LETSHEGO HOLDINGS LIMITED

Consolidated Annual Financial Statements

For the year ended 31 December 2022

CONTENTS

Details

Letshego Holdings Limited is incorporated in the Republic of Botswana
Registration number: UIN BW00000877524 and previously 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
Lebogang Rathedi (Interim)
Tower C, Zambezi Towers
Plot 54352
Central Business District
Gaborone, Botswana

Independent External Auditors
Ernst and Young
2nd Floor, Plot 22
Khama Crescent
Gaborone, Botswana

Transfer Secretaries
PricewaterhouseCoopers (Pty) Limited
Plot 50371
Fairground Office Park
Gaborone, Botswana

Attorneys and Legal Advisors
Armstrongs
Acacia House
Plot 53438
Cnr Khama Crescent Extension and PG Matante Road
Gaborone, Botswana

DIRECTORS REPORT

The Directors have pleasure in submitting to the Shareholders their report and the audited consolidated financial statements of Letshego Holdings Limited (the Company) and its subsidiaries (together “the Group”) for the year ended 31 December 2022.

Nature of business
Letshego Group is a retail financial services organisation involved in banking and microfinance activities in 11 African countries across East, West and Southern Africa. Six of the 11 operations have deposit-taking licenses, with the remainder being microfinance institutions. The Group’s ambition is to increase its deposit taking capabilities across the footprint.

Stated capital
Stated capital of the Group at 31 December 2022 amounted to P899,571,189 (31 December 2021: P882,224,337).

On 25 February 2022, 14,291,633 ordinary shares were issued in terms of the Group’s Long Term Incentive Plan (prior year: 5,348,050 ordinary shares). These were issued from shares held as treasury shares, combined with new ordinary shares. Treasury shares remaining at the end of the year were 3,989,970 (prior year: 9,222,720).

Dividends
An interim dividend of 7.3 thebe per share (prior year: 5.8 thebe per share) was declared on 23 August 2022.

A second and final dividend of 9.7 thebe per share (prior year: 9.7 thebe) was declared on 28 February 2023 and will be paid on or around 26 June 2023.

Directors
The following persons were directors of the Group:

Non-executive

Name	Details	Nationality
E.N Banda	Resigned from Board and as Chairman 22 June 2022	South Africa
P. Odera	Appointed Chairman 22 June 2022	Kenya
S. Price	Retired 23 June 2022	UK
H. Karuhanga	Resigned 22 June 2022	Uganda
Dr G.Somolekae	Resigned 22 June 2022	Botswana
R. N. Alam	Resigned 24 March 2022	USA
C. Lesetedi		Botswana
G. Van Heerde		South Africa
A. Odubola		Nigeria
R. Hoekman		The Netherlands
R. Mwaura		Kenya
J. Ramesh	Appointed 11 August 2022	Botswana
C. Mokgware	Appointed 11 August 2022	Botswana
K. Motshegwa	Appointed 16 August 2022	Botswana
Prof. E. Botlhale	Appointed 16 August 2022	Botswana

Directors (continued)

Executive

Name	Position	Nationality
A.F. Okai	Group Chief Executive Officer – appointed 01 February 2020, resigned 13 May 2022	Ghana
A.A. Monyatsi	Group Chief Executive Officer – appointed 10 June 2022	Botswana
T.G. Muteiwa	Group Chief Financial Officer – appointed 24 March 2020	Zimbabwe

Directors' shareholdings

The aggregate number of shares held directly by Directors at 31 December 2022 were 521,109 shares (31 December 2021: 33,405 shares). Full details of this shareholding are available at the registered office of the Company or at the office of the transfer secretaries.

Long Term Incentive Plan

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the consolidated annual financial statements of Letshego Holdings Limited (the "Group") that give a true and fair view, comprising the consolidated statement of financial position at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement 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 the Botswana Companies Act.

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

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

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

Approval of the consolidated annual financial statements:

The consolidated annual financial statements of Letshego Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 27 March 2023 and are signed on its behalf by:

P. ODERA
CHAIRMAN

A. MONYATSI
GROUP CHIEF EXECUTIVE OFFICER

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Partnership registered in Botswana
Registration No: 10829
VAT No: P03625401112
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Independent Auditor's Report
To the Shareholders of Letshego Holdings Limited
Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Letshego Holdings Limited and its subsidiaries (the Group) set out on pages 14 to 90, which comprise the consolidated statement of financial position at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Letshego Holdings Limited at 31 December 2022, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (IESBA Code)* together with other ethical requirements that are relevant to our audit of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

The Key Audit Matters apply only to the audit of the consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit
Impairment of Loans and Advances	
Net loans and advances comprised 75% of the Group's total assets at the reporting date. The related ECL impairment allowance was P404 million (2021: P564 million), representing a 28% decrease in the impairment allowance compared to the prior year. The associated impairment provisions are significant in the context of the consolidated financial statements in respect of IFRS 9 - *Financial Instruments*. The estimation of credit losses is inherently uncertain and is subject to significant judgement and estimates. Furthermore, models used to determine credit impairments are complex, and certain inputs used in the models are not fully observable. Any model and data deficiencies are compensated for by applying overlays to the outputs. The calculation of these overlays is highly subjective. Significant judgements and estimates applied in determining the Group's expected credit loss (ECL) allowance include: • Choosing appropriate models and assumptions for the measurement of expected credit loss allowances • Determining criteria for significant increase in credit risk (SICR) • The determination of management overlays • Estimation of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters.	With the support of our internal specialists, we performed the following audit procedures amongst others: We obtained an understanding of the Group's credit policy and evaluated and tested the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification and loan impairment assessment. We assessed the appropriateness of the models and methodologies against accounting standards and generally accepted industry principles. We evaluated management's rationale for the variable overlays to the models, as well as whether additional overlays should be applied to the model and evaluated these overlays against our understanding of the factors used based on independent data. We reconciled the data from the core banking systems of each jurisdiction to the respective ECL models. We evaluated the appropriateness of the forecasted information developed by management for each jurisdiction by comparing it against historical data in relation to the support measures, and considering other macroeconomic factors of the various

This estimation uncertainty is further increased by ongoing volatility in geographical sectors in which the Group operates. The expected credit loss models require the application of forward-looking information in determining key inputs such as economic variables that affect the output of the models. Given the combination of inherent subjectivity in the preparation of the excepted credit loss models, and the judgement and estimates involved in determining the inputs into the models, we considered the calculation of the expected credit loss allowance in accordance with IFRS 9 - *Financial Instruments* as applicable to the Group's loans and advances to be a key audit matter in our audit of the consolidated financial statements. The disclosures associated with impairment of loans and advances are set out in the consolidated financial statements in note 1.3.1 *Credit risk*, note 2.1 *Impairment of advances to customers* and note 6 *Advances to customers*.	jurisdictions which we have benchmarked against external evidence. We reperformed the staging distribution for a sample of loans and advances to assess the accuracy of the staging applied in the models against the criteria indicated by management. We evaluated management's criteria used to allocate the loans and advances between stage 1, 2 or 3 in accordance with the guidance provided in IFRS 9. We assessed the reasonableness of underpinning assumptions, inputs and formulae used in the ECL models. This included a combination of assessing the appropriateness of model design, formulae and algorithms, alternative modelling techniques and recalculating the PD, LGD and EAD parameters and ultimately the impairment allowance. Based on our judgement, we performed sensitivity analyses to assess the impact of the changes to the inputs on the valuation of the ECL. We assessed the adequacy of the disclosures related to IFRS 9 - *Financial Instruments*, in the notes to the consolidated financial statements.

Expected credit loss allowance on investment in securities held by Letshego Ghana Plc	How the matter was addressed in the audit
The Group, through Letshego Ghana Plc, held investment securities comprising of government bills and bonds of P196.4 million at the reporting date. The Group recognised an expected credit loss (ECL) allowance of P36.027 million on these financial instruments. The Ghanian government initiated a Debt Exchange Programme for a portfolio of government bonds as part of a comprehensive agenda to restore debt and fiscal sustainability within the country.	With the support of our internal specialists, we performed the following audit procedures amongst others: We obtained and reviewed the communications received from the Ghanian government regarding the debt restructuring programme. We reviewed industry guidance issued by the Institute of Chartered Accountants Ghana regarding accounting implications of the debt restructure.

This debt restructuring programme was a critical component of both the debt reduction and the IMF programme that sought to help restore economic stability. The Group applied an IFRS 9 ECL model in determining the ECL impact of the debt restructure programme on its exposure to these instruments. Management exercised significant judgements regarding inputs, assumptions, and techniques for estimating the ECL and staging of these instruments. Key judgements and estimates include: - Fair value determination of the new government bonds announced as replacement for the bonds held at 31 December 2022 - Various scenarios and probability weightings assigned to these scenarios as well as an estimate of expected cash shortfalls under each of these scenarios - Assessment of Significant Increase in Credit Risk (SICR) - Determination of whether the existing instruments would have suffered significant modification based on the terms of the restructure. Given the combination of inherent subjectivity in the preparation of the excepted credit loss model applied in calculating the expected credit loss allowance relating to these investment securities, and the judgement and estimates involved in determining the inputs into the model, we considered the calculation of the expected credit loss allowance in accordance with IFRS 9 - *Financial Instruments* as applicable to the Group's investments in these securities to be a key audit matter in our audit of the consolidated financial statements. The disclosures associated with the debt restructuring programme and the impairment of the investment securities are set out in note 4 *Investment securities* to the consolidated financial statements.	We reviewed the critical inputs used in assessing the ECL on these instruments including staging, fair value calculations, scenarios, and related probability weights among others. This included the review of the critical inputs into the model against our understanding of the macro-economic environment and the banking industry as well as benchmarking the inputs in the model to similar occurrences of default noted in other jurisdictions. We assessed the stage allocation and further evaluated the criteria used to allocate the financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution of the financial assets and assessed the reasonableness of staging downgrades applied by management. We assessed the adequacy of the disclosures related to IFRS 9 - *Financial Instruments*, in the notes to the consolidated financial statements.

