	3,216	36,143	9,531
Advances to customers	-	106,794	939,246	95,140	304,529	222,446
Other receivables	-	369	5,476	211	2,216	16,607
Total assets	22,047	130,407	1,022,683	98,567	342,888	248,584
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	95,591
Net exposure	(553,436)	126,907	1,017,679	97,605	338,069	152,993
Exchange rates at 31 January 2014 - assets: BWP 1.00 =	1.27	1.27	1.27	1.27	190.21	335.15
Exchange rates at 31 January 2014 - liabilities: BWP 1.00 =	1.20	1.20	1.20	1.20	185.46	334.40
31 January 2013						
Cash and cash equivalents (including short term investments)	490,641	23,007	58,302	31,808	41,951	4,311
Advances to customers	-	130,611	613,502	22,614	333,533	178,653
Other receivables	-	919	4,824	166	3,083	1,701
Total assets	490,641	154,537	676,628	54,588	378,567	184,665
Borrowings	620,473	-	-	-	20,732	84,030
Trade and other payables	-	3,952	9,916	457	5,872	12,680
Total liabilities	620,473	3,952	9,916	457	26,604	96,710
Net exposure	(129,832)	150,585	666,712	54,131	351,963	87,955
Exchange rates at 31 January 2013 - assets: BWP 1.00 =	1.16	1.16	1.16	1.16	198.21	333.15
Exchange rates at 31 January 2013 - liabilities: BWP 1-00 =	1.09	1.09	1.09	1.09	195.46	332.40

31 January 2014	Zambian Kwacha P'000	Mozambican Meticals P'000	Kenya Shilings P'000	Rwandan Francs P'000	South Sudan Pound P'000	Great Britain Pound P'000	United States Dollar P'000	Botswana Pula P'000	Total Pula P'000
Cash and cash equivalents (including short term investments)	-	9,826	8,343	3,959	2,688	12,752	28,821	136,662	375,193
Advances to customers	-	792,670	78,719	52,821	26,007	-	-	1,809,385	4,427,757
Other receivables	-	4,634	2,572	1,132	2,245	-	-	1,781	37,243
Total assets	-	807,130	89,634	57,912	30,940	12,752	28,821	1,947,828	4,840,193
Borrowings	-	19,500	39,267	19,665	42,097	-	-	462,038	1,249,871
Trade and other payables	-	4,933	49,534	-	-	-	-	96,988	169,510
Total liabilities	-	24,433	88,801	19,665	42,097	-	-	559,026	1,419,381
Net exposure	-	782,697	833	38,247	(11,157)	12,752	28,821	1,388,802	3,420,812
Exchange rates at 31 January 2014 - assets: BWP 1.00 =	0.60	3.88	10.30	81.19	0.43	0.07	0.11	1.00	
Exchange rates at 31 January 2014 - liabilities: BWP 1.00 =	0.54	3.81	9.44	71.95	0.40	0.07	0.11	1.00	
31 January 2013									
Cash and cash equivalents (including short term investments)	1,797	13,591	9,261	3,747	1,590	-	453	138,938	819,397
Advances to customers	6,823	398,942	64,001	37,921	16,935	-	-	1,532,669	3,336,204
Other receivables	87	3,566	2,687	773	753	-	-	19,115	37,674
	-								
Total assets	8,707	416,099	75,949	42,441	19,278	-	453	1,690,722	4,193,275
Borrowings	-	18,503	45,734	22,076	12,722	-	-	453,125	1,277,395
Trade and other payables	500	4,976	21,160	3,442	16,687	-	18	33,353	113,013
Total liabilities	500	23,479	66,894	25,518	29,409	-	18	486,478	1,390,408
Net exposure	8,207	392,620	9,055	16,923	(10,131)	-	435	1,204,244	2,802,867
Exchange rates at 31 January 2013 - assets: BWP 1.00 =	0.70	3.78	11.30	83.19	0.41		0.13	1.00	
Exchange rates at 31 January 2013 - liabilities: BWP 1-00 =	0.64	3.71	10.44	75.95	0.38		0.12	1.00	

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 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 January 2014	SA	Swaziland	Tanzanian	Ugandan	Zambian	Namibian	Mozambican	Lesotho	Kenya	Rwandan	South Sudan	Great Britain	United States	Botswana	Total if Pula Appreciated by 10%	Actual at year end
	Rand P'000	Emalangeni P'000	Shillings P'000	Shillings P'000	Kwacha P'000	Dollar P'000	Meticals P'000	Loti P'000	Shillings P'000	Francs P'000	Pound P'000	Pound P'000	Dollar P'000	Pula P'000	Pula P'000	Pula P'000
Cash and cash equivalents	20,043	21,130	70,873	2,923	32,857	8,664	-	8,932	7,584	3,599	2,444	11,592	26,201	136,662	353,504	375,190
Advances to customers	-	97,085	853,860	86,491	276,844	202,224	-	720,609	71,563	48,019	23,643	-	-	1,809,385	4,189,723	4,427,757
Other receivables	-	335	4,978	192	2,015	15,097	-	4,213	2,338	1,029	2,041	-	-	1,781	34,019	37,243
Total assets	20,043	118,550	929,711	89,606	311,716	225,985	-	733,754	81,485	52,647	28,128	11,592	26,201	1,947,828	4,577,246	4,840,190
Borrowings	523,166	-	-	-	-	83,474	-	17,727	35,697	17,877	38,270	-	-	462,038	1,178,249	1,249,871
Trade and other payable	-	3,182	4,549	874	4,381	3,427	-	4,484	45,032	-	-	-	-	96,987	162,916	169,570
Total liabilities	523,166	3,182	4,549	874	4,381	86,901	-	22,211	80,729	17,877	38,270	-	-	559,025	1,341,165	1,419,441
Net exposure - if 10% appreciation of BWP	(503,123)	115,368	925,162	88,732	307,335	139,084	-	711,543	756	34,770	(10,142)	11,592	26,201	1,388,803	3,236,081	3,420,749
Net exposure - at actual year end rates	(553,436)	126,907	1,017,678	97,605	338,069	152,993	-	782,697	833	38,247	(11,156)	12,752	28,821	1,388,803	3,420,811	3,420,749
Impact of 10% appreciation of BWP	50,313	(11,539)	(92,516)	(8,873)	(30,734)	(13,909)	-	(71,154)	(77)	(3,477)	1,014	(1,160)	(2,620)	-	(184,729)	-

