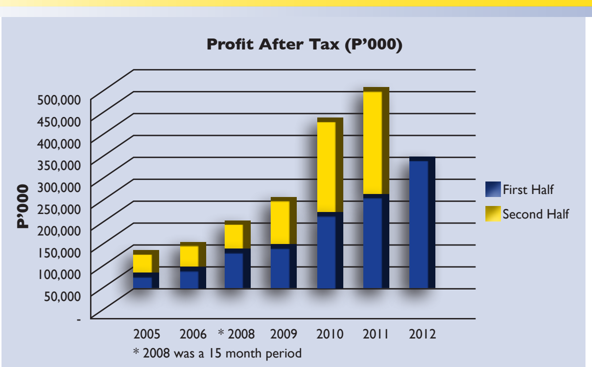
Letshego Holdings Limited
Incorporated in the Republic of Botswana Co.98/442

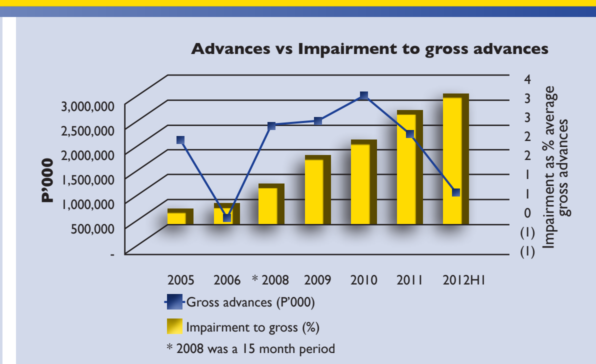
UNAUDITED INTERIM REPORT

The Directors have pleasure in announcing the reviewed summarised financial results of Letshego Holdings Limited (the "Company") and its subsidiaries (the "Group") for the half year ended 31 July 2011

FINANCIAL HIGHLIGHTS

* Profit after tax up 36% * Advances up 40% * Profit before tax up 16% * Earnings per share up 30% * Impairment of advances down 80%





CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 July 2011 (Reviewed) P'000	31 July 2010 (Reviewed) P'000	Change %	31 January 2011 (Audited) P'000
ASSETS				
Cash and cash equivalents	220,139	112,643		51,848
Advances to customers	2,601,117	1,862,879	40	2,298,880
Other receivables	37,411	42,408		9,152
Short term investments	22,684	-		12,593
Long term receivables	13,460	9,379		10,007
Property, plant and equipment	7,812	5,773		7,045
Intangible assets	583	411		306
Goodwill	27,824	27,824		27,824
Deferred taxation	8,984	7,996		12,575
Total assets	**2,940,014**	**2,069,313**	**42**	**2,430,230**
LIABILITIES AND EQUITY				
Liabilities				
Trade and other payables	65,172	153,874		109,200
Income tax	13,764	28,799		28,100
Borrowings	832,761	348,760	139	505,174
Total liabilities	**911,697**	**531,433**		**642,474**
Shareholders' equity				
Stated capital	669,876	412,814		412,814
Foreign currency translation reserve	(45,056)	(2,431)		(9,774)
Share based payment reserve	5,203	7,701		12,545
Retained earnings	1,353,642	1,092,392		1,334,016
Total equity attributable to equity holders of the parent company	**1,983,665**	**1,510,476**	**31**	**1,749,601**
Minority interest	44,652	27,404		38,155
Total shareholders' equity	**2,028,317**	**1,537,880**		**1,787,756**
Total liabilities and equity	**2,940,014**	**2,069,313**	**42**	**2,430,230**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital P'000	Retained earnings P'000	Shared based payments reserve P'000	Foreign exchange translation reserve P'000	Minority interest P'000	Total P'000
Balance at 1 February 2010	396,019	932,365	18,287	827	21,818	1,369,316
Total comprehensive income for the period						
Profit for the period	-	215,270	-	-	6,086	221,356
Other comprehensive income, net of income tax						
Foreign currency translation reserve	-	-	-	(3,258)	(500)	(3,758)
Transactions with owners, recorded directly in equity						
New shares issued from long term incentive scheme	16,795	-	(16,795)	-	-	-
Allocation to share based payment reserve	-	-	6,209	-	-	6,209
Dividends to equity holders	-	(55,243)	-	-	-	(55,243)
Balance at 31 July 2010	**412,814**	**1,092,392**	**7,701**	**(2,431)**	**27,404**	**1,537,880**
Total comprehensive income for the period						
Profit for the period	-	241,624	-	-	10,358	251,982
Other comprehensive income, net of income tax						
Foreign currency translation reserve	-	-	-	(7,343)	393	(6,950)
Transactions with owners, recorded directly in equity						
New shares issued from long term incentive scheme	-	-	-	-		-
Allocation to share based payment reserve		-	4,844	-	-	4,844
Dividends to equity holders	-	-	-	-	-	-
Balance at 31 January 2011	**412,814**	**1,334,016**	**12,545**	**(9,774)**	**38,155**	**1,787,756**
Total comprehensive income for the period						
Profit for the period	-	291,617	-	-	10,395	302,012
Other comprehensive income, net of income tax						
Foreign currency translation reserve	-	-	-	(35,282)	(4,832)	(40,114)
Transactions with owners, recorded directly in equity						
Allocation to share based payment reserve	-	-	12,402	-	-	12,402
New shares issued from long term incentive scheme	19,744	-	(19,744)	-	-	-
Dividends to equity holders	237,318	(273,647)	-	-	-	(36,329)
Disposal of minority interest - Micro Provident Uganda	-	1,656	-	-	934	2,590
Balance at 31 July 2011	**669,876**	**1,353,642**	**5,203**	**(45,056)**	**44,652**	**2,028,317**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 July 2011 (Reviewed) P'000	31 July 2010 (Reviewed) P'000	Change %	31 January 2011 (Audited) P'000
Interest income	423,664	343,419	23	721,900
Interest expense	(29,948)	(18,026)	66	(42,959)
Net interest income	**393,716**	**325,393**	**21**	**678,941**
Premium income	29,066	-		30,696
Insurance fees	(3,167)	-		(2,358)
Net interest and insurance income	**419,615**	**325,393**		**707,279**
Fee and commission income	30,987	58,390		109,643
Other operating income	6,001	5,668		6,234
Operating income	**456,603**	**389,451**	**17**	**823,156**
Employee benefits	(51,603)	(38,290)	35	(73,051)
Other operating expenses	(51,674)	(39,120)	32	(73,538)
Insurance claim expense	(6,536)	-		(8,069)
Claim mitigation reserve movement	(306)	-		(2,825)
Net income before impairment and taxation	**346,484**	**312,041**	**11**	**665,673**
Impairment of advances	(3,038)	(15,328)	(80)	(38,957)
Profit before taxation	**343,446**	**296,713**	**16**	**626,716**
Income taxation	(41,434)	(75,357)		(153,379)
Profit for the period	**302,012**	**221,356**	**36**	**473,337**
Attributable to:				
Equity holders of the parent company	291,617	215,270		456,893
Minority interest	10,395	6,086		16,444
Profit for the period	**302,012**	**221,356**		**473,337**
Other comprehensive income, net of tax				
Foreign currency translation differences arising from foreign operations	(40,114)	(3,758)		(10,708)
Total comprehensive income for the period	**261,898**	**217,598**		**462,629**
Attributable to:				
Equity holders of the parent company	256,335	212,012		446,291
Minority interest	5,563	5,586		16,338
Total comprehensive income for the period	**261,898**	**217,598**	**20**	**462,629**
Weighted average number of shares in issue during the period (millions)	1,920	1,833 *		1,837
Dilution effect - number of shares (millions)	188	46 *		192
Number of shares in issue at the end of the period (millions)	1,985	1,841 *		1,842
Basic earnings per share (thebe)	15.7	12.1 *	30	25.8
Diluted earnings per share (thebe)	14.3	11.8 *		23.3

** adjusted for 10 to 1 share split approved by shareholders on 12 April 2010*

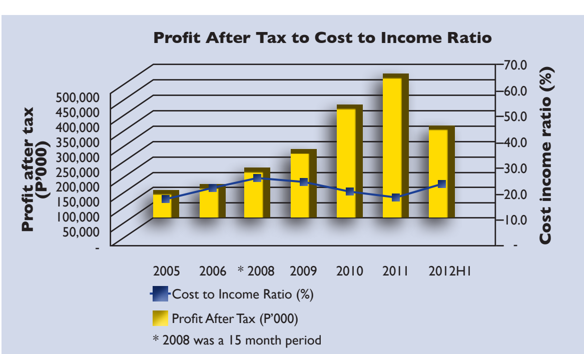
NOTE: The diluted EPS has been calculated based on shares that may vest in terms of the Group's long term staff incentive scheme and a convertible loan in issue.

