Letshego

Annual Report 2011

Sustainable robust growth

Profile

For more than a decade, Letshego has demonstrated its commitment to customers by providing short to medium term personal, unsecured loans to formally employed individuals in government, parastatals and the private sector. In the past year we provided gross loans exceeding P1.226 billion, bringing our customer base to more than 140,000 across seven African countries.

Our straightforward operational model means consumers have access to a wide branch network making it easy for them to access quality financial services. We continue to make a difference in the communities in which we operate through the products and services we provide. Our products can help entry-level customers fund their children's education, home improvements, general household assets, set up small businesses and improve their standard of living. By providing consumer finance at affordable rates, in a responsible manner, Letshego helps customers achieve their financial goals.

Over the past year, our business has shown remarkable resilience and continues to be well positioned for further expansion in African markets. Leveraging on technology, resources and skills as a basis for implementing our strategy, Letshego is positioned for profitable and sustainable growth.

Our vision

Letshego aims to be a pan African leader of affordable, appropriate and high quality financial services.

Our mission

To be the market leader in the financial services industry by offering competitive, diversified and innovative products to all our customers, combined with quality service and skilled workforce resulting in maximising stakeholder wealth based on good corporate citizen practices.

Our values

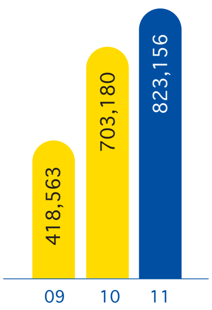
- Professionalism
- Integrity
- Teamwork
- Respect
- Customer Service
- Selflessness and Excellent Communication

Contents

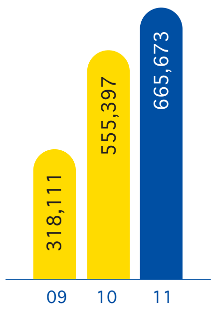
Letshego/Tripod is an artifact used for the sustenance of people in Africa. It is used for cooking and all sorts of chores. It is an anchor in one's life. We find that it is synonymous with what our company is doing, hence the name Letshego.

Financial highlights

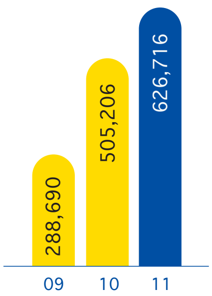
Total group revenue P'000



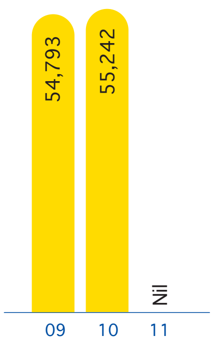
Group operating profit P'000



Group profit before tax P'000



Dividends to shareholders P'000



Operating highlights

- Launched Mozambique operations in January 2011 with lending commencing on promising note in February 2011
- Letshego Financial Services Namibia gained critical mass, recording high growth year on year
- Advances to customers increased 37% during the year to P2.3 billion
- Profits before tax increased 24% to P626.7 million which represents a 35% increase if the once off gain on the disposal of a subsidiary during 2010 is excluded
- Earnings per share increased 22%
- Cost to income ratio of 19% down from 22% in 2010 and below the group target 25%
- The advances book performed well with impairment charges falling 22% during the period. The impairment charge at 1.9% of the average loan book is in line with group target range of 2% to 3%
- The balance sheet is strong with low gearing and debt-to-equity ratio of 29%
- 34% of profits before tax (2010: 31%) generated outside of Botswana
- Approval by Shareholders of a 10 for 1 share split during April 2010
- Rebranding and relicensing of operations in Swaziland
- Introduction of a comprehensive credit insurance cover
- Approval by shareholders of a non-elective scrip dividend in April 2011

Our vital statistics

	2009	2010	**2011**
Market capitalisation (Pbn)	1.584	3.011	**3.390**
Year-end share price (BSE) (thebe)	104.5	165	**184**
(all adjusted for April 2010, 1 for 10 share split)			
Net loans/total assets (%)	96	88	**95**
Loan loss provisions/gross advances (%)	1.70	1.79	**1.04**
Total interest bearing debt (Pm)	644.4	377.6	**505.2**
Net interest income (Pm)	326.1	537.9	**678.9**
Number of employees	366	508	**598**
Return on average equity (ROE) (%) p.a.	38.7	37.2	**29.5**
Return on average assets (%) p.a.	19.8	22.9	**21.8**
Dividend yield (%)	2.9	1.8	**N/A**

Group overview

Formed in 1998, Letshego is incorporated in the Republic of Botswana, is listed on the Botswana Stock Exchange and is a Botswana International Financial Services Centre accredited company.

Letshego is a consumer financial services provider operating in sub-Saharan Africa. Our main business is to extend short to medium term personal, unsecured loans to formally employed individuals. Our customers are employees of government, parastatals and the private sector. Loan repayments are deducted at source through the payroll system of participating employers. Under this methodology Letshego is granted a salary deduction code that allows us to deduct repayments due on loans directly from an employee's salary.

Based on the same payroll deduction business model, a pan African expansion plan was adopted to ensure continued growth and geographic diversification outside of Botswana. We have expanded into Namibia, Swaziland, Tanzania, Uganda and Zambia. Trading in Mozambique commenced during February 2011.

Our products

Personal loans

Letshego offers personal loans from P500 up to P150,000, allowing customers to repay their debt over as long as 60 months. Loans are tailored to the individual's affordability.

Vehicle finance

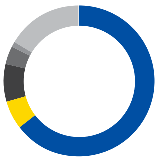
Letshego offers simple vehicle finance up to P100,000. Repayments can be made over 48 months and loans are granted for second hand and new vehicles.

Milestones

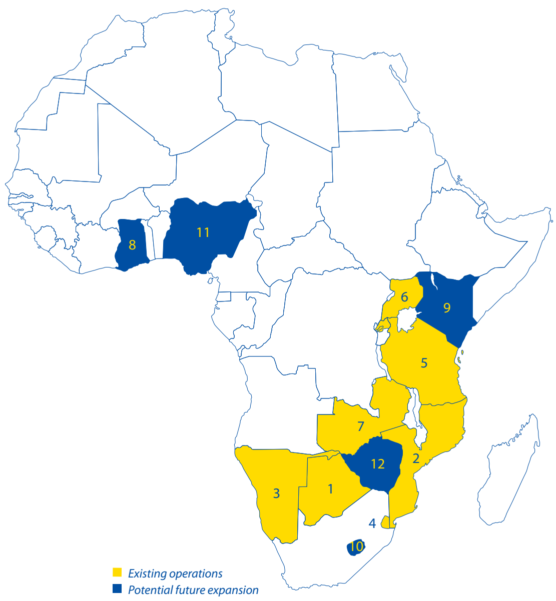
1998	2002	2004	2005	2006
• Incorporation and trading commences	• BSE listing	• Legal Guard launched	• Ugandan operations commence	• Swazi operations commence • Tanzanian operations commence

Our presence in Africa

Revenue per country



Botswana	64%
Swaziland	6%
Tanzania	8%
Uganda	4%
Zambia	1%
Namibia	16.9%
Mozambique	0.1%



Existing Operations

1. **Botswana**
   Financial Services –100%
2. **Mozambique**
   Financial Services – 80%
3. **Namibia**
   Financial Services –85%
4. **Swaziland**
   Financial Services – 85%
5. **Tanzania**
   Letshego Tanzania – 87%
6. **Uganda**
   Micro Provident – 100%
7. **Zambia**
   Financial Services –100%

Potential future expansion

8. **Ghana**
9. **Kenya**
10. **Lesotho**
11. **Nigeria**
12. **Zimbabwe**

Our structure

Shareholders 100%

Letshego Holdings Limited
(Listed on the Botswana Stock Exchange and Botswana IFSC accredited)

100%	Letshego Financial Services (Pty) Limited (Botswana)
80%	Letshego Financial Services Mozambique SA
85%	Letshego Financial Services (Namibia) (Pty) Limited
85%	Letshego Financial Services Swaziland (Pty) Limited
87%	Letshego Tanzania Limited
100%	Micro Provident Uganda Limited (85% w.e.f. 1 April 2011)
100%	Letshego Financial Services Limited (Zambia)

2007
- Zambian operations commence
- IFSC accreditation obtained

2008
- 10 year anniversary
- Acquisition of Eduloan 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
- Shareholders approve scrip dividend

Strategic update

Strategic aims	Description	Performance and KPIs
 **Continue building good quality consumer finance businesses**	✓ We aim to be the leading consumer finance provider on the African continent ✓ Our business model continues to support the growth of good quality loan books in the countries in which we operate	**140,000** Customers (2010: 117,000) **P2.3 bn** Total loans and advances (2010: P1.6 billion) **25%** Increase in profit after tax **1.9%** Impairment expense on average loans and advances (2010: 3.2%)
 **Evaluate opportunities to create new consumer finance businesses**	✓ Leveraging our established platform and infrastructure, cross-border shared services centre and strong relationships with key stakeholders, we continue to pursue expansion opportunities across Africa ✓ These will be based on the payroll deduction model that the Group has successfully implemented elsewhere	**7** Number of African countries we operate in **1** Number of new countries we opened in during the past year **5** Number of target countries to potentially open in the longer term **34%** Revenue generated from operations outside of Botswana
 **Transform the organisation into a broader based financial services organisation**	✓ With our proven ability to penetrate new growth markets, the investment case to expand our revenue streams and provide a broader range of financial services is compelling	**98%** Number of customers who are employed by governments of the respective countries Letshego operates in

Underpinned by our business principles of fairness, responsibility and sustainability

Our strategic intent

Letshego's strategic intent is to enhance profitability and shareholders' value and maintain a reputation for excellence by being the preferred consumer lending financial services provider with an emphasis on responsible corporate conduct and leading by example.

Priorities 2011 and beyond	Risks	Mitigation
✓ Strengthen our competitive position in the countries in which we operate ✓ Grow our customer base ✓ Increase market share ✓ Continue to diversify into new countries	**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	✓ Continue to promote the establishment of central registries in each country ✓ Promote the continuous review of legislation and regulations around minimum take-home pay versus the cost of a local 'bread basket' ✓ Rigorous collection systems and teams ✓ Maintain strong relationships with employers, unions and central registries
✓ Potential target countries over the longer term include Ghana, Kenya, Lesotho, Nigeria and Zimbabwe	**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 **Currency risk** As a result of multinational operations	✓ Lines of credit from commercial banks have been put in place ✓ Lines of credit from development finance institutions are in place ✓ Match borrowing currency with lending currency ✓ New funding lines continue to be explored
✓ Banking licence potential being explored for deposit-taking base, for transactional services, and possibly even lateral integration into other products such as credit life insurance	**Diversification risk** Dependency on single product offering; Inability to source more optimum funding	✓ Provide other financial services and products including transactional banking and credit life insurance

Strategy formulation

The Board reviews and formulates strategies and key management implements strategies throughout the year. The underlying formulation of Group and subsidiary strategies is informed through both internal and other research as well as critical networking and scoping conducted by the Group.

Good corporate governance

Caution and a desire for best practices and corporate governance principles are constantly balanced with our ability to deliver consistently improving shareholder value.

Chairman's report

The 2011 financial year was a very successful one for the Letshego Holdings Limited Group. We delivered a strong financial performance and made important steps towards achieving the strategic goals of the Group. We will focus on continuing to grow quality loan books in the territories in which we operate. Prospects for broader-based expansion into financial services look positive at this stage

Performance

The 2011 financial year was a very successful one for the Letshego Holdings Limited Group. We delivered a strong financial performance and made important steps towards achieving the strategic goals of the Group.

Group-wide advances to customers increased 37% during the year to P2.3 billion. Profits before tax increased 24% to record levels including the once-off gain on the sale of Legal Guard, but 35% up if the sale is excluded. Headline earnings per share increased 36% if the Legal Guard disposal gain is excluded. At the same time the business did well to manage costs so the Group's cost-to-income ratio remains amongst the lowest in the industry at 19%, down from 22% in 2010.

The advances book performed well with impairment charges falling 22% during the period. The impairment charge fell from 3.3% to 1.93% of the average loan book.

Interest margins were generally maintained but may come under pressure going forward, as competition and low interest rates in some of our markets may have an impact. Our cost of funding was maintained at its historically manageable rate. Return on average equity (RoAVE) was still strong at 30%, although this was a decline from last year's 37.2% (33.1% RoAVE in 2010 after excluding the Legal Guard disposal gain). The balance sheet is strong with low gearing and a debt-to-equity ratio of 29%. We have confirmed key funding lines in place but this remains an area of focus and our intent is to vigorously pursue further debt funding avenues in the year ahead.

Shareholders also benefited from a 10-for-1 share split undertaken in April 2010 to improve liquidity and the ease of trading of Letshego shares. The desired effect has been achieved, with the Letshego shares' trade being considerably higher than that enjoyed by other financial institution counters on the Botswana Stock Exchange.

Botswana remains the most significant market for Letshego, at 66.7% of its period end advances book (2010: 67.4%) and 66% of the Group's profit before tax (2010: 69%). Operations outside of Botswana continue to gain critical mass and contributed P195 million to Group profit before tax.

Operating environment

The economies of the countries in which the Group operates improved markedly during the period. Botswana and Namibia saw improved sales in the international diamond market, allowing for the resumption of mining activities and increased employment. Economic growth has recovered, with most markets in which we operate growing at an estimated 4.7% during 2010. The region continued to make further strides in entrenching democracy with successful elections held in Tanzania and Mozambique during the period, and elections held in Uganda after year end. Elections in Zambia are expected during 2011.

Letshego has been relatively unaffected by recessions in some of our economies as 98% of our customers, at a minimum, are government and civil service employees, which represents a highly stable sector of employment. The recovery of growth has implied that fiscal deficits may start to decline during the current period. The Board and executive management closely monitor sovereign risk and political stability in our countries of operation and neighbouring regions.

In our key markets, some bank lenders showed restraint in consumer and corporate lending with conservative exposure limits in the prevailing subdued environment, providing Letshego with opportunity to gain market share. Our competitive advantage in most markets lies in the successful negotiation and maintenance of employer source deduction agreements. The biggest constraint on the Group is our access to competitive, local currency funding, although we had adequate funds from the equity raised during 2009 and new lines obtained during 2010.

Some of our markets may have to absorb changes to the Southern Africa Customs Union arrangements which currently provide a significant portion of government revenue in Swaziland and to a lesser extent in Botswana and Namibia. This is a moving target and we are unsure what the final outcome will be.

Letshego continues to compete strongly in its key markets. We aim to be the preferred lender in our markets by building a brand and reputation for the provision of straightforward loans to qualifying individuals. We can approve a loan within a few hours and funds are generally disbursed within 48 hours.

We work hard to improve the overall sustainability of the consumer finance industry in our markets, working toward the establishment of central registries and adhering to minimum take-home pay standards. More detail on this is provided in the sustainability section of this report.

Chairman's report *continued*

Strategy

Letshego will continue to grow good quality loan books in the territories in which it currently operates. During the period, we commenced lending in Mozambique. Indications after financial year end date are very positive, but we will continue to adhere to our phased roll-out plan.

We will only look to enter new countries where it is possible to implement our proven payroll deduction model that ensures our loan books perform well. Countries we have on our radar include Ghana, Lesotho, Nigeria, and Zimbabwe. Other potential markets are Ethiopia, Kenya, Rwanda and Southern Sudan which we are constantly evaluating.

Letshego will also look to transform itself into a broader-based financial services organisation over time. We are mindful that the investments we make now in growing our infrastructure must be able to cater for the broader-based organisation we want to become. To facilitate our transformation, we have, and continue to, invest in our IT platform to enable us to move from varying applications across our African footprint into a single integrated, seamless and robust debtors' system. We will incorporate the best systems available to facilitate existing business, but ensure they allow for new products and services to be offered.

Human resources

Letshego now employs almost 600 people across its operations, almost equally split between men and women. The staff complement grew 36% during the period, with growth particularly in Tanzania and Uganda and the staffing of the new operation in Mozambique. We welcome the new employees to the Letshego team and look forward to a long and mutually beneficial relationship.

We also increased our staff complement at middle management levels in the holding company with the introduction of what is evolving into a strong second-in-command layer for our executive management team.

We believe that, overall, these new positions and staff members will help drive attainment of our strategic objectives.

The Group performs regular bench-marking exercises to ensure remuneration policies and practices are in line with best practice.

The Group has a share-based payments scheme, the "Long Term Incentive Plan" ("LTIP") in place for key management. The LTIP aligns team members' goals with the shareholders. Over 20 members of staff have become shareholders in Letshego through the LTIP.

Sustainability

Letshego strives to be a good corporate citizen in the countries in which we operate. We have a Group-wide commitment to sustainability, integrating it from boardroom strategy and product design through to on-the-ground operations.

We spend time and effort cultivating relationships and engaging proactively with our many stakeholders and find ways to address concerns and issues that may arise. Internally, management and the Board continue to interact to improve governance and systems of control within the Group.

The Board also considered and endorsed the King Code of Governance Principles of South Africa 2009 (King III) issued by the Institute of Directors (Southern Africa) and is working towards meeting the revised governance and recommended practices outlined in the code. This is reflected in this annual report which incorporates many of the recommendations for integrated reporting.

Letshego recognises its social responsibility and partners with the governments in its respective countries of operation to address social ills, particularly for the needy, and to that extent the Group sets aside 1% of its profit after tax on an annual basis for such purposes. The Group has ploughed back millions into communities across its operations.

During the year we supported welfare projects focused on young people in Namibia with P412,300; people with disabilities in Tanzania with P504,700; health and youth projects in Botswana with P1,176,000; and a youth and health project in Uganda with P329,500. Letshego Holdings Limited also contributed P709,000 to youth and housing projects. These strengthened our relationships with our stakeholders and allowed our employees to participate in uplifting communities.

We recognise that our business must meet the needs of our customers on a sustainable basis in order to thrive. While Letshego does not actively dictate how our loan products should be utilised, we consciously ensure that amounts lent and the related pricing do not compromise our customers' take-home pay.

The establishment of independent central registries is central to the Letshego Group's drive for industry sustainability.

Central registries consolidate all third party government payroll deductions under one deduction code, which is then sent to government payroll centres. The resultant benefits include ensuring minimum take-home pay rules are adhered to, efficiency and standardised operating models by lenders. We have been working with regulators in a number of countries to assist in the establishment of such systems as we believe they will contribute to the development of a sustainable industry with a direct bearing on the achievement of our strategic growth objectives.

Changes in directorship

During the year, Mr Kofi Jude Bucknor and Mr Panos Voutyritsas, both representing PAIP-PCAP-FMO Letshego Limited and managed by Kingdom Zephyr Asset Management, resigned from the Board following Kingdom Zephyr's significant divestment of its holding.

The Board bade farewell to Ms Alicia Mokone, representing the interests of Botswana Insurance Holdings Limited, as well as Ms Runa Alam, representing Development Partners International.

Board appointments during the year were those of Mr Idris Mohammed, with Ms Alam as alternate (representing Development Partners International).

On behalf of my fellow directors, shareholders and the entire Letshego team, we extend our warm thanks and appreciation to our outgoing directors for their invaluable contributions that have played a significant part in Letshego's success story.

I am confident that our incumbent Board will continue to propel Letshego to its full and continuously expanding potential in a manner that is responsible and speaks of good governance.

Prospects

The economies in which we operate look set for continued recovery in the year ahead. We will focus on continuing to grow quality loan books in those territories. We believe the year ahead offers good opportunities to maintain growth levels of the recent past.

We will continue to manage impairment levels, in particular by working to insure our loan books against credit and life risks in all territories, which has already started in Swaziland and Namibia.

On the regulatory front we will work with authorities to introduce central registers and advocate best practices in the industry. We will continue to be guided by the regulatory requirements of our operating environments.

Our efforts to enable regional and business diversification in the strategic period ahead are pivotal to realising our strategic pillars (discussed further in our sustainability report). Prospects for broader-based expansion into financial services look positive at this stage.

Gratitude

Letshego depends on a wide range of stakeholders for its continued success. I am very grateful to our customers, shareholders, strategic partners and staff for ensuring Letshego goes from strength to strength. Our shareholders and other funders are key to our business model and I thank them for their support.

We work with many government departments, staff associations and regulators across our markets, all of whom have been critical to ensuring we operate a successful business model that delivers straightforward, affordable finance in times of need to our customers. My thanks to them all.

I still reiterate that Letshego will continue to be a law abiding citizen in the respective countries in which we operate.

Thanks also to our Board of Directors, whose guidance has been invaluable to me and the rest of the management team.