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

31 January 2013	SA	Swaziland	Tanzanian	Ugandan	Zambian	Namibian	Mozambican	Lesotho	Kenya	Rwandan	South Sudan	Great Britain	United States	Botswana	Total if Pula Appreciated by 10%	Actual at year end
Cash and cash equivalents	446,037	20,915	38,137	3,919	1,634	53,001	12,356	28,917	8,419	3,407	1,445		412	138,938	757,537	819,397
Advances to customers	-	118,737	303,212	162,412	6,203	557,729	362,675	20,558	58,183	34,474	15,395		-	1,532,669	3,172,247	3,336,204
Other receivables	-	835	2,803	1,546	80	4,385	3,241	151	2,443	702	684		-	19,115	35,985	37,674
Total assets	446,037	140,487	344,152	167,877	7,917	615,115	378,272	49,626	69,045	38,583	17,524		412	1,690,722	3,965,769	4,193,275
Borrowings	564,067	-	18,847	76,391	-	-	16,821	-	41,577	20,069	11,565		-	453,125	1,202,462	1,277,395
Trade and other payable	-	3,593	5,338	11,527	454	9,015	4,523	416	19,237	3,129	15,170		16	33,353	105,771	113,013
Total liabilities	564,067	3,593	24,185	87,918	454	9,015	21,344	416	60,814	23,198	26,735		16	486,478	1,308,233	1,390,408
Net exposure - if 10% appreciation of BWP	(118,030)	136,894	319,967	79,959	7,463	606,100	356,928	49,210	8,231	15,385	(9,211)		396	1,204,244	2,657,536	2,802,867
Net exposure - at year end rates	(129,832)	150,585	351,963	87,955	8,207	666,712	392,620	54,131	9,055	16,923	(10,131)		435	1,204,244	2,802,867	
Impact of 10% appreciation of BWP	11,802	(13,691)	(31,996)	(7,996)	(744)	(60,612)	(35,692)	(4,921)	(824)	(1,538)	920		(39)	-	(145,331)	

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

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 behavior.

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
- 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.

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

	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								
Long term & other receivables	1,910	-	-	1,910	-	1,910	-	1,910
	1,910	-	-	1,910	-	1,910	-	1,910
Financial assets not measured at fair value								
Cash and cash equivalents	-	310,525	-	310,525	-	-	310,525	310,525
Advances to customers	-	4,427,757	-	4,427,757	-	-	4,427,757	4,427,757
Long term & other receivables	-	100,001	-	100,001	-	-	100,001	100,001
	-	4,838,283	-	4,838,283	-	-	4,838,283	4,838,283

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

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
Financial liabilites not measured at fair value								
Trade and other payables	-	-	127,217	127,217	-	-	127,217	127,217
Cash collateral	-	42,293	-	42,293	-	-	42,293	42,293
Borrowings	-	-	1,249,871	1,249,871	-	-	1,249,871	1,249,871
	-	42,293	1,377,088	1,419,381	-	-	1,419,381	1,419,381
31 January 2013								
Financial assets measured at fair value								
Short term investments	-	12,143	-	12,143	-	-	12,143	12,143
Financial assets not measured at fair value								
Cash and cash equivalents	-	807,254	-	807,254	-	-	807,254	807,254
Advances to customers	-	3,336,204	-	3,336,204	-	-	3,336,204	3,336,204
Long term & other receivables	-	37,674	-	37,674	-	-	37,674	37,674
	-	4,193,275	-	4,193,275			4,193,275	4,193,275
Financial liabilites not measured at fair value								
Trade and other payables	-	-	78,828	78,828	-	-	78,828	78,828
Cash collateral	-	34,185	-	34,185	-	-	34,185	34,185
Borrowings	-	-	1,277,395	1,277,395	-	-	1,277,395	1,277,395
	-	34,185	1,356,223	1,390,408	-	-	1,390,408	1,390,408

1.7 b) Measurement of fair values

(i) valuation techniques and signficant 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 long term and other receivables, the Group uses valuation techniques to recognise asset listed below:

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

Notes to the Consolidated Financial Statements (continued)
FOR THE YEAR ENDED 31 JANUARY 2014

1 FINANCIAL RISK MANAGEMENT (continued)
1.7 Financial assets and liabilities measured at fair value (continued)

c) 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 occurence of future events such as a default on the bank loans or other credit events.

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.

	2014 P'000	2013 P'000
Credit risk		
Effect of increase in emergence period by 1 month		
- increase in portfolio provision	4,570	5,511
Effect of increase in loss ratio by 1 %		
- increase in portfolio provision	9,245	7,885
	13,815	13,396
Effect on profit before tax	*(2)*	*(2)*
Interest rate risk		
Effect of increase in average borrowing cost by 1 %		
- increase in interest expense	1,264	10,401
Effect on profit before tax	*(0.1)*	*(1)*
Currency risk		
Effect of BWP appreciation by 10%		
- decrease in net foreign currency assets	416,788	145,331
Effect on profit before tax	*(49)*	*(17)*
	(51)	*(20)*

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 Executive Committee and Board of Directors.

Notes to the Consolidated Financial Statements (continued)
FOR THE YEAR ENDED 31 JANUARY 2014

2 USE OF ESTIMATES AND JUDGMENTS
2.1 Impairment

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

Sensitivity analysis of impairment charges is shown as follows

	31 January 2014 Portfolio Provision P'000	31 January 2013 Portfolio Provision P'000
Southern Africa		
Impact on change to emergence period - from 3 months to 4 months - increase in provision	3,006	2,458
Impact on change to loss ratio - increase in provision	7,463	6,303
East Africa		
Impact on change to emergence period - from 3 months to 4 months - increase in provision	1,564	3,053
Impact on change to loss ratio - increase in provision	1,782	1,582
Overall total	**13,815**	**13,396**

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

The emergence periods used in the current year are consistent with prior year.

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.

	2014 P'000	2013 P'000
Impact of a 10% deviation (2014: 75% vesting; 2013: 60%)	1,071	896
Impact of a 25% deviation (2014: 60% vesting; 2013: 45%)	2,678	2,802
Impact of a 50% deviation (2014: 35% vesting; 2013: 20%)	5,355	5,979

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.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

2 USE OF ESTIMATES AND JUDGMENTS (continued)

2.3 Goodwill

As required by IAS 36, the goodwill values in respect of Letshego Holdings Namibia (Pty) Limited, Letshego Tanzania Limited and Micro Africa 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.

3 CASH AND CASH EQUIVALENTS

	2014 P'000	2013 P'000
Cash at bank and in hand	296,341	316,613
Short term bank deposits	14,184	490,641
	310,525	**807,254**

Short term bank deposits constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest at 5.0% per annum (2013: 5.0%). Cash at bank is held with reputable financial institutions with good credit standing. Certain cash and short term deposits are pledged as security to borrowings as set out in note 11.

4 ADVANCES TO CUSTOMERS

Gross advances to customers	4,455,904	3,353,300
Less : impairment provisions - specific	(1,055)	(562)
: impairment provisions - portfolio	(27,092)	(16,534)
Net advances to customers	**4,427,757**	**3,336,204**

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

Maturity analysis of advances to customers		
Maturity within 1 year	374,802	382,819
Maturity after 1 year but within 3 years	755,488	1,088,767
Maturity after 3 years but before 5 years	3,297,467	1,864,618
	4,427,757	3,336,204
Impairment of advances		
Balance at the beginning of the year	17,096	15,426
Impairment adjustment	11,051	1,670
Balance at the end of the year	**28,147**	**17,096**

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		
Amounts written off	113,521	98,436
Recoveries during the year	(60,077)	(65,009)
Impairment adjustment	11,051	1,670
	64,495	**35,097**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

5 OTHER RECEIVABLES

	2014 P'000	2013 P'000
Deposits and prepayments	13,383	8,678
Dividend receivable from Cell captive	75,949	16,233
Withholding tax and value added tax receivable	9,411	11,313
Other receivables	3,168	2,125
	101,911	**38,349**
Maturity analysis of other receivables		
Non- current portion		
Deposits and prepayments	13,383	8,678
Current portion		
Dividend receivable from cell captive	75,949	16,233
Withholding tax and value added tax receivable	9,411	11,313
Other receivables	3,168	2,125
	88,528	29,671
	101,911	**38,349**

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 (Note 11). 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.