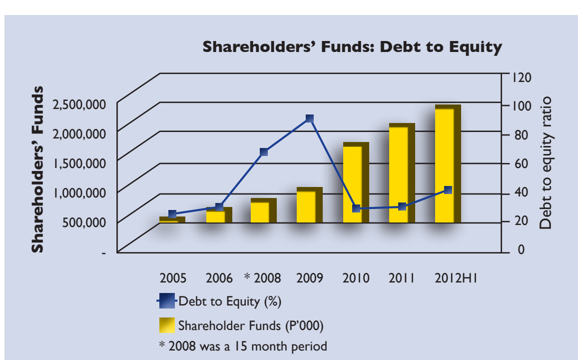
RATIOS

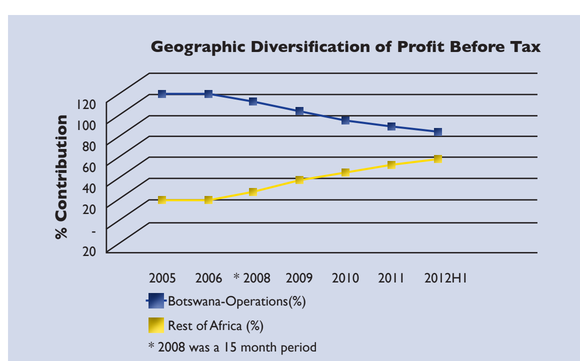
	31 July 2011 (Reviewed) P'000	31 July 2010 (Reviewed) P'000	31 January 2011 (Audited) P'000
Annualised Return on average assets (%)	22.1	23.4	21.8
Annualised Return on average equity (%)	31.7	33.1	29.5
Cost to income ratio (%)	24.1	19.9	19.1
Debt to equity (%)	41.0	23.1	28.9

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	31 July 2011 (Reviewed) P'000	31 July 2010 (Reviewed) P'000	31 January 2011 (Audited) P'000
Operating activities			
Profit before taxation	343,446	296,713	626,716
Add : Amortisation and depreciation	1,960	1,564	3,210
: Impairment of advances	(18,262)	(4,398)	(6,449)
: Loss on disposal of non current assets including subsidiaries	23	264	235
Movement in working capital and other changes	(350,554)	(118,964)	(566,829)
Cash generated (utilised in) / generated from operations	(23,387)	175,179	56,883
Taxation paid	(86,462)	(86,037)	(169,501)
Net cash (used in) / generated from operating activities	(109,849)	89,142	(112,618)
Investing activities			
Net cash (used in) / generated from investing activities	(49,447)	(2,933)	(18,402)
Financing activities			
Dividends paid (net of withholding taxation)	-	(49,130)	(49,130)
Net receipts / (net repayments) on borrowings	327,587	(28,898)	127,536
Net cash from financing activities	327,587	(78,028)	78,406
Net movement in cash and cash equivalents	168,291	8,181	(52,614)
Cash and cash equivalents at the beginning of the period	51,848	104,462	104,462
Cash and cash equivalent at the end of the period	**220,139**	**112,643**	**51,848**







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FINANCIAL HIGHLIGHTS

* Profit after tax up 36% * Advances up 40% * Profit before tax up 16% * Earnings per share up 30% * Impairment of advances down 80%