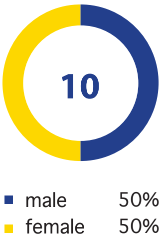
CM Lekaukau
Chairman

11 April 2011

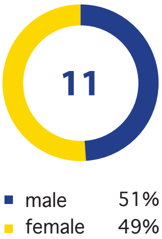
Operational overview

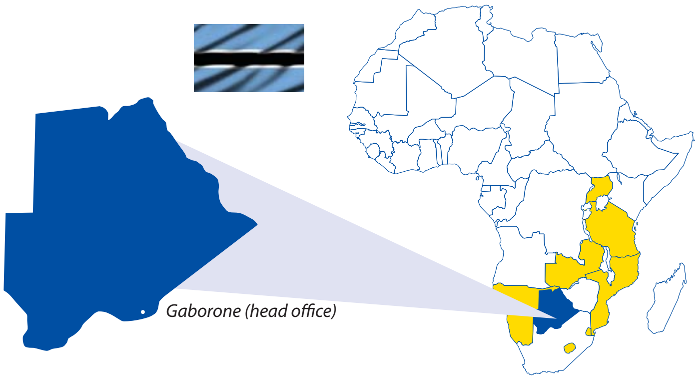
Letshego Holdings Limited

Employees



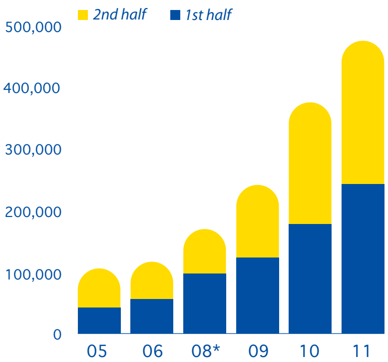
Employees



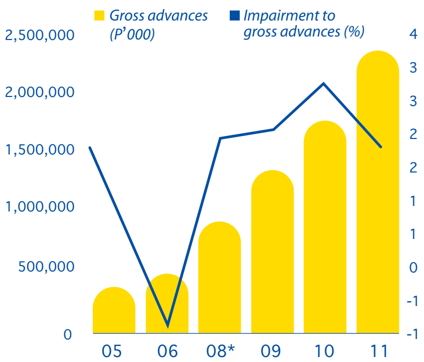


At a glance	2011	2010	2009
Number of branches – head office	**1**	1	1
Number of staff	**39**	41	35
Male	**51%**	50%	52%
Female	**49%**	50%	48%
Citizen	**88%**	91%	89%
Non-citizen	**12%**	9%	11%
Listing	**BSE**	BSE	BSE
Regulator	**NBFIRA**	NBFIRA	NBFIRA

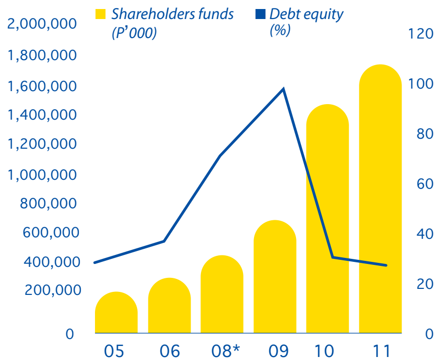
Profit after tax (P'000)



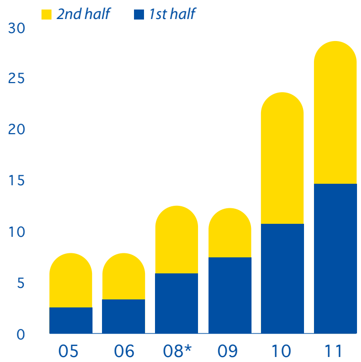
Advances vs impairment to gross advances



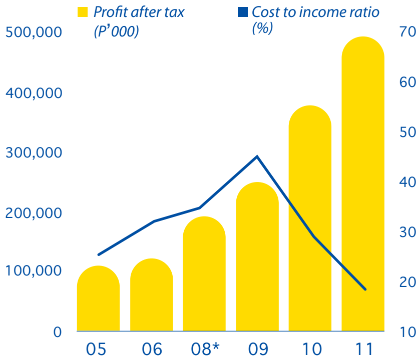
Shareholders' funds to debt to equity



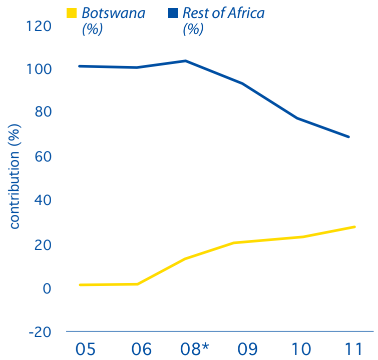
Earnings per share (Thebe)



Profit after tax to cost to income ratio



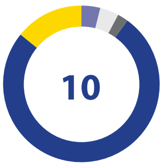
Geographic diversification of profit before tax



*15 month period

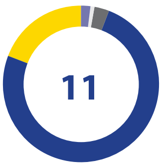
Letshego Financial Services (Pty) Limited (Botswana)

Analysis of advances to customers

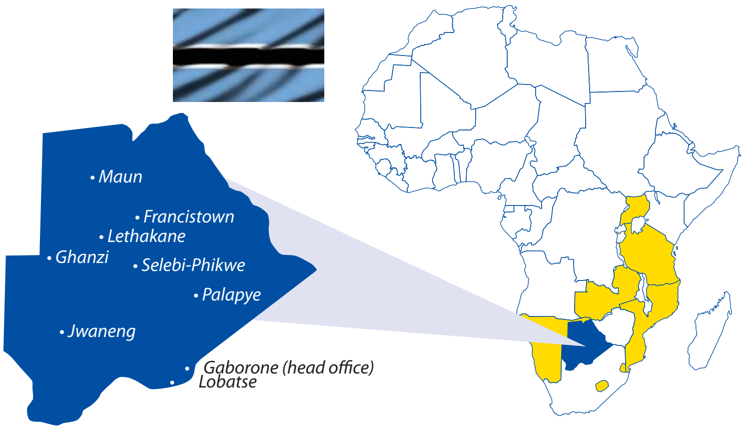


- 60 months 76%
- 48 months 2%
- 36 months 4%
- Executive 14%
- Other 4%

Analysis of advances to customers



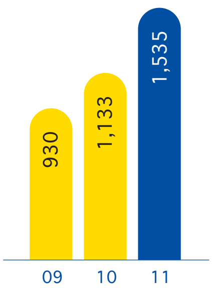
- 60 months 75%
- 48 months 3%
- 36 months 2%
- Executive 19%
- Other 1%



Management

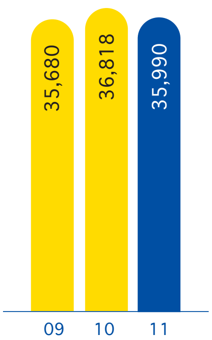
Title	Name	Age	Qualifications	Nationality	Joined Letshego	Shareholding
CEO	Frederick W Mmelesi	42	AAT; MBA; Executive Development Programme	Botswana	1999	1,316,030

Total advances of customers Pm



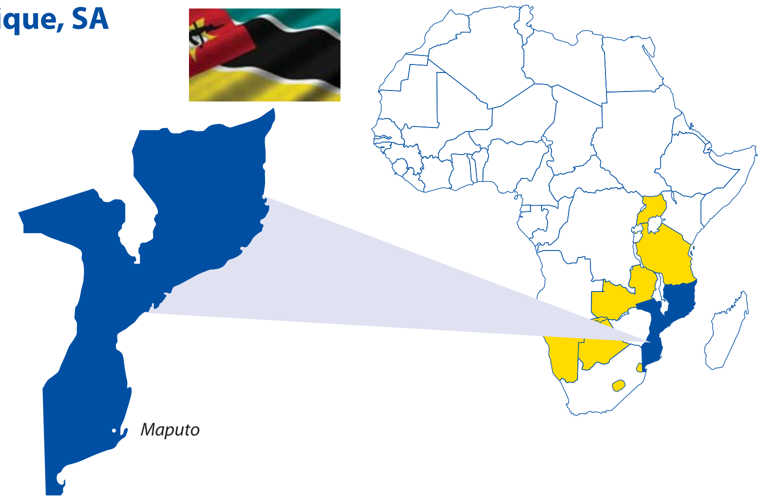
At a glance	2011	2010	2009
Number of branches – main	**4**	4	4
Number of branches – satellite	**5**	5	5
Number of staff	**81**	81	81
Customers – employed by government	**95%**	95%	95%
Customers – employed by parastatals or private sector	**5%**	5%	5%
Total number of customers	**35,990**	36,818	35,680
Average value of loans at 31 January	**P42.6k**	P31.6k	P25.6k
% of book on payroll deduction model	**99%**	99%	99%
Collection statistics – average collection rate for the period	**98%**	98%	98%
Central registry in place	**Yes**	Yes	Yes
Regulator	**NBIFIRA**	NBIFIRA	NBIFIRA

Total number of customers



Operational overview *continued*

Letshego Financial Services Mozambique, SA



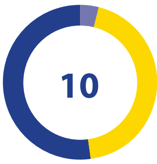
Management

Title	Name	Age	Qualifications	Nationality	Joined Letshego	Shareholding
CEO	Melissa Huang-Williams	38	CPA	USA	2010	Nil

At a glance	2011	2010	2009
Number of branches – main	**1**	N/A	N/A
Number of branches – satellite	**0**	N/A	N/A
Number of staff	**3**	N/A	N/A
Customers – employed by government	**N/A**	N/A	N/A
Customers – employed by parastatals or private sector	**–**	N/A	N/A
Total number of customers	**N/A**	N/A	N/A
Average value of loans at 31 January	**N/A**	N/A	N/A
% of book on payroll deduction model	**N/A**	N/A	N/A
Collection statistics – average collection rate for the period	**N/A**	N/A	N/A
Central registry in place	**N/A**	N/A	N/A
Regulator	**Central Bank of Mozambique**	N/A	N/A

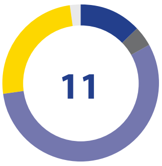
Letshego Financial Services (Namibia) (Pty) Limited

Analysis of advances to customers

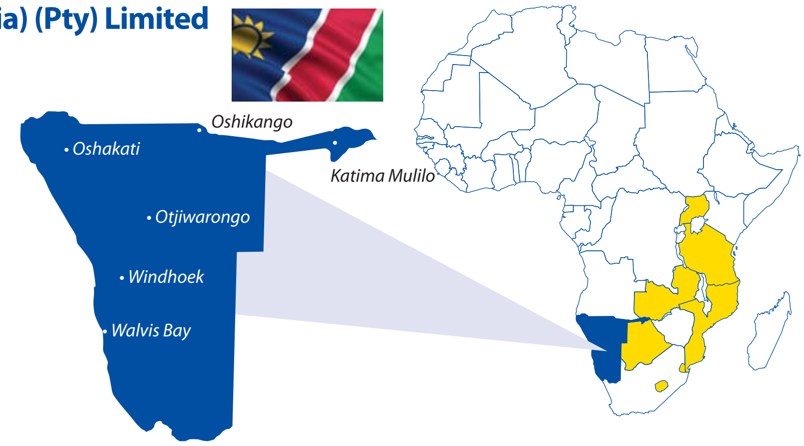


- 36 months 52%
- 24 months 44%
- 3 months 4%

Analysis of advances to customers



- 60 months 13%
- 48 months 4%
- 36 months 56%
- 24 months 25%
- 12 months 2%

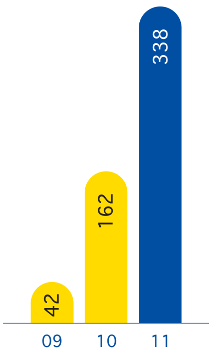


Management

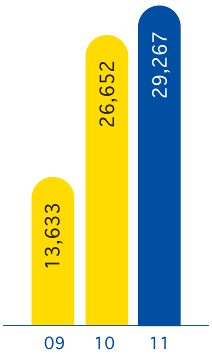
Title	Name	Age	Qualifications	Nationality	Joined Letshego	Shareholding
CEO	Willem Steenkamp	60	BA; DEd	Namibia	2003	Nil

At a glance	2011	2010	2009
Number of branches – main	**7**	7	6
Number of branches – satellite	**1**	2	2
Number of staff	**34**	35	33
Customers – employed by government	**97%**	97%	82%
Customers – employed by parastatals or private sector	**3%**	3%	18%
Total number of customers	**29,267**	26,652	13,633
Average value of loans at 31 January	**P11.5k**	P6.1k	P3.4k
% of book on payroll deduction model	**100%**	100%	100%
Collection statistics – average collection rate for the period	**100%**	98%	98%
Central registry in place	**Yes**	Yes	Yes
Regulator	**NAMFISA**	NAMFISA	NAMAFISA

Total advances of customers Pm



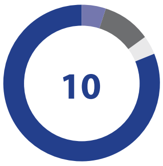
Total number of customers



Operational overview *continued*

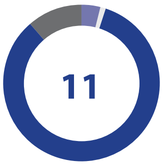
Letshego Financial Services Swaziland (Pty) Limited

Analysis of advances to customers

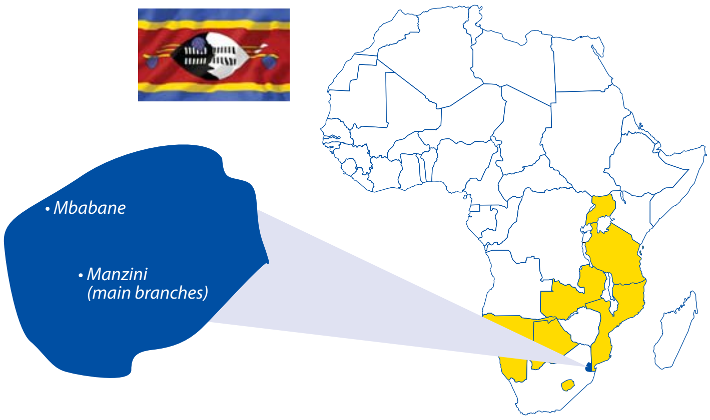


- 60 months 81%
- 48 months 10%
- 36 months 5%
- Other 4%

Analysis of advances to customers



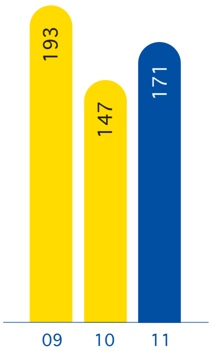
- 60 months 82%
- 48 months 11%
- 36 months 6%
- Other 1%



Management

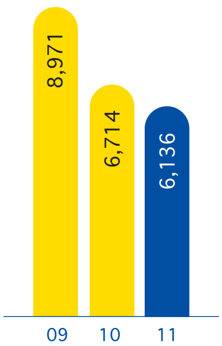
Title	Name	Age	Qualifications	Nationality	Joined Letshego	Shareholding
CEO	Mbuso Dlamini	34	BCom; CA (SA)	Swaziland	2010	Nil

Total advances of customers Pm



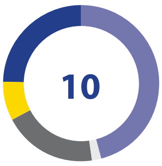
At a glance	2011	2010	2009
Number of branches – main	**2**	2	2
Number of branches – satellite	**–**	–	–
Number of staff	**15**	14	17
Customers – employed by government	**100%**	100%	100%
Customers – employed by parastatals or private sector	**0%**	0%	0%
Total number of customers	**6,136**	6,714	8,971
Average value of loans at 31 January	**P27.8k**	P22.2k	P21.3k
% of book on payroll deduction model	**100%**	100%	100%
Collection statistics – average collection rate for the period	**99%**	99%	99%
Central registry in place	**Yes**	Yes	No
Regulator	**Central Bank of Swaziland**	N/A	N/A

Total number of customers



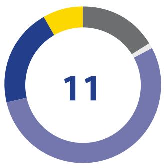
Letshego Tanzania Limited

Analysis of advances to customers

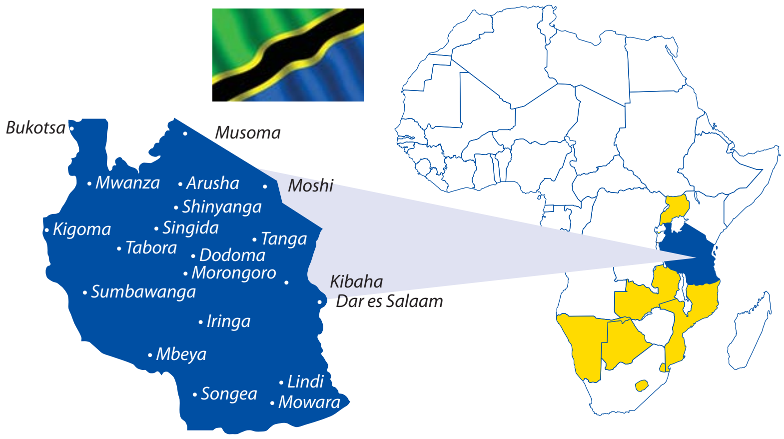


- 60 months 24%
- 48 months 19%
- 36 months 45%
- 24 months 8%
- 12 months 4%

Analysis of advances to customers



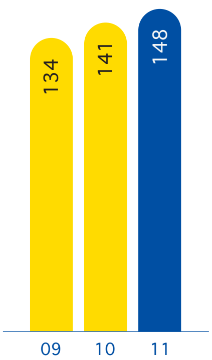
- 60 months 20%
- 48 months 16%
- 36 months 53%
- 24 months 8%
- 12 months 3%



Management

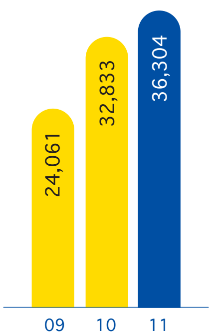
Title	Name	Age	Qualifications	Nationality	Joined Letshego	Shareholding
CEO	Marion Moore	57	CPA; CISA	South Africa	2007	589,304

Total advances of customers Pm



At a glance	2011	2010	2009
Number of branches – main	**13**	13	11
Number of branches – satellite	**77**	77	70
Number of staff	**208**	123	109
Customers – employed by government	**100%**	100%	100%
Customers – employed by parastatals or private sector	**0%**	0%	0%
Total number of customers	**36,304**	32,833	24,061
Average value of loans at 31 January	**P4.0k**	P4.4k	P5.4k
% of book on payroll deduction model	**100%**	100%	100%
Collection statistics – average collection rate for the period	**100%**	100%	92%
Central registry in place	**No**	No	No
Regulator	**N/A**	N/A	N/A

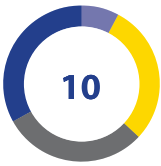
Total number of customers



Operational overview *continued*

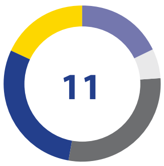
Micro Provident Uganda Limited

Analysis of advances to customers

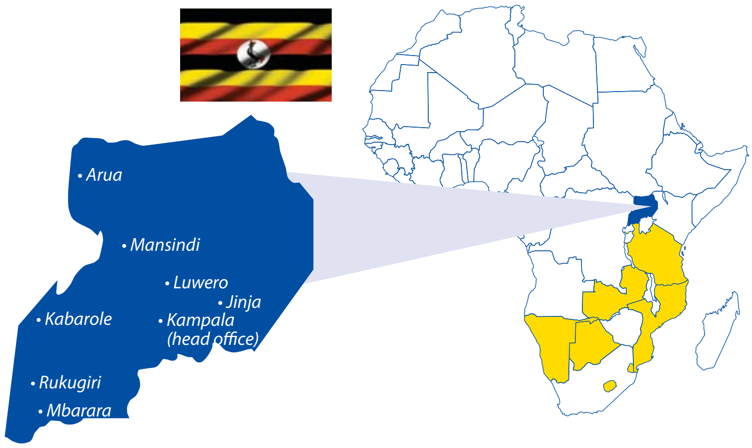


- 48 months 33%
- 36 months 29%
- 24 months 30%
- 12 months 8%

Analysis of advances to customers



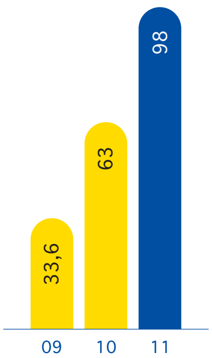
- 60 months 29%
- 48 months 29%
- 36 months 18%
- 24 months 18%
- 12 months 6%



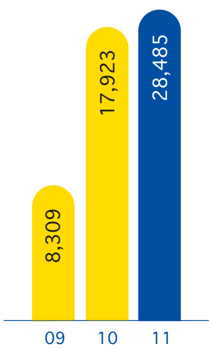
Management

Title	Name	Age	Qualifications	Nationality	Joined Letshego	Shareholding
CEO	Geoffrey Kitakule	40	MBA (Finance); MSc Computer Science; Bachelor of Statistics; Master of Laws in Information Technology and Telecom-munications	Uganda	2008	50,000

Total advances of customers Pm



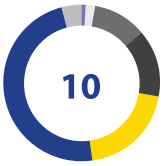
Total number of customers



At a glance	2011	2010	2009
Number of branches – main	**13**	11	6
Number of branches – satellite	**16**	11	3
Number of staff	**192**	151	61
Customers – employed by government	**100%**	100%	100%
Customers – employed by parastatals or private sector	**0%**	0%	0%
Total number of customers	**28,485**	17,923	8,309
Average value of loans at 31 January	**P3.4k**	P3.6k	P3.9k
% of book on payroll deduction model	**100%**	100%	100%
Collection statistics – average collection rate for the period	**98%**	116%	97%
Central registry in place	**Yes**	No	No
Regulator	**No**	No	No

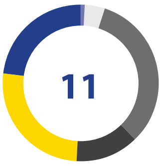
Letshego Financial Services Zambia Limited

Analysis of advances to customers

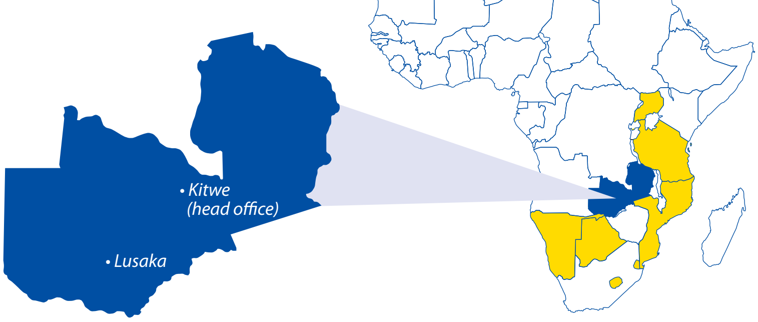


- 60 months 14%
- 48 months 2%
- 36 months 20%
- 24 months 11%
- 12 months 48%
- 6 months 4%
- 3 months 1%

Analysis of advances to customers



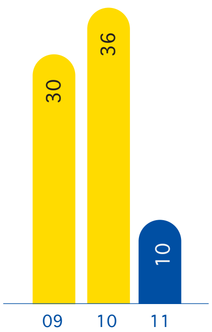
- 60 months 33%
- 48 months 4%
- 36 months 26%
- 24 months 13%
- 12 months 23%
- 3 months 1%



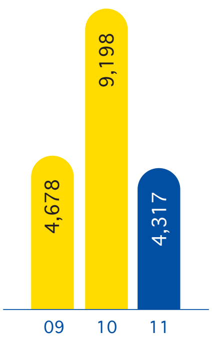
Management

Title	Name	Age	Qualifications	Nationality	Joined Letshego	Shareholding
CEO	Brian Ballack	47	BCom Banking	RSA	2010	Nil

Total advances of customers Pm



Total number of customers



At a glance	2011	2010	2009
Number of branches – main	**1**	2	2
Number of branches – satellite	**1**	1	0
Number of staff	**13**	28	17
Customers – employed by government	**95%**	99%	100%
Customers – employed by parastatals or private sector	**5%**	1%	0%
Total number of customers	**4,317**	9,198	4,678
Average value of loans at 31 January	**P2.3k**	P4.0k	P6.074
% of book on payroll deduction model	**100%**	100%	100%
Collection statistics – average collection rate for the period	**94%**	104%	82%
Central registry	**No**	No	No
Regulator	**Central Bank of Zambia**	Central Bank of Zambia	Central Bank of Zambia

Board of directors

Cuthbert Moshe Lekaukau (67)

Chairman
LLB; LLM; Commonwealth Certificate in Legislative Drafting

Rre Lekaukau served the Government of Botswana as a senior public officer in various capacities from 1973 to 1996. For 12 of those years he served as Permanent Secretary to the then Ministries of Works, Transport and Communications, Mineral Resources and Water Affairs as well as the Ministry of Agriculture. He was awarded a Presidential Order of Honour in 1996 in recognition of his devoted service to the country. In December 1996, he was appointed to start Botswana Telecommunications Authority as the founding Executive Chairman and served there until 2006.

After rejoining the Public Service in 2007 to oversee and coordinate implementation of projects he was later appointed the founding Director General of the Government Implementation Office in the Office of the President, a position he served in until September 2009.

He has served on the boards of various corporate institutions in Botswana, London, South Africa and Switzerland. He has also held positions in international and regional organisations. He currently sits on the boards of Turnstar Limited and a number of private companies.

Appointed to the Board: 2002
Nationality: Botswana
Shareholding: 1,000,000 shares
Residence: Gaborone, Botswana

John Alexander Burbidge (60)

Independent Non-Executive Director
Chairman of Group Audit and Risk Committee and Chairman of Investment Committee
CA

Mr Burbidge 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 Life and the African Life Group. In 1999 he was appointed to the African Life Group Board responsible for the development and management of the African expansion which included operations in Botswana, Lesotho, Namibia, Kenya, Zambia, Ghana and Tanzania, a position he held until his retirement in 2007. Mr Burbidge is also a director of FSG Limited, a company listed on the Botswana Stock Exchange.