Bond	Interest rate per bond	Fixed rate per interest rate swap	Maturity date
LHL01	JIBAR + 500 basis points	11.50%	13-Dec-16
LHL03	JIBAR + 600 basis points	10.33%	13-Dec-15

Letshego Holdings Limited pays the coupon interest on these bonds every quarter and the counter party for the swap will settle the difference on the fixed rate per swap and the variable coupon payment. LHL evaluate the effective cashflow and applicable payments on the bond coupon and discounts these to calculate the fair value of the interest rate swap.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

6 PLANT AND EQUIPMENT

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Work in progress P'000	Total P'000
Balance at 1 February 2012	1,574	9,539	10,312	-	21,425
Additions	376	2,948	6,031	-	9,355
Disposals	(102)	(195)	(257)	-	(554)
Balance at 31 January 2013	1,848	12,292	16,086	-	30,226
Accumulated Depreciation					
Balance at 1 February 2012	856	6,233	4,823	-	11,912
Depreciation charge for the year	544	1,876	1,875	-	4,295
Disposals	(100)	(181)	(259)	-	(540)
Balance at 31 January 2013	1,300	7,928	6,439	-	15,667
Net book value at 31 January 2013	**548**	**4,364**	**9,647**	**-**	**14,559**

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & 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/transfer	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	7,928	6,439	-	15,667
Depreciation charge for the year	444	3,764	2,781	-	6,989
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**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

7 INTANGIBLE ASSETS

	2014 P'000	2013 P'000	2012 P'000
Computer software			
Opening balance	5,389	4,022	3,380
Additions	7,045	1,367	642
Amortisation	(6,317)	(4,584)	(3,462)
Closing balance	6,117	805	560
Work in progress			
Opening balance	11,652	2,731	-
Additions	27,193	8,921	2,731
Transfer to Plant & equipment	(38,845)	-	-
Closing balance	-	11,652	2,731
Total intangible assets	6,117	12,457	3,291

Work in Progress has been reclassified from Intangible Assets to Plant and Equipment. This was done to disclose work in progress under an appropriate disclosure heading. The reclassification will have no impact on the profit of the entity or the policies within the Group and is done for presentation purposes.

Intangible assets consists of software and work in progress

Computer software relates to existing lending and financial reporting software acquired by the Group. Computer software is amortised over the expected useful life of the asset, which for off-the shelf software is 3 years.

Work in progress comprises of costs incurred in the system development process currently ongoing in respect of the customised lending and financial reporting modules of the Group. The cost will continue to be recognised as work in progress until the system is commissioned for use at which point it will be transferred to computer software and amortised over its useful life which is estimated to be 10 years. During the year under review, P5.9 million was transferred to Software from work in progress as certain elements of the system were brought to use during the year.

8 GOODWILL

	2014 P'000	2013 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
Micro Africa Limited	27,426	22,124
	55,250	49,948

Letshego Financial Services (Namibia) (Proprietary) Ltd

100% of the issued share capital of Letshego Financial Services (Namibia) (Proprietary) Ltd (formerly Eduloan (Proprietary) Ltd), a private company incorporated and operating in Namibia since 2002, was acquired on 1 August 2008. This gave rise to goodwill of P25,760,000 (2012: P25,760,000). In 2009,15% of the issued share capital was sold to a non-controlling shareholder Kumwe Investments (Proprietary) Limited.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

8 GOODWILL (continued)

Letshego Tanzania Limited

2% of the issued share capital of Letshego Tanzania was acquired from Dr Hassy H B Kitine, the current Chairman of Letshego Tanzania and former Director of Letshego Holdings Limited. The purchase consideration amounted to USD 300,000 (P2,174,670) and the net asset value at the date of sale was established at P110,669. The resultant goodwill of P2,064,001, based on the fair value of the net assets acquired was recognised during the year ended 31 January 2011.

Letshego Kenya Limited (formerly Micro Africa Limited)

62.52% of the issued share capital of Micro Africa Limited was acquired on 1 June 2012. The purchase consideration amounted to USD 3,300,000 (P26,239,192). The resultant goodwill of P22,123,728, based on the fair value of the net assets acquired was recognised. In February 2013, the remaining 37.48% shares were acquired for a consideration amount of P16,049,009 and these resultant in additional goodwill of P5,301,889.

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. The recoverable amount of the cash generating units was determined in reference to the value in use. The discount rate used is local prime lending rate and the period is five years. A gradually increasing growth in cash flows estimated for the next four years results in a recoverable amount in excess of carrying amount. Therefore, no impairment has been recognised (2012: Nil).

9 TRADE AND OTHER PAYABLES

	2014 P'000	2013 P'000
Trade and other payables	98,653	62,701
Staff incentive provision (note 9.1)	27,520	14,214
Deferred income (note 9.2)	1,044	1,913
	127,217	78,828

Deferred income arises from administration and commission fees charged on the issue of credit life insurance to the customers of Letshego Financial Services (Pty) Ltd (Botswana). This covers the repayment of the outstanding capital balances on the loans to Letshego in the event of death or permanent disability of the customer and this policy is underwritten by Botswana Life Insurance Limited. Levying of administration and commission on the credit life premium was terminated in February 2011 and since then the balance has been winding down. Botswana Life Insurance Limited is a shareholder in Letshego Holdings Limited. The terms and conditions of the insurance contract are in line with standard industry terms tailored for financial institutions. Refer to note 26 for details on related parties.

9.1 Movement in staff incentive provision

	2014 P'000	2013 P'000
Balance at the beginning of the year	14,214	20,905
Current period charge (note 20)	21,515	12,680
Paid during the year	(8,209)	(19,371)
Balance at the end of the year	**27,520**	**14,214**

9.2 Movement in deferred income

	2014 P'000	2013 P'000
Balance at the beginning of the year	1,913	5,858
(Transferred) / Raised during the year	-	(1,868)
Credit life insurance commission (note 19)	(460)	(1,108)
Credit life administration fees (note 19)	(409)	(969)
Balance at the end of the year	**1,044**	**1,913**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

10 CASH COLLATERAL

	2014 P'000	2013 P'000
Cash collateral on loans and advances	**42,293**	**34,185**

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 Micro Africa Limited subsisiary.