SEGMENTAL REPORTING

Geographical segments	Botswana-Holding Company 2011 P'000	2010 P'000	Botswana-Operations 2011 P'000	2010 P'000	Mozambique 2011 P'000	2010 P'000	Namibia 2011 P'000	2010 P'000	Swaziland 2011 P'000	2010 P'000	Tanzania 2011 P'000	2010 P'000	Uganda 2011 P'000	2010 P'000	Zambia 2011 P'000	2010 P'000	Eliminations 2011 P'000	2010 P'000	Consolidated 2011 P'000	2010 P'000
Total income from lending	64,853	60,183	286,084	246,810	571	-	75,875	54,539	27,912	31,920	36,813	38,408	24,192	17,873	2,539	8,576	(64,188)	(56,500)	454,651	401,809
Segment profit before tax (before management and guarantee fees)	25,395	28,855	208,325	185,527	(3,108)	(646)	61,467	29,047	22,605	22,355	18,851	22,142	9,864	7,562	2,488	1,871	(2,440)	-	343,446	296,713
Taxation-consolidated																			(41,434)	(75,357)
Profit for the period-consolidated																			**302,012**	**221,356**
Gross advances to customers	-	-	1,728,530	1,267,063	53,918	-	409,277	262,714	168,431	129,526	146,272	132,453	92,908	77,392	7,716	19,979	-	-	2,607,052	1,889,127
Impairment provisions	-	-	(3,610)	(16,707)	(124)	-	(63)	(4,764)	(447)	(1,133)	(727)	(2,084)	(534)	(644)	(430)	(916)	-	-	(5,935)	(26,248)
Net advances	**-**	**-**	**1,724,920**	**1,250,357**	**53,794**	**-**	**409,214**	**257,951**	**167,984**	**128,393**	**145,545**	**130,369**	**92,374**	**76,748**	**7,286**	**19,062**	**-**	**-**	**2,601,117**	**1,862,879**
Total segment assets	1,949,659	1,306,945	1,729,764	1,258,108	60,132	-	427,342	308,050	179,620	145,806	159,325	132,974	100,557	77,694	32,548	28,216	(1,698,932)	(1,188,480)	2,940,014	2,069,313
Borrowings	496,335	186,182	1,332,247	858,223	49,161	4,747	221,584	138,600	85,755	80,459	60,098	30,467	60,095	42,632	8,528	7,033	(1,481,042)	(999,585)	832,761	348,760
Total segment liabilities	508,240	225,610	1,369,216	918,509	50,285	4,802	254,100	253,298	89,722	83,007	62,176	35,382	63,758	45,065	9,082	7,321	(1,494,882)	(1,041,561)	911,697	531,433

RATIO ANALYSIS ON GEOGRAPHIC SEGMENTS

	Botswana-Holding Company 2011	2010	Botswana-Operations 2011	2010	Mozambique 2011	2010	Namibia 2011	2010	Swaziland 2011	2010	Tanzania 2011	2010	Uganda 2011	2010	Zambia 2011	2010	Consolidated 2011	2010
Impairment charge to average advances (annualised)	-	-	0.5%	0.2%	0.7%	0.0%	0.3%	2.9%	(2.2%)	2.2%	1.0%	6.5%	2.9%	4.4%	(26.4%)	26.3%	0.3%	1.8%
Advances to total assets	-	-	99.7%	99.4%	89.5%	0.0%	95.8%	83.7%	93.5%	89.6%	91.4%	98.0%	91.9%	98.8%	22.4%	67.6%	88.5%	90.0%
Collection rates	-	-	95.5%	98.0%	46.0%	0.0%	98.7%	100.0%	99.0%	99.2%	100.0%	99.8%	99.1%	77.3%	140.0%	102.4%	96.0%	99.0%
% of book on deduction code	-	-	99.0%	99.0%	100.0%	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.0%	99.0%
Customers employed by government (%)	-	-	95.0%	95.0%	100.0%	0.0%	97.0%	97.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%	96.0%	96.0%
Customers employed by parastatal or private sector (%)	-	-	5.0%	5.0%	0.0%	0.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	4.0%
Debt to equity (%) (Includes intercompany borrowings)	34.4%	17.2%	369.5%	252.7%	499.3%	432.2%	127.9%	140.1%	95.4%	128.1%	61.9%	31.2%	163.3%	130.7%	36.3%	33.7%	41.0%	23.1%
Cost to income ratio (%)	55.6%	48.8%	8.6%	6.6%	236.7%	>100%	25.2%	34.1%	13.1%	11.0%	41.9%	25.1%	39.5%	38.3%	71.2%	28.1%	24.1%	19.9%