Appointed to the Board: 2002
Nationality: UK
Shareholding: None
Residence: George, RSA

Margaret Dawes (53)

Non-Executive Director
Member of Group Audit and Risk Committee and Remuneration Committee
CA

Ms Dawes represents Botswana Insurance Holdings on the Letshego Board. She has held various senior positions in the financial services and auditing industry in both the UK and South Africa. She leads the Rest of Africa division of Sanlam Developing Markets, part of the Sanlam Group which holds a controlling shareholding in Botswana Insurance Holdings Limited. Her responsibilities include Botswana, Ghana, Kenya, Tanzania and Zambia. Prior to her current position she held various roles within African Life and Sanlam Developing Markets. She also represents Sanlam Developing Markets on various other boards and committees.

Appointed to the Board: 2009
Nationality: South Africa
Shareholding: None
Residence: Johannesburg, RSA

Gaffar Hassam (35)

Non-Executive Director
Member of Investment Committee
FCCA, MBA (Oxford Brookes)

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

Appointed to the Board: 2009
Nationality: Malawi
Shareholding: None
Residence: Gaborone, Botswana

Legodile E Serema (63)

Independent Non-Executive Director
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 and 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
Shareholding: None
Residence: Lobatse, Botswana

Idris Mohammed (40)

Non-Executive Director
Chairman of Remuneration Committee and member of the Audit and Risk Committee
CFA; BSc (Industrial Engineering); MBA (Finance and Strategic Management, Wharton School, University of Pennsylvania)

Idris is a partner at Development Partners International, a leading pan-African private equity management firm based in London. He was previously 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
Shareholding: Nil
Residence: London, UK

Dumisani Ndebele (45)

Director: Risk and Compliance
BAcc (Hons); MBA (University of Derby) (UK); FCCA; FCPA

Dumisani joined Letshego in February 1999 as the Finance and Administration Manager. He became the Finance Director in 2002 and moved to his current role of Director: Risk and Compliance in August 2006.

Dumisani's previous experience includes roles at: PricewaterhouseCoopers Zimbabwe and Botswana; Cash Bazaar Holdings Botswana; Anglo American Botswana; and De Beers Botswana. He trained with PricewaterhouseCoopers in Zimbabwe for his articles under the Institute of Chartered Accountants Zimbabwe. He is a member of the Institute of Directors Southern Africa (IoDSA), the Information Systems Audit and Control Association (ISACA) as well as the Institute of Internal Auditors.

Appointed to the Board: 2004
Nationality: Botswana
Residence: Gaborone, Botswana
Shareholding: 4,600,000 shares

Jan A Claassen (58)

Group Managing Director
BCom; LLB; Advanced Executive Programme (UNISA)

Jan has been the MD of Letshego since July 2003. Prior to joining Letshego, he spent seven years at First National Bank of Namibia as Deputy Managing Director. He spent the first twenty years of his career at First National Bank of South Africa in Johannesburg and has also worked in Malawi.

Appointed to the Board: 2003
Nationality: South Africa
Residence: Gaborone, Botswana
Shareholding: 4,779,438 shares

Senior management - *Exco*

Jan Claassen (58)
Group Managing Director
BCom; LLB; Advanced Executive Programme (UNISA)

Nationality: RSA
Joined Letshego: 2003
Shareholding: 4,779,438 shares

Lydia Andries (38)
Group Head of Corporate Strategy and Communication
BSc Actuarial Science; MSc Actuarial Science

Nationality: Botswana
Joined Letshego: 2008
Shareholding: 10,000 shares

Dumisani Ndebele (45)
Director of Risk and Compliance
BAcc (Hons); MBA (University of Derby) (UK); FCCA; FCPA

Nationality: Botswana
Joined Letshego: 1999
Shareholding: 4,600,000 shares

Colm Patterson (39)
Group Chief Financial Officer
FCA (Ireland); CPA (Botswana)

Nationality: Ireland
Joined Letshego: 2007
Shareholding: 1,619,070 shares

Portia Ketshabile (42)
Group Human Resource Manager
Diploma in Personnel and Training Management; Management Development Programme

Nationality: Botswana
Joined Letshego: 2001
Shareholding: 200,460 shares

Shawn Bruwer (34)
Group Chief Information Officer
BCom; CIMA; Various certificates in banking and credit management

Nationality: Namibia
Joined Letshego: 2006
Shareholding: 2,144,100 shares

Senior management - *Opsco*

Barati Rwelengera (33)
Group Risk and Compliance Manager
AAT; ACCA; CPA; (Botswana)

Nationality: Botswana
Joined Letshego: 2008
Shareholding: 203,623 shares

Onkemetse Mtonga (33)
Group Business Development Manager
Bachelor of Accounting, ACCA

Nationality: Botswana
Joined Letshego: 2010
Shareholding: None

Duduetsang Olsen (33)
Group Business Process Manager
Bachelor of Business Administration;
MSc Strategic Management

Nationality: Botswana
Joined Letshego: 2009
Shareholding: None

Mythri Sambasivan George (33)
Group Finance Manager
CIMA; ACCA; ACPA

Nationality: India
Joined Letshego: 2010
Shareholding: None

Annie Chaka (39)
Group Information Technology Manager
Masters in Business Leadership

Nationality: Zimbabwe
Joined Letshego: 2000
Shareholding: 1,505,880 shares

Sustainable development report

Introduction

We believe in taking a comprehensive approach to running our business. We recognise that our accountability towards the communities in which we operate and conducting our business ethically, and in a manner that enhances the economic and social well-being of our stakeholders, is an important part of our licence to operate. We must consider not only the commercial imperative of growing our profits sustainably, but our broader impact.

During the year ahead, we plan to address gaps between our existing sustainability reporting and requirements of King III. We also aim to incorporate more of the metrics provided for in the Global Reporting Initiative ("GRI").

Scope of the report

The sustainability report covers the 2011 financial year and has drawn on the King III Codes of Governance Principles and GRI guidelines. It extends to Letshego's subsidiaries and pertains to the period from February 2010 to 31 January 2011. Letshego produced its last sustainability report in the 2010 Annual Report and aims to produce it on an ongoing annual basis.

Governance of sustainability

Ultimate accountability and responsibility for sustainable development rests with the Letshego Board of Directors. The sustainability strategy is integrated into the Group's longer-term objectives and permeates all operating divisions. Targets are set for the year ahead and we are in the process of developing a scorecard with which to compare performance from year to year.

Contact details

info@letshego.com

Postal address: PO Box 381, Gaborone, Botswana

Physical address: 1st Floor, Letshego Place, Plot 22, Khama Crescent, Gaborone, Botswana

Identifying material issues

Material issues reflect the organisation's significant economic, environmental, and social impacts and have a strong bearing on stakeholders' assessments and decisions about the Company. How effectively Letshego manages these issues affects its ability to achieve its strategic goals.

A number of material issues have been identified through a process of engagement with our internal and external stakeholders. These were determined using a number of methods including local benchmarking, the development of a risk mitigation matrix, analysis of previous issues and conducting surveys amongst some of our stakeholders. Our material issues are summarised as follows on page 23.

Material issue	Sub-issue	Comment on performance
Delivering sustainable financial performance	• Distribution of economic value generated • Sustainability of profits • Sustainability of funding	• Growth strategy across Africa bearing fruit • Diversification strategy implemented • Funding lines established
Providing compliant and responsible financial services	• Responsible lending	• Promoting the establishment of central registries in countries in which we operate
Focusing on customers	• Affordability	• Revised pricing structures
Managing our human resources	• Staff transformation • Staff development • Gender equality	• Invested in training and development
Ensuring ethical behaviour and good corporate governance	• Risk management • Internal controls	• Conducted a gap analysis with regard to King III • Updated risk management matrix • Engaged with competitors to ensure fair conduct
Corporate Social Investment	• Assisting communities in which we operate	• CSI commitments of 1% of after tax profit on a per country basis

Engaging our stakeholders

Communicating and engaging with our stakeholders is an important part of Letshego's sustainability strategy. We have identified seven groups of stakeholders and put in place processes and strategies to ensure that we maintain regular informal and formal communication with each of these. Through these relationships we are able to identify and report on any issues that may arise as a result of these interactions.

We undertake to provide information which is truthful, accurate, timely, consistent and relevant to stakeholders in making their decisions.

Sustainable development report *continued*

Below is a table summarising identified stakeholder groups, how Letshego engages with them, issues raised and actions taken over the past year.

Stakeholder	Method of communication	Issues raised	Action taken
Customers	• Advertisements • Website • Annual report	• Affordability • Responsible lending • Over-borrowing	• Adherence to regulations • Driving central registries • "Letshego 1 Loan" campaign
Shareholders, investors and analysts	• Annual General Meeting • Presentations • Site visits • Annual report • Corporate website • Investment updates	• Sustainability of profits • Over-commitment (customers' borrowing levels)	• Continued regional expansion • Conservative but steady growth • Affordability checks • Central registries
Government and regulators	• Specific meetings • Industry forums		
Employees	• *African Tripod* quarterly magazine	• Focus on ethical conduct • Development and progression of staff	• Training and transfer of skills
Business organisations	• Consumer lenders forum in each region	• Responsible lending • Fair competition	• Engaging with Government to take in concerns • Engage with rivals to ensure fair conduct
Suppliers and service providers	• Regular meetings	None	Not applicable
Media	• Media releases • Press office • Presentations • Corporate web site	• Sustainability of profits • Over-commitment (customers' borrowing levels)	• Conservative but steady growth • Affordability checks • Central registries

Delivering sustainable financial performance

Delivering a sustainable financial performance across its operations means maximising returns for shareholders and distributing the economic value in the countries in which we operate.

Our business model has allowed us to continue to expand and grow our operations across the continent. As part of our operational strategy we aim to diversify our business into a broader financial services business and over the longer term expand our operations into selected countries which demonstrate good growth potential and sound economic fundamentals.

The management of risk is also critical to ensuring the continued financial viability of Letshego. A risk matrix was developed to ensure risks are properly assessed and control measures put in place to manage them.

The table below describes the most significant operational and strategic risks we face in our business model and how we address these.

Risk	Risk management
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 credit from commercial banks have been put in place • Lines of credit from development finance institutions are established
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	• Compliance with take home pay and affordability regulations • Establish central registries in each country • Rigorous collection systems and teams • Maintain strong relationships with employers, unions and central registries
Currency risk As a result of multinational operations	• Match borrowing currency with lending currency
Strategic risk Limited product lines	• Developing alternative revenue streams • Invest in more flexible debtors' systems • Banking licence potential being explored for deposit base
Operational risk Lack of policing and abuse of salary deduction codes by operators may result in over-commitment of customers	• Support and promote the establishment of central registries in countries in which we operate
Competition risk Local and foreign competition entering the market in consumer lending	• Competitor analysis • Monthly management reporting • Advertising and marketing • Corporate Social Investment
Commercial or business risk Global financial crisis put pressure on governments to change domestic fiscal policies Shrinkage of donor funding and access to foreign loans to finance national budgets Governments may freeze new employment or retrench civil servants	• Group looking to increase its market share in parastatals and selected private sector companies • Monitoring

Sustainable development report *continued*

Providing compliant and responsible financial services

Key drivers of change in the consumer finance payroll-based deduction industry will include developments in legislation or the regulatory framework, such as the establishment of the Non Bank Financial Institution Regulatory Authority in Botswana. central registries are emerging best practice across the industry where the salary based model is in place. We have assisted in the establishment of central registries in a number of countries which will ensure that responsible lending practices are standardised across the industry. The main aim of central registries is to administer and manage non statutory deductions from government employees' salaries and to ensure compliance with minimum home pay legislation or regulations. central registries are in place in Botswana, Namibia, Swaziland and Uganda.

At board level, Letshego works with regulators across our operating territories to ensure that we comply with national laws as relevant to our business.

The Company was not engaged in any legal action for anti-competitive behaviour, anti-trust or monopoly practices and was not fined or sanctioned for non-compliance with any laws or regulations.

Focusing on our customers

Our customers are central to the sustainability of our business. We conduct regular market research to understand customer needs and our products constantly evolve to ensure that we continue to enhance customer satisfaction. We ensure that our customers are provided with clear information and are appropriately informed before, during and after the point of sale. Letshego also provides education programmes that improve the financial literacy of our customers, assisting them in making important decisions when it comes to borrowing. Our employees are trained to ensure that they provide customers with appropriate advice that takes into account their financial circumstances.

Affordability remains an important issue. Product pricing therefore plays a central role in our sustainability and must take into account competitiveness in the market. During the past financial year, we reviewed the pricing strategy of our products to ensure that they remain attractive to customers on the one hand and allow us to deliver sound financial results on the other.

For entry-level consumers, access to finance remains a challenge, especially for customers living outside of urban areas. One of Letshego's strategic imperatives is to ensure that our offerings remain innovative to suit the needs of different customer segments. As part of this we continue to look at new ways to strengthen our distribution channels through our branch network. We currently operate over 100 branches across the countries in which we operate. We are also investigating the use of mobile technology to improve accessibility even further.

Customer complaints are managed through a central complaints mechanism and follow-up action tracked and recorded. No incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship were recorded nor were any complaints regarding breaches of customer privacy and losses of customer data reported.

Measures to protect our customers throughout the product lifecycle are outlined below:

Loan cycle	Risk of consumer abuse	Protective measures
Before sale	Incorrect or misleading advertising	Clear written communication with potential customers regarding products offered and information required as part of loan application process
At time of sale	Inappropriate contract wording	The Letshego Group has standardised contracts with disclosure of costs and other loan terms

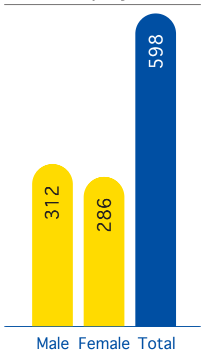
Loan cycle	Risk of consumer abuse	Protective measures
At time of sale (continued)	Legislation	The Group adopts host country usury/lending legislation regulations and in the absence of such laws aligns its operations with the National Credit Act of South Africa
	Unfair discrimination	Letshego requires that reasons be given to customers for rejection of loan applications
	Penalties imposed for loan cancellation	Letshego has a mandatory "cooling off" period across the Group during which the borrower can cancel the loan without penalty
After sale	Inaccurate recording of borrower payments	Provide statements of account at the request of the customer and at no cost to the customer
	Illegal payment collection methods	Collections are made through the payroll system
	Actions against a borrower who has no legal recourse or defence	The Group endeavours to resolve its disputes outside of court
	Abusive behaviour in the collection process	Collections are made through the payroll system
	Disclosure of borrower information to other parties	Borrower's information can only be shared with the borrower's written consent

Attracting and retaining quality employees

Letshego's strength lies in its team of approximately 600 employees. Employees work in a trusting environment which is free from discrimination, prejudice, bias, harassment and violation. Employee rights and labour regulations are respected through human resources management, industrial relations and legal compliance frameworks implemented throughout the Group. Employees are free to belong to a trade union or collective bargaining council.

Executives and management interact with staff on the basis of an open-door policy and employees are given the necessary infrastructure, training and support required to perform their duties professionally, effectively, efficiently and diligently. We strive to ensure that each employee's contribution is fairly rewarded and recognised. The Remuneration Committee monitors remuneration and reward structures to ensure that employees are compensated with competitive salary and benefit schemes.

Total employees



Sustainable development report *continued*

Salary benchmarking

Letshego uses independent remuneration specialists to undertake general and sector-specific salary surveys to benchmark staff remuneration. In general, Letshego remunerates at the upper quartile of the 50th percentile. The Company also uses the Group's Long Term Incentive Plan to allow key employees to become shareholders in Letshego.

Upskilling local employees

Letshego employs local employees in its various operations as much as possible. Efforts to increase these at all levels of the organisation, particularly at senior management level, are starting to bear fruit. Approximately 99% of our employees are from local communities.

Pension scheme

A key objective for the Letshego Group Pension Scheme is to provide for employees' retirement and to educate members in retirement-related matters.

Skills development and training

Letshego continues to invest significantly in developing its employees. The Group has established dedicated programmes to identify and develop high potential employees. These programmes improve general management skills and specific functional expertise. These programmes cater for international development opportunities and open up pan-African employment opportunities, facilitating the dissemination of expertise across the Group.

Employee wellness

Letshego has an HIV/Aids policy and promotes healthy lifestyles and living. An HIV/Aids awareness day 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. Free HIV/Aids testing is also conducted on site and employees are encouraged to know their status.

Succession planning

Succession planning forms part of the Group's staff retention policies and this includes training and career development. The Group has linked its succession planning and employment equity strategies to focus on skills development and the training of its employees. This allows employees to take advantage of internal opportunities for advancement. Each subsidiary, with the assistance of the human resources department, is responsible for putting plans in place to ensure the smooth succession of key executives. The succession strategy includes, where appropriate, the recruitment of talented individuals from outside the Group.

Ensuring ethical behaviour and good corporate governance

Ethical leadership is prioritised in the King III Code of Governance Principles and our Board ensures that collaborative efforts with stakeholders are embarked upon to promote ethical conduct and good corporate citizenship. In line with King III, Letshego's Code of Ethics is to be finalised in the next financial year and made available to all our stakeholders.

Good corporate governance at Letshego is implemented by the Board committees to which various aspects are delegated. The major committees and their functions are summarised as follows:

- *The Board* formulates Group strategy, risk management and corporate governance philosophy. It also approves investment undertakings, is accountable to stakeholders and ensures regulatory and statutory compliance.

- *The Executive Committee* is responsible for implementing board-approved strategies and decisions. It also approves systems, policies and procedures and manages operational risks.

- *The Group Audit and Risk Committee* is responsible for the review of the Group's financial reports, ongoing monitoring and management of risks and approval of annual internal audit plans. It also ensures the monitoring of the ethical conduct of the Group and review of compliance with applicable laws and regulations.

- *The Investment Committee* reviews and recommends to the Board in terms of all new strategic investments and major funding initiatives that the Group may enter into, including the mechanism for investment.

- *The Group Remuneration Committee* formulates Group-wide remuneration strategies and policies (including those applicable to the Board), and monitors the implementation of these strategies and policies. It ensures that directors and staff are fairly rewarded and that market related reward strategies are adhered to. It also establishes performance targets for the Group's incentive scheme.

More detail on corporate governance can be found in the Corporate Governance Report on pages 30 to 35.

Corporate Social Investment ("CSI")

Letshego's CSI programme earmarks 1% of after tax profit to spend on worthy projects on a country-specific basis.

During the past year, we funded educational programmes and charitable initiatives that benefit the youth, education, healthcare and enterprise development. During the year, Letshego supported over 40 projects, providing total funding of P4 million for the following projects across different countries:

Letshego Financial Services Namibia donated P412,300 to a school feeding scheme which provides soup and bread to 10,000 underprivileged children at eight different schools. The Company also provided funds for a horse therapy project at Dagbreek School (for mentally impaired children), and funded salaries of teachers at a pre primary school for HIV/Aids orphans. A donation towards surgery for a child born with a facial defect was also undertaken. We also sponsored a visit by Botswana teachers to Namibia.

Letshego Tanzania conducted research on the needs of local communities and decided to focus on providing support to disabled members of the community by setting aside P504,700 for the Nina Uwenu project which aims to assist 50 Tanzanians with special mobility needs. Beneficiaries each receive a wheelchair, basic entrepreneur training and health checks to help improve their quality of life. The public will help identify beneficiaries by sending out names and a panel of experts will decide who needs the services.

Letshego Financial Services Botswana spent nearly P1,200,000 on various CSI initiatives. Projects included donations to Masiela Trust Fund, the Cancer Association of Botswana, SOS, LIFELINE and Childline. These organisations have made it their mission to alleviate poverty, care for the orphans, provide counselling and care for those living with cancer and HIV/Aids in Botswana. The Company also funded the building of houses in Maun, Lobatse and Serowe for the underprivileged members of the community. Ninety hospital beds were donated to Nyangabwe Hospital in Francistown, to assist in shortage of beds at the hospital. The Company also financed surgery for a young boy who sustained severe burns at a young age. Various schools were given funding towards their prize giving ceremonies, in different parts of the country.

Letshego Holdings' CSI initiatives focused on education and welfare. A total of P709,000 was spent on its initiatives for the period. Funds were provided to Gamodubu Child Care Trust to buy food, transport, gas and toiletries for the whole year. The organisation focuses on providing emotional and psychological support as well as basic needs to vulnerable children. The Company also pledged to build 12 houses within a period of three years as part of the recently established President's Housing Appeal.

Micro Provident Uganda spent a total of P329,500 in support of two CSI projects. The Company provided funding for Alive Medical Services which provides ARVs, counselling, testing and nutritional support to the police force, teachers and civil servants. It also funded school desks and T-shirts to schools affected by mud slides.

Corporate governance

Letshego's Board of Directors is committed to upholding strong corporate governance throughout the Group. During the past year concerted efforts were made towards considering the recommendations of the King III report ("King III") introduced by the Institute of Directors (South Africa). A gap analysis has been made in applying the principles outlined in King III, as appropriate to the business. 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.

Key developments in the area of corporate governance last year included:

- A gap analysis between current corporate governance practice and King III was conducted and an action plan implemented to address identified areas;

- Progress has been made on the updating of the Board Charter to reflect amendments included in King III and other amendments in regulatory or legislative frameworks; and

- The foundation for a Code of Ethics was developed. This will be finalised in the next financial year.

The Board

Structure

Letshego has a unitary board of eight directors, comprising three independent non-executive directors, three non-executive directors and two executive directors. The executive in charge of the finance function is not a director. At least one third of the non-executive directors rotate every year in line with King III.

The Board elects a Chairman of the Board who is an independent non-executive director. Mr Cuthbert Lekaukau joined the Board in 2002 and has been Chairman for nine years. It also appoints a Managing Director ("MD") and ensures that the role and function of the MD is formalised. The Board has embarked on a process of self-assessment, while plans are being developed to introduce formal performance assessments for individual directors.

A brief *curriculum vitae* of each director is set out on pages 18 – 19 of this annual report.

The Board meets at least once every quarter. Four board meetings were held during the year. 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, but 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 Company. 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 Company's expense, are able to seek independent professional or expert advice on any matters pertaining the Group.

Role of the Board

The Board provides effective leadership based on an ethical foundation and ensures that the Company 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 Company has an effective independent Group Audit and Risk Committee;
- oversees the governance of risk;
- manages the governance of Information Technology systems;
- ensures compliance with applicable laws and adherence to non-binding rules, codes and standards; and
- puts in place an effective risk-based internal audit.

Board Charter

The Board Charter which sets out the Board's responsibilities will be updated in the next financial year.

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. He is currently an executive director.

The Company Secretary ensures that board and committee charters are kept up to date and that board papers are circulated. He also assists in eliciting responses, input and feedback for board and board committee meetings.

The Company Secretary assists the Group Remuneration Committee in ensuring that the correct procedure is 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-evaluation of the Board and its sub-committees.