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Other Information

The directors are responsible for the other information. The other information comprises information included in the 93 paged document titled "Letshego Holdings Limited Consolidated Annual Financial Statements for the Year ended 31 December 2022" which includes the Group Corporate Information, the Directors' report, the Directors' Responsibility Statement, the Group Value Added Statement, the Five-Year Financial History and the Analysis of Shareholding which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting processes.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst + Young

Ernst & Young
Practicing Member: Francois Roos
Partner
Certified Auditor
Membership Number: CAP 0013 2022
Gaborone
31 March 2023

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Note	31 December 2022 P'000	31 December 2021 P'000
ASSETS			
Cash and similar instruments	3	1,020,771	1,413,500
Investment securities	4	692,101	859,496
Financial assets at fair value through profit or loss*	5	1,178,969	826,092
Advances to customers	6	12,727,475	11,875,595
Other receivables	7	479,533	413,411
Financial assets at fair value through OCI	8	43,107	71,499
Income tax receivable		81,454	134,767
Property and equipment	9	116,761	172,822
Right-of-use assets	10	101,654	98,756
Intangible assets	11	305,798	30,040
Goodwill	12	31,910	67,715
Deferred tax assets	27.1	129,083	95,748
Total assets		**16,908,616**	**16,059,441**
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities at fair value through profit or loss	13	1,201,095	808,621
Customer deposits	14	1,120,827	1,175,586
Cash collateral	15	18,476	21,522
Income tax payable*		68,426	96,268
Trade and other payables	16	715,490	965,860
Lease liabilities	17	97,953	99,646
Borrowings	18	8,027,840	7,380,768
Deferred tax liabilities	27.1	339	5,168
Total liabilities		**11,250,446**	**10,553,439**
Shareholders' equity			
Stated capital	19	899,571	882,224
Foreign currency translation reserve		(492,653)	(557,341)
Legal reserve	20	313,780	265,244
Fair value adjustment reserve		(13,144)	15,248
Share based payment reserve	21	42,474	39,907
Retained earnings		4,442,209	4,421,568
Total equity attributable to equity holders of the parent company		**5,192,237**	**5,066,850**
Non-controlling interests		465,933	439,152
Total shareholders' equity		**5,658,170**	**5,506,002**
Total liabilities and equity		**16,908,616**	**16,059,441**

**The order of liquidity on the Statement of Financial Position of the above items has been amended in the current financial year in order to better reflect their nature in relation to other items on the Statement of Financial Position. The indicated amendment is anticipated to enhance users' understanding of the financial statements of the Group.*

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 P'000	31 December 2021 P'000
Interest income at effective interest rate	22	3,145,672	3,110,511
Interest expense at effective interest rate	23	(1,376,678)	(1,119,108)
Other interest expense	23.1	(12,524)	(14,930)
Net interest income		**1,756,470**	**1,976,473**
Fee and commission income	24	89,554	83,681
Other operating income	24.1	439,803	286,604
Operating income		**2,285,827**	**2,346,758**
Expected credit losses	6.3	(98,706)	17,196
Net operating income		**2,187,121**	**2,363,954**
Employee benefits	25	(585,939)	(546,241)
Other operating expenses	26	(799,927)	(670,969)
Total operating expenses		(1,385,866)	(1,217,210)
Profit before taxation		**801,255**	**1,146,744**
Taxation	27	(332,311)	(417,243)
Profit for the year		**468,944**	**729,501**
Attributable to :			
Equity holders of the parent company		401,903	671,554
Non-controlling interest		67,041	57,947
Profit for the year		**468,944**	**729,501**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss net of tax			
Fair value (loss)/gain on financial asset designated at fair value through other comprehensive income	8	(28,392)	9,431
Exchange differences on translation of foreign operations		75,425	329,824
Total comprehensive income for the year		**515,977**	**1,068,756**
Attributable to :			
Equity holders of the parent company		438,199	1,009,317
Non - controlling interest		77,778	59,439
Total comprehensive income for the year		**515,977**	**1,068,756**
Earnings per share			
Basic earnings per share – (thebe)	28	18.7	31.5
Diluted earnings per share – (thebe)	28	17.6	29.4

NOTE: The diluted EPS has been calculated based on the total number of shares that may vest in terms of the Group's long term staff incentive scheme.

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Stated capital P'000	Retained earnings P'000	Share-based payments reserve P'000	Fair value reserve of financial assets at FVOCI P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non - controlling interests P'000	Total P'000
Balance at 1 January 2022		**882,224**	**4,421,568**	**39,907**	**15,248**	**(557,341)**	**265,244**	**439,152**	**5,506,002**
Total comprehensive income for the year									
Profit for the year		-	401,903	-	-	-	-	67,041	468,944
Other comprehensive income, net of income tax									
Fair value adjustment of financial asset		-	-	-	(28,392)	-	-	-	(28,392)
Foreign currency translation reserve		-	-	-	-	64,688	-	10,737	75,425
Transactions with owners, recorded directly in equity									
Allocation to legal reserve	20	-	(48,536)	-	-	-	48,536	-	-
Recognition of share-based payment reserve movement	21	-	-	19,914	-	-	-	-	19,914
New shares issued from long term incentive scheme	21	17,347	-	(17,347)	-	-	-	-	-
Dividends paid by subsidiary to minority interests		-	-	-	-	-	-	(50,997)	(50,997)
Dividends paid to equity holders	29	-	(332,726)	-	-	-	-	-	(332,726)
Balance at 31 December 2022		**899,571**	**4,442,209**	**42,474**	**(13,144)**	**(492,653)**	**313,780**	**465,933**	**5,658,170**
Balance at 1 January 2021		**872,169**	**4,133,314**	**31,295**	**5,817**	**(885,673)**	**214,835**	**417,819**	**4,789,576**
Total comprehensive income for the year									
Profit for the year		-	671,554	-	-	-	-	57,947	729,501
Other comprehensive income, net of income tax									
Fair value adjustment of financial asset		-	-	-	9,431	-	-	-	9,431
Foreign currency translation reserve		-	-	-	-	328,332	-	1,492	329,824
Transactions with owners, recorded directly in equity									
Allocation to legal reserve	20	-	(50,409)	-	-	-	50,409	-	-
Recognition of share-based payment reserve movement	21	-	-	18,667	-	-	-	-	18,667
New shares issued from long term incentive scheme	21	10,055	-	(10,055)	-	-	-	-	-
Dividends paid by subsidiary to minority interests		-	-	-	-	-	-	(38,106)	(38,106)
Dividends paid to equity holders	29	-	(332,891)	-	-	-	-	-	(332,891)
Balance at 31 December 2021		**882,224**	**4,421,568**	**39,907**	**15,248**	**(557,341)**	**265,244**	**439,152**	**5,506,002**

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 P'000	31 December 2021 P'000
OPERATING ACTIVITIES			
Profit before taxation		801,255	1,146,744
Adjustments for :			
- Interest income		(3,145,672)	(3,110,511)
- Interest expense*		1,389,202	1,134,038
- Amortisation of intangible assets	11	11,716	13,788
- Depreciation of property and equipment	9	36,906	37,638
- Depreciation of right-of-use assets	10	41,407	47,255
- Loss on disposal and write off of plant and equipment		-	2,324
- Loss on disposal and write off of intangible assets		-	138
- Impairment and write off charge: advances to customers		209,222	161,121
- Impairment and write off charge: investment securities	4	36,027	-
- Impairment of goodwill	12	32,795	-
- Net foreign exchange differences*		320,150	(215,203)
- Net change in market adjustments on foreign currency swaps		39,597	(21,316)
- Net change in market adjustments on interest rate swaps		-	(8,206)
- Long term incentive plan provision	21	19,914	18,667
Changes in working capital:			
Movement in advances to customers		(1,061,102)	(1,876,058)
Movement in other receivables		(66,122)	(150,209)
Movement in trade and other payables		(250,370)	251,312
Movement in customer deposits		(54,759)	511,193
Movement in cash collateral		(3,046)	2,684
Cash used in operations		**(1,642,880)**	**(2,054,601)**
Interest received		3,145,672	3,110,511
Interest paid*		(1,376,678)	(1,119,108)
Income tax paid	27.3	(345,004)	(422,607)
Net cash flows used in operating activities		**(218,890)**	**(485,805)**
INVESTING ACTIVITIES			
Purchase of treasury bonds	4	-	(859,496)
Proceeds from disposal of treasury bills and bonds		131,368	-
Purchase of property and equipment	9	(71,520)	(112,908)
Purchase of intangible assets	11	(222,531)	(2,926)
Net cash flows used in investing activities		**(162,683)**	**(975,330)**
FINANCING ACTIVITIES			
Dividends paid to equity holders		(332,726)	(332,891)
Dividends paid to subsidiary non-controlling interest		(50,997)	(38,106)
Repayment of principal portion of lease liabilities		(45,997)	(48,039)
Repayment of interest portion of lease liabilities		(12,524)	(14,930)
Proceeds from borrowings	18	2,186,243	2,817,052
Repayment of borrowings	18	(1,717,613)	(636,976)
Net cash flows generated from financing activities		**26,386**	**1,746,110**
Net movement in cash and similar instruments		**(355,186)**	**284,975**
Movement in cash and similar instruments			
At the beginning of the year		1,355,294	986,534
Movement during the year		(355,186)	284,975
Effect of exchange rate changes on cash and similar instruments		(5,526)	83,785
Cash and similar instruments at the end of the year	3	**994,582**	**1,355,294**

*In previous financial periods, exchange gains and losses were included as part of interest expense. In the current period, exchange gains have been reflected as part of other operating income. The Group has opted to present its statement of cash flows in this manner since the indicated amendment is anticipated to enhance users' understanding of the financial statements of the Group.