COMMENTARY

HIGHLIGHTS

The Letshego Holdings Limited Board of Directors is pleased to present the consolidated reviewed financial results of the Group for the six months ended 31 July 2011. Key highlights for this financial reporting period are noted below:

- Net advances to customers have grown by 40% to P2.6 billion (2010: P1.86 billion);
- Profit before tax has increased by 16% from P296.7 million to P343.4 million
- Profit after tax has increased from P221.4 million at July 2010 to P302 million, period on period (an increase of 36%)
- Increase in basic earnings per share of 30% to 15.7 thebe
- Impairment expense (annualised) on average loans and advances to customers of 0.3% (2010: 1.8%) on the back of very strong collections and recoveries and the introduction of credit insurance in certain countries
- Gearing remains low, relative to the industry, with a debt to equity ratio of 41% (2010: 23%)
- 35% of profit before tax (2010: 29%) was generated outside of Botswana

DEVELOPMENTS DURING THE PERIOD

The half year to July 2011 has seen a number of developments across the Letshego Group. We share these with you below in chronological order:

- The inclusion of comprehensive credit default risk insurance on our advances book in Swaziland
- Commencement of lending in Mozambique from February 2011 with the Letshego brand and products well received by the market
- Approval by Shareholders of Directors' mandate to seek and obtain appropriate funding of up to two times the total equity and reserves during April 2011
- Shareholders' approval in April 2011 of a non-elective, non-cash scrip dividend, resulting in the issue of 7 new shares for every 100 issued ordinary shares (increasing the total shares in issue to 1.985 billion)
- The introduction of a 15% minority shareholder in our Ugandan subsidiary, Micro Provident Uganda (also announced in our annual results publication issued in April 2011) which is in line with the Group practice of having local participation in regional operating subsidiaries
- In June 2011 a credit rating of Ba3 (long term global scale rating with a 'stable' outlook) was obtained by Letshego Holdings Limited from independent ratings agency, Moody's Investor Services
- The listing of a Medium Term Notes ("MTN") programme on the Johannesburg Stock Exchange during July 2011
- The introduction of a number of new funding lines during the period across the Group
- The selection of a new integrated core debtors' and banking system was finalised during July 2011

FINANCIAL PERFORMANCE

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

The Group's interest-earning assets remain the largest component of total assets at 97% of P2.94 billion (2010: 95% of P2.069 billion), and comprise P2.601 billion in net customer loans, and P242.8 million in cash and cash equivalents and short-term investments.

Period on period, the 40% growth in net loans is largely driven by continued strong performance in three countries in particular. These are Botswana (net book P1.72 billion, up 34% from P1.29 billion), Namibia (net book up 58% to P409 million from P259 million), and above-budget payout levels for a start-up in Mozambique (net book P53.8 million up from nil last period).

Tanzania (net book of P145.5 million) and Uganda (net book of P92.4 million) also posted consistent and healthy book growth in local currency terms, but was slightly dampened by the continued weakening of the currencies against the Botswana Pula by about 10% and 20% respectively.

While the Swaziland loan book has increased period on period by 30% it has decreased by 10% since 31 January 2011 due to our decision to moderate lending levels.

Against the above asset performance, the Group recorded an increase in operating income of 17% on July 2010, an increase in total operating expenses of 42% and a reduction in impairment expenses of 80% for the same period. Strong collection and recovery focus in all countries has yielded positive results for this period.

The significantly higher operating expenses in the current period are, in the majority, attributable to Mozambican branch start-up costs, which are anticipated to persist into the next financial year as expansion in that region continues. Upgrading of branches in Tanzania, once-off legal and related costs associated with the establishment of the Group's JSE-listed medium term notes programme also contributed to this incremental expenditure in the period. However, strict control of normal operational expenditure in the more established business units has, and will continue, to be enforced.

The reduction of the impairment expense by 80% is due in the main to the introduction of credit insurance in Namibia and Swaziland, improved collections in Uganda, Tanzania and Zambia, recoveries of prior written off amounts and overall concentration and efforts by the respective credit teams in all countries.

These elements have all translated in to the overall increase of 16% in the Group profit before tax.