Board processes

Appointments to the Board

New board appointments are proposed by the ad hoc 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.

Ongoing training and development of directors is provided. A formal induction programme for new directors will be introduced in the next financial year.

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 Remuneration Committee through the year and report-backs are given to the Board at subsequent meetings.

Board sub-committees

In assisting the Board to discharge its collective duties, certain board responsibilities have been delegated to the Group Audit and Risk Committee, Group Remuneration Committee, Investment Committee and Executive Committee. In so doing, the Board is cognisant of its ultimate responsibility for leading and directing the affairs of the Group. The Board and sub-committees have each established an annual work plan to ensure that relevant matters are addressed as appropriate.

Each sub-committee is governed by formal terms of reference which are reviewed annually for adequate alignment to prevailing legislation, regulations and best corporate governance trends. The terms of reference for all sub-committees are being reviewed to ensure compliance with King III Report going forward.

Committees comprise a majority of non-executive directors. Committees are free to take independent, external professional advice at cost to the Company subject to an approval process being followed.

Based on the outcome of sub-committee self evaluation exercises, the Board is of the opinion that the sub-committees have effectively discharged their responsibilities in accordance with their specific terms of reference.

Composition of the Board's sub-committees is as follows (at 31 January 2011):

Sub-committees

Group Audit and Risk Committee

Chairman: JA Burbidge
Members: M Dawes; I Mohammed

- Reviews Group financial reports
- Provides ongoing monitoring and management of risks
- Approves annual internal audit plans
- Monitors the ethical conduct of the Group
- Reviews compliance with applicable laws

Investment Committee

Chairman: JA Burbidge
Members: JA Claassen; I Mohammed; G Hassam

- 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

Group Remuneration Committee

Chairman: I Mohammed
Members: CM Lekaukau; M Dawes

- Reviews the remuneration policies of the Group
- Ensures that directors and staff are fairly rewarded
- Ensures that market-related reward strategies are adhered to
- Establishes performance targets for the Group's incentive scheme.

Corporate governance *continued*

Group Audit and Risk Committee

The Audit Committee is responsible for oversight of risk management in the Group. It comprises non-executive director, JA Burbidge (Chairman of the Committee) and non-executive directors M Dawes and I Mohammed.

Group Audit and Risk Committee Report

The Group Audit and Risk Committee has an independent role with accountability to the Board. The Board elects the chairman of the Audit Committee. The Committee was chaired by Mr J Burbidge and comprises two other non-executive directors.

The Committee members are sufficiently qualified and experienced in matters such as financial reporting, internal financial controls, external and internal audit processes, corporate law, risk management and IT governance processes within the Group. The Board has satisfied itself that all members of the Committee act independently. New Committee members are recommended to the Board for approval on an annual basis.

The Committee meets at least twice annually, but more often if necessary. Four meetings were held during the year under review and attendance at these meetings is set out on page 35.

The Committee has unrestricted access to the external and internal auditors. The Chairman of the Committee represents the Audit and Risk Committee at the annual general meeting each year.

The terms of reference of the Group Audit and Risk Committee will be amended to incorporate the requirements of King III.

The Committee is responsible for recommending the appointment of the external auditors. It is tasked with the responsibility of nominating the external auditors for appointment, approving the terms of engagement and remuneration for the external audit engagement and monitoring and reporting on the independence of the external auditors in the annual financial statements. The Committee defines a policy for non-audit services provided by the external auditor and must approve the contracts for non-audit services. The Committee also reviews the quality and effectiveness of the external audit and is informed of any Reportable Irregularities identified and reported by the external auditor. It is satisfied with the independence of the external auditor.

The Committee assists the Board with all financial reporting and reviews the annual financial statements as well as the preliminary announcements and interim financial information. It further provides the Board with its views on a regular assessment of the going concern status of the Group and regularly reviews the appropriateness of the capital structure. The Committee specifically oversees financial reporting risks, internal financial controls and fraud and IT risks as they relate to financial reporting. The Group's whistle-blowing arrangements are approved and monitored by the Committee.

The Committee also considers the risk management policy and plan and monitors the risk management process. A policy and plan for a system and process of risk management has been developed and is in place. This highlights the Board's responsibility for risk governance. The Board approves the risk management policy and plan and ensures that the risk management plan is continuously monitored.

The risk strategy is executed by management by means of risk management systems and processes. Management is accountable for integrating risk in the day-to-day activities of the Company. The Director of Risk and Compliance is a suitably experienced person who has access and interacts regularly on strategic matters with the Board and/or appropriate board committees. Effective and ongoing risk assessments are performed and a systematic, documented, formal risk assessment is conducted once a year. Risks are prioritised and ranked to focus responses and interventions. The risk assessment process involved the risks affecting the various income streams of the Company, the critical dependencies of the business, the sustainability and the legitimate interests and expectations of stakeholders. Risk assessments adopt a top-down approach and the Board regularly receives and reviews a register of the Group's key risks. The Board ensures that key risks are quantified where practicable.

Findings by the external auditors arising from their annual statutory audit are tabled and presented at a Group Audit and Risk Committee meeting following the audit. The Committee endorses action plans for management to mitigate noted concerns. In subsequent meetings, management reports on actions taken until all issues are fully resolved. This process highlights areas requiring improvement and helps to enhance the Group's financial control processes. In order to report annually to the Group's stakeholders and the Board, the Committee has access to the Company's records, facilities, employees and any other resources necessary to discharge its responsibilities effectively.

The internal audit function is overseen by the Committee and this assists the Board in assessing the Group's risk management and governance processes and is governed by an internal audit charter. The charter is updated and approved by the Group Audit and Risk Committee annually.

The Director of Risk and Compliance is a member of the Executive Committee. This is considered appropriate for the size of the organisation. The Group Risk and Compliance Manager is responsible for implementing the internal audit strategy and reports functionally to the Director of Risk and Compliance who, in turn, reports on internal audit matters to the Group Audit and Risk Committee. The Board is ultimately responsible for the Group's system of internal controls as set out in the approval of the annual financial statements found here.

With the assistance of the Group Audit and Risk Committee, the directors have satisfied themselves that an adequate system of internal controls is in place to mitigate significant risks identified to an acceptable level, and the directors are satisfied that nothing has come to their attention during the year to indicate that a material breakdown in the effective functioning of this system within the Group has occurred.

The Committee has considered and is satisfied with the expertise and experience of the Chief Financial Officer, who performs the duties of a financial director. Further, the Committee has considered and is satisfied with the independence of the external auditors and with the effectiveness of the Group's internal audit function.

The Group Audit and Risk Committee has recommended the annual financial statements for approval to the Board.

JA Burbidge
Audit and Risk Committee Chairman
11 April 2011

Remuneration Committee

The Remuneration Committee is responsible for reviewing the remuneration policies of the Group. It comprises I Mohammed, CM Lekaukau and M Dawes. The Board has satisfied itself with the level of experience and competency of the Committee members.

Remuneration Committee Report

The Committee meets a minimum of twice annually and during the past year met two times. Attendance at meetings is set out in the table on page 35.

The Committee's terms of reference are reviewed and approved by the Board each year and outline its composition, objectives, processes and remuneration guidelines. They describe the Committee's responsibilities and duties. The Committee is responsible for ensuring that the Company's executive directors and management are rewarded fairly in accordance with their individual contribution to the Group's overall performance objectives. Further, the Committee makes recommendations to the board on non-executive directors' fees.

The Committee's responsibilities are aimed at ensuring that the Board has sufficient resources with the prerequisite mix of expertise, experience and diversity to fulfil the strategic intentions of the Group.

Remuneration policy

A strategic objective for Letshego is to attract and retain high calibre individuals. Executive and management remuneration is formulated in a manner which aligns the reward of these employees with changes in the value delivered and recognises and rewards individual contributions.

Surveys conducted by independent consultants indicate that basic salaries paid by the Group are industry and market related. In awarding annual increases to employees, consideration is given to an employee's performance as well as economic conditions impacting the industry and geographical market in which the employee is based.

Executive and management remuneration comprises the following elements:

- **Base salary:** This is payable in cash, reviewed annually and in circumstances where the executive or manager is promoted.
- **Annual incentive:** This discretionary portion of remuneration increases as a proportion of maximum potential earnings as the employee reaches higher levels of seniority. Payable in cash, the annual incentive is determined according to the achievement of predetermined performance targets by the employee and by Letshego.
- **Long-term incentive:** This is an additional discretionary reward measure that awards qualifying members of staff with shares in the Group over a three year vesting period. Vesting conditions are aligned to the Group's strategic objectives.
- **Benefits:** These vary from country to country depending on customs and regulations. Benefits include retirement fundings, medical insurance and life and disability insurance.

Corporate governance *continued*

Non-executive directors

After conducting research into trends in non-executive director remuneration, non-executive directors' fees are proposed by the Remuneration Committee. Non-executive directors' fees are fixed for the year. Generally, directors of subsidiary and the Company boards 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.

Details of the remuneration of non-executive and executive directors for the year under review can be found on page 35 and in notes 22 and 23 to the Group's annual financial statements.

Executive directors

Executive directors' incentive bonuses are approved by the Remuneration Committee.

I Mohammed
Remuneration Committee Chairman

11 April 2011

Investment Committee

The Committee's role is to assist the Board of Directors in fulfilling its oversight responsibilities regarding the implementation of the Group strategic investment objectives. It meets on a needs basis. JA Burbidge chairs this committee and other members are I Mohammed, JA Claassen and G Hassam.

The Committee is responsible for:

- critically reviewing and making recommendations to the Board regarding all new strategic investments and major funding initiatives the Group may enter into;
- determining the mechanism for investment;
- selecting between priority and non-priority investments;
- deciding on appropriate funding mechanisms in the context of the overall funding strategy of the Group, including the possibility of new equity/equity-linked issues; and
- attending to such matters as the Board may determine from time to time.

JA Burbidge
Chairman

11 April 2011

IT governance and compliance

The Company is developing an IT governance framework which will be put in place in the next financial year.

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 compliance framework and processes as envisaged by King III. Ongoing training programmes for directors incorporate an overview of any changes to applicable laws, rules, codes and standards.

Compliance and risk management falls under the same portfolio at Letshego. The Director of Risk and Compliance provides the Board with assurance that the Group is compliant with applicable laws and regulations. The compliance function is structured such that its function, role and position in terms of reporting lines is a reflection of the Company's decision on how compliance is to be integrated with its ethics and risk management.

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

Reputation management

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

Where relevant, the Group adheres to industry-regulated codes of conduct in the countries in which it operates.

D Ndebele
Director of Risk and Compliance

11 April 2011

Disclosed below are details of Board meetings during 2011 and attendance by members:

Directors' attendance and remuneration – year ended 31 January 2011

Directors	Board attendance	Audit Committee attendance	Remco Committee attendance	Investment Committee attendance	Board meetings	Retainer	Audit Committee	Remuneration Committee	Investment Committee	Subsidiary Board	Total
CM Lekaukau	4/4	–	2/2	–	100,000	90,230	–	47,000	–	171,747	408,977
JK Bucknor	2/3	2/3	1/2	–	47,000	41,360	47,000	23,500	–	–	158,860
JA Burbidge	3/4	3/4	–	2/2	70,500	41,360	70,500	–	23,500	–	205,860
JA Claassen	4/4	4/4	2/2	2/2	–	–	–	–	–	–	–
D Ndebele	4/4	4/4	2/2	–	–	–	–	–	–	–	–
P Voutyritsas	1/3	–	–	2/2	23,500	41,360	–	–	–	–	64,860
I Mohammed	3/3	3/3	1/2	2/2	70,500	24,127	70,500	23,500	–	–	188,627
LE Serema	4/4	–	–	–	94,000	41,360	–	–	–	–	135,360
R Alam	2/2	–	–	–	47,000	24,127	–	–	–	–	71,127
M Dawes	3/4	3/4	1/2	–	70,500	41,360	70,500	23,500	–	–	205,860
G Hassam	4/4	–	–	–	94,000	41,360	–	–	–	–	135,360
A Mokone	2/3	–	–	–	47,000	24,127	–	–	–	–	71,127
Total					664,000	410,770	258,500	117,500	23,500	171,747	1,646,017

Executive directors' remuneration

Year ended 31 January 2011	For management services P	Pension fund contributions P	Performance bonus P	Total P
J A Claassen	2,502,372	–	2,500,000	5,002,372
D Ndebele	1,485,413	147,949	950,000	2,583,362

Group directors' report and responsibility statement

The directors have pleasure in submitting to the shareholders their report and the audited financial statements of Letshego Holdings Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 January 2011.

Nature of business

The Group is engaged in the provision of short to medium-term unsecured loans to employees of the public, quasi-public and private sectors.

Stated capital

On 16 April 2010, 16,670,590 ordinary shares were issued at various prices in terms of the Group's long-term incentive plan, bringing the stated capital to P412.8 million. On 15 May 2009 9,353,550* ordinary shares were issued at various prices in terms of the Group's long-term incentive plan.

Subsidiary companies

On 31 January 2010 two subsidiaries, Letshego Guard (Pty) Limited and Letshego Guard Insurance Company Limited, were sold to Botswana Insurance Holdings Limited. The results of these subsidiaries were consolidated up to 31 January 2010 and the effective date of the sale was 31 January 2010.

Another subsidiary, which was dormant, Letshego Life Insurance Limited, was deregistered during the year.

In January 2010, Letshego Financial Services Namibia (Pty) Limited invested in a Life Insurance company, Hollard Life Namibia Insurance Limited ("HLNL"). HLNL provides insurance cover to Letshego Namibia clients.

In January 2011 an 80% subsidiary of Letshego Holdings Limited, Letshego Financial Services Mozambique SA, commenced trading activities.

Dividends

Current year

The directors have considered the changing economic environment and the funding requirements of the Group and have decided that no cash dividend will be declared for the current financial year.

During January 2011, the Board of Directors resolved to issue a scrip dividend in order to utilise the Company's Additional Company Tax ("ACT") reserves. The scrip issue will be effected on the basis of approximately seven new shares for every 100 shares. The dividend value is BWP273,647,364 (two hundred and seventy three million six hundred and forty seven thousand three hundred and sixty four Pula). The full details regarding this were sent to shareholders in a circular dated 18 March 2011 and the scrip dividend was approved by shareholders at an EGM on 11 April 2011.

The dividend policy will be re-evaluated at each subsequent reporting period.

Prior year

A first and final dividend of P55.2 million or 30 thebe per share (pre share split or 3 thebe per share post share split) gross of withholding tax was proposed and was paid to shareholders on or around 7 May 2010.

** Adjusted for 10 for 1 share split that was approved by shareholders on 12 April 2010.*

Directors

The following persons were directors of the Company during the period under review:

* CM Lekaukau[1]	(Chairman)
* R Alam[2]	(Appointed 27 May 2010; resigned 11 January 2011)
* JK Bucknor[3]	(Resigned 20 December 2010)
* JA Burbidge[4]	
* M Dawes[5]	
* G Hassam[6]	
JA Claassen[5]	(Group Managing Director)
D Ndebele[1]	(Group Executive Director)
* IM Mohammed[2]	(Appointed 27 May 2010)
* LE Serema[1]	
* P Voutyritsas[7]	(Resigned 24 December 2010)
* AN Mokone[1]	(Appointed 27 May 2010; resigned 21 January 2011)

Alternate directors

* R Alam (Alternate to IM Mohammed) (Appointed 25 January 2011)

** Non-executive*

[1] Botswana [2] USA [3] Ghana [4] UK [5] RSA [6] Malawi [7] Greece

Directors' shareholdings

The aggregate number of shares held directly by directors is 10,379,438 (2010: 1,344,272), refer page 95. 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 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.

Statement of responsibility

The Company's directors are responsible for the preparation and fair presentation of the consolidated annual financial statements, comprising the statements of financial position at 31 January 2011, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements and ensuring that they are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

Group directors' report and responsibility statement *continued*

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead. For this reason the directors continue to adopt the going concern basis in preparing these consolidated annual financial statements.

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

Approval of the annual financial statements:

The consolidated annual financial statements were approved for issue by the Board of Directors on 11 April 2011 and are signed on its behalf by:

CM Lekaukau
Chairman

11 April 2011

JA Claassen
Managing Director

11 April 2011

Report of the independent auditors

KPMG

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

Telephone +267 391 2400
Telefax +267 397 5281
www.kpmg.com
Internet http://www.kpmg.com/

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Letshego Holdings Limited and its subsidiaries, set out on pages 40 to 91, which comprise the consolidated statement of financial position as at 31 January 2011, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies Act of Botswana (Companies Act, 2003) and for such internal control as the directors determine is necessary to enable the preparation of the consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Letshego Holdings Limited and its subsidiaries as at 31 January 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

Kpmg

KPMG
Certified Public Accountants
Practising member: AG Devlin (1996 0060.23)
Date: 10 May 2011

Statements of financial position

at 31 January 2011

		Group		Company	
		2011	2010	**2011**	2010
	Note	**P'000**	P'000	**P'000**	P'000
Assets					
Cash and cash equivalents	3	**51,848**	104,462	**986**	50,475
Advances to customers	4	**2,298,880**	1,682,257	**–**	–
Other receivables	5	**9,152**	74,520	**4,491**	59,442
Long-term receivables	6	**10,007**	8,387	**10,007**	8,387
Short-term investments	7.1	**12,593**	–	**–**	–
Investment in subsidiary companies	7	**–**	–	**1,408,236**	1,159,800
Plant and equipment	8	**7,045**	6,610	**2,182**	1,580
Intangible assets	9	**306**	553	**250**	553
Goodwill	10	**27,824**	25,760	**–**	–
Deferred taxation	24.2	**12,575**	12,872	**5,547**	1,708
Total assets		**2,430,230**	1,915,421	**1,431,699**	1,281,945
Liabilities and shareholders' equity					
Liabilities					
Trade and other payables	11	**109,200**	129,698	**17,789**	34,926
Income tax		**28,100**	38,769	**2,527**	6,722
Borrowings	12	**505,174**	377,638	**283,006**	150,254
Total liabilities		**642,474**	546,105	**303,322**	191,902
Shareholders' equity					
Stated capital	13	**412,814**	396,019	**412,814**	396,019
Foreign currency translation reserve		**(9,774)**	827	**–**	–
Share-based payment reserve	14	**12,545**	18,287	**8,626**	13,747
Retained earnings		**1,334,016**	932,365	**706,937**	680,277
Total equity attributable to equity holders of the parent company		**1,749 601**	1,347,498	**1,128,377**	1,090,043
Minority interest	15	**38,155**	21,818	**–**	–
Total shareholders' equity		**1,787,756**	1,369,316	**1,128,377**	1,090,043
Total liabilities and shareholders' equity		**2,430,230**	1,915,421	**1,431,699**	1,281,945

Statements of comprehensive income

for the year ended 31 January 2011

		Group		Company	
		2011	2010	**2011**	2010
	Note	**P'000**	P'000	**P'000**	P'000
Interest income	18	**721,900**	588,836	**119,069**	123,883
Interest expense	19	**(42,959)**	(50,935)	**(14,555)**	(8,701)
Net interest income		**678,941**	537,901	**104,514**	115,182
Premium income	27	**30,696**	–	**–**	–
Insurance fees	27	**(2,358)**	–	**–**	–
Net interest and insurance income		**707,279**	537,901	**104,514**	115,182
Fee and commission income	20	**109,643**	118,444	**–**	–
Other operating income	21	**6,234**	46,835	**28,792**	193,509
Operating income		**823,156**	703,180	**133,306**	308,691
Employee benefits	22	**(73,051)**	(80,266)	**(27,149)**	(35,530)
Other operating expenses	23	**(73,538)**	(67,517)	**(17,849)**	(18,264)
Claims expense	27	**(8,069)**	–	**–**	–
Insurance claim mitigation reserve	27	**(2,825)**	–	**–**	–
Net income before impairment and taxation		**665,673**	555,397	**88,308**	254,897
Impairment of advances	4	**(38,957)**	(50,191)	**–**	–
Profit before taxation		**626,716**	505,206	**88,308**	254,897
Income tax	24	**(153,379)**	(125,206)	**(6,400)**	(41,032)
Profit for the year		**473,337**	380,000	**81,908**	213,865
Attributable to:					
Equity holders of the parent company		**456,893**	370,160		
Minority interest		**16,444**	9,840		
Profit for the year		**473,337**	380,000		
Other comprehensive income, net of tax					
Foreign currency translation differences arising from foreign operations		**(10,708)**	3,953		
Total comprehensive income for the year		**462,629**	383,953		
Attributable to:					
Equity holders of the parent company		**446,291**	376,388		
Minority interest		**16,338**	7,565		
Total comprehensive income for the year		**462,629**	383,953		
Basic earnings per share (thebe)	25	**25.8**	21.2*		
Fully diluted earnings per share (thebe)	25	**23.3**	20.3*		
Weighted average number of shares in issue during the period (millions)	25	**1,837**	1,792*		
Number of shares in issue at the end of the period (millions)	13	**1,842**	1,824*		
Dilution effect – number of shares (millions)		**192**	47*		
Number of shares in issue at the end of the period after dilution effect (millions)		**2,034**	1,871*		

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

Statements of changes in equity

for the year ended 31 January 2011

Group	Note	Stated capital P'000	Retained earnings P'000	Share-based payment reserve P'000	Foreign currency translation reserve P'000	Minority interest P'00	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		**–**	**456,893**	**–**	**–**	**16,444**	**473,337**
Other comprehensive income, net of income tax							
Foreign currency translation reserve		**–**	**–**	**–**	**(10,601)**	**(107)**	**(10,708)**
Transactions with owners, recorded directly in equity							
New shares issued from long-term incentive scheme	14	**16,795**	**–**	**(16,795)**	**–**	**–**	**–**
Allocation to share-based payment reserve	14	**–**	**–**	**11,053**	**–**	**–**	**11,053**
Dividends to equity holders	26	**–**	**(55,242)**	**–**	**–**	**–**	**(55,242)**
Balance at 31 January 2011		**412,814**	**1,334,016**	**12,545**	**(9,774)**	**38,155**	**1,787,756**
GROUP							
Balance at 1 February 2009		35,092	616,948	10,588	4,439	4,413	671,480
Total comprehensive income for the period							
Profit for the period		–	370,160	–	–	9,840	380,000
Other comprehensive income, net of income tax							
Foreign currency translation reserve		–	–	–	(3,612)	7,565	3,953
Transactions with owners, recorded directly in equity							
New shares issued	13	353,612	–	–	–	–	353,612
New shares issued from long-term incentive scheme	14	7,315	–	(7,315)	–	–	–
Allocation to share-based payment reserve	14	–	–	15,014	–	–	15,014
Dividends to equity holders	26	–	(54,743)	–	–	–	(54,743)
Balance at 31 January 2010		396,019	932,365	18,287	827	21,818	1,369,316
COMPANY							
Balance at 1 February 2010		**396,019**	**680,271**	**13,747**	**–**	**–**	**1,090,037**
Total comprehensive income for the period							
Profit for the period		**–**	**81,908**	**–**	**–**	**–**	**81,908**
Other comprehensive income, net of income tax							
Foreign currency translation reserve		**–**	**–**	**–**	**–**	**–**	**–**
Transactions with owners, recorded directly in equity		**–**	**–**	**–**	**–**	**–**	**–**
New shares issued from long-term incentive scheme	14	**16,795**	**–**	**(16,795)**	**–**	**–**	**–**
Allocation to share-based payment reserve	14	**–**	**–**	**11,674**	**–**	**–**	**11,674**
Dividends to equity holders	26	**–**	**(55,242)**	**–**	**–**	**–**	**(55,242)**
Balance at 31 January 2011		**412,814**	**706,937**	**8,626**	**–**	**–**	**1,128,377**
COMPANY							
Balance at 1 February 2009		35,092	521,155	8,104	–	–	564,351
Total comprehensive income for the period							
Profit for the period		–	213,865	–	–	–	213,865
Other comprehensive income, net of income tax							
Foreign currency translation reserve		–	–	–	–	–	–
Transactions with owners, recorded directly in equity							
New shares issued	13	353,612	–	–	–	–	353,612
New shares issued from long-term incentive scheme	14	7,315	–	(5,420)	–	–	1,895
Allocation to share-based payment reserve	14	–	–	11,063	–	–	11,063
Dividends to equity holders	26	–	(54,743)	–	–	–	(54,743)
Balance at 31 January 2010		396,019	680,277	13,747	–	–	1,090,043

Statements of cash flows

for the year ended 31 January 2011

	Note	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
Operating activities					
Cash generated from operations	16	**56,883**	98,195	**137,163**	45,681
Income tax paid		**(169,501)**	(91,945)	**(20,184)**	(32,453)
Net cash from operating activities		**(112,618)**	6,250	**116,979**	13,228
Cash flows from investing activities					
Investment in subsidiaries	7	**(2,175)**	–	**(248,436)**	(345,677)
Investment in short-term instruments	7.1	**(12,593)**	–	**–**	–
Dividends received from subsidiaries		**–**	–	**–**	102,109
Proceeds from sale of plant and equipment		**84**	12	**8**	11
Proceeds from sale of subsidiaries		**–**	56,668	**–**	56,668
Purchase of plant and equipment	8	**(3,632)**	(3,179)	**(1,632)**	(464)
Purchase of intangible assets	9	**(86)**	(269)	**(30)**	(269)
Net cash from investing activities		**(18,402)**	53,232	**(250,090)**	(187,622)
Cash flows from financing activities					
Dividends paid (net of withholding taxation)		**(49,130)**	(48,949)	**(49,130)**	(48,949)
Net receipts/(repayments) of borrowings		**127,536**	(264,848)	**132,752**	(79,816)
Net cash raised from share issue		**–**	353,612	**–**	353,612
Net cash generated from financing activities		**78,406**	39,815	**83,622**	224,847
Net movement in cash and cash equivalents		**(52,614)**	99,297	**(49,489)**	50,453
Movement in cash and cash equivalents					
At the beginning of the year		**104,462**	5,165	**50,475**	22
Movement during the year		**(52,614)**	99,297	**(49,489)**	50,453
At the end of the year	3	**51,848**	104,462	**986**	50,475

Significant accounting policies

for the year ended 31 January 2011

Reporting entity

Letshego Holdings Limited (the "Company") is a company domiciled in Botswana. The consolidated financial statements of the Company as at and for the year ended 31 January 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is involved in the provision of short to medium-term unsecured loans to employees of the public, quasi-public and private sectors.