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December 2022

Reporting entity
Letshego Holdings Limited (the Company) is a limited liability company incorporated and domiciled in Botswana. The address of the company is Tower C, Zambezi Towers, Plot 54352, Central Business District, Gaborone, Botswana. The consolidated financial statements of the Company as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group is a retail financial services organisation involved in banking and microfinance activities in 11 African countries across East, West and Southern Africa. Six of the 11 operations have deposit-taking licenses with the rest being microfinance institutions. The Group’s ambition is to increase its deposit taking capabilities across the footprint.

The consolidated financial statements for the year ended 31 December 2022 have been approved for issue by the Board of Directors on 27 March 2023.

The following principal accounting policies, which are consistent with prior years except for the adoption of new / amended accounting standards, have been adopted in the preparation of these consolidated annual financial statements.

Statement of compliance
The consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Botswana Companies Act.

Basis of preparation
Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated annual financial statements are presented in Botswana Pula, which is the Group’s reporting currency and the Company’s functional currency. Except where indicated, financial information presented in Pula has been rounded to the nearest thousand.

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

BASIS OF CONSOLIDATION

Investments in subsidiaries
Subsidiaries are investees controlled by the Group. The Group ‘controls’ an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable are taken into account. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable assets acquired and liabilities assumed.

Transaction costs are expensed as incurred except if it relates to the issue of debt or equity securities.

BASIS OF CONSOLIDATION (continued)

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

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

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

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

Change in the Group's interest in subsidiaries
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with the equity owners of the Group. A change in ownership in interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect the relative interests in the subsidiary. Any differences between the amount of the adjustment to non-controlling interests and any consideration paid or received is recorded in equity.

PROPERTY AND EQUIPMENT

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment / losses.

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

Computer equipment	3 years
Office furniture and equipment	4 – 5 years
Motor vehicles	4 years
Land and building	30 - 50 years

PROPERTY AND EQUIPMENT (continued)

Land and buildings are stated on the historical cost basis and not depreciated as these assets are considered to have indefinite economic useful lives. Repairs and maintenance are recognised in profit or loss during the financial period in which these costs are incurred, whereas the cost of major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits will flow to the Group.

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

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of property, plant and equipment items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

WORK IN PROGRESS

Work in progress comprises of costs incurred in the on-going construction of items that are held for use in the production and supply of goods or services and incurred in on-going design, construction and testing of computer software that is identifiable, which the Group has control over and future economic benefits will flow from the asset. The costs associated with the construction and development processes indicated are recognised as work-in-progress until a time that the assets are available for use, that is, when the assets are in the location and condition necessary to be capable of operating in the manner intended by management. At this point, the respective element will be transferred from work-in-progress to an appropriate category of property and equipment and/or intangible assets and is depreciated/amortised over the useful life of the asset.

FOREIGN CURRENCY TRANSACTIONS

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

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 using the closing exchange rate at the financial period end. The income and expenses of foreign operations are translated to Botswana Pula at rates approximating those exchange rates at the dates of the transactions. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve. When a foreign operation is disposed of, either in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

FOREIGN CURRENCY TRANSLATION RESERVE

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

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Property 2 to 5 years

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

LEASES (continued)

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Discount factor
Under IFRS 16 'Leases', discount rates are used to determine the present value of the lease payments used to measure a lessee's lease liability. Discount rates are also used to determine lease classification for a lessor and to measure a lessor's net investment in a lease. For lessees, the lease payments are required to be discounted using:
- the interest rate implicit in the lease if readily determinable, or
- the lessee's incremental borrowing rate. Lessee's incremental borrowing rate

The lessee's incremental borrowing rate
Where the lessee is unable to readily determine the interest rate implicit in the lease, the discount rate will be the lessee's incremental borrowing rate. The incremental borrowing rate is an interest rate specific to the lessee that reflects:
- the credit risk of the lessee
- the term of the lease
- the nature and quality of the security
- the amount 'borrowed' by the lessee, and
- the economic environment (the country, the currency and the date that the lease is entered into) in which the transaction occurs.

The Group uses the incremental borrowing rate as the discount factor and the applicable rates were determined per country. The discount factors take into account the interest rates on the existing facilities where applicable and commercial rates that Group entities could be offered by their lenders if they were to source funding.

INTANGIBLE ASSETS

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

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

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

INTANGIBLE ASSETS (continued)

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software for current and prior periods is 3 years to 10 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Computer software is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of these intangible asset items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

Brand value and core deposits
Brand value and core deposits acquired in a business combination are recognised at fair value at the acquisition date. Brand value is the right to use the trade name and associated brands of the acquired entity and core deposits relates to the customer relationships attributable to customer deposits of the acquired entity. These are carried at cost less accumulated amortisation at each reporting period. Amortisation is recognised in profit or loss using the straight-line method over their estimated useful lives.

Brand value is amortised over its expected useful life of 7 years whereas core deposits are amortised over its useful life of 8 years. These intangible assets are tested for impairment annually at the cash generating unit level.

Brand value and core deposits is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of these intangible asset items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Onerous contracts
If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

PROVISIONS (continued)

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities)

INCOME TAX

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

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

Deferred tax
Deferred tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

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

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

INTEREST INCOME

Interest income is recognised in profit or loss at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest 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.

INTEREST INCOME (continued)

When calculating the effective interest rate, the Group estimates cash flows considering all contractual / behavioural 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

Administration fees - lending
The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Where fees and commissions form an integral part of the effective interest on a financial asset or liability these are included and measured based on effective interest rate. Fees and commissions, which relate to transaction and service fees where the performance obligation is satisfied over a period of time are recognised on an accrual basis as the service is rendered.

Credit life and disability insurance commission
Where the Group is acting as an agent, commissions and fees earned on the sale of insurance products to customers on behalf of the insurer are recognised on a time-apportionment basis over the period the service is provided.

Early settlement fee
This is a settlement penalty fee, which is levied on customers when they settle their loans before the maturity date and are recognised in profit or loss as other operating income when these loans are settled

Other income
Other income comprises income from statement fees, market to market gains on foreign currency swaps and other non-core income streams which are recognised in profit and loss as and when they are earned.

INTEREST EXPENSE

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

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

LEGAL RESERVE

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

STATED CAPITAL

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

Treasury shares is where the Group purchases its own stated capital. The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are re-issued or sold. Where the shares are subsequently sold or re-issued, any consideration received net of any directly attributable incremental costs, is included in shareholders' equity.

DIVIDENDS PAID

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

EMPLOYEE BENEFITS

Short-term employee benefits
Short term employee benefits are expensed as the related services are provided. Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is recognised for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Post-employment benefits
The Group operates a defined contribution retirement benefit fund. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the profit or loss as an expense when they are due in respect of service rendered before the end of the reporting period.

Under the defined contribution plans in which the Group and its employees participate, the Group and the employees contribute fixed percentages of gross basic salary on a monthly basis.

Staff incentive bonus scheme
The Group also operates a staff incentive bonus scheme. The provision for employee bonus incentive is based on a predetermined group policy and is recognised in trade and other payables. The accrual for employee bonus incentives is expected to be settled within 12 months to 36 months.

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

SHARE-BASED PAYMENT TRANSACTIONS

The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. The Group also grants its own equity instruments to employees of its subsidiary as part of group share-based payment arrangements. The number of vesting awards is subject to achievement of specific performance metrics.

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

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

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

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

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

Determination of fair value of equity instruments granted
The share price of Letshego Holdings Limited (as quoted on the Botswana Stock Exchange) of the Group’s equity instruments at grant date is the estimated fair value of the share options granted. No adjustments are made for non-market vesting conditions as there are none. Therefore, no valuation techniques are used (Monte Carlo / Black Scholes etc.) as the quoted price at grant date is the fair value. The details of the Group’s Share Incentive Scheme are reflected in Note 21.

SEGMENT REPORTING

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

EARNINGS PER SHARE

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

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

Headline earnings per share
The Groups' headline earnings per share (HEPS) is calculated based on the Johannesburg Stock Exchange (JSE) rules per Circular 1/2021.

Dividend per share
Dividend per share is calculated by dividing the earnings attributable to ordinary equity holders by the number of shares outstanding at the end of a period. The number of shares used to calculate the dividend per share excludes shares held as treasury shares.

CONTINGENT LIABILITIES

The Group discloses 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.

FINANCIAL ASSETS AND LIABILITIES

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
The Group initially recognises financial assets on the date that they are originated or on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

FINANCIAL ASSETS AND LIABILITIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)
Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
• Financial assets at amortised cost (debt instruments)
• Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
• Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
• Financial assets at fair value through profit or loss

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

Financial assets at amortised cost
Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets at amortised cost consists of advances to customers, other receivables and cash and cash equivalents.

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

Other receivables
Other receivables comprise deposits and other recoverables which arise during the normal course of business. These are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their amortised cost using the effective interest method.

FINANCIAL ASSETS AND LIABILITIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)
Subsequent measurement (continued)

Financial assets at amortised cost (continued)

Cash and cash equivalents
For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with financial institutions. Bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management, are included as a component of cash and cash equivalents. Cash and cash equivalents are measured at amortised cost in the consolidated statement of financial position.

Financial assets at fair value through OCI
Financial assets at fair value through OCI are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Financial assets at fair value through OCI are subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Dividends received from financial assets at fair value through OCI equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss
The Group may designate financial assets at fair value through profit or loss when either:
- the assets are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets at fair value through profit or loss are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets and issued for management of short term currency exposures. Financial assets at fair value through profit or loss are recorded and measured in the statement of financial position at fair value. Gains and losses arising from changes in fair value are recognised in profit or loss. Interest or income is recognised in the profit or loss when the contract comes to an end or when the right to payment has been established.