11 BORROWINGS

	2014 P'000	2013 P'000
Long term borrowings		
ADP I Holding 2	-	247,103
African Alliance Botswana Liquidity Fund	56,072	50,000
Medium Term Note - JSE Listed Bond	573,573	620,473
Medium Term Note - BSE Listed Bond	360,477	-
Investec Asset Management Botswana (Proprietary) Limited	-	55,000
Banco Terra Mozambique	19,500	18,503
Others	34,622	72,702
	1,044,244	1,063,781
Short term borrowings		
Standard Chartered Bank Botswana Limited	21,701	1,023
Standard Chartered Bank Uganda Limited	91,821	67,560
Capital Bank Limited	40,000	-
Banc ABC Tanzania Limited	-	20,732
BIFM Capital Investment Fund Two (Proprietary) Limited	-	100,000
Chase Bank	25,339	9,747
Others	26,766	14,552
	205,627	213,614
Total borrowings	**1,249,871**	**1,277,395**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

11 BORROWINGS (continued)

Long term borrowings

ADP I Holding 2

The convertible loan was denominated in Botswana Pula and bore interest at a fixed rate of 10% per annum. Interest was serviced semi annually. ADP I Holding 2 exercised the option to convert the debt to equity at an exercise price of P1.60 per share.

African Alliance Botswana Liquidity Fund

The promissory note facilities of P20 000 000 and P35 000 000 have terms of 12 months and 9 months respectively with a fixed interest rate of 7.5% per annum. The promissory notes are unsecured and are denominated in Botswana Pula. The notes are rolled over on maturity and as a result are revolving and long term in nature.

Investec Asset Management Botswana (Proprietary) Limited

The term loan from Investec Asset Management Botswana (Proprietary) Limited was denominated in Botswana Pula and bore interest at 13.25% per annum which was fixed for the duration of the loan commencing June 2009. The loan was repaid in June 2013. The loan is secured by a corporate guarantee from Letshego Holdings Limited.

Medium Term Note - JSE Listed Bond

Letshego Holdings Limited has listed a Medium Term Note programme with a combination of fixed and floating senior secured bonds on the Johannesburg Stock Exchange. These were issued on 13 December 2012 under the first tranche as follows:

Floating Rate bond - “LHL01” 3 - month JIBAR rate plus 500 basis points compounded quarterly and maturing December 2015
Fixed Rate bond - “LHL02” Fixed coupon of 10.70% compounded semi-annually and maturing December 2015
Floating Rate bond - “LHL03” 3 - month JIBAR rate plus 500 basis points compounded quarterly and maturing December 2016

The bonds are denominated in ZAR. They are secured by the loan and advances book of Letshego Financial Services (Botswana) (Proprietary) Limited and Letshego Financial Services Namibia (Proprietary) Limited. Letshego Holdings Limited entered into an interest rate swap agreement in respect of Bonds LHL01 and LHL03.

Medium Term Note - BSE Listed Bond

Letshego Holdings Limited completed the listing of a Medium Term Note programme with fixed senior unsecured bonds on the Botswana Stock Exchange. This was issued on 8 November 2013 under the first tranche as follows:

Fixed Rate bond - “LHL05”	Fixed coupon of 8.25% compounded semi-annually and maturing November 2017
Fixed Rate bond - “LHL06”	Fixed coupon of 10.50% compounded semi-annually and maturing November 2023
Fixed Rate bond - “LHL07”	Fixed coupon of 10.50% compounded semi-annually and maturing November 2025
Fixed Rate bond - “LHL08”	Fixed coupon of 11.00% compounded semi-annually and maturing November 2027

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

11 BORROWINGS (continued)

Banco Terra Mozambique

The loan facility of MZN 70 million attracts interest at the Banco Terra lending rate plus a margin of 2.0% per annum, repayable in full by 21 September 2017. The loan is secured by a portion of the Letshego Financial Services Mozambique SA advances to customers.

BIFM Limited

The facility of BWP 100 million attracted interest at 10% and was repayable on demand. Interest was paid monthly and the facility was secured by corporate guarantee from Letshego Holdings Limited.

Chase Bank

The overdraft facility of P14.8 million attracts interest at 5.75% per annum and is secured by a fixed deposit of up to 70% of the amount. The facility is renewable every year.

Capital Bank Limited

The facility of P40 million attracts interest at 9% and is repayable on 31 October 2014. It is secured by a corporate guarantee provided by Letshego Holdings Limited.

Standard Chartered Bank - term loans

The Group had term loans with Standard Chartered Bank which were allocated and did bear interest as follows:

Company	Amount	Interest Rate	Bank
Letshego Uganda Limited	BWP 50 million	Ugandan Base Rate less 0.50%	Standard Chartered Bank of Uganda
Letshego Holdings Limited	BWP 50 million	Botswana Prime Rate less 1.25%	Standard Chartered Bank of Botswana

The term loan is a revolving facility running for a year from July to August denominated in Ugandan Shillings and Botswana Pula.

Standard Chartered Bank - overdraft facilities

The Group has overdraft facilities with Standard Chartered Bank which have been allocated and bear interest as follows:

Company	Amount	Interest Rate	Bank
Letshego Uganda Limited	BWP 25 million	Ugandan base rate less 1.0%	Standard Chartered Bank of Uganda
Letshego Holdings Limited	BWP 25 million	Botswana Prime Rate less 1.0%	Standard Chartered Bank of Botswana

Each of the facilities is denominated in the respective local currency and is repayable on demand.

The term loan and the overdraft facilities are secured by the terms of the security sharing agreement which includes:

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

Notes to the Consolidated Financial Statements(continued)

FOR THE YEAR ENDED 31 JANUARY 2014

12 STATED CAPITAL

	2014 P'000	2013 P'000
Issued: 2,167,540,301 ordinary shares of no par value (2013: 1,998,638,314)	**959,554**	**689,243**
Number of shares at the beginning of the year	1,998,638	1,984,998
Shares issued during the year	168,902	13,640
Number of shares at the end of the year	**2,167,540**	**1,998,638**

In terms of the Group LTIP (note 13), shares with a value of P17.342 million (2013: P19.367 million) vested at Group level. This increased the number of shares in issue by 10.796 million shares (2013: 13.640 million shares).

On 21 April 2013, 10,796,129 ordinary shares were issued at various prices in terms of the Group's Long Term Incentive Plan. On April 2013 shares were also issued to ADP I Holding 2 by conversion of the loan facility advanced to Letshego Holdings Limited. These amounted to 158,105,858 shares. This increased the stated capital by P 270,311,000.

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.

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.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

13 SHARE INCENTIVE SCHEME (Share based payment reserve)

The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP), which was approved by shareholders of the holding company at an Extraordinary General Meeting which was held on 20 December 2005. Under the plan, conditional share awards are granted to management and key employees. With effect from 1 February 2008, the number of vesting share awards is subject to achievement of certain non-market conditions. Prior to this date, vesting of share awards was subject to the achievement of certain market and non market conditions, which required a fair valuation element. With the removal of market conditions, the estimation of shares to vest for a year is based on internal projections as to the specified conditions being achieved. Shares are awarded in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange.