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 ("IFRSs") and in the manner required by the Companies Act, 2003 (No. 32 of 2004).

Basis of preparation

The financial statements are presented in Botswana Pula, which is the Group's reporting currency. Except where indicated otherwise, 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 financial instruments which are disclosed at fair value. The financial statements incorporate the following principal accounting policies which are consistent with those of the prior year.

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

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

Significant judgements made by management in the application of International Financial Reporting Standards consist mainly of loans and advances impairment and share-based payment calculations as disclosed in note 2. Judgement is also applied to the valuation of goodwill recognised (note 10) and the probability of having sufficient taxable profits against which deferred tax assets may be utilised (note 24.2).

Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. 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 minority interest.

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 the statement of comprehensive income. 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.

Basis of consolidation (continued)

Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Details of the subsidiary companies are set out in note 7 to the financial statements.

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.

Recognition and derecognition of assets and liabilities

The Company 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 Company. The Company 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.

Plant and equipment

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the plant and equipment.

Computers	3 years
Furniture and fittings	4 years
Office equipment	5 years
Motor vehicles	4 years

The residual value and useful life of each part of plant and equipment, if significant, is reassessed annually.

Gains and losses on disposal of plant and equipment items are determined by comparing proceeds with the carrying amount and included in the statement of comprehensive income.

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 balance sheet date are translated to Pula at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. 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 the statement of comprehensive income.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in foreign operations.

Operating leases

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

Significant accounting policies

for the year ended 31 January 2011 *continued*

Computer software development costs and 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 estimated useful life of software is three years.

Other receivables

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

Cash and cash equivalents

For the purposes of the 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.

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 the statement of comprehensive income 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 statement of financial position date, and any adjustment of tax payable for previous years.

Deferred tax

Deferred tax is provided using the statement of financial position liability method, based 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 financial position date.

Deferred tax is charged to the statement of comprehensive income 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 the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

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

Revenue recognition

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

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

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

Fee and commission income

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

Interest 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 the statement of comprehensive income in the month a member takes insurance cover on a cash basis.

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.

Stated capital

Ordinary share capital is recognised at the fair value of the consideration received and the excess amount over the nominal value of shares issued is treated as share premium.

Dividends paid

Dividends on ordinary shares are recognised against equity in the period in which they are approved by the Company's shareholders. Dividends declared after the financial position dates are not recognised as a liability in the 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 the statement of comprehensive income over the period of the borrowings.

Employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date. The Company operates a defined contribution retirement benefit fund.

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.

Significant accounting policies

for the year ended 31 January 2011 *continued*

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 Company is not able to recover such administration costs in full, they are recognised in the statement of comprehensive income as incurred.

Share-based payment transactions

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

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

The 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 the statement of comprehensive income, 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 the statement of comprehensive income. 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 share capital (nominal value) and share premium 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.

Financial assets and liabilities

Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the 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 statement of financial position, but retains either all risks and 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).

The Group also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the 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.

Significant accounting policies

for the year ended 31 January 2011 *continued*

Financial assets and liabilities (continued)

Fair value measurement

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

Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and more simple 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 uses 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 on the statement of financial position.

Identification and measurement of impairment

At each balance sheet 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 judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets 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.

Financial assets and liabilities (continued)

Identification and measurement of impairment (continued)

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of comprehensive income.

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 the statement of comprehensive income.

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

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

Designation at fair value through profit or loss

The 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 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 Company 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 Company; and
- 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 the Company's statement of comprehensive income in the reporting period that these are approved by the directors. Risk of credit loss is not substantially transferred. Further, the recognition, measurement and administration of the cell are conducted or significantly influenced by the Company. The results of the cell are therefore consolidated into those of the Company and the Group.

Notes to the consolidated financial statements

for the year ended 31 January 2011

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 risks; and
- operational risks.

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"), Group Operations Committee and Subsidiary Companies Advisory Committees 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 executive directors and senior management and reports regularly to the Board of Directors and its subcommittees 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, 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 salary of the employee (the Letshego customer). This salary deduction code model is used throughout the Group.

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 CEOs 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.

1. Financial risk management (continued)

1.2 Credit risk (continued)

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

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

Loan application process

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 instalment from the employees' monthly salary.

All loans/services provided are repayable in equal monthly instalments 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 instalments 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 criterion considered by the Company is the loan applicant's ability to meet his/her financial commitments and to remain with sufficient funds to fund household needs. The Company applies this criterion for all customers and this is complementary to any regulatory requirements.

Letshego offers life insurance products to all its clients in Botswana, Namibia and more recently 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 invested in Hollard Life Namibia Limited ("HLNL"). Through this vehicle Letshego Namibia's advances book is insured for risk of default and as such minimises the risk to the Company. In the countries where no such cover is in place, then this risk is addressed through pricing and provisioning policies.

Monitoring of monthly collections

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

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

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

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

1. Financial risk management (continued)

1.2 Credit risk (continued)

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.

Approval of new employers

All new employers are subject to 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 customers' bank accounts. 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 date 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.

Loans with renegotiated terms

This applies in cases where 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. The number and value of these loans was not significant during the financial period.

Allowances for impairment

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.

Write-off policy

The Group writes off a loan balance, and any related allowances for impairment losses, when Group Credit 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.

Maximum exposure to credit risk

The table on the following page 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, before taking account of any collateral held.

1. Financial risk management (continued)

1.2 Credit risk (continued)

Maximum exposure to credit risk (continued)

	Gross advances P'000	Security held P'000	Specific provision P'000	Portfolio provision P'000	Net advances P'000
Maximum exposure to credit risk at 31 January 2011					
Botswana	**1,551,298**	**–**	**(10,164)**	**(6,582)**	**1,534,552**
Swaziland	**172,269**	**–**	**(527)**	**(922)**	**170,820**
Tanzania	**149,691**	**–**	**(570)**	**(1,047)**	**148,074**
Uganda	**98,922**	**–**	**(666)**	**(647)**	**97,609**
Zambia	**11,587**	**–**	**(1,301)**	**(457)**	**9,829**
Namibia	**339,231**	**–**	**–**	**(1,314)**	**337,917**
Mozambique	**79**	**–**	**–**	**–**	**79**
Total at 31 January 2011	**2,323,077**	**–**	**(13,228)**	**(10,969)**	**2,298,880**
Maximum exposure to credit risk at 31 January 2010					
Botswana	1,154,467	–	(13,211)	(6,681)	1,134,575
Swaziland	148,974	–	(596)	(1,123)	147,255
Tanzania	144,402	–	(2,589)	(778)	141,035
Uganda	64,454	–	(1,378)	(376)	62,700
Zambia	37,034	–	(493)	(995)	35,546
Namibia	163,572	–	(510)	(1,916)	161,146
Total at 31 January 2010	1,712,903	–	(18,777)	(11,869)	1,682,257

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).

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

	Government P'000	Private (including parastatals) P'000	Total net advances P'000
Analysis of sector risk at 31 January 2011			
Botswana	**1,457,824**	**76,728**	**1,534,552**
Swaziland	**170,820**	**–**	**170,820**
Tanzania	**148,074**	**–**	**148,074**
Uganda	**97,609**	**–**	**97,609**
Zambia	**9,829**	**–**	**9,829**
Namibia	**327,780**	**10,137**	**337,917**
Mozambique	**79**	**–**	**79**
	2,212,015	**86,865**	**2,298,880**

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

1. Financial risk management (continued)

1.2 Credit risk (continued)

	Government P'000	Private (including parastatals) P'000	Total net advances P'000
Analysis of sector risk at 31 January 2010			
Botswana	1,077,846	56,729	1,134,575
Swaziland	147,255	–	147,255
Tanzania	141,035	–	141,035
Uganda	62,700	–	62,700
Zambia	33,769	1,777	35,546
Namibia	156,312	4,834	161,146
Mozambique	–	–	–
	1,618,917	63,340	1,682,257

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

	Botswana P'000	Swaziland P'000	Tanzania P'000	Uganda P'000	Zambia P'000	Namibia P'000	Mozambique P'000	Total P'000
Advances to customers that are past due or impaired 31 January 2011								
Neither past due nor impaired	**1,532,058**	**171,538**	**146,848**	**96,054**	**9,395**	**333,923**	**79**	**2,289,895**
Past due and impaired	**19,240**	**731**	**2,843**	**2,868**	**2,192**	**5,308**	**–**	**33,182**
Total gross advances to customers	**1,551,298**	**172,269**	**149,691**	**98,922**	**11,587**	**339,231**	**79**	**2,323,077**
Less: impairment provision	**(16,746)**	**(1,449)**	**(1,617)**	**(1,313)**	**(1,758)**	**(1,314)**	**–**	**(24,197)**
Net advances to customers at 31 January 2011	**1,534,552**	**170,820**	**148,074**	**97,609**	**9,829**	**337,917**	**79**	**2,298,880**
Advances to customers that are past due or impaired 31 January 2010								
Neither past due or impaired	1,117,981	148,483	133,669	62,798	35,401	162,941	–	1,661,273
Past due and impaired	36,486	491	10,733	1,656	1,633	631	–	51,630
Total gross advances to customers	1,154,467	148,974	144,402	64,454	37,034	163,572	–	1,712,903
Less: impairment provision	(19,892)	(1,719)	(3,367)	(1,754)	(1,488)	(2,426)	–	(30,646)
Net advances to customers at 31 January 2010	1,134,575	147,255	141,035	62,700	35,546	161,146	–	1,682,257

Refer also to note 2, Significant accounting estimates and judgements and the related sensitivity analysis.

1. Financial risk management (continued)

1.2 Credit risk (continued)

	Group		Company	
	2011	2010	**2011**	**2010**
	P'000	P'000	**P'000**	**P'000**
Other exposures to credit risk				
Cash and cash equivalents	**51,848**	104,462	**986**	50,475
Short-term investments	**12,593**	–	**–**	–
Other receivables (including long-term receivables)	**19,159**	82,907	**14,498**	67,829
Investment in subsidiaries	**–**	–	**1,408,236**	1,159,800
	83,600	187,369	**1,423,720**	1,278,104

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.

Short-term investments

Short-term investments represent bank investment accounts with reputable financial institutions. The risk of loss due to credit risk is assessed as low.

Investment in subsidiaries

All subsidiaries are under the control of the parent company, which includes overall management and control of cash flows. All subsidiary companies are assessed for impairment and general credit risk at regular intervals, and no assessment of increased levels of credit risk were in place at the financial year-end.

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

1. Financial risk management (continued)

1.3 Interest rate risk

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

Group	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 2011						
Assets						
Cash and cash equivalents	**51,848**	**–**	**–**	**–**	**–**	**51,848**
Short-term investments	**12,593**	**–**	**–**	**–**	**–**	**12,593**
Advances to customers	**9,187**	**166,615**	**497,289**	**1,625,789**	**–**	**2,298,880**
Other receivables (including long- term receivables)	**–**	**–**	**–**	**10,007**	**9,152**	**19,159**
Plant and equipment	**–**	**–**	**–**	**–**	**7,045**	**7,045**
Intangible assets	**–**	**–**	**–**	**–**	**306**	**306**
Goodwill	**–**	**–**	**–**	**–**	**27,824**	**27,824**
Deferred taxation	**–**	**–**	**–**	**–**	**12,575**	**12,575**
	73,628	**166,615**	**497,289**	**1,635,796**	**56,902**	**2,430,230**
Equity and liabilities						
Trade and other payables	**–**	**–**	**–**	**–**	**109,200**	**109,200**
Borrowings	**31,650**	**151,449**	**18,621**	**303,454**	**–**	**505,174**
Income tax	**–**	**–**	**–**	**–**	**28,100**	**28,100**
Shareholders' equity	**–**	**–**	**–**	**–**	**1,787,756**	**1,787,756**
	31,650	**151,449**	**18,621**	**303,454**	**1,925,056**	**2,430,230**
Net interest sensitivity gap	**41,978**	**15,166**	**478,668**	**1,332,342**	**(1,868,154)**	**–**
31 January 2010						
Assets						
Cash and cash equivalents	104,462	–	–	–	–	104,462
Advances to customers	22,000	225,504	326,591	1,108,162	–	1,682,257
Other receivables	–	–	–	8,387	74,520	82,907
Plant and equipment	–	–	–	–	6,610	6,610
Intangible assets	–	–	–	–	553	553
Goodwill	–	–	–	–	25,760	25,760
Deferred taxation	–	–	–	–	12,872	12,872
	126,462	225,504	326,591	1,116,549	120,315	1,915,421
Equity and liabilities						
Trade and other payables	–	–	–	–	129,698	129,698
Borrowings	124,702	21,800	53,208	177,928	–	377,638
Income tax	–	–	–	–	38,769	38,769
Shareholders' equity	–	–	–	–	1,369,316	1,369,316
	124,702	21,800	53,208	177,928	1,537,783	1,915,421
Net interest sensitivity gap	1,760	203,704	273,383	938,621	(1,417,468)	–

1. Financial risk management (continued)

1.3 Interest rate risk (continued)

Company	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 2011						
Assets						
Cash and cash equivalents	**986**	–	–	–	–	**986**
Other receivables	–	–	–	**10,007**	**4,491**	**14,498**
Investment in subsidiaries	**45,870**	–	–	**1,135,417**	**226,949**	**1,408,236**
Plant and equipment	–	–	–	–	**2,182**	**2,182**
Intangible assets	–	–	–	–	**250**	**250**
Deferred taxation	–	–	–	–	**5,547**	**5,547**
	46,856	–	–	**1,145,424**	**239,419**	**1,431,699**
Equity and liabilities						
Trade and other payables	–	–	–	–	**17,789**	**17,789**
Income tax	–	–	–	–	**2,527**	**2,527**
Borrowings	**13,692**	**25,000**	–	**244,314**	–	**283,006**
Shareholders' equity	–	–	–	–	**1,128,377**	**1,128,377**
	13,692	**25,000**	–	**244,314**	**1,148,693**	**1,431,699**
Net interest sensitivity gap	**33,164**	**(25,000)**	–	**901,110**	**(909,274)**	–
31 January 2010						
Assets						
Cash and cash equivalents	50,475	–	–	–	–	50,475
Other receivables	–	–	–	8,387	59,442	67,829
Investment in subsidiaries	18,292	–	–	922,676	218,832	1,159,800
Plant and equipment	–	–	–	–	1,580	1,580
Intangible assets	–	–	–	–	553	553
Deferred taxation	–	–	–	–	1,708	1,708
	68,767	–	–	931,063	282,115	1,281,945
Equity and liabilities						
Trade and other payables	–	–	–	–	34,926	34,926
Income tax	–	–	–	–	6,722	6,722
Borrowings	51,254	57,000	36,000	6,000	–	150,254
Shareholders' equity	–	–	–	–	1,090,043	1,090,043
	51,254	57,000	36,000	6,000	1,131,691	1,281,945
Net interest sensitivity gap	17,513	(57,000)	(36,000)	925,063	(849,576)	–

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

1. Financial risk management (continued)

1.3 Interest rate risk (continued)

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

	Group		Company	
	2011	2010	**2011**	2010
The average cost of borrowing in percentage terms was (including the impact of foreign exchange gains or losses) (%)	**9.73**	9.96	**6.72**	4.55
The impact of a 1% increase in lending rates on interest expense would be adverse (P'000)	**4,404**	5,066	**2,169**	1,897
% change in profit before tax (%)	**0.7**	1.0	**2.5**	0.7

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

1.4 Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the statement of financial position, the funding requirements of the 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 institutions' 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.

Group	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Non sensitive P'000	Total P'000
31 January 2011						
Total assets	**73,628**	**175,767**	**497,289**	**1,635,796**	**47,750**	**2,430 230**
Total liabilities and equity	**(100,300)**	**(220,099)**	**(18,621)**	**(303,454)**	**(1,787,756)**	**(2,430,230)**
Net liquidity gap	**(26,672)**	**(44,332)**	**478,668**	**1,332,342**	**(1,740,006)**	**–**
31 January 2010						
Total assets	126,462	300,024	326,591	1,116,549	45,795	1,915,421
Total liabilities and equity	(208,935)	(106,034)	(53,208)	(177,928)	(1,369,316)	(1,915,421)
Net liquidity gap	(82,473)	193,990	273,383	938,621	(1,323,521)	–

1. Financial risk management (continued)

1.4 Liquidity risk (continued)

Company	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Non sensitive P'000	Total P'000
31 January 2011						
Total assets	**46,856**	**4,491**	**–**	**1,145,424**	**234,928**	**1,431,699**
Total liabilities and equity	**(23,850)**	**(35,158)**	**–**	**(244,314)**	**(1,128,377)**	**(1,431,699)**
Net liquidity gap	**22,006**	**(30,667)**	**–**	**901,110**	**(893,449)**	**–**
31 January 2010						
Total assets	68,767	59,442	–	931,063	222,673	1,281,945
Total liabilities and equity	(72,078)	(77,824)	(36,000)	(6,000)	(1,090,043)	(1,281,945)
Net liquidity gap	(3,311)	(18,382)	(36,000)	925,063	(867,370)	–

1.5 Market risks

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 of 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 the statement of comprehensive income. Foreign currency risk arises as a result of fluctuations in exchange rates and the resultant impact on the Group's position.

The Group does not have any exposure to US Dollar, Sterling or Euro denominated liabilities. Assets and liabilities in each local currency are matched to a large extent. The Group has borrowings in Rand, but these are matched with assets in Swaziland and Namibia, which are part of the common currency area with South Africa.