Financial liabilities

Initial recognition and measurement
The Group initially recognises financial liabilities on the date that they are originated or on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified, at initial recognition, as financial liabilities measured at fair value through profit or loss, or financial liabilities measured at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

FINANCIAL ASSETS AND LIABILITIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, customer deposits, cash collateral, financial liabilities at fair value through profit or loss and trade and other payables.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
• Financial liabilities at fair value through profit or loss
• Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss
The Group may designate financial liabilities at fair value through profit or loss when either:
• the liabilities are managed, evaluated and reported internally on a fair value basis; or
• the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings including trade and other payables, customer deposits and cash collateral are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included as finance costs in profit or loss.

Financial liabilities at amortised cost includes borrowings, customer deposits, cash collateral and trade and other payables.

Borrowings and deposits from customers
Borrowings and customer deposits are the Group's sources of funding. These are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

FINANCIAL ASSETS AND LIABILITIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities (continued)
Subsequent measurement (continued)

Financial liabilities at amortised cost (continued)

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

Cash collateral
Cash collateral consist of cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer. The cash collateral is set off against a loan balance only when the loan balance is deemed irrecoverable from the customer.

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

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

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

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

FINANCIAL ASSETS AND LIABILITIES (continued)

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

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

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

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

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

Identification and measurement of impairment for financial assets
At each reporting date the Group assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired.

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.

FINANCIAL ASSETS AND LIABILITIES (continued)

Identification and measurement of impairment for financial assets (continued)

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

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

INSURANCE ARRANGEMENTS

The Group has credit and disability cover in place in most markets. Under this arrangement premiums are collected from customers and paid on to the insurer with the Group earning a fee or profit share. In addition, comprehensive insurance is in place in Namibia and Mozambique and profit from the underlying insurance arrangements is shared between the underwriter and the Group.

Cell captive accounting
A cell captive structure represents an agreement between an insurance entity and the Group to facilitate the writing of insurance business. The Group has entered into agreement with insurance providers under which the insurance provider set up an insurance cell within its legal entity, for example a corporate entity subscribes for a separate class of share. The arrangement provides that all claims arising from insurance contracts written by cell are paid out of the cell's assets, with any profit after deduction of the insurers' fees, allocation taxes and other costs payable to the Group. The net profit share is recognised as income in profit or loss.

DERIVATIVES HELD FOR RISK MANAGEMENT PURPOSES

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position and are included in borrowings. Changes in its fair value are recognised immediately in profit or loss.

IMPAIRMENT FOR NON-FINANCIAL ASSETS

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

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses in respect of goodwill are not reversed. For assets excluding goodwill, if there is an indication of impairment, the Group estimates the assets recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the assets is considered impaired and is written down to its recoverable amount.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)
The Group has adopted *Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)* from 1 January 2022. This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Group has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy – i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.

Reference to the Conceptual Framework – *Amendments to IFRS 3*
The Group has adopted the amendments to IFRS 3 *Business Combinations* for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Property, Plant and Equipment: Proceeds before Intended Use – *Amendments to IAS 16*
The Group has adopted the amendments to IAS 16 *Property, Plant and Equipment* for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to the following standards, which are relevant to the Group's operations.

IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases
The amendment removes the illustration of the reimbursement of leasehold improvements.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group has “third party” cell captive insurance arrangements in Namibia and Mozambique, where significant insurance risk appears to be transferred from the cell insurer to the Group. The Group intends to apply the general model in IFRS 17 to account for the implications of the cell captive arrangements from the effective date of the Standard and intends to utilise the disclosure reliefs permitted by the Standard upon transition. The impact of this on the Group is still being assessed.

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group however presents all assets and liabilities in order of liquidity in its statement of financial position, since this provides information that is reliable and more relevant to the users of the financial statements. The impact of this on the Group is still being assessed.

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Definition of Accounting Estimates - ***Amendments to IAS 8***
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Disclosure of Accounting Policies - ***Amendments to IAS 1 and IFRS Practice Statement 2***
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. The Group is currently revisiting its accounting policy information disclosures to ensure consistency with the amended requirements when the Standard becomes effective. The impact of the amendments on the Group are still being assessed.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - ***Amendments to IAS 12***
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently still assessing the impact of the amendments.

1 RISK MANAGEMENT

1.1 Introduction and overview

The escalation of the war in Ukraine during the year and prolonged restrictions on exports from Russia triggered a global food and energy crisis. This also affected prices in most of the countries in which the Group operates. Interest rates increased in almost all our countries of operation as Central Banks responded to inflationary flare ups that worsened from the second quarter of the year. For 2023, risks to economic prospects are to the downside for most of our presence countries. Headwinds for top three countries in terms of portfolio size include weaker diamond demand for Botswana should the global economic recovery continue to lose momentum, and impact of South Africa’s probable economic recession on our Southern Africa markets. For Namibia, which remains heavily reliant on imports to meet local demand, this will provide a further headwind as imports become more costly. In Mozambique, the economic prospects for 2023/24 are positive despite continuing fiscal gap, high debt servicing, recurring natural disasters and conflicts in the north of the country.

Despite the headwinds generally across the countries, the Group continues to progress well in meeting its 6-2-5 strategic targets underpinned by strong capitalisation levels during the year across all the countries in which it operates. Credit Risk remained elevated during the year largely due to systemic deduction interruptions by employers across the markets. Adversely performing MSE segments arising from a mix of factors that include diversion of income and poor business performance additionally impacted the loan book quality. From a Non-Financial Risk perspective, COVID-19 related risks were under control during the year with all countries in which the Group operates registering successes in combating the pandemic by end of the third quarter largely due to increased vaccinations. Going forward, the focus is on continued automation of manual back-end processes across the operations of the business.

1.2 Financial risk

During the year under review, the Group continued to face both Financial Risks and Non-financial Risks with appropriate risk mitigations being put in place and adequate oversight provided by Group Management Risk Committee at Management level and Group Risk, Social and Ethics Committee at Board level.

1.2.1 Capital risk

Capital risk is the risk that the Group is unable to maintain sufficient levels of capital resulting in inability to support business activities, failure to meet regulatory requirements and increased costs or reduced capacity to raise funding due to adverse changes in credit rating or funding sources.

As part of the Group's Internal Capital Adequacy Assessment Process (ICAAP Lite), subsidiaries that include Ghana, Nigeria and Tanzania LBT were capitalized during the year. All subsidiaries' capital adequacy ratios remained above the regulatory and Group minimum requirements. However, Tanzania -LBT's regulatory minimum core capital was below the regulatory limit required as at year end and appropriate arrangements have been made by the bank to regularize the position to meet the Central Bank requirements. A re-capitalisation plan based on the merger of the two Tanzania businesses, LBT and Faidika will result in adequate capital levels and sufficient buffer.

Risk Appetite metrics for Capital Risk are tracked on a regular basis with breaches being reported to the Group Balance Management Committee for adequate oversight by Management.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk

In line with the enhanced Group's ERM framework, financial risk includes credit risk, liquidity risk, interest rate risk and foreign currency rate risk.

1.3.1 Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet obligations in accordance with agreed terms. The Group is exposed to credit risk from a number of financial instruments such as loans and inter-bank transactions from its subsidiaries.

The Group's Asset Quality remains stable with a marginal increase in non-performing loans (NPLs) to 6.5% for the period under review (FY2021: 5.9%). The increase in NPLs was driven by ongoing economic challenges experienced by the MSEs in the Group's East and West Africa portfolios. Recoveries within the MSE sectors remains gradual.

Letshego's Stage 3 coverage ratio ended the year at 45% (FY2020: 73%). There were no concerns on provision adequacy given both historical collection statistics on Deduction at Source and credit default insurance cover in Mozambique and Namibia. In addition, fully secured portfolios have now factored in the collateral values to discount expected credit losses based on realization trends.

Deduction at Source (DAS) loans remain the largest product portfolio, comprising 88% of the Group's overall lending portfolio (FY2021: 86%). Letshego's top profit-generating markets, Botswana and Namibia, performed well over the full year period, with NPL for the two markets' Deduction at Source portfolios aggregating at 3.9%.

Key metrics	YoY Trend	2022	2021
Growth in gross advances to customers (%)	↑	6%	16%
Loan loss rate (%)	↓	0.5%	(0.1%)
Increase in non-performing loans (NPLs) as a percentage (%) of gross advances	↓	6.5%	5.9%
Stage 3 coverage ratio (%)	↓	45%	73%

Loan loss rate % - cost of risk	**2022 P'000**	**2021 P'000**
Impairment expense/(reversal), excluding Investment Securities	62,679	(17,196)
Average gross advances to customers	12,785,580	11,589,411
	0.5%	**(0.1%)**
***Non-performing loans %**		
Non-performing loans	847,509	729,146
Gross advances to customers	13,131,860	12,439,300
	6.5%	**5.9%**

**Note that the above excludes the aggregated collateral associated with Ghana informal loans.*

Asset Quality

Portfolio indicators are holding strong on the back of enhanced credit risk management capabilities, strengthened credit risk governance, and improving risk infrastructure. Group contained the extraneous risks to the portfolio in 2022 ensuring asset quality remained fairly stable with Non-Performing Loans ratio (NPL) closing the year at 6.5% compared to 5.9% (December 2021). The growth in NPL was driven mainly by East and West African markets, where more vulnerable MSE portfolios are predominant. The portfolios in our large markets recorded improvement in NPL and recovery rates cumulatively improving the portfolio LGDs. As a result, our NPL impairment coverage ratio's was 45%, relative to 73% in prior period. The Group's credit risk mitigations in Mozambique and Namibia (comprehensive default insurance) remained in force and are effective. The impact of these credit risk mitigations were factored into our IFRS 9 loan impairment modelling during the year.