Also noteworthy in this half year period was the issue of a paper dividend to the value of P273 million to shareholders on a basis of 7 new shares being issued for every 100 shares owned. This issue was motivated in order to ensure optimum use of additional company tax reserves, which was achieved. The resultant credit to the Letshego Holdings tax charge contributed to a 36% increase in the profit after tax reported (2010: P221.4 million) and an increase in the basic earnings per share from 12.1 thebe to 15.7 thebe.

NEW MARKETS AND DIVERSIFICATION

As part of our pan-African expansion strategy and diversification phase, the expected acquisition of a controlling stake in Micro Africa Limited, a micro lending group based in East Africa, is anticipated to be closed by 31 October 2011. This will assist in the aim of both regional expansion as well as capturing increased market share creating further opportunities that may be explored in future

Examples of the advantages of this acquisition include a diverse product base, use of mobile telephony as a disbursement channel, presence in regions that Letshego has no footprint in, being Kenya, Rwanda and South Sudan, and an experienced management team to complement local industry developments. Other details relating to the acquisition were published on 21 September 2011.

REGULATORY ENVIRONMENT

Central Registries have been in place in Botswana, Namibia, Swaziland and Uganda (all since before July 2010). The Group believes that this is the emerging model of best practice in the industry and the Group will continue to promote the establishment of independent Central Registries.

FUNDING

As mentioned earlier in this report, total borrowings increased by 139% to P832.8 million (2010: P348.8 million) representing a debt to equity ratio of 41% (2010: 23%).

RELATED PARTY TRANSACTION

The Group divested a 15% shareholding in Micro Provident Uganda Limited to a Ugandan citizen. The consideration for the transaction was BWP 2.59 million.

POST PERIOD END DEVELOPMENTS

Lending in Zambia to Central Government employees resumed in September 2011.

The Mozambican and Namibian business levels continue to grow at a satisfactory rate.

There has been continued improvement in new business being written in Tanzania subsequent to the period end date.

As noted earlier in the commentary, it is intended that the controlling share purchase of Micro Africa Limited will be finalised by October 2011 end.

Progress with the design and implementation of a new core debtors' system, with a banking platform, has started.

The outlook of the Moody's credit rating was changed from stable to negative during September 2011.

COLLECTION METHODOLOGY-BOTSWANA

As noted to Shareholders on 1 September 2011 by way of a cautionary announcement which was renewed on 21 September 2011, Letshego became aware on 31 August 2011 of the intention of the Government of the Republic of Botswana to cancel the existing agreements with the two Central Registries in Botswana. We continue to engage with relevant authorities to obtain more clarity and resolution in the matter.

FUTURE OUTLOOK

Generally, the Directors anticipate that, current economic conditions prevailing, the second half results will be in line with the first half results. Any outcome of the issues referred to in the cautionary announcement is unlikely to have any material impact on the financial results for the current financial year.

While the Group does not have any hard currency denominated liabilities (such as the USD, Sterling and Euro) volatility in the currency markets may also have an impact and will be monitored.

AUDITORS' REVIEW

The financial information set out in this announcement has been reviewed but not audited by KPMG. Their unqualified review report is available for inspection at the holding company's registered office.

DIVIDEND

The Directors do not propose an interim dividend in order to retain funds for future growth. This is consistent with the last three interim periods.

For and on behalf of the Board of Directors

C M Lekaukau
Chairman

J A Claassen
Managing Director

GABORONE, 10 October 2011

BOTSWANA, MOZAMBIQUE, NAMIBIA, SWAZILAND, TANZANIA, UGANDA, ZAMBIA

NON EXECUTIVE DIRECTORS: C M Lekaukau (Chairman) (Botswana), J A Burbidge (UK), M M Dawes (RSA), G Hassam (Malawi), I Mohammed (USA), L E Serema (Botswana), R N Alam (USA) (Alternate to I Mohammed) (USA)
EXECUTIVE DIRECTORS: J A Claassen (Managing Director) (RSA), D Ndebele (Director: Risk and Compliance) (Botswana)
TRANSFER SECRETARIES: PricewaterhouseCoopers (Pty) Limited, Plot 50371, Fairground Office Park, Gaborone, Botswana

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