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

1. Financial risk management (continued)

1.5 Market risks (continued)

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

	SA Rand P'000	Swaziland Emalangeni P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
31 January 2011				
Cash and cash equivalents	–	4,204	3,478	4,130
Advances to customers	–	170,820	148,074	97,609
Other receivables	–	497	679	1,105
Total assets	–	175,521	152,231	102,844
Borrowings	46,216	36,494	30,170	43,156
Trade and other payables	–	5,205	3,123	1,547
Total liabilities	46,216	41,699	33,293	44,703
Net exposure	(46,216)	133,822	118,938	58,141
Exchange rates at 31 January 2011 – assets: BWP 1.00 =	1.09	1.09	218.19	341.40
Exchange rates at 31 January 2011 – liabilities: BWP 1.00 =	1.03	1.03	224.14	345.26

	Zambian Kwacha P'000	Namibian Dollar P'000	Mozambican Meticash P'000	Lesotho Loti P'000	Botswana Pula P'000	Total P'000
31 January 2011						
Cash and cash equivalents	22,135	10,021	3,643	2,948	1,289	51,848
Advances to customers	9,829	337,916	79	–	1,534,553	2,298,880
Other receivables	122	11,013	908	–	4,835	19,159
Total assets	32,086	358,950	4,630	2,948	1,540,677	2,369,887
Borrowings	9,451	–	–	–	339,687	505,174
Trade and other payables	503	10,683	55	–	88,084	109,200
Total liabilities	9,954	10,683	55	–	427,771	614,374
Net exposure	22,132	348,267	4,575	2,948	1,112,906	1,755,513
Exchange rates at 31 January 2011 – assets: BWP 1.00 =	714.67	1.09	5.09	1.09	1.00	
Exchange rates at 31 January 2011 – liabilities: BWP 1.00 =	727.02	1.03	5.12	1.03	1.00	

1. Financial risk management (continued)

1.5 Market risks (continued)

	SA Rand P'000	Swaziland Emalangeni P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
31 January 2010				
Cash and cash equivalents	–	12,390	769	20
Advances to customers	–	147,255	141,035	62,700
Other receivables	–	–	298	236
Total assets	–	159,645	142,102	62,956
Borrowings	55,135	44,330	33,599	30,331
Trade and other payables	–	2,068	4,044	638
Total liabilities	55,135	46,398	37,643	30,969
Net exposure	(55,135)	113,247	104,459	31,987
Exchange rates at 31 January 2010 – assets: BWP 1.00 =	1.10	1.10	192.34	286.82
Exchange rates at 31 January 2010 – liabilities: BWP 1.00 =	1.14	1.14	196.94	286.31

	Zambian Kwacha P'000	Namibian Dollar P'000	Mozambican Meticash P'000	Lesotho Loti P'000	Botswana Pula P'000	Total P'000
31 January 2010						
Cash and cash equivalents	2,089	37,328	1,391	–	50,475	104,462
Advances to customers	35,546	161,146	–	–	1,134,575	1,682,257
Other receivables	398	21,714	166	–	60,095	82,907
Total assets	38,033	220,188	1,557	–	1,245,145	1,869,626
Borrowings	12,976	–	–	–	201,267	377,638
Trade and other payables	1,159	35,125	198	–	86,465	129,698
Total liabilities	14,135	35,125	198	–	287,732	507,335
Net exposure	23,898	185,063	1,359	–	957,413	1,362,291
Exchange rates at 31 January 2010 – assets: BWP 1.00 =	671.59	1.10	4.38	N/A	1.00	
Exchange rates at 31 January 2010 – liabilities: BWP 1.00 =	681.21	1.14	4.1	N/A	1.00	

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

1. Financial risk management (continued)

1.5 Market risks (continued)

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

	SA Rand P'000	Swaziland Emalangeni P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	Zambian Kwacha P'000
31 January 2011					
Cash and cash equivalents	–	3,822	3,162	3,755	20,123
Advances to customers	–	155,291	134,613	88,735	8,935
Other receivables	–	452	617	1,005	111
Total assets	–	159,565	138,392	93,495	29,169
Borrowings	42,015	33,176	27,427	39,233	8,592
Trade and other payables	–	4,732	2,839	1,406	457
Total liabilities	42,015	37,908	30,266	40,639	9,049
Net exposure – if 10% appreciation of BWP	(42,015)	121,657	108,126	52,856	20,120
Net exposure – at actual year-end rates	(46,216)	133,822	118,938	58,141	22,132
Impact of 10% appreciation of BWP	4,201	(12,165)	(10,812)	(5,285)	(2,012)

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

	Namibian Dollar P'000	Mozambican Meticash P'000	Lesotho Loti P'000	Botswana Pula P'000	Total if Pula appreciated by 10% P'000	Actual at year end P'000
31 January 2011						
Cash and cash equivalents	9,110	3,312	2,680	1,289	47,253	51,848
Advances to customers	307,196	72	–	1,534,553	2,229,396	2,298,880
Other receivables	10,012	825	–	4,835	17,857	19,159
Total assets	326,318	4,209	2,680	1,540,677	2,294,506	2,369,887
Borrowings	–	–	–	339,687	490,130	505,174
Trade and other payables	9,712	50	–	88,084	107,280	109,200
Total liabilities	9,712	50	–	427,771	597,410	614,374
Net exposure – if 10% appreciation of BWP	316,606	4,159	2,680	1,122,906	1,707,095	1,755,513
Net exposure – at actual year-end rates	348,267	4,575	2,948	1,122,906	1,755,513	
Impact of 10% appreciation of BWP	(31,661)	(416)	(268)	–	(48,418)	

1. Financial risk management (continued)

1.5 Market risks (continued)

	SA Rand P'000	Swaziland Emalangeni P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	Zambian Kwacha P'000
31 January 2010					
Cash and cash equivalents	–	11,264	701	19	1,994
Advances to customers	–	138,625	128,214	56,999	33,452
Other receivables	–	–	403	281	378
Total assets	–	149,889	129,318	57,299	35,824
Borrowings	49,105	38,917	30,545	27,574	11,968
Trade and other payable	–	1,815	15,989	621	2,263
Total liabilities	49,105	40,732	46,534	28,195	14,231
Net exposure – if 10% appreciation of BWP	(49,105)	109,157	82,784	29,104	21,593
Net exposure – at year-end rates	(55,135)	113,247	104,459	31,987	23,898
Impact of 10% appreciation of BWP	6,030	(4,090)	(21,675)	(2,883)	(2,305)

	Namibian Dollar P'000	Mozambican Meticash P'000	Botswana Pula P'000	Total if Pula appreciated by 10% P'000	Actual at year end P'000
31 January 2010					
Cash and cash equivalents	33,935	1,263	50,475	99,651	104,462
Advances to customers	146,496	–	1,134,575	1,638,361	1,682,257
Other receivables	20,010	151	60,095	81,318	82,907
Total assets	200,441	1,414	1,245,145	1,819,330	1,869,626
Borrowings	–	–	201,267	359,376	377,638
Trade and other payable	31,933	180	86,466	139,267	129,698
Total liabilities	31,933	180	287,733	498,643	507,336
Net exposure – if 10% appreciation of BWP	168,508	1,234	957,412	1,320,687	1,362,290
Net exposure – at year-end rates	185,063	1,359	957,412	1,362,290	
Impact of 10% appreciation of BWP	(16,555)	(125)	–	(41,603)	

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

1. Financial risk management (continued)

1.6 Operational risks

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

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

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

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

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

1. Financial risk management (continued)

1.7 Financial assets and liabilities not measured at fair value

The table below sets out the fair values of the Group's financial assets and financial liabilities not carried at fair value on the statement of financial position:

	Loans and receivables P'000	Other amortised cost P'000	Total carrying amount P'000	Fair value P'000
31 January 2011				
Cash and cash equivalents	**–**	**51,848**	**51,848**	**51,848**
Short term investments	**–**	**12,593**	**12,593**	**12,593**
Advances to customers	**2,298,880**	**–**	**2,298,880**	**2,298,880**
Other receivables	**–**	**9,152**	**9,152**	**9,152**
	2,298,880	**73,593**	**2,372,473**	**2,372 473**
Trade and other payables	**–**	**109,200**	**109,200**	**109,200**
Income tax	**–**	**28,100**	**28,100**	**28,100**
Borrowings	**–**	**505,174**	**505,174**	**505,174**
	–	**642,474**	**642,474**	**642,474**
31 January 2010				
Cash and cash equivalents	–	104,462	104,462	104,462
Advances to customers	1,682,257	–	1,682,257	1,682,257
Other receivables	–	74,520	74,520	74,520
	1,682,257	178,982	1,861,239	1,861,239
Trade and other payables	–	129,698	129,698	129,698
Income tax	–	38,769	38,769	38,769
Borrowings	–	377,638	377,638	377,638
	–	546,105	546,105	546,105
	–	416,407	416,407	416,407

Due to the short-term nature of the financial assets and liabilities, the fair values approximate the carrying value.

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

1. Financial risk management (continued)

1.8 Summary of all financial risks and potential impact

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

	Group		Company	
	2011	2010	**2011**	2010
	P'000	P'000	**P'000**	P'000
Credit risk				
Effect of increase in emergence period by 1 month				
– increase in portfolio provision	**4,672**	3,730	**–**	–
Effect of increase in loss ratio by 1%				
– increase in portfolio provision	**6,750**	3,876	**–**	–
	11,422	7,606	**–**	–
Effect on profit before tax	**(2%)**	(2%)	**–**	–
Interest rate risk				
Effect of increase in average borrowing cost by 1%				
– increase in interest expense	**4,404**	5,066	**2,169**	1,897
Effect on profit before tax	***(1%)***	*(1%)*	***(2%)***	*(1%)*
Currency risk				
Effect of BWP appreciation by 10%				
– decrease in net FCY assets	**54,552**	41,603	**–**	–
Effect on profit before tax	***(9%)***	*(8%)*	***0%***	*0%*
Summary				
Impact of all above risks on profit before tax	**(11%)**	(11%)	**(2%)**	(1%)

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 and through the process of governance, devises responses to risks as they arise, that are approved by the Executive Committee and Board of Directors.

2. Use of estimates and judgements

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

Sensitivity analysis of impairment charges is shown as follows:

	31 January 2011 Portfolio provision P'000	31 January 2010 Portfolio provision P'000
Botswana		
Impact on change to emergence period – from 3 months to 4 months – increase in provision	**2,198**	1,878
Impact on change to loss ratio – from 1.7% to 2.7% (2010: 2.2% – 3.2%) – increase in provision	**3,889**	2,884
Swaziland		
Impact on change to emergence period – from 3 months to 4 months – increase in provision	**1,167**	410
Impact on change to loss ratio – 2.04% to 3.04.% (2010: 3.3% to 4.3%) – increase in provision	**1,303**	375
Tanzania		
Impact on change to emergence period – from 5 months to 6 months – increase in provision	**344**	259
Impact on change to loss ratio – 2.9% to 3.9% (2010: 2.3% to 3.3%) – increase in provision	**379**	336
Uganda		
Impact on change to emergence period – from 3 months to 4 months – increase in provision	**216**	126
Impact on change to loss ratio – 2.7% to 3.7% (2010: 2.3% to 3.3%) – increase in provision	**248**	158
Zambia		
Impact on change to emergence period – from 5 months to 6 months – increase in provision	**309**	76
Impact on change to loss ratio – 2.92% to 3.91% (2010: 11.2% to 12.2%) – increase in provision	**83**	123

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for the year ended 31 January 2011 *continued*

	31 January 2011 Portfolio provision P'000	31 January 2010 Portfolio provision P'000
Namibia		
Impact on change to emergence period – from 5 months to 6 months – increase in provision	**438**	981
Impact on change to expected loss from 1.55% of impaired assets to 2.55% – increase in provision	**848**	–
Overall total	**11 422**	7,606

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. 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 50% vesting probability.

	Group		**Company**	
	2011 P'000	2010 P'000	**2011 P'000**	2010 P'000
Impact of a 10% deviation (60% vesting)	**1,105**	1,501	**1,167**	1,106
Impact of a 25% deviation (75% vesting)	**2,763**	3,754	**2,919**	2,766
Impact of a 50% deviation	**5,527**	7,507	**5,837**	5,532

In the event that more than 50% of the shares vest the impact would be adverse to profit. In the event that less than 50% of the shares vest, the impact would be favourable to profit.

2.3 Goodwill

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

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000

3. Cash and cash equivalents

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
Cash at bank and in hand	**51,848**	54,462	**986**	475
Short-term bank deposits	**–**	50,000	**–**	50,000
	51,848	104,462	**986**	50,475

The short-term bank deposits were held as security for borrowings and earn interest at prime linked interest rates as published by commercial banks. Refer to note 12. Interest earned on the cash at bank is in line with the deposit rates prevailing in the various jurisdictions.

4. Advances to customers

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
Gross advances to customers	**2,323,077**	1,712,903	**–**	–
Less: impairment provisions	**(24,197)**	(30,646)	**–**	–
Net advances to customers	**2,298,880**	1,682,257	**–**	–

Certain advances to customers are pledged as security to borrowings as set out in note 12.

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
Maturity analysis of advances to customers				
Maturity within 1 year	**181,076**	217,724	**–**	–
Maturity after 1 year but within 2 years	**272,070**	296,972	**–**	–
Maturity after 2 years but before 5 years	**1,845,734**	1,167,560	**–**	–
	2,298,880	1,682,256	**–**	–
Impairment of advances				
Balance at the beginning of the period	**30,646**	23,276	**–**	–
Impairment adjustment	**(6,449)**	7,370	**–**	–
Balance at the end of the period	**24,197**	30,646	**–**	–
Charges to the income statement				
Amounts written off	**81,436**	65,592	**–**	–
Recoveries during the period	**(48,928)**	(22,771)	**–**	–
Impairment adjustment	**6,449**	7,370	**–**	–
	38,957	50,191	**–**	–

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

	Group		Company	
	2011	2010	**2011**	2010
	P'000	P'000	**P'000**	P'000
5. Other receivables				
Deposits and prepayments	**2,874**	1,854	**758**	580
Administration fees receivable	**–**	12,954	**–**	–
Credit life claims receivable	**482**	–	**–**	–
Due from Botswana Insurance Holding Limited (note 28.4)	**–**	56,668	**–**	56,668
Withholding tax credit	**3,728**	–	**–**	–
Other receivables	**2,068**	3,044	**3,733**	2,194
	9,152	74,520	**4,491**	59,442
Maturity analysis of other receivables				
Non-current portion				
Deposits and prepayments	**2,874**	1,854	**758**	580
Current portion				
Administration fees receivable	**–**	12,954	**–**	–
Credit life claims receivable	**482**	–	**–**	–
Due from Botswana Insurance Holding Limited (note 28.4)	**–**	56,668	**–**	56,668
Withholding tax credit	**3,728**	–	**–**	–
Other receivables	**2,068**	3,044	**3,733**	2,194
	6,278	72,666	**3,733**	58,862
	9,152	74,520	**4,491**	59,442
6. Long-term receivables				
Kumwe Investments (Pty) Limited				
The loan is denominated in Namibian Dollars and bears interest at Namibian prime interest rate. Kumwe Investment Holdings Limited have ceded their shares in Letshego Financial Services (Namibia) (Pty) Limited as security for the loan from Letshego Holdings Limited. Kumwe Investment Holdings Limited owns 15% of Letshego Financial Services (Namibia) Pty Limited. The loan is repayable by way of dividends due to Kumwe as and when dividends are declared and/or monies accrued to Kumwe as a result of services rendered by Kumwe to the Company. The balance of the purchase price and interest thereon outstanding, if any, shall be repaid by Kumwe to the Company in cash by no later than 31 July 2014.	**10,007**	8,387	**10,007**	8,387

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
7. Investment in subsidiary companies				
Shareholding				
Letshego Financial Services Botswana (Proprietary) Limited – ordinary shares at cost	**–**	–	**30,000**	30,000
Letshego Financial Services Zambia (Proprietary) Limited – ordinary and preference shares at cost	**–**	–	**18,960**	18,960
Letshego Tanzania Limited (formerly Micro Provident Tanzania Limited) – ordinary and preference shares at cost	**–**	–	**71,086**	68,911
Letshego Financial Services Namibia (Proprietary) Limited – shares at cost	**–**	–	**68,384**	68,385
Letshego Financial Services Swaziland (Proprietary) Limited – shares at cost	**–**	–	**1**	1
Micro Provident Uganda Limited – ordinary shares and preference shares at cost	**–**	–	**31,000**	31,000
Letshego Financial Services Mozambique, SA – shares at cost	**–**	–	**4,597**	1,575
Letshego Financial Services Lesotho (Proprietary) Limited – ordinary shares at cost	**–**	–	**2,921**	–
	–	–	**226,949**	218,832
Other balances				
Letshego Financial Services Swaziland (Proprietary) Limited – term loan	**–**	–	**59,986**	62,563
Micro Provident Uganda Limited – current account	**–**		**16,933**	(14)
Letshego Financial Services Botswana (Proprietary) Limited – term loan	**–**	–	**875,426**	765,342
Letshego Financial Services Namibia (Proprietary) Limited – term loan	**–**	–	**200,005**	94,771
Letshego Tanzania Limited (formerly Micro Provident Tanzania Limited) – current account	**–**	–	**21,151**	13,402
Letshego Financial Services (Proprietary) Limited – current account (Zambia)	**–**	–	**211**	1,292
Letshego Financial Services Mozambique, SA – current account	**–**	–	**7,548**	3,612
Letshego Financial Services Lesotho – current account	**–**	–	**27**	–
	–	–	**1,181,287**	940,968
	–	–	**1,408,236**	1,159,800

Letshego Financial Services Namibia (Proprietary) Limited acquired 110 "Class A" shares, of par value N$0.01 each, in Hollard Life Namibia Limited, a cell captive which provides insurance cover for qualifying credit loss events on the Letshego Namibia customer advances portfolio. The related balances to this investment are disclosed in note 27 under the insurance business segment and the Namibian geographic segment information. While the investment entitles Letshego Namibia to use of the Hollard Life Namibia Limited life insurance licence, risk of loss lies substantially with Letshego Namibia, and consequently the results of the cell are consolidated into the results of the Letshego Holdings Limited Group.

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

7. Investment in subsidiary companies (continued)

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

Subsidiary company	Country of incorporation	Nature of business	% holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100
Micro Provident Ghana Limited	Ghana	Dormant	100
Micro Provident Malawi Limited	Malawi	Dormant	100
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending	80
Letshego Financial Services (Namibia) (Proprietary) Limited	Namibia	Unsecured consumer lending	85
Hollard Life Namibia Limited	Namibia	Cell captive insurance	85
Letshego Financial Services Swaziland (Proprietary) Limited	Swaziland	Unsecured consumer lending	85
Letshego Tanzania Limited	Tanzania	Unsecured consumer lending	87
Micro Provident Uganda Limited	Uganda	Unsecured consumer lending	100
Letshego Financial Services Limited	Zambia	Unsecured consumer lending	100

Letshego Financial Services Swaziland (Proprietary) Limited – term loan

The loan is denominated in South African Rand ("ZAR"), bears interest at Swaziland prime plus 4% per annum, is unsecured and has a term of 10 years.

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

Letshego Financial Services (Proprietary) Limited ("LFSB") – term loan

The loan is denominated in Botswana Pula ("BWP"), bears interest at Botswana prime per annum, is unsecured and has a term of 10 years.

The loan arose from the transfer of the lending business of the holding company to LFSB in January 2007.

The loan to LFSB is held as security for borrowings as set out in note 12.

Letshego Financial Services Namibia (Proprietary) Limited – term loan

The loan is denominated in Namibian Dollars ("NAD"), bears interest at Namibian prime per annum, is unsecured and has a term of 10 years. The NAD is also a member of the Common Currency Area.

Current accounts

The current accounts are denominated in BWP, are interest free and settled on a quarterly basis.

	Group		Company	
	2011	2010	**2011**	2010
	P'000	P'000	**P'000**	P'000
7.1 Short- term investments				
Investments	**12,593**	–	**–**	–

In January 2010, Letshego Financial Services Namibia registered a Life Insurance company, Hollard Life Namibia Limited ("HLNL"). HLNL has been established to provide life insurance cover to Letshego Namibia clients. The short-term investments are in respect of funds placed in an investment account. The funds are on call and interest rates vary from 4.50% to 5.75%.

8. Plant and equipment

	Motor vehicles P'000	Computer equipment P'000	Office furniture and equipment P'000	Total P'000
Group				
Cost				
Balance at 1 February 2010	**1,116**	**5,926**	**7,441**	**14,483**
Additions	**–**	**1,997**	**1,635**	**3,632**
Disposals	**(113)**	**(420)**	**(1,913)**	**(2,446)**
Balance at 31 January 2011	**1,003**	**7,503**	**7,163**	**15,669**
Accumulated depreciation				
Balance at 1 February 2010	**398**	**3,125**	**4,350**	**7,873**
Depreciation charge for the period	**246**	**1,717**	**915**	**2,878**
Disposals	**(72)**	**(406)**	**(1,649)**	**(2,127)**
Balance at 31 January 2011	**572**	**4,436**	**3,616**	**8,624**
Net book value at 31 January 2011	**431**	**3,067**	**3,547**	**7,045**
31 January 2010	718	2,801	3,091	6,610
Company				
Cost				
Balance at 1 February 2010	**–**	**2,187**	**2,263**	**4,450**
Additions	**–**	**984**	**648**	**1,632**
Disposals	**–**	**(319)**	**(1,658)**	**(1,977)**
Balance at 31 January 2011	**–**	**2,852**	**1,253**	**4,105**
Accumulated depreciation				
Balance at 1 February 2010	**–**	**1,026**	**1,844**	**2,870**
Depreciation charge for the period	**–**	**674**	**139**	**813**
Disposals	**–**	**(319)**	**(1,441)**	**(1,760)**
Balance at 31 January 2011	**–**	**1,381**	**542**	**1,923**
Net book value at 31 January 2011	**–**	**1,471**	**711**	**2,182**
31 January 2010	–	1,161	419	1,580

9. Intangible assets

	Group		Company	
	2011 P'000	2010 P'000	**2011 P'000**	2010 P'000
Computer software	**3,294**	3,026	**3,294**	3,026
Additions	**86**	269	**30**	269
Amortisation	**(3,074)**	(2,742)	**(3,074)**	(2,742)
Net book value at 31 January	**306**	553	**250**	553

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

	Group 2011 P'000	Group 2010 P'000
10. Goodwill		
Goodwill arose on the acquisition of:		
Letshego Financial Services Namibia (Pty) Limited formerly Eduloan	**25,760**	25,760
Letshego Tanzania Limited	**2,064**	–
	27,824	25,760

Letshego Financial Services Namibia (Pty) Limited

100% of the issued share capital of Letshego Financial Services (Namibia) (Pty) Limited (formerly Eduloan (Pty) Limited), 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 (2010: P25,760,000). In August 2009, 15% of the issued share capital was sold to a minority party, Kumwe Investments (Pty) Limited. Refer note 6.

Letshego Tanzania Limited

2% of the issued share capital of Letshego Tanzania was acquired from Dr Hassy HB Kitine, the current Chairman of Letshego Tanzania Limited and former Director of Letshego Holdings Limited. The purchase consideration amounted to USD300,000 (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 assets acquired, was recognised during the year ended 31 January 2011.

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that it was not impaired in respect of both units noted above. The recoverable amount of the cash-generating units was determined in reference to the value in use. The assumptions used are that the free cash flows will grow by no less than 100% on 2011 (2010: 100%). 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 (2010: Nil).

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
11. Trade and other payables				
Trade and other payables	**39,022**	62,656	**6,048**	7,319
Staff incentive provision (note 11.2)	**19,880**	19,591	**11,741**	13,939
Deferred income (note 11.3)	**47,533**	33,783	**–**	–
Claims mitigation reserve	**2,765**	–	**–**	–
Related party payables (note 28.5)	**–**	13,668	**–**	13,668
	109,200	129,698	**17,789**	34,926

The deferred income arises on the issue of credit life insurance to the customers of Letshego Financial Services 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. The underwriting was moved to Botswana Life Insurance Limited during 2009. Botswana Life Insurance Limited is a shareholder in Letshego Holdings Limited. The terms and conditions of the insurance contract are on normal commercial terms.

The claims mitigation reserve arising in 2011 of P2.765 million (2010: Nil) relates to the actuarially evaluated reserve for credit losses incurred but not yet reported arising from the customer portfolio of Letshego Namibia which has been insured through Hollard Life Namibia Limited. Neither insurance nor financial risk are substantially transferred to Hollard; this reserve is consolidated into the results of Letshego Namibia and Letshego Holdings Limited Group. The reserve is estimated based on historically observed credit loss history that is projected over the life of the customer portfolio including consideration of discounted cash flows to cover loss events after discounted premiums are taken into account.