The annualised Loan Loss Rate (LLR) for FY 2022 was 0.5% and within the risk appetite of 3% (FY 2021: -0.1%) that included a once-off write back of P76million from a single party exposure in East Africa.

As at 31 December 2022, the Group did not consider any additional provisions as management actions were adequate to address any future impact of macroeconomic events such as the Ukraine/Russia war. Impact of external operational pressures affected most businesses across the continent and the world at large. The resultant impact was curbed by the nature of the Group's product offering. The loan book comprises 88% Deduction at Source (DAS), 9% Micro-to-Small Enterprises (MSE) and 3% informal loans. In the year 2022, no government in the Group's countries of operation retrenched employees and a 96% collection rate was maintained for the DAS book.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Write-off policy

The Group subsidiaries write off loan balances, and any related allowances for impairment losses, when there is determination that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. All workable written off accounts are fully followed up for recovery through internal debt collection and third party collection partners. The Group writes off an account when in Contractual delinquency 12 (CD12) i.e. 12 payments in arrears and the policy has not been changed with the implementation of IFRS 9 in FY2018. Write-off point analysis was performed in view of a write-off being deemed a derecognition under IFRS 9 and this resulted in no change in policy.

Approach to managing credit risk

The Group has adopted a holistic approach to managing credit risk in line with its Group Enterprise Risk Management (ERM) Framework and ensures that credit risk management remains a key component of its integrated approach to the management of its financial risks. In view of the above, the Group Credit Risk Management Framework is implemented throughout the Group via Credit Risk Policies, Credit Risk Standards, Credit Risk Process and systems designed and established according to the Group's nature of business and level of sophistication of its operations. The credit risk management systems enable the Group and its subsidiaries to clearly identify, assess, monitor and control credit risk and ensure that adequate capital resources are available to cover the risks underwritten.

Credit risk mitigation

The Group offers credit insurance to all its clients, which covers the repayment of the outstanding capital balances on the loan to Group in the event of death or permanent disability of the customer. In addition, comprehensive insurance cover is in place in certain markets covering such risks as loss of employment, employer default, absconding and even temporary disability. Further to this, for part of the customer advances portfolio that is not extended through deduction from source and high risk, the Group applies credit scoring and customer education in advance of the extension of credit to customers and conducts regular reviews of the credit portfolio. Other portfolio management actions include:

• Group writes off loans which have remained in the loss category for four consecutive quarters.
• Group will restructure loans (modify contractually agreed terms) to increase the chances of full repayment of credit exposure in certain instances.
• Restructuring is expected to minimise future risk of default. Examples are where clients are in financial difficulty, either caused by external or internal factors such as disability/ death/ theft/ accidents/ changes in Government policies.
• Restructured loans are treated as non-performing, for provision purposes only, until 6 consecutive payments have been received.
• No loan may be restructured more than twice (system controlled). Loans restructured a second time are classified as "loss" and provisions raised accordingly.
• There are no additional charges applied to restructured loans.
• Customers cannot take a "top up" loan if they are in arrears.

The Group does re-phase (re-age) accounts where instalments are missed, through no fault of the borrower, and subsequently reinstated due to operational issues. Re-phasement involves altering the end date of the loan but not the number of repayments or the loan amount.

The Group adheres to rules / legislation around affordability. In most countries in which the Group operates an independent 'central registry' or 'gatekeeper' ensures that affordability rules are adhered to in addition to internal controls in place.

Credit risk stress testing

The Group recognises possible events or future changes that could have a negative impact on the credit portfolios and affect the Group's ability to generate more business. Stress testing is an integral part of our overall risk management and governance culture across the Group. This feeds into the decision making process at management and Board level.

The overlay approach followed by the Group is outlined below:

General steps considered by the Group in considering impairment

The following illustrates the steps that the Group follows in calculating impairment of financial assets:
1. Establish the appropriate definition of default
2. Determine the level of assessment (individual vs. collective assessment)
3. Determine indicators/measures of significant increase in credit risk
4. Define the thresholds for significant increase in credit risk
5. Determine whether the "low credit risk assumption" will be applied to certain loans
6. Identify relevant forward-looking information and macro-economic factors
7. Identify appropriate sources of relevant forward-looking information and macro-economic factors
8. Incorporate forward-looking information and multiple scenarios in staging assessments of loans
9. Stage loans based on the forward-looking assessment of significant increase in credit risk
10. Determine the method to be used for measuring Expected Credit Losses
11. Determine the estimation period – the expected lifetime of the financial instrument
12. Establish the respective Probability of Default for loans in Stage 1 and Stage 2
13. Calculate the Exposure at Default
14. Identify relevant collateral and credit enhancements
15. Develop calculations for Loss Given Default (incorporating collateral and credit enhancements)
16. Consider the time value of money and calculate Expected Credit Losses
17. Identify modifications that occurred during the period and determine if each modification results in derecognition or no derecognition
18. Calculate the modification gain or loss and include the modified loan (or new loan)
19. Establish and document the appropriate processes, internal controls and governance for estimating Expected Credit Losses (ECL)

1 **FINANCIAL RISK MANAGEMENT (continued)**

1.3.1 **Credit risk (continued)**

The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements taken into consideration are as per below:

Determining a significant increase in credit risk since initial recognition (SICR)

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (Stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (Stage 2) or which are credit impaired (Stage 3). Group will assess when a significant increase in credit risk has occurred based on quantitative and qualitative assessments.

Indicators of SICR include any of the following:
• 30 days past due rebuttable presumption
• historical delinquency behaviour of accounts that are up to date and accounts in 1-30 days category
• significant adverse changes in business, financial and/or economic conditions in which the client operates, including for example retrenchment of the customer, closure of the sponsoring employer, etc.

Two types of PDs are considered under IFRS 9:
o Twelve-month PDs – This is the estimated probability of a default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECL, which are applicable to Stage 1 financial instruments.
o Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument which is applicable to Stage 2.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

The IFRS 9 requirements for the staging of loans is summarized in the two diagrams below

Diagram 1

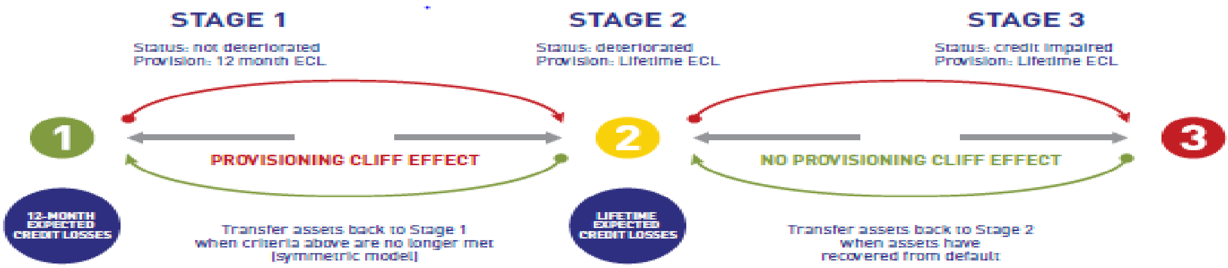
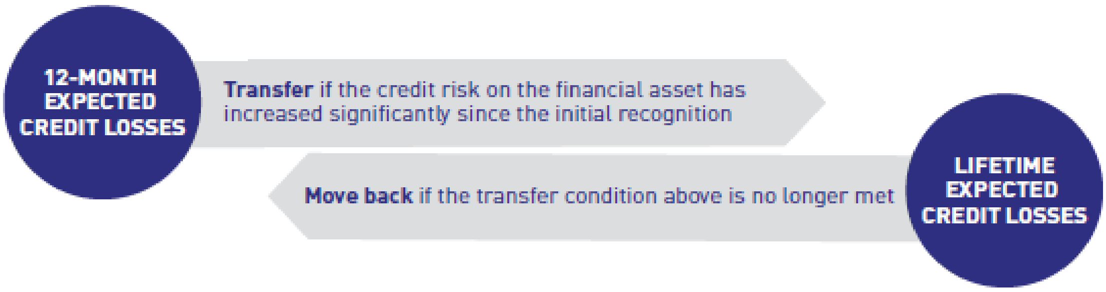


Diagram 2



• **Stage 1:** relates to a 12-month ECL allowance on financial assets that are neither credit impaired on origination nor for which there has been a SICR.
• **Stage 2:** relates to a lifetime ECL allowance on financial assets that are assessed to display a SICR since origination.
• **Stage 3:** relates to a lifetime ECL allowance on financial assets that are assessed to be credit impaired.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Forward-looking information

The IFRS 9 measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9 requires the use of forward-looking factors, or predictive indicators, in the calculation of ECL, including the staging assessment.

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio).
Source of the forward looking information will vary from country to country and all macroeconomic factors used will be approved at high level by the Credit Committee. This is also based on the correlation exercises done.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:
• Unemployment rates
• Consumer Price Index
• Gross Domestic Product (GDP)
The working group approved the three core factors as the starting point for all subsidiary regression calculations. Management overlays on macroeconomic variables will only apply in cases where the above three variables have no statistical significance and an alternative variable with a good correlation will then be applied. The forward looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

Definition of default
Default is not defined under IFRS 9.The Group is responsible for defining this for themselves and it should be based upon its own definition used in the Group's internal risk management. Careful consideration of how default is defined is important as the definition impacts the calculation of PDs, LGDs and EADs, hence impacting the ECL results.
The simplest definition is that of failure to meet a scheduled payment of principal or interest, however, that definition has modifications depending upon the loan product. The definition of default has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators, e.g. breaches of covenants, when appropriate. Inability to pay may also be considered in making the qualitative assessment of default.
Indications of inability to pay include:

o the credit obligation is placed on non-accrued status;
o the Group makes a specific provision or charge-off due to a determination that the obligor’s credit quality has declined (subsequent to taking on the exposure);
o the Group sells the credit obligation or receivable at a material credit related economic loss;
o the Group agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing;
o the Group has filed for the obligor’s bankruptcy in connection with the credit obligations; and
o the obligor has sought or been placed in bankruptcy resulting in the delay or avoidance of the credit obligation’s repayment.