Shares granted in terms of the plan 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 January 2014, 26 882 644 total awards were outstanding (2013: 20 175 982) at grant date share prices of P1.84, P1.40 and P2.05 for 2011, 2012 and 2013 awards respectively (2013: P1.65, P1.84 and P1.40 for 2010, 2011 and 2012 awards respectively). The cost of services received using internally available information on achievement of performance conditions is P15,639 million (2013: P22,886 million) at Group level.

	2014 P'000	2013 P'000
The fair value of services received are as follows:		
Outstanding at the beginning of the year	19,173	15,654
Granted during the year	15,639	22,886
Exercised during the year	(17,342)	(19,367)
	17,470	**19,173**

14 NON - CONTROLLING INTEREST

	2014 P'000	2013 P'000
Opening balance	85,524	53,876
Share of current year profit after tax	42,479	31,553
Share of foreign currency translation reserve	(6,788)	(2,372)
Allocation of subsidiary net assets to NCI at acquisition	(4,446)	2,467
Dividend paid by subsidiary	(20,062)	-
	96,707	**85,524**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

15 CASH GENERATED FROM OPERATIONS

	2014 P'000	2013 P'000
Profit before taxation	850,201	841,387
Adjustments for :		
- Amortisation of intangible assets (note 7)	1,733	1,122
- Depreciation (note 6)	6,988	4,295
- Impairment of advances movement (note 4)	11,051	1,670
- Deferred income- credit life commission (note 9.2)	(460)	(1,108)
- Deferred income- credit life administration fees (note 9.2)	(409)	(969)
- Profit on disposal of plant and equipment	(98)	(193)
- Loss on sale of subsidiaries	1,060	-
- Long term incentive plan provision (note 13)	15,639	22,886
- Unrealised foreign currency translation gains	(48,841)	(9,251)
- Unrealised gain/loss on fair value derivatives	1,205	-
- Dividends received	(7,490)	-
Changes in working capital :		
Movement in advances to customers	(1,102,604)	(303,235)
Movement in other and long - term receivables	(64,767)	(7,824)
Movement in trade and other payables	49,258	10,173
Movement in cash collateral	8,109	34,185
Cash (used in) / generated from operations	**(279,425)**	**593,138**

16 CAPITAL COMMITMENTS

Authorised by the directors:-		
- Not contracted for	**83,574**	**70,110**

The capital expenditure will be financed from the Group's existing resources, and ongoing operations.

17 INTEREST INCOME

	2014 P'000	2013 P'000
Advances to customers	1,172,553	1,067,804
Other - deposits with banks	1,633	7,018
- related party (note 26.1)	1,990	-
	1,176,176	**1,074,822**

18 INTEREST EXPENSE

	2014 P'000	2013 P'000
Overdraft facilities and term loans	100,743	56,615
Related party (note 26.2)	11,790	47,875
Foreign exchange (gains) / loss	(50,045)	4,317
	62,488	**108,807**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

19 FEE AND COMMISSION INCOME

	2014 P'000	2013 P'000
Administration fees - lending	133,334	125,345
Credit life insurance commission (note 9.2)	460	1,108
Credit Life settlement profit share	33	5,485
Credit life administration fees (note 9.2)	409	969
	134,236	**132,907**

Included in credit life insurance commission is an amount of P 459, 970 (2013: P1,107,749) earned from a related party (refer note 26.1). Included in credit life administration fees is an amount of P 408 807 (2013: P969,280) earned from a related party (refer note 26.1).

19.1 OTHER OPERATING INCOME

	2014 P'000	2013 P'000
Profit on disposal of plant and equipment	98	193
Management fees from related parties (note 26.1)	732	736
Dividend from related party	7,490	-
Dividend income from investment	13,599	2,733
Sundry income	100,283	54,381
	122,202	**58,043**

Included in sundry income is an amount relating to finance charges that was earned from a related party amounting to P389 000 (2013: P374,000). Refer to note 26.1.

20 EMPLOYEE BENEFITS

	2014 P'000	2013 P'000
Salaries and wages	111,683	73,669
Staff incentive	21,515	12,680
Staff pension fund contribution	13,877	5,469
Directors' remuneration – for management services (executive)	36,816	8,271
Long term incentive plan	15,767	22,997
	199,658	**123,086**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

21 OTHER OPERATING EXPENSES

	2014 P'000	2013 P'000
Accounting and secretarial fees	332	780
Advertising	16,021	15,527
Audit fees - current year	2,431	2,100
- prior year under provision	-	13
Bank charges	3,632	3,711
Computer expenses	6,856	5,732
Consultancy fees	4,008	5,865
Depreciation - Computer equipment (note 6)	3,764	1,876
- Office furniture and equipment (note 6)	2,781	1,875
- Motor vehicles (note 6)	444	544
Amortisation of intangible assets (note 7)	6,317	1,122
Directors' fees – non executive	2,662	2,409
Operating lease rentals - property	18,076	13,632
Other operating expenses	139,089	77,925
Payroll administration costs	1,428	2,089
Professional fees	25,514	5,401
Telephone and postage	8,801	6,290
Travel	13,616	10,504
	255,772	**157,395**

Included in directors' fees are amounts paid to related parties amounting to P1,232,000 (2013: P993,000) at Group level. Refer to note 26.2.

22 TAXATION

	2014 P'000	2013 P'000
Company taxation		
- Basic taxation	211,189	188,654
- (Over) provision from prior year	-	(7,774)
	211,189	180,880
- Deferred taxation movement	(5,678)	870
	205,511	**181,750**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

22.1 Deferred taxation

	2014 P'000	2013 P'000
Balance at the beginning of the year	8,939	9,809
Current year movement	5,678	(870)
Balance at the end of the year	**14,617**	**8,939**
Deferred taxation arises from temporary differences on the following items:		
Plant and equipment	530	125
Share based payment provision	1,586	4,219
Staff incentive provision	7,836	3,826
General impairment provision	2,691	2,551
Taxation losses	173	832
Deferred rent provision	122	(243)
Leave pay provision	1,128	388
Deferred income / (expenditure)	551	(2,759)
	14,617	**8,939**

The Group generates sufficient profits to utilise these deferred elements.

22.2 Reconciliation of current taxation

	2014	2013
Profit before taxation	850,201	841,387
Tax calculated at Botswana statutory rate of 22%	187,044	185,105
Under provision from prior period	-	(7,774)
Foreign income taxed at 15%	(15,359)	(8,394)
Expenses and revenues not deductible for tax purposes	33,826	12,813
	205,511	**181,750**

23 EARNINGS PER SHARE

The calculation of basic earnings per share is based on after taxation earnings of P643,630,000 (2013: P659,637,000) and the weighted average number of shares in issue during the year of 2.129 billion (2013 : 1.995 billion).

The number of dilutive potential ordinary shares at the end of the year arising from unvested long term incentive share awards is P28 million (2013: 41.9 million) and from the convertible loan note is P0 million (2013: 153.2 million). The total potential dilutive ordinary shares are P28 million (2013: 195.1 million). The calculation of diluted earnings per share is based on profit for the year of P643,630,000 (2013: P659,637,000) and shares amounting to 2.16 billion (2013: 2.19 billion).