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
11. Trade and other payables (continued)				
11.1 Maturity analysis of trade and other payables				
Non-current portion				
Deferred income	**36,316**	26,043	**–**	–
	36,316	26,043	**–**	–
Current portion				
Deferred income	**11,217**	7,740	**–**	–
Staff incentive provision	**19,880**	19,591	**11,741**	13,939
Trade and other payables	**39,022**	62,656	**6,048**	7,319
Related party payables (note 28.5)	**–**	13,668	**–**	13,668
Claims mitigation reserve	**2,765**	–	**–**	–
	72,884	103,655	**17,789**	34,926
Total trade and other payables	**109,200**	129,698	**17,789**	34,926
11.2 Movement in staff incentive provision				
Balance at the beginning of the period	**19,591**	14,899	**13,939**	10,273
Current period charge (note 22)	**8,930**	14,875	**499**	6,679
Paid during the period	**(8,641)**	(10,183)	**(2,697)**	(3,013)
Balance at the end of the period	**19,880**	19,591	**11,741**	13,939
11.3 Movement in deferred income				
Balance at the beginning of the period	**33,783**	26,539	**–**	–
Raised/transferred during the period	**24,966**	14,984	**–**	–
Credit life insurance commission (note 20)	**(5,982)**	(3,595)	**–**	–
Credit life administration fees (note 20)	**(5,234)**	(4,145)	**–**	–
Balance at the end of the period	**47,533**	33,783	**–**	–
12. Borrowings				
Long-term borrowings				
African Alliance Botswana Liquidity Fund	**25,000**	15,000	**25,000**	15,000
Barclays Bank of Botswana Limited – term loan	**–**	39,519	**–**	39,519
International Finance Corporation	**92,161**	112,442	**46,216**	55,135
Investec Asset Management Botswana (Proprietary) Limited	**55,000**	55,000	**–**	–
Netherlands Development Finance Company ("FMO")	**13,472**	30,552	**–**	–
ADP I Holdings 2	**198,098**	–	**198,098**	–
	383,731	252,513	**269,314**	109,654
Short-term borrowings				
Banc ABC (Botswana) Limited	**45,000**	–	**–**	–
Barclays Bank of Botswana Limited	**16,416**	37,827	**13,692**	37,827
BIFM Capital Investment Fund Two (Proprietary) Limited	**–**	45,000	**–**	–
Standard Chartered Bank of Botswana Limited	**173**	8,920	**–**	–
Standard Chartered Bank Tanzania Limited	**16,698**	3,047	**–**	2,773
Standard Chartered Bank Uganda Limited	**43,156**	30,331	**–**	–
Standard Chartered Bank Zambia Limited	**–**	–	**–**	–
	121,443	125,125	**13,692**	40,600
Total borrowings	**505,174**	377,638	**283,006**	150,254

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

12. Borrowings (continued)

Long-term borrowings

African Alliance Botswana Liquidity Fund

The promissory note facilities of P25,000,000 have a term of 12 months with a fixed interest rate of 9% per annum. The promissory notes are unsecured and are denominated in BWP.

Barclays Bank of Botswana Limited

The term loan from Barclays Bank of Botswana Limited attracts interest at prime less 1.5% per annum and was repayable in fourteen equal instalments commencing on June 2009. The loan was denominated in BWP.

The loan shared the same security as the overdraft facility. Refer to note under short-term borrowings. The loan was repaid during the year.

Netherlands Development Finance Company ("FMO")

The term loan from FMO is used exclusively for Letshego Tanzania Limited and is denominated in Tanzanian Shillings.

The loan bears interest at the 12 month average 182 day Tanzanian treasury bill rate plus 1.65% per annum.

The loan is repayable in six equal semi annual instalments, commencing 1 April 2009. Interest is paid semi annually in April and September each year.

The loan is secured by a corporate guarantee by Letshego Holdings Limited.

ADP I Holdings 2

The convertible loan is denominated in BWP and bears interest at a fixed rate of 10% per annum. Interest is serviced semi annually. ADP I Holdings 2 has the option to convert the debt to equity within three years of the issue of the Loan Note (15 February 2014) at an exercise price of P1.60 per share.

International Finance Corporation ("IFC")

The term loan from IFC has been allocated to Letshego Holdings Limited, Letshego Financial Services Swaziland (Proprietary) Limited, and Letshego Financial Services Limited (Zambia). The loans to Letshego Holdings Limited and Letshego Financial Services Swaziland (Proprietary) Limited are denominated in South African Rand ("ZAR") and the loan to Letshego Financial Services Limited (Zambia) is denominated in Zambian Kwacha ("ZMK").

The loans bear interest rates as follows:

• Letshego Holdings Limited	3 month JIBAR rate plus 1.8%
• Letshego Financial Services Swaziland (Pty) Limited	3 month JIBAR rate plus 2.3%
• Letshego Financial Services Limited (Zambia)	364 day Zambian treasury bill rate plus 4%

The loans are repayable in 10 equal semi annual instalments commencing on 15 December 2009. Interest is paid quarterly.

The loans are secured by:

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

Investec Asset Management Botswana (Proprietary) Limited

The term loan from Investec Asset Management Botswana (Proprietary) Limited bears interest at 13.25% per annum which is fixed for the duration of the loan. The loan is repayable in one payment in June 2014. The loan is denominated in BWP and is secured by a corporate guarantee from Letshego Holdings Limited.

12. Borrowings (continued)

Short-term borrowings

Barclays Bank of Botswana Limited

The BWP70 million overdraft facility attracts interest at Botswana prime less 1.250% per annum and is repayable on demand.

The overdraft facility is secured by a *pari passu* cession of the loan to Letshego Financial Services (Pty) Limited (Botswana) and by a *pari passu* cession of the loan book of Letshego Financial Services (Pty) Limited (Botswana).

First National Bank of Botswana Limited

The BWP15 million overdraft facility attracts interest at prime less 1.25% per annum and is repayable on demand.

The overdraft facilities are secured by a *pari passu* cession of the loan to Letshego Financial Services (Pty) Limited (Botswana) and by a *pari passu* cession of the loan book of Letshego Financial Services (Pty) Limited (Botswana).

Standard Chartered Bank – term loan

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

Company	Amount	Interest rate	Bank
Micro Provident Uganda Limited	BWP55 million	Ugandan base rate less 0.50%	Standard Chartered Bank of Uganda

The term loans are due for repayment on 31 August 2011 and are denominated in the respective local currency.

Standard Chartered Bank – overdraft facilities

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

Company	Amount	Interest rate	Bank
Letshego Holdings Limited	BWP2 million	Prime less 1%	Standard Chartered Bank of Botswana
Letshego Tanzania Limited	BWP23 million	Prime less 1.50%	Standard Chartered Bank of Tanzania
Micro Provident Uganda Limited	BWP15 million	Ugandan base rate less 0.50%	Standard Chartered Bank of Uganda
Letshego Financial Services Limited (Zambia)	BWP5 million	Zambian Base Rate plus 1%	Standard Chartered Bank of Zambia
	BWP45 million		

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:

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

Banc ABC (Botswana) Limited

The overdraft facility of BWP45 million attracts interest at prime less 2% and is repayable on demand. It is secured by a corporate guarantee from Letshego Holdings Limited.

First National Bank of Namibia Limited

Overdraft facilities of NAD30 million dedicated to Letshego Financial Services (Namibia) (Proprietary) Limited which attract interest at Namibia prime, is repayable on demand, is denominated in NAD and is secured by guarantee for NAD30 million by Letshego Holdings Limited.

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

	Group		Company	
	2011	2010	**2011**	2010
	P'000	P'000	**P'000**	P'000
13. Stated capital				
Issued: 1,841,422,950 ordinary shares of no par value (2010: 182,475,236)	**379,237**	362,442	**379,237**	362,442
During the year there was a 1 to 10 share split.				
Share premium				
Arising on the private issue of 100 ordinary shares of BWP1.00 each at a premium of BWP5,999.00 per share.	**600**	600	**600**	600
Arising on the public issue of 30,000,000 ordinary shares of BWP0.01 each at a premium of BWP0.99 per share.	**29,700**	29,700	**29,700**	29,700
Arising on the issue of 1,214,992 ordinary shares of BWP0.01 each at a premium of BWP3.24 per share	**3,937**	3,937	**3,937**	3,937
Arising on the issue of 329,889 ordinary shares of BWP0.01 each at a premium of BWP3.24 per share.	**1,069**	1,069	**1,069**	1,069
Less: costs of issue – listing expenses	**(1,729)**	(1,729)	**(1,729)**	(1,729)
Total share premium	**33,577**	33,577	**33,577**	33,577
Total stated capital	**412,814**	396,019	**412,814**	396,019

All shares in issue of P0.01 par value each prior to the commencement of the Botswana Companies Act, 2003 have been converted into shares of no par value. Such conversion does not affect the rights and obligations attached to the shares. With the commencement of the Botswana Companies Act 2003 on 3 July 2007 the stated capital comprises all the called up, issued and fully paid share capital and the associated share premium account.

In terms of the Group LTIP (note 14), shares with a value of P16,795 million (2010: P7,315 million) vested at Group level.

14. Share incentive scheme

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 unvested awards which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.

The share awards outstanding at 31 January 2011 have exercise prices of BWP14.80, BWP10.45 and BWP16.50 and weighted average vesting periods of 12 months, 24 months and 36 months respectively.

** before share split of 10 to 1*

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
14. Share incentive scheme (continued)				
The fair value of services received are as follows:				
Outstanding at the beginning of the period	**18,287**	10,588	**13,747**	8,104
Granted during the period	**11,053**	15,014	**11,674**	11,063
Exercised during the period	**(16,795)**	(7,315)	**(16,795)**	(5,420)
	12,545	18,287	**8,626**	13,747
15. Minority interest				
Opening balance	**21,818**	4,413	**–**	–
Share of current period profit after tax	**16,444**	9,840	**–**	–
Share of foreign currency translation reserve	**(107)**	7,565	**–**	–
Dividends paid to minority	**–**	–	**–**	–
	38,155	21,818	**–**	–
16. Cash generated from operations				
Operating income before taxation	**626,716**	505,206	**88,308**	254,897
Adjustments for:				
– Amortisation of intangible assets (note 9)	**332**	312	**332**	312
– Depreciation (note 8)	**2,878**	3,421	**813**	972
– Impairment of advances movement (note 4)	**(6,449)**	7,370	**–**	–
– Deferred income – credit life commission (note 11.3)	**(5,982)**	(3,595)	**–**	–
– Deferred income –credit life administration fees (note 11.3)	**(5,234)**	(4,145)	**–**	(1)
– Loss on disposal of plant and equipment	**235**	47	**209**	–
– Profit on sale of subsidiaries	**–**	(42,568)	**–**	(54,876)
– Long-term incentive plan provision (note 22)	**11,053**	7,699	**11,674**	5,643
– Unrealised foreign currency translation losses/(gains)	**258**	(3,613)	**(367)**	–
– Dividend from subsidiaries	**–**	–	**–**	(102,109)
Changes in working capital:				
Movement in advances to customers	**(610,174)**	(347,070)	**–**	–
Movement in other receivables	**63,748**	(74,453)	**53,331**	(64,535)
Movement in trade and other payables	**(20,498)**	49,584	**(17,137)**	5,378
Cash generated from operations	**56,883**	98,195	**137,163**	45,681
17. Capital commitments				
Authorised by the directors:				
– Not contracted for	**20,906**	10,555	**20,171**	6,322

The capital expenditure will be financed from the Company's existing resources.

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

	Group		Company	
	2011	2010	**2011**	2010
	P'000	P'000	**P'000**	P'000
18. Interest income				
Advances to customers	**716,577**	582,698	**–**	–
Other – deposits with banks	**5,323**	6,138	**4,476**	5,732
– related party (note 28.1)	**–**	–	**114,593**	118,151
	721,900	588,836	**119,069**	123,883
19. Interest expense				
Overdraft facilities and term loans	**23,159**	30,861	**14,234**	11,708
Related party (note 28.2)	**22,144**	30,765	**4,578**	7,503
Foreign exchange (gain)/loss	**(2,344)**	(10,691)	**(4,257)**	(10,510)
	42,959	50,935	**14,555**	8,701
20. Fee and commission income				
Administration fees – legal expense insurance agency	**–**	18,004	**–**	–
Administration fees – lending	**88,118**	92,700	**–**	–
Credit life insurance commission (note 11.3)	**5,982**	3,595	**–**	–
Credit life settlement profit share	**10,309**	–	**–**	–
Credit life administration fees (note 11.3)	**5,234**	4,145	**–**	–
	109,643	118,444	**–**	–
Included in credit life insurance commission is an amount of P4,698,000 (2010: P1,282,000) earned from a related party (refer note 28.1). Included in credit life administration fees is an amount of P4,111,000 (2010: P1,090,000) earned from a related party (refer note 28.1).				
21. Other operating income				
Profit on sale of LG & LGICL (notes 28.4 and 28.5)	**–**	42,568	**–**	54,877
Profit share from legal expenses insurance agency	**–**	2,290	**–**	–
Profit on disposal of plant and equipment	**–**	1	**–**	1
Management fees from related parties (note 28.1)	**–**	–	**24,093**	30,763
Guarantee fees from related parties (note 28.1)	**–**	–	**4,699**	5,759
Dividend from related party (note 28.1)	**–**	–	**–**	102,109
Investment income	**442**	–	**–**	–
Sundry income	**5,792**	1,976	**–**	–
	6,234	46,835	**28,792**	193,509
Included in sundry income is an amount relating to finance charges that was earned from a related party amounting to P188,000 (2010: P111,000). Refer to note 28.1.				
22. Employee benefits				
Salaries and wages	**41,525**	40,434	**6,498**	10,604
Staff incentive (note 11.2)	**8,930**	14,875	**499**	6,679
Staff pension fund contribution	**3,957**	3,636	**892**	877
Directors' remuneration – for management services (executive)	**7,586**	6,307	**7,585**	6,307
Long-term incentive plan	**11,053**	15,014	**11,674**	11,063
	73,051	80,266	**27,149**	35,530

	Group		Company	
	2011	2010	**2011**	2010
	P'000	P'000	**P'000**	P'000
23. Operating expenses				
Accounting and secretarial fees	**377**	530	**121**	207
Advertising	**9,404**	8,787	**127**	132
Audit fees – current year	**1,494**	1,325	**666**	251
– prior year under provision	**260**	192	**267**	–
– other fees paid to auditors	**–**	238	**–**	–
Bank charges	**1,883**	2,749	**487**	695
Computer expenses	**4,031**	2,525	**3,260**	1,778
Consultancy fees	**583**	2,296	**(477)**	816
Depreciation – Computer equipment (note 8)	**1,717**	1,448	**674**	575
– Office furniture and equipment (note 8)	**915**	1,451	**139**	397
– Motor vehicles (note 8)	**246**	292	**–**	–
Amortisation of intangible assets (note 9)	**332**	312	**332**	312
Directors' fees – non-executive	**1,646**	1,627	**1,646**	1,648
Loss on disposal of plant and equipment	**235**	48	**209**	–
Operating lease rentals – property	**7,858**	7,175	**1,412**	1,017
Other operating expenses	**18,200**	16,622	**5,669**	8,041
Payroll administration costs	**12,792**	8,320	**–**	–
Professional fees	**1,709**	2,169	**–**	–
Telephone and postage	**4,045**	2,823	**359**	384
Travel	**5,811**	6,588	**2,958**	2,011
	73,538	67,517	**17,849**	18,264
Included in directors' fees are amounts paid to related parties amounting to P743,000 (2010: P621,000). Refer note 28.2.				
24. Income tax				
Company taxation				
– Basic taxation	**153,895**	86,923	**11,529**	15,697
– Additional company taxation	**4,089**	33,659	**4,089**	6,803
– Under provision from prior year	**848**	3,068	**371**	–
– Withholding tax on dividends paid	**(6,112)**	(5,793)	**(6,112)**	(5,793)
– Withholding tax on dividends received	**–**	–	**–**	14,700
	152,720	117,857	**9,877**	31,407
– Deferred taxation movement	**297**	(1,534)	**(3,839)**	1,395
– Capital gains tax arising on sale of subsidiaries	**–**	7,727	**–**	7,727
– Other taxes	**362**	1,156	**362**	503
	153,379	125,206	**6,400**	41,032

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for the year ended 31 January 2011 *continued*

	Group		Company	
	2011	2010	**2011**	2010
	P'000	P'000	**P'000**	P'000
24. Income tax (continued)				
24.1 Additional company taxation (Botswana) available to be offset against withholding tax on dividends				
Balance at the beginning of the period			**39,532**	38,522
Arising in the current period			**4,089**	6,803
Withholding tax on dividends paid			**(6,112)**	(5,793)
Balance at the end of the year			**37,509**	39,532
Additional company tax falls away on 30 June 2011 if not utilised.				
24.2 Deferred taxation				
Balance at the beginning of the period	**(12,872)**	(11,338)	**(1,708)**	(3,103)
Current year movement	**297**	(1,534)	**(3,839)**	1,395
Balance at the end of the period	**(12,575)**	(12,872)	**(5,547)**	(1,708)
Deferred taxation arises from temporary differences on the following items:				
Plant and equipment	**(399)**	(127)	**(71)**	164
Share-based payment provision	**3,107**	3,376	**2,156**	1,411
Staff incentive provision	**4,320**	115	**3,436**	115
General impairment provision	**2,912**	6,979	**–**	–
Taxation losses	**–**	233	**–**	–
Deferred rent provision	**52**	(26)	**26**	18
Leave pay	**82**	74	**–**	–
Income received in advance	**2,501**	2,248	**–**	–
	12,575	12,872	**5,547**	1,708
24.3 Reconciliation of current taxation				
Income before taxation	**626,716**	505,206	**88,308**	254,897
Tax calculated at relevant tax rates	**169,412**	120,581	**22,077**	63,724
Under provision from prior period	**371**	3,069	**371**	–
Foreign income taxed at 15%	**(3,845)**	–	**(3,845)**	(3,662)
Expenses and revenues not deductible for tax purposes	**(6,447)**	7,349	**(6,091)**	(27,937)
Withholding tax on dividends paid	**(6,112)**	(5,793)	**(6,112)**	(5,793)
Withholding tax on dividends paid	**–**	–	**–**	14,700
	153,379	125,206	**6,400**	41,032

25. Earnings per share

The calculation of basic earnings per share is based on post taxation earnings of P473,337,000 (2010: P380,000,000) and the weighted average number of shares in issue during the period of 1.837 million (2010: 1.792 million*).

The number of dilutive potential ordinary shares at the end of the period arising from unvested long-term incentive share awards is 38.8 million (2010: 4.7 million). and from the convertible loan note is P153.2 million (2010: Nil). The total potential ordinary shares is 192 million (2010: 47 million). The calculation of diluted earnings per share is based on profit for the period of P473,337,000 (2010: P380,000,000) and shares amounting to 2.034 million (2010: 1.871 million*).

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

26. Dividend per share

During February 2011, the Board of Directors resolved to issue a scrip dividend in order to utilise the Company's Additional Company Tax ("ACT") reserves. The scrip issue will be effected on the basis of approximately 7 new shares for every 100 shares. The dividend value is BWP273,647,364 (two hundred and seventy three million six hundred and forty seven thousand three hundred and sixty four Pula). The full details regarding this were sent to shareholders in a circular dated 18 March 2011 and the scrip dividend was approved by shareholders at an EGM on 11 April 2011.

A first and final dividend in respect of financial year ended 31 January 2011 of P55.2 million or 30 thebe per share (pre share split of 3 thebe per share post share split) gross of withholding tax was proposed and was paid to shareholders on or around 7 May 2010.

27. Segment information

Segmental analysis

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 its performance. All operating segments used by the Group meet the definition of a reportable segment.

The Group operates in seven geographical regions, namely Botswana, Mozambique, Namibia, Swaziland, Tanzania, Uganda and Zambia. The geographical segments represent the Group's primary segments.

The Group has two main business segments which represent the Group's secondary segments:

(i) Lending – provision of short to medium term unsecured loans to employees of the public, quasi-public and private sectors.

(ii) Credit life/credit risk insurance – provision of insurance cover to clients of Letshego Financial Services Namibia (Pty) Limited.

In January 2010, Letshego Financial Services Namibia (Pty) Limited invested in a credit life Insurance entity, Hollard Life Namibia Limited ("HLNL"). HLNL has been established to provide insurance cover on credit exposure to Letshego Namibia clients.

The key balances arising from this insurance agreement are gross premium income, insurance licence fees, regulatory and agency fees, claims expense, investment income and related taxes.

Transactions between the business segments are carried out at arm's length.

The Group's management reporting is based on a measure of operating profit comprising interest income, interest expense (including inter segment interest), fees and commission income, other operating income, impairment of advances and operating expenditure, all before intra-group management and guarantee charges.

The information provided about each segment is based on the internal reports about segment performance, assets and liabilities, which are regularly reviewed by the Group Managing Director and Executive Committee.