There is a rebuttable presumption within IFRS 9 that default does occur once a loan is more than 90 days past due. The Group has adopted this presumption.

Discounting
Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is that rate that is expected to apply when the loan is drawn down and a financial asset is recognised.

Modelling techniques
Expected credit losses (ECL) are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original effective interest rate. For the IFRS 9 impairment assessment, Group Impairment Models are used to determine the PD, LGD and EAD. For Stage 2 and 3, Group applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Renegotiated loans treatment
Both performing and non-performing restructured assets are classified as stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period is 6 months to move to cure state (Stage 1).

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk

(a) Advances to customers

31 December 2022	Gross advances P'000	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Net advances P'000	Security held P'000
Southern Africa	10,189,130	(91,113)	(18,452)	(89,916)	9,989,649	-
East and West Africa	2,942,730	(73,366)	(24,145)	(107,393)	2,737,826	(18,476)
	13,131,860	**(164,479)**	**(42,597)**	**(197,309)**	**12,727,475**	**(18,476)**

31 December 2021	Gross advances P'000	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Net advances P'000	Security held P'000
Southern Africa	8,894,071	(64,025)	(12,020)	(145,234)	8,672,792	-
East and West Africa	3,545,229	(66,788)	(98,173)	(177,465)	3,202,803	(21,522)
	12,439,300	**(130,813)**	**(110,193)**	**(322,699)**	**11,875,595**	**(21,522)**

Security held relates to cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer (refer to Note 15).

(b) Other financial assets measured at amortised cost	31 December 2022 P'000	31 December 2021 P'000
Cash and similar instruments	1,020,771	1,413,500
Investment in securities	692,101	859,496
Other receivable accounts	479,533	413,411
	2,192,405	**2,686,407**

Below is a summary of the expected credit losses recognised in respect to advances to customers as at 31 December 2022:

Operating Segments 31 December 2022 P'000	IFRS 9 ECL Provisions at 31 December 2022				IFRS 9 ECL Provisions at 31 December 2021			
	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2022	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2021
Financial assets								
Botswana	37,101	6,606	32,255	**75,962**	29,302	3,420	73,873	**106,595**
Namibia	16,700	574	19,222	**36,496**	9,483	618	24,362	**34,463**
Mozambique	32,942	7,396	15,320	**55,658**	9,788	1,303	8,259	**19,350**
Lesotho	2,278	421	4,389	**7,088**	11,520	793	9,367	**21,680**
Eswatini	2,092	3,455	18,730	**24,277**	3,932	5,886	29,373	**39,191**
Kenya	17,097	3,929	21,738	**42,764**	9,338	3,118	36,600	**49,056**
Rwanda	4,099	201	408	**4,708**	2,493	368	202	**3,063**
Uganda	11,593	2,472	13,012	**27,077**	8,569	2,918	19,195	**30,682**
Tanzania	19,789	2,773	35,638	**58,200**	19,141	1,062	29,429	**49,632**
Nigeria	4,580	2,403	15,734	**22,717**	2,169	8,146	20,469	**30,784**
Ghana	16,208	12,367	20,863	**49,438**	25,078	82,561	71,570	**179,209**
Total	**164,479**	**42,597**	**197,309**	**404,385**	**130,813**	**110,193**	**322,699**	**563,705**

Overall Expected Credit Losses in December 2022 closed at P404.4 million, which is a decrease from P563.7 million in December 2021. This is in line with improvement in recoveries as evidenced by a decrease in Loss Given Defaults (LGDs) and collateralised LGDs across our markets.

Expected credit losses for the year were low and aligned with the Group's credit risk profile with the leading portfolio being Deduction at Source (FY2022 -88%, FY2021 -86%). Deduction at Source is mainly constituted by government & quasi government employees with a sustained collection rate, above ninety percent. There were no concerns on provision adequacy given both historical collection statistics on Deduction At Source and credit default insurance cover in Mozambique and Namibia. In addition, fully secured portfolios have now factored in the collateral values to discount expected credit losses based on realization trends.

A significant portion of the Ghana portfolio relates to mobile loans. A third party previously undertook the ECL model development and implementation of this portfolio. Since the Group did not have a full view of historical data to develop an internal model, a conservative approach was taken to measure expected credit losses. In Q4 2022, the Group was able to obtain access to historical data to develop an internal model. The data showed gradual improvements in default roll rates as well as evidence of recoveries to develop a Loss Given Default model. Management was then comfortable to remove the conservative estimate and instead apply the internal advanced approach, which implemented IFRS 9 compliant models to provide a more accurate position.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Key Highlights

Measure	FY2022	FY2021	FY2020	FY2019	FY2018
Gross Loan Book Balance in P'm	13,132	12,439	10,740	9,833	9,542
Portfolio at risk – 30 days	9.2%	9.2%	8.3%	10.0%	10.4%
Portfolio at risk – 90 days (NPL)	6.5%	5.9%	5.3%	6.9%	7.1%
Post Write-off Recoveries in the year in P'm	147	178	199	184	147
Loan loss rate – actual	0.5%	(0.1%)	0.3%	1.7%	4.1%
Loan loss rate – excl. once-off items	0.5%	0.6%	1.8%	1.7%	2.0%
Non-performing loan coverage ratio	45%	73.0%	98%	112%	115%

*Non-performing loan coverage ratio = Total ECL provision/Gross carrying amount on NPL

Portfolio indicators are holding strong on the back of enhanced credit risk management capabilities, strengthened credit risk governance, and improving risk infrastructure. Group contained the extraneous risks to the portfolio in 2022 ensuring asset quality remained fairly stable with Non-Performing Loans ratio (NPL) closing the year at 6.5% compared to 5.9% (December 2021). The growth in NPL was driven mainly by East and West African markets, where more vulnerable MSE portfolios are predominant. The portfolios in our large markets recorded improvement in NPL and recovery rates cumulatively improving the portfolio LGDs. As a result, our NPL impairment coverage ratio's was 45%, relative to 73% in prior period. The Group's credit risk mitigations in Mozambique and Namibia (comprehensive default insurance) remained in force and are effective. The impact of these credit risk mitigations were factored into our IFRS 9 loan impairment modelling during the year.

As at 31 December 2022, the Group did not consider any additional provisions as management actions were adequate to address any future impact of macroeconomic events such as the Ukraine/Russia war. Impact of external operational pressures affected most businesses across the continent and the world at large. The resultant impact was curbed by the nature of the Group's product offering. The loan book comprises 88% Deduction at Source (DAS), 9% Micro to Small Enterprises (MSE) and 3% informal loans. In the year 2022, no government in our countries of operation retrenched employees and a 96% collection rate was maintained for the DAS book.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

The loss allowance recognised in the period is impacted by a number of factors, as described below:
- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" or "step down" between 12-months and lifetime ECL,
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period,
- Impact on measurement of ECL due to changes in PDs, EADs, and LGDs in the period arising from regular refreshing of inputs into models,
- Impact on the measurement of ECL due to changes made to models and assumptions;

Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognized during the period and write-offs of allowances related to assets and were written off during the period.

The following table depicts changes in the gross carrying amount of the consumer and microfinance portfolio to explain their significance in the loss allowance for the same portfolio as discussed above:

	ECL Staging			
31 December 2022	**Stage 1 12-month ECL P'000**	**Stage 2 Lifetime ECL P'000**	**Stage 3 Lifetime ECL P'000**	**Total P'000**
Loss allowance:				
At 1 January	**130,813**	**110,193**	**322,699**	**563,705**
Transfers:				-
Transfers from Stage 1 to Stage 2	(12,510)	12,510	-	-
Transfers from Stage 1 to Stage 3	(31,103)	-	31,103	-
Transfers from Stage 2 to Stage 3	-	(6,616)	6,616	-
Transfers from Stage 3 to Stage 2	-	1,929	(1,929)	-
Transfers from Stage 2 to Stage 1	2,136	(2,136)	-	-
New assets originated or purchased	138,502	-	-	138,502
Payments or assets derecognised	(63,359)	(73,283)	207,362	70,720
Write-offs	-	-	(368,542)	(368,542)
	164,479	**42,597**	**197,309**	**404,385**

	ECL Staging			
31 December 2021	**Stage 1 12-month ECL P'000**	**Stage 2 Lifetime ECL P'000**	**Stage 3 Lifetime ECL P'000**	**Total P'000**
Loss allowance:				
At 1 January	**213,621**	**73,435**	**290,931**	**577,987**
Transfers:				-
Transfers from Stage 1 to Stage 2	(12,257)	12,257	-	-
Transfers from Stage 1 to Stage 3	(51,758)	-	51,758	-
Transfers from Stage 2 to Stage 3	-	(34,666)	34,666	-
Transfers from Stage 3 to Stage 2	-	(1,677)	1,677	-
Transfers from Stage 2 to Stage 1	(1,614)	1,614	-	-
New assets originated or purchased	161,825	-	-	161,825
Payments or assets derecognised	(179,004)	59,230	119,069	(705)
Write-offs	-	-	(175,402)	(175,402)
	130,813	**110,193**	**322,699**	**563,705**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk

	At 31 December 2022 (IFRS 9)	At 31 December 2021 (IFRS 9)
	P'000	P'000
Gross advances to customers	**13,131,860**	**12,439,300**
Of which Stage 1	11,229,003	10,993,504
Of which Stage 2	1,006,469	677,666
Of which Stage 3	896,388	768,130
Expected credit loss provisions	**(404,385)**	**(563,705)**
Of which Stage 1	(164,479)	(130,813)
Of which Stage 2	(42,597)	(110,193)
Of which Stage 3	(197,309)	(322,699)
Net advances to customers	**12,727,475**	**11,875,595**
Of which Stage 1	11,064,524	10,862,691
Of which Stage 2	963,872	567,473
Of which Stage 3	699,079	445,431
Impairment (ECL) Coverage Ratio	**3%**	**5%**
Stage 3 Coverage Ratio	**45%**	**73%**

Expected credit losses: Stress Testing and Sensitivity Analysis

As a largely Government Deduction at Source (DAS) retail business, the Group has remained resilient to the worst effects of macroeconomic events, however MSE Non Performing Loans in East and West African subsidiaries have been influenced heavily by external operational pressures.