24 DIVIDEND PER SHARE

Current year

An interim dividend of 4.2 thebe per share was declared on 16 October 2013, amounting to P91 million.

A second and final dividend of 3.2 thebe per share was declared on 16 April 2014, amounting to P69 million.

Both these dividends were for the year ended 31 January 2014.

Notes to the Consolidated Financial Statements (continued)
FOR THE YEAR ENDED 31 JANUARY 2014

24 DIVIDEND PER SHARE (continued)

Prior year

An interim dividend of 4.2 thebe per share was declared on 16 October 2012, amounting to P83.9 million.

A second and final dividend of 4 thebe per share for the year ended 31 January 2013 was declared on 17 April 2013, amounting to P86.7 million.

25 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 eleven countries, namely Botswana, Kenya, Lesotho, Mozambique, Namibia, Rwanda, South Sudan, Swaziland, Tanzania, Uganda and Zambia. The geographical segments represent the Group's primary segments, divided by sub-region in Africa, namely Southern and East Africa.

The Group has not identified any secondary segments. The Group's two primary segments are made up as follows:

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

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

Geographical segments

	Southern Africa*		East Africa**		Eliminations			
	2014 P'000	2013 P'000	2014 P'000	2013 P'000	2014	2013	2014 P'000	2013 P'000
Operating income	**1,020,282**	**898,927**	**349,844**	**258,039**	**-**	**-**	**1,370,126**	**1,156,966**
Segment profit before tax	**660,126**	**692,812**	**189,015**	**148,575**	**-**	**-**	**849,141**	**841,387**
Taxation consolidated							(205,511)	(181,750)
Profit for the year consolidated							**643,630**	**659,637**
Gross advances to customers	3,753,459	2,713,097	702,445	640,203	-	-	4,455,904	3,353,300
Impairment provisions	(10,225)	(7,937)	(17,922)	(9,159)	-	-	(28,147)	(17,096)
Net advances	**3,743,234**	**2,705,160**	**684,523**	**631,044**	**-**	**-**	**4,427,757**	**3,336,204**
Total segment assets	5,479,895	5,255,430	905,940	713,181	(1,415,670)	(1,689,433)	4,970,165	4,279,178
Borrowings	1,005,507	1,092,102	244,364	185,293	-	-	1,249,871	1,277,395
Total segment liabilities	2,334,753	2,575,759	546,815	532,409	(1,415,670)	(1,689,433)	1,465,898	1,418,735

Notes to the Consolidated Financial Statements (continued)
FOR THE YEAR ENDED 31 JANUARY 2014

25 SEGMENT INFORMATION (continued)

RATIO ANALYSIS ON GEOGRAPHIC SEGMENTS

	Southern Africa*		East Africa**		Eliminations			
	2014 P'000	2013 P'000	2014 P'000	2013 P'000	2014	2013	2014 P'000	2013 P'000
Impairment charge to average advances (annualised)	1%	1%	5%	3%			2%	1%
Advances to total assets	68%	51%	76%	88%			89%	78%
Customers employed by government (%)	92%	97%	74%	78%			94%	94%
Customers employed by parastatal or private sector (%)	8%	3%	26%	22%			6%	6%
Debt to equity (%) (Includes intercompany borrowings)	42%	42%	35%	35%			36%	46%
Cost to income ratio (%)	26%	24%	38%	36%			33%	26%

* Southern Africa includes: Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zambia

** East Africa includes : Kenya, Rwanda, South Sudan, Tanzania and Uganda

26 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 Group Managing Director, the Group Risk and Compliance Director, the Group Chief Financial Officer, the Group Head Corporate Strategy and Communication, the Group Chief Information Officer and the Group Human Resources Manager.

The Company is listed on the Botswana Stock Exchange. Botswana Insurance Holdings Limited, Investec Asset Management (Proprietary) Limited, International Finance Corporation (IFC) and PAIP-PCAP-FMO Letshego Limited (PPFLL) (of which Netherlands Development Finance Company (FMO) is a shareholder) are shareholders of Letshego Holdings Limited and have transacted with Letshego Holdings Limited during the year. BIFM Capital Investment Fund (Proprietary) Limited and Botswana Life Insurance Limited are subsidiaries of Botswana Insurance Holdings Limited. Refer to the annexure section for details of their shareholding.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

26 RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

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

26.1 Income received from related parties

	2014 P'000	2013 P'000
- Botswana Insurance Holdings Limited - Commission fees (note 19)	460	1,108
- Botswana Insurance Holdings Limited - Administration fees (note 17)	409	969
- Botswana Insurance Holdings Limited - Finance charges	389	374
- Management fees from Legal Guard	732	736
	1,990	**3,187**

On 1 May 2009, the underwriting arrangement for the insurance products offered by the Letshego Financial Services Botswana in respect of its customer loans and advances was moved to Botswana Life Insurance Limited. Botswana Life Insurance Limited is a shareholder in Letshego Holdings Limited. The terms and conditions of the insurance contract are on normal commercial terms.

26.2 Expenses paid to related parties

	2014 P'000	2013 P'000
Investec Asset Management (Proprietary) Limited		
- Interest	3,923	7,307
BIFM Capital Investment Fund Two (Proprietary) Limited		
- Interest	2,000	10,027
International Finance Corporation		
- Interest	-	5,152
ADP I Holding 2		
- Interest	5,867	25,389
Interest expenses paid to related parties	**11,790**	**47,875**
Botswana Insurance Holdings Limited		
- Directors' fees	787	589
ADP I Holding 2		
- Directors' fees	431	404
Other operating expenses	**1,218**	**993**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

26 RELATED PARTY TRANSACTIONS (continued)

26.3 Compensation paid to key management personnel (including executive directors)

	2014 P'000	2013 P'000
Paid during the period		
- For management services	39,363	9,031
- As performance incentive bonuses	2,794	6,050
- Pension fund contribution	380	316
- Long term incentive plan	6,807	10,738
	49,344	**26,135**

26.4 Balances due to related parties

	2014	2013
Botswana Insurance Holdings Limited	-	7,017

26.5 Borrowings from related parties - Refer note 13

27 OPERATING LEASE COMMITMENTS

Where the Group / Company is the lessee, the future minimum lease payments under non-cancellable building operating leases are as follows:

	2014	2013
No later than 1 year	5,117	8,191
Later than 1 year and no later than 5 years	5,809	9,423
	10,926	**17,614**

28 SUBSEQUENT EVENTS

On 16 April 2014, the directors declared a final dividend of 3.20 thebe per share.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

29 IFRS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of the financial statements of the entity for the year ended 31 January 2014, the following Standards and Interpretations were in issue but not yet effective:

Standard / Interpretation	Short Title	Date issued by IASB	Effective date
IFRS 10, IFRS 12 and IAS 27 amendment	Investment Entities	October 2012	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities	December 2011	1 January 2014
IAS 36	Recoverable amount disclosures for Non-financial Assets	May 2013	1 January 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	June 2013	1 January 2014
IFRIC 21	Levies	May 2013	1 January 2014
IAS 19	Defined Benefit Plans: Employee Contributions	November 2013	1 July 2014
Amendments to 6 standards	Improvements to IFRSs 2010-2012 Cycle	December 2013	1 July 2014
Amendments to 4 standards	Improvements to IFRSs 2011-2013 Cycle	December 2013	1 July 2014
IFRS 14	Regulatory Deferral Accounts	January 2014	1 January 2016
IFRS 9 (2009)	Financial Instruments	November 2009	To be decided
IFRS 9 (2010)	Financial Instruments	October 2010	To be decided

IFRS 9: Financial Instruments (2009)

IFRS 9 will be adopted by the Group and Company for the first time for its financial reporting period ending 31 January 2016. The standard will be applied retrospectively, subject to transitional provisions. IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The impact on the financial statements for the Group and Company is not estimated to be significant as its most material financial instruments are loans and advances to customers and term borrowings, both of which are currently recognised and measured on the amortised cost basis.

IFRS 9: Financial Instruments (2010)

IFRS 9 (2010) will be adopted by the Group and Company for the first time for its financial reporting period ending 31 January 2016. The standard will be applied retrospectively, subject to transitional provisions. IFRS 9 (2010) addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39. Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:

• Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

29 IFRS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE (continued

IFRS 9: Financial Instruments (2010) (continued)

• Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9: Financial Instruments (2010) (continued)

IFRS 9 (2010) incorporates the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of embedded derivatives.

The impact of this standard on the Group's and Company's financial statements is not considered to be signficant.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan,
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted. Management does not expect these amendments to have any impact on these financial statements.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional.

This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32).

Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities

The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforeable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Group and Company will adopt the amendment for the first time for its financial reporting period ending 31 Janaury 2016.

It is not expected that the standard will have a material impact on the Group's and Company's annual financial statements.

Amendments to IAS 36: Recoverable amount disclosures for non-financial assets:

These amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under these amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. These amendments become effective for the Group and Company's 2014 financial statements, with retrospective adjustments for periods commencing 1 January 2014 and early adoption permitted. Management does not expect these amendments to have any impact on these financial statements.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

29 IFRS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE (continued)

Amendments to IAS 39: Novation of derivatives and continuation of hedge accounting:

" IAS 39 Financial Instruments: Recognition and Measurement requires an entity to discontinue hedge accounting if the derivative hedging instrument is novated to a clearing counterparty, unless the hedging instrument is being replaced as part of the entity's original documented hedging strategy.

These amendments add a limited exception to IAS 39, to provide relief from discounting an existing hedging relationship, when a novation was not contemplated in the original hedging documentation meets specific criteria. These amendments, which become effective for the Group and Company's 2014 financial statements, with retrospective adjustments for periods commencing 1 January 2014 and early adoption permitted, are not expected to have any impact on these financial statements.

IFRS 11 Joint Arrangements (2011)

The standard will be applied retrospectively, subject to certain transitional provisions. The standard establishes that classification of the joint arrangement depends on whether parties have rights to and obligations for the underlying assets and liabilities. According to the standard, joint arrangements are divided into two types, each having its own accounting model:

- Joint operations whereby the jointly controlling parties, known as joint operators, have rights and obligations for the liabilities, relating to the arrangement, or

- Joint ventures whereby the joint controlling parties, known as joint ventures, have rights to the net assets of the arrangement.

In terms of the standard, all joint ventures will have to be equity accounted. The standard, which becomes effective for the Group and Company's 2014 financial statements, is not expected to have any impact on its financial statements.

IFRIC 21 Levies

Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. Current practice on how to account for these levies is mixed. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Assets. The Interpretation is effective for annual periods commencing on or after 1 January 2014 with retrospective application, and is not expected to have any impact on these financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

It permits first-time adopters of IFRS to continue using previous GAAP to account for the regulatory deferral account balances. Entities can apply this interim standard only if they accounted for regulatory deferral account balances in their financial statements immediately. Management does not expect this standard to have any impact on these financial statements.

Five year Financial History

FOR THE YEAR ENDED 31 JANUARY 2014

STATEMENTS OF FINANCIAL POSITION

	2014 P'000	2013 P'000	2012 P'000	2011 P'000	2010 P'000
Assets					
Cash and cash equivalents	310,525	807,254	73,612	51,848	104,462
Advances to customers - gross	4,427,757	3,336,204	3,034,639	2,298,880	1,682,257
Short term investments	66,565	12,143	24,187	12,593	-
Other receivables (including long term receivables)	35,346	37,674	29,850	19,159	82,907
Plant and equipment	53,988	14,559	9,513	7,045	6,610
Intangible assets	6,117	12,457	3,291	306	553
Goodwill	55,250	49,948	27,824	27,824	25,760
Deferred taxation	14,617	8,939	9,809	12,575	12,872
Total assets	**4,970,165**	**4,279,178**	**3,212,725**	**2,430,230**	**1,915,421**
Liabilities					
Trade and other payables	127,217	78,828	70,732	109,200	129,698
Cash collateral	42,293	34,185	-	-	-
Taxation payable	46,517	28,327	14,275	28,100	38,769
Borrowings	1,249,871	1,277,395	802,864	505,174	377,638
Total liabilities	**1,465,898**	**1,418,735**	**887,871**	**642,474**	**546,105**
Shareholders' equity					
Stated capital	959,554	689,243	669,876	412,814	396,019
Foreign currency translation reserve	(94,827)	(45,982)	(32,521)	(9,774)	827
Legal reserve	2,696				
Share based payment reserve	17,470	19,173	15,654	12,545	18,287
Retained earnings	2,522,666	2,112,485	1,617,969	1,334,016	932,365
Total equity attributable to equity holders of the company	3,407,559	2,774,919	2,270,978	1,749,601	1,347,498
Minority interest	96,708	85,524	53,876	38,155	21,818
Total equity and liabilities	**4,970,165**	**4,279,178**	**3,212,725**	**2,430,230**	**1,915,421**

Five year Financial History (continued)