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

27. Segment information (continued)

Geographical segments	Botswana – Holding Company 2011 P'000	Botswana – Holding Company 2010 P'000	Botswana – Operations 2011 P'000	Botswana – Operations 2010 P'000	Swaziland 2011 P'000	Swaziland 2010 P'000	Tanzania 2011 P'000	Tanzania 2010 P'000
Net income from lending	**104,833**	112,533	**423,715**	316,438	**52,394**	57,798	**64,899**	60,199
Income from insurance	**–**	22,298	**–**	–	**–**	–	**–**	–
Other operating income	**1,615**	43,428	**–**	1,934	**700**	–	**5**	–
Total segment revenue	**106,448**	178,259	**423,715**	318,371	**53,094**	57,798	**64,904**	60,199
Employee benefits	**(28,108)**	(37,632)	**(15,844)**	(16,593)	**(2,453)**	(2,526)	**(9,252)**	(8,860)
Other operating expenses	**(21,365)**	(24,488)	**(10,243)**	(8,126)	**(4,227)**	(2,062)	**(10,977)**	(9,857)
Impairment of advances	**–**	–	**(23,389)**	(24,880)	**(3,399)**	(5,212)	**(6,678)**	(3,726)
Segment result	**56,975**	116,139	**374,240**	268,773	**43,015**	47,998	**37,997**	37,756
Taxation								
Profit for the year								
Gross advances to customers	**–**	–	**1,551,298**	1,154,467	**172,269**	148,974	**149,691**	144,402
Impairment provisions	**–**	–	**16,746**	19,892	**1,449**	1,719	**1,617**	3,367
Net advances	**–**	–	**1,534,552**	1,134,575	**170,820**	147,255	**148,074**	141,035
Total segment assets	**1,431,700**	1,301,348	**1,537,406**	1,141,326	**176,087**	160,443	**154,487**	144,303
Borrowings	**283,006**	150,254	**102,897**	106,148	**36,494**	44,330	**30,170**	33,599
Total segment liabilities	**303,322**	211,307	**1,094,796**	966,468	**102,402**	115,937	**122,801**	121,434

	Uganda 2011 P'000	Uganda 2010 P'000	Zambia 2011 P'000	Zambia 2010 P'000	Namibia 2011 P'000	Namibia 2010 P'000	Mozambique 2011 P'000	Mozambique 2010 P'000	Eliminations 2011	Eliminations 2010	Consolidated 2011 P'000	Consolidated 2010 P'000
Net income from lending	**28,917**	13,389	**11,757**	16,141	**102,069**	57,460	**–**	90	**–**	–	**788,584**	634,047
Income from insurance	**–**	–	**–**	–	**28,338**	–	**–**	–	**–**	–	**28,338**	22,298
Other operating income	**2,517**	580	**158**	60	**442**	834	**797**	–	**–**	–	**6,234**	46,835
Total segment revenue	**31,435**	13,969	**11,915**	16,201	**130,849**	58,293	**797**	90	**–**	–	**823,156**	703,180
Employee benefits	**(6,729)**	(4,981)	**(1,885)**	(1,687)	**(8,706)**	(7,987)	**(76)**	–	**–**	–	**(73,051)**	(80,266)
Other operating expenses	**(5,757)**	(4,888)	**(2,465)**	(2,904)	**(27,078)**	(12,526)	**(2,319)**	(2,667)	**–**	–	**(84,432)**	(67,517)
Impairment of advances	**(3,342)**	(2,893)	**(4,177)**	(5,044)	**2,028**	(8,437)	**–**	–	**–**	–	**(38,957)**	(50,191)
Segment result	**15,606**	1,207	**3,388**	6,566	**97,0 93**	29,344	**(1,598)**	(2,577)	**–**	–	**626,716**	505,206
Taxation											**(153,379)**	(125,206)
Profit for the year											**473,337**	380,000
Gross advances to customers	**98,922**	64,454	**11,587**	37,034	**339,231**	163,572	**79**	–	**–**	–	**2,323,077**	1,712,903
Impairment provisions	**1,313**	1,754	**1,758**	1,488	**1,314**	2,426	**–**	–	**–**	–	**24,197**	30,646
Net advances	**97,609**	62,700	**9,829**	35,546	**337,917**	161,146	**79**	–	**–**	–	**2,298,880**	1,682,257
Total segment assets	**103,979**	63,583	**32,200**	38,809	**365,903**	216,443	**7,058**	2,533	**(1,377,462)**	(1,153,367)	**2,430,230**	1,915,421
Borrowings	**43,156**	30,331	**9,451**	12,976	**–**	–	**–**	–	**–**	–	**505,174**	377,638
Total segment liabilities	**96,950**	62,482	**28,543**	35,171	**258,922**	181,289	**12,200**	5,384	**(1,377,462)**	(1,153,367)	**642,474**	546,105

27. Segment information (continued)

Business segments	Holding Company 2011 P'000	Holding Company 2010 P'000	Lending 2011 P'000	Lending 2010 P'000	Insurance 2011 P'000	Insurance 2010 P'000	Consolidated 2011 P'000	Consolidated 2010 P'000
Income from lending	104,833	134,831	683,751	499,216	–	–	788,584	634,047
Income from insurance	–	–	–	–	28,338	22,298	28,338	22,298
Other operating income	1,615	43,428	4,177	3,407	442	–	6,234	46,835
Total segment revenue	106,448	178,259	687,928	502,623	28,780	22,298	823,156	703,180
Employee benefits	(28,108)	(37,632)	(44,943)	(40,320)	–	(2,314)	(73,051)	(80,266)
Other operating expenses	(21,365)	(24,488)	(52,173)	(37,733)	(10,894)	(5,296)	(84,432)	(67,517)
Impairment of advances	–	–	(38,957)	(50,191)	–	–	(38,957)	(50,191)
Profit before tax	56,975	116,139	551,855	374,378	17,886	14,689	626,716	505,206
Gross advances to customers	–	–	2,323,077	1,712,903	–	–	2,323,077	1,712,903
Impairment provisions	–	–	24,197	30,646	–	–	24,197	30,646
Net advances to customers	–	–	2,298,880	1,682,257	–	–	2,298,880	1,682,257
Segment assets	1,431,700	1,301,348	984,030	614,073	14,500	–	2,430,230	1,915,421
Borrowings	283,006	150,254	222,168	227,384	–	–	505,174	377,638
Segment liabilities	303,322	211,307	325,327	334,798	13,825	–	642,474	546,105

	Botswana Holding Company 2011	Botswana Holding Company 2010	Botswana operations 2011	Botswana operations 2010	Swaziland 2011	Swaziland 2010	Tanzania 2011	Tanzania 2010
Ratio analysis on geographic segments								
Impairment charge to advances (%)	–	–	1.7	2.4	2.1	3.0	4.5	2.7
Advances to total assets (%)	–	–	99.8	99.4	97.0	91.8	95.8	97.7
Collection rates (%)	–	–	98.0	98.0	99.0	99.0	100.0	100.0
% of book on deduction code model	–	–	99.0	99.0	100.0	100.0	100.0	100.0
Customers employed by government (%)	–	–	95.0	95.0	100.0	100.0	100.0	100.0
Customers employed by parastatal or private sector (%)	–	–	5.0	5.0	–	–	–	–
Debt to equity (%)	25.1	13.8	23.2	60.7	49.5	99.6	96.1	146.9
Cost to income ratio (%)	46.5	34.8	6.2	7.8	12.6	7.9	31.2	31.1

	Uganda 2011 P'000	Uganda 2010 P'000	Zambia 2011 P'000	Zambia 2010 P'000	Namibia 2011 P'000	Namibia 2010 P'000	Mozambique 2011 P'000	Mozambique 2010 P'000	Eliminations 2011	Eliminations 2010	Consolidated 2011 P'000	Consolidated 2010 P'000
Ratio analysis on geographic segments												
Impairment charge to advances (%)	4.1	5.9	17.2	14.9	-0.8	8.2	0.0	0.0			1.9	3.3
Advances to total assets (%)	93.9	98.6	30.5	91.6	92.4	74.5	1.1	0.0			94.6	87.8
Collection rates (%)	98.0	116.0	94.0	114.0	100.0	100.0	0.0	0.0			98.0	99.0
% of book on deduction code model	100.0	100.0	100.0	100.0	100.0	100.0	0.0	0.0			99.0	99.0
Customers employed by government (%)	100.0	100.0	100.0	95.0	97.0	97.0	0.0	0.0			96.0	96.0
Customers employed by parastatal or private sector (%)	0.0	0.0	0.0	5.0	3.0	3.0	0.0	0.0			4.0	4.0
Debt to equity (%)	431.5	2,757.4	263.3	356.6	0.0	0.0	0.0	0.0			28.9	28.0
Cost to income ratio (%)	39.7	70.7	36.5	28.3	27.3	35.2	>100	>100			19.1	21.0

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28. 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 page 95 for details of their shareholding.

Transactions with related parties

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

	Group		Company	
	2011	2010	**2011**	2010
	P'000	P'000	**P'000**	P'000
28.1 Income received from related parties				
– Botswana Life Insurance Limited – Commission fees (note 20)	**4,698**	1,282	**–**	–
– Botswana Life Insurance Limited – Administration fees (note 20)	**4,111**	1,090	**–**	–
– Botswana Life Insurance Limited – Finance charges (note 21)	**188**	111	**–**	–
– Interest income from subsidiaries (note 18)	**–**	–	**114,593**	118,151
– Management fees from subsidiaries (note 21)	**–**	–	**24,093**	30,763
– Guarantee fees from subsidiaries (note 21)	**–**	–	**4,699**	5,759
– Dividend from subsidiaries (note 21)	**–**	–	**–**	102,109
	8,997	2,483	**143,385**	256,782

On 1 May 2009, the underwriting arrangement for the insurance products offered by 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.

	Group		Company	
	2011	2010	**2011**	2010
	P'000	P'000	**P'000**	P'000

28. Related party transactions (continued)

28.2 Expenses paid to related parties

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
Investec Asset Management (Proprietary) Limited				
– Interest (note 19)	**7,289**	7,082	**–**	–
BIFM Capital Investment Fund Two (Proprietary) Limited				
– Interest (note 19)	**1,335**	3,827	**–**	–
International Finance Corporation				
– Interest (note 19)	**10,966**	14,337	**4,578**	5,971
Netherlands Development Finance Company				
– Interest (note 19)	**2,554**	5,520	**–**	–
Interest expenses paid to related parties	**22,144**	30,766	**4,578**	5,971
Kingdom Zephyr Africa Management (Proprietary) Limited				
– Directors' fees (note 23)	**503**	522	**503**	522
Botswana Insurance Holdings Limited				
– Directors' fees (note 23)	**240**	99	**–**	–
Other operating expenses	**743**	621	**503**	522

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

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
Paid during the period				
– For management services (note 22)	**7,678**	13,480	**7,678**	7,941
– As performance incentive bonuses	**5,590**	5,557	**5,590**	3,984
– Pension fund contribution	**264**	781	**264**	380
– Long-term incentive plan	**9,850**	7,171	**6,324**	5,858
	23,382	26,989	**19,856**	18,163

Balances with related parties

28.4 Balance due from related parties

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
Botswana Insurance Holdings Limited (note 5)	**–**	56,668	**–**	56,668

28.5 Balance due to related parties

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
Letshego Guard (Proprietary) Limited and LGICL	**–**	13,668	**–**	13,668

Letshego Guard (Proprietary) Limited together with Letshego Guard Insurance Limited (dormant company) were sold to Botswana Insurance Holdings Limited as at 31 January 2010. The profit on disposal is shown in note 21.

28.6 Borrowings from related parties – Refer note 12

28.7 Loans to subsidiary companies – Refer note 7

28.8 Acquisition of interest in subsidiary from related party

In April 2010, Letshego Holdings Limited acquired an additional interest, being 2% of the ordinary shareholding, in Letshego Tanzania Limited, from Dr Hassy HB Kitine, a director of Letshego Tanzania. The purchase consideration of P2.174 million (USD300,000) gave rise to acquired goodwill of P2.064 million. Further details of this transaction are disclosed in note 10.

Notes to the consolidated financial statements

for the year ended 31 January 2011 *continued*

29. Operating lease commitments

	Group 2011 P'000	Group 2010 P'000	Company 2011 P'000	Company 2010 P'000
Where a Group company is the lessee, the future minimum lease payments under non-cancellable building operating leases are as follows:				
No later than 1 year	**5,190**	2,209	**1,548**	851
Later than 1 year and no later than 5 years	**11,679**	5,434	**6,288**	3,858
	16,869	7,643	**7,836**	4,709

30. IFRS and IFRIC interpretations not yet effective

The Group has not applied the following IFRSs and IFRIC Interpretations that have been issued and will be effective with effect from financial reporting periods beginning on or after 1 January 2011 (the Group financial year ending 31 January 2012):

At the date of authorisation of the financial statements of the entity for the year ended 31 January 2011, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation		**Effective date**
IFRS 1 amendment	First-time Adoption of International Financial Reporting Standards	Annual periods beginning on or after 1 July 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Annual periods beginning on or after 1 July 2010
IFRIC 14 amendment	Prepayments of a Minimum Funding Requirement	Annual periods beginning on or after 1 January 2011
IAS 24 (AC 126) (revised)	Related Party Disclosures	Annual periods beginning on or after 1 January 2011
IFRS 9 (AC 146)	Financial Instruments	Annual periods beginning on or after 1 January 2013

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

The following of the above Standards and Interpretations are not applicable to the business of the entity and will therefore have no impact on future financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments;
- IFRIC 14 Prepayments of a Minimum Funding Requirement.

30. IFRS and IFRIC interpretations not yet effective (continued)

The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IAS 24 (revised)

IAS 24 (revised) will be adopted by the entity for the first time for its financial reporting period ending 31 January 2012. The standard will be applied retrospectively.

IAS 24 (revised) addresses the disclosure requirements by government-related entities.

Under IAS 24 (revised) the definition of a related party has been amended with the result that a number of new related party relationships have been identified.

IFRS 9

IFRS 9 will be adopted by the entity for the first time for its financial reporting period ending 31 January 2014. 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.

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.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for the entity 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.

31. Subsequent events

31.1 Approval of non-elective scrip dividend

At the Extraordinary General Meeting of members held on 11 April 2011, the issue of a scrip dividend at the rate of 7 new shares for every 100 held at the applicable date was approved by members. The issue of shares is expected to list on the Botswana Stock Exchange on 20 April 2011. This listing increased the shares in issue to 1.970 million shares.

31.2 Disposal of 15% holding in Micro Provident Uganda

Effective 1 April 2011, Letshego Holdings Limited concluded the sale of 15% of its shareholding in its Ugandan subsidiary, Micro Provident Uganda, to a Ugandan citizen, for BWP2,590,000. This is in line with the Group practice of having local participation in regional operating subsidiaries which the directors believe will assist in the overall achievement of the Group's objectives and goals. The consideration will be settled by way of a loan from Letshego Holdings Limited with related commercial terms and conditions. This is in line with similar transactions in the past.

Five year financial history

	2011 P'000	2010 P'000	2009 P'000	2008 P'000	2006 P'000
Balance sheets					
Assets					
Cash and cash equivalents	**51,848**	104,462	5,165	9,201	4,276
Advances to customers – gross	**2,298,880**	1,682,257	1,342,557	787,926	430,543
Short-term investments	**12,593**	–	–	–	–
Other receivables (including long-term receivables)	**19,159**	82,907	8,453	3,050	2,965
Property, plant and equipment	**7,045**	6,610	7,152	4,384	3,874
Intangible assets	**306**	553	596	991	1,611
Goodwill	**27,824**	25,760	25,760	–	–
Deferred taxation	**12,575**	12,872	11,338	6,367	1,730
Total assets	**2,430,230**	1,915,421	1,401,021	811,919	444,999
Liabilities					
Trade and other payables	**109,200**	129,698	80,114	31,109	19,345
Taxation	**28,100**	38,769	5,042	12,818	4,161
Borrowings	**505,174**	377,638	644,385	306,725	97,929
Total liabilities	**642,474**	546,105	729,541	350,652	121,435
Shareholders' equity					
Share capital	**412,814**	396,019	35,092	35,092	1,500
Share premium	**–**	–	–	–	28,571
Foreign currency translation reserve	**(9,774)**	827	4,439	(1,449)	(2,576)
Share-based payment reserve	**12,545**	18,287	10,588	3,923	4,900
Retained earnings	**1,334,016**	932,365	616,948	422,107	291,169
Total equity attributable to equity holders of the Company	**1,749,601**	1,347,498	667,067	459,673	323,564
Minority interest	**38,155**	21,818	4,413	1,594	–
Total equity	**2,430,230**	1,915,421	1,401,021	811,919	444,999

	2011 P'000	2010 P'000	2009 P'000	2008 P'000	2006 P'000
Income statements					
Interest income	**721,900**	588,836	398,311	278,357	170,352
Interest expense	**(42,959)**	(50,935)	(72,196)	(34,485)	(11,986)
Net interest income	**678,941**	537,901	326,115	243,872	158,366
Premium income	**30,696**	–	–	–	–
Insurance fees	**(2,358)**	–	–	–	–
Net interest and insurance income	**707,279**	537,901	326,115	243,872	158,366
Fee and commission income	**109,643**	118,444	87,827	64,788	22,725
Other operating income	**6,234**	46,835	4,621	5,655	4,300
Total income	**823,156**	703,180	418,563	314,315	185,391
Operating expenses					
Employee benefits	**(73,051)**	(80,266)	(54,522)	(44,037)	(21,024)
Other operating costs	**(73,538)**	(67,517)	(45,930)	(37,170)	(22,372)
Claims expense	**(8,069)**	–	–	–	–
Insurance claim mitigation reserve	**(2,825)**	–	–	–	–
Operating income before impairment	**665,673**	555,397	318,111	233,108	141,995
Impairment loss	**(38,957)**	(50,191)	(29,421)	(15,666)	(3,262)
Operating income before taxation	**626,716**	505,206	288,690	217,442	138,733
Income tax	**(153,379)**	(125,206)	(69,626)	(48,481)	(32,072)
Net income for the period	**473,337**	380,000	219,064	168,961	106,661
Appropriations					
Dividends	**(55,242)**	(54,743)	(21,216)	(36,291)	(27,000)
Retained income	**418,095**	325,257	197,848	132,670	79,661
Attributable to:					
Equity holders of the parent company	**456,893**	370,160	216,057	167,229	106,581
Minority interest	**16,444**	9,840	3,007	1,732	80
	473,337	380,000	219,064	168,961	106,661

In 2007, the Group changed its financial year-end from October to January. As a consequence 2008 was a 15 month period. All other periods are 12 months.

Group value added statement

for the year ended 31 January 2011

	Group		Company	
	2011	2010	**2011**	2010
	P'000	P'000	**P'000**	P'000
Value added				
Value added is the wealth the Company has created by providing loans to clients.				
Interest and similar income from customers	**752,596**	588,836	**119,069**	123,883
Cost of services	**(45,317)**	(50,935)	**(14,555)**	(8,701)
Value added services	**707,279**	537,901	**104,514**	115,182
Fee and commission income	**109,643**	118,444	**–**	–
Other operating income	**6,234**	46,835	**28,792**	193,509
Other operating costs	**(81,222)**	(63,783)	**(16,704)**	(17,868)
Impairment provision increase	**(38,957)**	(50,191)	**–**	–
	702,977	589,206	**116,602**	290,823
Value allocated				
To employees				
Staff costs	**73,051**	80,266	**27,149**	35,530
To expansion and growth				
Retained income	**418,095**	325,258	**26,666**	159,123
Depreciation	**2,878**	3,421	**813**	310
Amortisation	**332**	312	**332**	87
Deferred tax	**297**	(1,534)	**(3,839)**	1,395
Other taxes	**362**	8,883	**362**	8,231
	421,964	336,340	**24,334**	169,146
To Government				
Taxation	**152,720**	117,857	**9,877**	31,407
To providers of capital				
Dividends to shareholders	**55,242**	54,743	**55,242**	54,743
	702,977	589,206	**116,602**	290,826
Summary	**%**	%	**%**	%
Employees	**10.4**	13.6	**23.3**	12.2
Expansion and growth	**60.0**	57.1	**20.9**	58.2
Government	**21.7**	20.0	**8.5**	10.8
Providers of capital	**7.9**	9.3	**47.3**	18.8
	100.0	100.0	**100.0**	100.0

Analysis of shareholding

for the year ended 31 January 2011

	2011 Shares held ('000) Number	2011 %	2010 Shares held ('000) Number	2010 %
Top ten shareholders				
Botswana Life Insurance Limited	**303,333**	**16.5**	24,833	13.6
PAIP-PCAP-FMO Letshego Limited	**241,284**	**13.1**	41,741	22.9
Stanbic Nominees Botswana (Pty) Limited – Botswana Public Officers Pension Fund ("BIFM")	**170,307**	**9.2**	18,839	10.3
Standard Chartered Bank of Botswana Nominees (Pty) Limited – Flemings Asset Management – 3582376	**131,483**	**7.1**	6,708	3.7
Stanbic Nominees Botswana (Pty) Limited – Botswana Insurance Fund Management Limited	**126,705**	**6.9**	12,671	6.9
Standard Chartered Bank of Botswana Nominees (Pty) Limited – Investec Asset Management – 030/14	**108,795**	**5.9**	15,070	8.3
Standard Chartered Bank of Botswana Nominees (Pty) Limited – SSB 001/112	**104,233**	**5.7**		
International Finance Corporation	**–**	**–**	10,609	5.8
Standard Chartered Bank of Botswana Nominees (Pty) Limited – Investec Asset Management – SSB 001/1	**71,138**	**3.9**	6,862	3.8
Standard Chartered Bank of Botswana Nominees (Pty) Limited – SQM Frontier Africa Master Fund – SSB 001/224	**45,089**	**2.4**	–	–
Standard Chartered Bank of Botswana Nominees (Pty) Limited – State Street Bank (USA) – 001/111	**44,720**	**2.4**	3,830	2.1
Barclays Botswana Nominees (Pty) Limited – State Street Bank (USA) – 001/110	**–**	**–**	2,979	1.6
	1,347,087	**73.1**	144,142	79.0
Other corporate entities, nominees and trusts and individuals	**494,336**	**26.9**	38,333	21.0
Total	**1,841,423**	**100.0**	182,475*	100.0

	2011 Shares held ('000) Number Total	2011 %	2010 Shares held ('000) Number Total	2010 %
Directors' shareholdings				
C M Lekaukau	**1,000**	**0.1**	483	0.3
J A Claassen	**4,779**	**0.3**	580	0.3
D Ndebele	**4,600**	**0.2**	281	0.2
	10,379	**0.6**	1,344	0.8

** The shareholding at 31 January 2010 is before the 10 for 1 share split that was approved by shareholders on 12 April 2010.*

Notice of annual general meeting

Notice is hereby given that the 12th Annual General Meeting of the shareholders of Letshego Holdings Limited will be held at Gaborone Sun Hotel on Tuesday, 12 July 2011 at 4.30 p.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 2011 together with the directors' and auditor's reports thereon.

2. **Resolution 2**
   To confirm the following appointments of directors:

   Messrs G Hassam, LE Serema and Ms M Dawes, who retire in accordance with Article 19.9 of the Constitution and, being eligible, offer themselves for re-election

   To confirm the following appointments of directors who filled casual vacancies on the Board during the financial year ended 31 January 2011:

   Mr I Mohammed and Ms RA Alam and Ms A Mokone were appointed as directors in accordance with Article 19.4 of the Constitution. Both Mr RA Alam and Ms A Mokone resigned on 11 January 2011 and 21 January 2011 respectively.

3. **Resolution 3**
   To approve the remuneration of the directors for the past financial period.

4. **Resolution 4**
   To approve the remuneration of the auditors for the past financial period.

5. **Resolution 5**
   To appoint KPMG as auditors for the ensuing year.

6. **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, PO Box 381, Gaborone, not less than 48 hours before the meeting.

By order of the Board

D Ndebele

D Ndebele
Secretary

11 April 2011

Form of proxy

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

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 The Gaborone Sun Hotel on Tuesday, 12 July 2011 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 3			
Ordinary resolution number 4			
Ordinary resolution number 5			

Signed at ______________________ on ______________________ 2011

Signature ______________________________

Assisted by (where applicable) ______________________________

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

Please read the notes on the reverse side hereof

Notes to form of proxy

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

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

3. Forms of proxy must be lodged at or posted to The Secretary, Letshego Holdings Limited, 1st Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P O Box 381, Gaborone to be received not less than 48 hours before the Annual General Meeting (i.e. not later than 5.00 p.m. Friday, 8 July 2011).

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.

Group corporate information

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

Company Secretary and Registered Office
D Ndebele
Plot 50371
Fairground Office Park
Gaborone

Independent External Auditors
KPMG
Plot 67977
Fairground Office Park
Gaborone

Transfer Secretaries
PricewaterhouseCoopers (Proprietary) Limited
Plot 50371
Fairground Office Park
Gaborone

Attorneys/Legal Advisors
Armstrongs
5th Floor, Barclays House
Khama Crescent
Gaborone

Bankers
Barclays Bank of Botswana Limited
First National Bank of Botswana Limited
First National Bank of Swaziland Limited
First National Bank of Namibia Limited
First National Bank of Mozambique Limited
First National Bank of Zambia Limited
Standard Chartered Bank Botswana Limited
Standard Chartered Bank Tanzania Limited
Standard Chartered Bank Uganda Limited
Standard Chartered Bank Zambia Limited
Banc ABC Botswana Limited
African Banking Corporation Tanzania Limited
National Microfinance Bank Tanzania Limited

Letshego

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