Model recalibrations are performed at two points, in April and October every year. Additionally Macroeconomic factors are updated to align to Fitch Solutions revised forecasts on a monthly basis.

Loss given default (LGD)

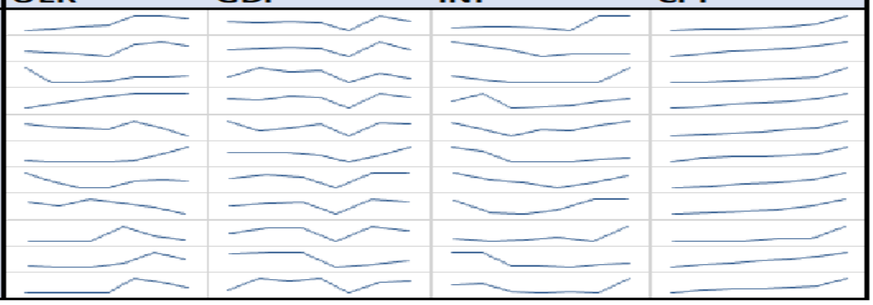
LGDs between H1 2022 and H2 2022 have decreased due to countries experiencing high recoveries as economies start to recover. The Group was therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake.

Probability of default (PD)

Since PD's are modelled using a Point-In-Time (PIT) approach, each account is assigned an individual PD. This creates a distribution of PDs for each portfolio. When creating shocks for a portfolio of PIT PD's, a standard margin of adding and subtracting static numbers would not be suitable for creating scenarios. Therefore an approach using percentiles is used to create a cap and a floor for the distributions. A lower percentile is used as the cap for upside, and a higher percentile is used as a floor for downside.

Macroeconomic analysis

	Macroeconomic Variables -2016 - 2023f			
	UER	GDP	INF	CPI
Botswana				
Eswatini				
Ghana				
Kenya				
Lesotho				
Mozambique				
Namibia				
Nigeria				
Rwanda				
Tanzania				
Uganda				



1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Macroeconomic analysis (continued)

According to 2023 forecasts by Fitch Solutions, economic growth is expected to remain subdued for most countries in SSA as well as increased inflationary pressures. However, this outlook is expected to differ across the region, depending on country circumstances.

Inflation

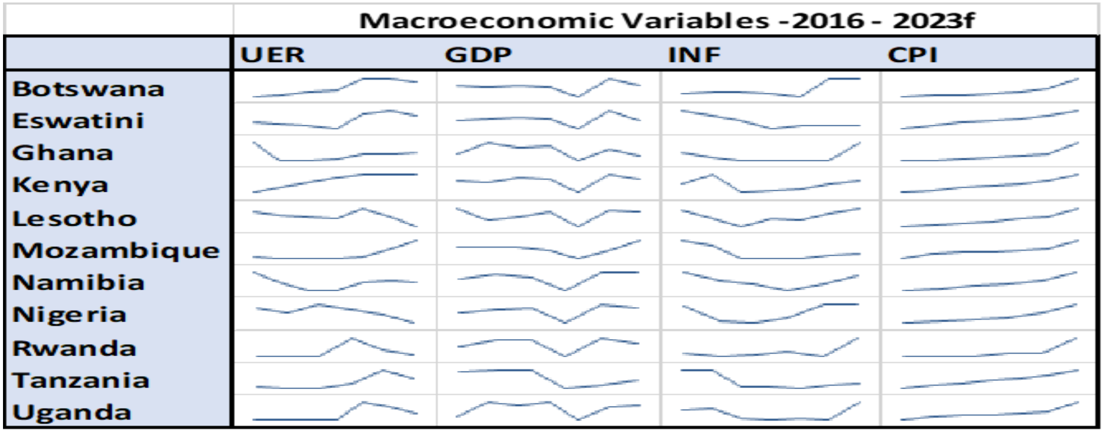
All countries within the Group are expected to experience higher inflation in 2022 than 2021, with reductions in 2023. However, the consumer price index (CPI) continues on an upward trend across all the subsidiaries.

Gross domestic product (GDP)

Most countries across the Group are expected to experience subdued GDP growth rates up to 2023.

Unemployment rate (UER)

Most countries across the Group are forecast to experience reduced unemployment rates up to 2023.



Influence of economic variables on estimate of ECL

A behavioural scorecard is used to incorporate forward looking macroeconomic variables into lifetime PDs. A weighted score is calculated based on the outlook of economic conditions of each country and is updated whenever there is a change. These weighted scores are used to convert 12-month PDs into Lifetime PDs for accounts in Stage 2 (Stage 3 PD is standard at 100%).

A macro-induced regression analysis is used to model a Macro-Induced (MI) LGD for accounts in Stage 2 and 3. This involves identifying how economic conditions influence recovery rates and applying this to forecasted economic outlooks.

Expected credit losses: Forward looking

MSE portfolios were stressed Downside-heavy while the DAS book was stressed Base-heavy to reflect their respective sensitivities to macroeconomic conditions.

The table below summarises the ECL impact of the sensitivity analysis after application of forward looking factors for the year ending 31 December 2022:

BWP'000	Base case	Upside		Downside		Probability Weighted ECL	Weighted Impact*
	ECL	ECL	Impact	ECL	Impact	ECL	Impact
Consumer	287,060	51,194	(235,866)	525,739	238,679	255,523	(31,537)
MSE	123,442	28,755	(94,687)	193,365	69,923	109,776	(13,666)
Informal	35,026	12,679	(22,347)	56,987	21,961	39,086	4,060
Total	**445,528**	**92,628**	**(352,900)**	**776,091**	**330,563**	**404,385**	**(41,143)**

**The Probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used in the last reporting cycle were 50%, 20% and 30% respectively for Deduction at source portfolio that holds a low credit risk and 30%, 20% and 50% respectively for MSE and Informal portfolio. Refreshed assessment used the higher end of risk weightings hence as at December 2022 the weightings used are 30%,20%,50%.*

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Expected credit losses: Forward looking (continued)

The total weighted impact of P41.1m is distributed to operating subsidiaries as follows:

Country	Base ECL	Probability Weighting	Impact
	BWP'000	BWP'000	BWP'000
Botswana	81,448	75,962	(5,486)
Eswatini	28,131	24,277	(3,854)
Ghana	64,134	49,438	(14,696)
Kenya	41,107	42,764	1,657
Lesotho	8,290	7,088	(1,202)
Mozambique	52,988	55,658	2,670
Namibia	41,862	36,496	(5,366)
Nigeria	24,835	22,717	(2,118)
Rwanda	4,500	4,708	208
Tanzania	70,694	58,200	(12,494)
Uganda	27,539	27,077	(462)
Group	**445,528**	**404,385**	**(41,143)**

The Group applied probability weighted ECL as at December 2022. Stressed outcome is the worst case scenario.

1 RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Credit quality

Credit portfolio indicators remain robust, indicative of Letshego's continuous enhancement of its credit risk management framework, strengthened credit risk governance and improvements in risk infrastructure. Expected Credit Losses for the year were low, aligned with the Group's credit risk profile with the majority of its aggregated portfolio in Deduction at Source (FY2022 88% Deduction at Source)

The annualised Loan Loss Rate (LLR) for FY 2022 of 0.5% deteriorated as compared to the prior year (FY 2021: -0.1%), which included a once-off write back of P76 million from a single party exposure in East Africa.

The table below presents an analysis of the Group's gross advances based on the customer segments to which the Group is exposed:

Formal:	- these are government and non-government payroll Deduction at Source.
Micro finance:	- micro and small entrepreneurs mainly associated with health, housing, agriculture and education segments.
Informal (Instant loans):	- short-term loans via mobile platforms

Analysis of exposure by segment as at 31 December 2022

	Formal	Micro finance	Informal	Total gross advances
	P'000	P'000	P'000	P'000
Southern Africa	**10,048,540**	**69,838**	**70,752**	**10,189,130**
Botswana	3,450,161	43,405	-	3,493,566
Namibia	3,597,077	8,800	-	3,605,877
Mozambique	2,094,444	-	-	2,094,444
Lesotho	430,063	369	-	430,432
Eswatini	476,795	17,264	70,752	564,811
East and West Africa	**1,560,829**	**1,002,128**	**379,773**	**2,942,730**
Kenya	106,608	528,542	-	635,150
Rwanda	(206)	150,275		150,069
Uganda	412,201	122,946	-	535,147
Tanzania	62,262	107,561	-	169,823
Nigeria	115,954	87,107	-	203,061
Ghana	864,010	5,697	379,773	1,249,480
Gross advances	**11,609,369**	**1,071,966**	**450,525**	**13,131,860**
Impairment provision	(264,101)	(119,344)	(20,940)	(404,385)
Net advances	**11,345,268**	**952,622**	**429,585**	**12,727,475**

Analysis of exposure by segment as at 31 December 2021

	Formal	Micro finance	Informal	Total gross advances
	P'000	P'000	P'000	P'000
Southern Africa	**8,824,725**	**58,109**	**11,237**	**8,894,071**
Botswana	2,990,320	35,790	-	3,026,110
Namibia	3,198,250	-	-	3,198,250
Mozambique	1,789,702	-	-	1,789,702
Lesotho	352,248	-	-	352,248
Eswatini	494,205	22,319	11,237	527,761
East and West Africa	**1,911,008**	**919,042**	**715,179**	**3,545,229**
Kenya	137,213	529,399	-	666,612
Rwanda	355	59,293	-	59,648
Uganda	353,551	125,236	-	478,787
Tanzania	334,558	133,060	-	467,618
Nigeria	105,964	68,296	-	174,260
Ghana	979,367	3,758	715,179	1,698,304
Gross advances	**10,735,733**	**977,151**	**726,416**	**12,439,300**
Impairment provision	(256,809)	(148,276)	(158,620)	(563,705)
Net advances	**10,478,924**	**828,875**	**567,796**	**11,875,595**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Expected Credit Loss (ECL) are categorised as either **'Performing - Stage 1'**, **'Underperforming -Stage 2',** or **'Non-Performing-Stage 3'.**

Stage 1: Performing
- when a significant increase in credit risk since initial recognition has not occurred, a 12-month ECL is recognised for all Stage 1 financial assets.