FOR THE YEAR ENDED 31 JANUARY 2014

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2014 P'000	2013 P'000	2012 P'000	2011 P'000	2010 P'000
Interest income	1,176,176	1,074,822	900,514	721,900	588,836
Interest expense	(62,488)	(108,807)	(65,395)	(42,959)	(50,935)
Net interest income	1,113,688	966,015	835,119	678,941	537,901
Premium income	-	86,992	64,243	30,696	-
Insurance fees	-	(8,008)	(5,708)	(2,358)	-
Net interest and insurance income	1,113,688	1,044,999	893,654	707,279	537,901
Fee and commission income	134,236	132,907	92,133	107,161	118,444
Other operating income	122,202	6,218	5,172	8,716	46,835
Total income	1,370,126	1,184,124	990,959	823,156	703,180
Operating expenses					
Employee benefits	(199,658)	(123,086)	(100,297)	(73,051)	(80,266)
Other operating costs	(255,772)	(157,395)	(113,367)	(73,538)	(67,517)
Claims expense	-	(1,306)	(686)	(2,825)	-
Insurance claim mitigation reserve	-	(25,853)	(21,268)	(8,069)	-
Operating income before impairment	914,696	876,484	755,341	665,673	555,397
Impairment loss	(64,495)	(35,097)	(44,109)	(38,957)	(50,191)
Operating income before taxation	850,201	841,387	711,232	626,716	505,206
Taxation	(205,511)	(181,750)	(133,433)	(153,379)	(125,206)
	644,690	659,637	577,799	473,337	380,000
Loss on sale of subsidiary	(1,060)	-	-	-	-
Net income for the year	643,630	659,637	577,799	473,337	380,000
Appropriations					
Dividends	(177,738)	(133,568)	(273,647)	(55,242)	(54,743)
Retained income	465,892	526,069	304,152	418,095	325,257
Attributable to :					
Equity holders of the parent company	601,151	628,084	555,944	456,893	370,160
Minority interest	42,479	31,553	21,855	16,444	9,840
	643,630	659,637	577,799	473,337	380,000

Group Value Added Statements

FOR THE YEAR ENDED 31 JANUARY 2014

Value added

	2014 P'000	2013 P'000
Value added is the wealth the Group has created by providing loans to clients		
Interest income	1,176,176	1,161,814
Cost of services	(62,488)	(116,815)
Value added services	1,113,688	1,044,999
Fee and commission income	134,236	132,907
Other operating income	122,202	6,218
Other operating costs	(247,051)	(179,137)
Impairment provision increase	(64,495)	(35,097)
	1,058,580	**969,890**
Value allocated		
To employees		
Staff costs	199,658	123,086
To expansion and growth		
Retained income	466,952	526,069
Depreciation	6,988	4,295
Amortisation	1,733	1,122
Deferred tax	(5,678)	870
	469,995	532,356
To Government		
Taxation	211,189	180,880
To providers of capital		
Dividends to shareholders	177,738	133,568
	1,058,580	**969,890**
Summary	%	%
Employees	18.8	12.7
Expansion and growth	44.4	54.9
Government	20.0	18.6
Providers of capital	16.8	13.8
	100	**100**

Analysis of Shareholding

FOR THE YEAR ENDED 31 JANUARY 2014

Top ten shareholders

	2014 Shares held ('000) Number	%	2013 Shares held ('000) Number	%
Botswana Life Insurance Ltd	506,347	23.4	506,347	25.3
ADP I HOLDING 2	180,484	8.3	22,378	1.1
First National Bank of Botswana Nominess(Pty) Ltd - FAM BPOPF	179,098	8.3	160,956	8.1
First National Bank of Botswana Nominess(Pty) Ltd - IAM BPOPFP	116,537	5.4	116,410	5.8
First National Bank of Botswana Nominess(Pty) Ltd - BIFM BPOPF Active	107,373	5.0	158,151	7.9
Standard Chartered Bank of Botswana Nominees (Pty) Ltd				
Stanbic Nominees Botswana (Pty) Ltd - Botswana Insurance Fund Management Limited	101,984	4.7	120,327	6.0
Standard Chartered Bank of Botswana Nominees (Pty) Ltd -NTGSLUX 010/03	81,364	3.8	-	-
Standard Chartered Bank of Botswana Nominees (Pty) Ltd - FRANKLIN TEMPLETON INVESTMENT INVESTMENTS FUNDS	80,545	3.7	39,022	2.0
Standard Chartered Bank of Botswana Nominees (Pty) Ltd - State Street Bank (USA) - 001/111	47,220	2.2	47,220	2.4
First National Bank of Botswana Nominess(Pty) Ltd - FAM BPOPF3-10001030	40,979	1.9	39,579	2.0
	1,441,931	66.7	1,210,390	60.6
Other corporate entities, nominees and trusts and individuals	725,609	33.3	788,248	39.4
Total	**2,167,540**	**100.0**	**1,998,638**	**100.0**

Directors' shareholdings

	2014 Shares held ('000) Number Total	%	2013 Shares held ('000) Number Total	%
Dumisani Ndebele	1,698	0.1	3,000	0.2
Harrington Karuhanga	29	0.0	29	0.0
	1,727	0.1	3,029	0.2

Notice of Annual General Meeting

Notice is hereby given that the 15th Annual General Meeting of the shareholders of Letshego Holdings Limited will be held at Lansmore Hotel on Wednesday 30 July 2014 at 4.30p.m, with registration to commence at 4.00.p.m. for the following purposes:

ORDINARY BUSINESS

To consider and adopt the following ordinary resolutions :

1. **Resolution 1**
   To receive, consider and adopt the annual financial statements for the year ended 31 January 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 4.2 thebe per share paid to shareholders on or around 29 November 2013 and a final dividend of 3.2 thebe per share paid to shareholders on or around 9 May 2014.

3. **Resolution 3**
   Directors:
   Messrs L E Serema, R Thornton and G Hassam who retire in accordance with Article 19.9 of the Constitution. Messrs R Thornton and G Hassam being eligible, offer themselves for re-election. Mr L E Serema is not available for re-election.

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

   To confirm the appointment of directors who filled casual vacancies on the board during and/or subsequent to the financial year ended 31 January 2014:

   3c. To confirm the appointment of Mr H Karuhanga who was appointed in accordance with Article 19.4 of the Constitution.
   3d. To confirm the appointment of Mr A C M Low who was appointed in accordance with Article 19.4 of the Constitution.
   3e. To confirm the appointment of Mr G L van Heerde who was appointed in accordance with Article 19.4 of the Constitution

   To accept the resignations of directors during and/or subsequent to the financial year ended 31 January 2014:

   3f. To accept the resignation of Mr J A Claassen who resigned in accordance with Article 19.3 of the Constitution.
   3g. To accept the resignation of Mr D Ndebele who resigned in accordance with Article 19.3 of the Constitution.
   3h. To accept the resignation of Ms M Dawes who resigned in accordance with Article 19.3 of the Constitution.

4 **Resolution 4**
   To approve the remuneration of the directors for the past financial period as disclosed in Note 21 on Page 98 of the Annual Report.

5. **Resolution 5**
   To approve the remuneration of the auditors for the past financial period as disclosed in Note 21 on Page 98 of the Annual Report.

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

7. **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

16 May 2014

Notes

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 30 July 2014 at 4.30 p.m. Registration commences at 4.00 p.m.

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 3d			
Ordinary resolution number 3e			
Ordinary resolution number 3f			
Ordinary resolution number 3g			
Ordinary resolution number 3h			
Ordinary resolution number 4			
Ordinary resolution number 5			
Ordinary resolution number 6			

Signed at ____________________on____________________2014

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.

Form of Proxy (continued)

NOTES

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

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

3. Forms of proxy must be lodged at or posted to The Secretary, 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 5.00 p.m. Monday 28 July 2014)

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

www.letshego.com

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