Stage 2 : Underperforming
- when a significant increase in credit risk since initial recognition has occurred, a lifetime ECL is recognised.

Stage 3: Non-Performing / Impaired
- when objective evidence exists that an asset is credit impaired, a lifetime ECL is recognised. The Group's definition of default is 90 days past due ("DPD") which is similar to the rebuttable presumption under IFRS 9.

The table below presents an analysis by geographic location of the credit quality based on staging:

31 December 2022	**Expected Credit Loss**			
Southern Africa	**Stage 1 P'000**	**Stage 2 P'000**	**Stage 3 P'000**	**Total ECL P'000**
Formal	87,210	17,406	67,061	171,677
Micro finance	3,330	1,046	13,866	18,242
Informal	573	-	8,989	9,562
	91,113	**18,452**	**89,916**	**199,481**
East and West Africa				
Formal	28,909	14,761	48,754	92,424
Micro finance	38,688	9,384	53,030	101,102
Informal	5,769	-	5,609	11,378
	73,366	**24,145**	**107,393**	**204,904**
Total Portfolio				
Formal	116,119	32,167	115,815	264,101
Micro finance	42,018	10,430	66,896	119,344
Informal	6,342	-	14,598	20,940
	164,479	**42,597**	**197,309**	**404,385**

31 December 2021	**Expected Credit Loss**			
Southern Africa	**Stage 1 P'000**	**Stage 2 P'000**	**Stage 3 P'000**	**Total ECL P'000**
Formal	45,313	8,060	110,323	163,695
Micro finance	17,075	3,225	33,555	53,855
Informal	1,638	735	1,355	3,728
	64,026	**12,019**	**145,233**	**221,279**
East and West Africa				
Formal	23,175	10,213	59,726	93,114
Micro finance	19,384	5,659	69,378	94,421
Informal	24,228	82,302	48,362	154,892
	66,787	**98,173**	**177,466**	**342,426**
Total Portfolio				
Formal	68,488	18,272	170,048	256,809
Micro finance	36,459	8,884	102,933	148,276
Informal	25,866	83,037	49,717	158,620
	130,814	**110,193**	**322,699**	**563,705**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Movement in gross exposures and impairment allowance

A reconciliation of changes in gross carrying amount and corresponding allowances for ECL by stage for Group is as follows:

Loans and advances at amortised cost

31 December 2022	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
As at 1 January 2022	**10,993,504**	**130,814**	**677,666**	**110,193**	**768,130**	**322,699**	**12,439,300**	**563,705**
New assets originated	2,081,551	45,650	1,616,296	929,091	11,983,331	180,384	15,681,178	1,155,125
Payments and assets derecognised	(2,664,071)	(147,089)	(2,169,335)	(993,798)	(12,779,889)	162,744	(17,613,295)	(978,142)
Changes to PD and LGD rates	818,019	135,104	866,850	(17,880)	1,308,350	(84,984)	2,993,219	32,240
Write offs	-	-	14,991	14,991	(383,534)	(383,534)	(368,543)	(368,543)
As at 31 December 2022	**11,229,003**	**164,479**	**1,006,468**	**42,597**	**896,388**	**197,309**	**13,131,860**	**404,385**

31 December 2021	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
As at 1 January 2021	**9,652,640**	**213,621**	**496,482**	**73,435**	**590,399**	**290,931**	**10,739,521**	**577,987**
New assets originated	1,681,551	74,650	555,960	77,715	11,969,917	318,384	14,207,428	470,749
Payments and assets derecognised	(1,437,917)	(160,896)	(1,135,944)	11,668	(12,991,269)	(75,464)	(15,565,130)	(224,692)
Changes to PD and LGD rates	1,118,019	16,228	806,514	(16,180)	1,308,350	(84,984)	3,232,883	(84,937)
Write offs	(20,789)	(12,789)	(45,345)	(36,445)	(109,268)	(126,168)	(175,402)	(175,402)
As at 31 December 2021	**10,993,504**	**130,814**	**677,666**	**110,193**	**768,130**	**322,699**	**12,439,300**	**563,705**

The table below presents an analysis by geographic location of the credit quality of advances based on arrears:

31 December 2022	Up-to-date	1-30 days past due	31-60 days past due	61-90 days past due	91 or more days past due	Total Gross advances
Southern Africa	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Formal	9,017,164	325,024	160,488	38,431	507,433	10,048,540
Micro finance	27,215	7,725	3,813	425	30,660	69,838
Informal	32,336	9,084	6,450	6,482	16,400	70,752
	9,076,715	**341,833**	**170,751**	**45,338**	**554,493**	**10,189,130**
East and West Africa						
Formal	910,798	62,116	51,317	491,904	144,694	1,660,829
Micro finance	646,668	69,170	37,097	23,693	125,500	902,128
Informal	320,609	13,725	10,589	12,028	22,822	379,773
	1,878,075	**145,011**	**99,003**	**527,625**	**293,016**	**2,942,730**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

31 December 2021	Up-to-date	1-30 days past due	31-60 days past due	61-90 days past due	91 or more days past due	Total Gross advances
Southern Africa	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Formal	8,063,375	221,594	112,129	65,241	362,387	8,824,726
Micro finance	12,916	19,216	14,732	445	10,801	58,110
Informal	7,856	1,244	547	235	1,355	11,237
	8,084,147	**242,054**	**127,408**	**65,921**	**374,543**	**8,894,073**
East and West Africa						
Formal	1,572,872	106,145	34,844	20,989	176,159	1,911,009
Micro finance	604,244	98,114	43,687	37,446	135,550	919,041
Informal	548,616	53,236	38,437	31,995	42,895	715,179
	2,725,732	**257,495**	**116,968**	**90,430**	**354,604**	**3,545,229**

LGD represents an estimate of the percentage of EAD that will not be recovered, should the obligor default occur and below is an analysis by segments. However, in Southern Africa, Letshego Namibia and Letshego Mozambique have credit insurance in place and this is included as part of recoveries in the LGD calculations. Informal loans used a rate of 100% for both Letshego Ghana and Letshego Eswatini informal loans.

Segments	2022	2021
	LGD	**LGD**
Southern Africa	55%	65%
East and West Africa	82%	80%

PD represent an estimate of the probability that balances in less than 90 days categories would fall into default (91 or more days past due).

Stage 1 - 12 month PD		
31 December 2022	**PD 0**	**PD 1**
Southern Africa	1%	3%
East and West Africa	15%	21%

Stage 1 - 12 month PD		
31 December 2021	**PD 0**	**PD 1**
Southern Africa	1%	3%
East and West Africa	11%	20%

Lifetime PD				
31 December 2022	**PD 0**	**PD 1**	**PD 2**	**PD 3**
Southern Africa	1%	3%	22%	27%
East and West Africa	15%	21%	42%	53%

Lifetime PD				
31 December 2021	**PD 0**	**PD 1**	**PD 2**	**PD 3**
Southern Africa	1%	3%	26%	33%
East and West Africa	11%	20%	41%	43%

PD 0 - up to date
PD 1 - 1 - 30 days past due
PD 2 - 31 - 60 days past due
PD 3 - 61 - 90 days past due

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Financial assets renegotiated
Restructuring

Restructuring activities include extended payment arrangements, modification and deferral of payments. Following restructuring a previously overdue/delinquent loan is reset to current/normal status and managed together with other similar accounts. There are Group restructuring policies in place and these are kept under continuous review.

31 December 2022	Total gross advances	Restructured loans	Expected Credit Loss held on Restructured loans	Restructured
	P'000	P'000	P'000	%
Southern Africa	10,189,130	25,765	20,700	0.3
East and West Africa	2,942,730	56,124	46,520	1.9
	13,131,860	**81,889**	**67,220**	**0.6**

31 December 2021	Total gross advances	Restructured loans	Expected Credit Loss held on Restructured loans	Restructured
	P'000	P'000	P'000	%
Southern Africa	8,894,071	22,096	21,212	0.2
East and West Africa	3,545,229	89,124	81,994	2.5
	12,439,300	**111,220**	**103,206**	**0.9**

Re-phasing

The Group however does re-phase (re-age) accounts where installments are missed, through no fault of the borrower, and subsequently reinstated due to operational issues. Re-phasement involves altering the end date of the loan but not the number or amount of the installments. Refer to the analysis below.

Re-phased loans analysis

31 December 2022	Total gross advances	Re-phased loans	Expected Credit Loss held on Re-phased loans	Re-phased
	P'000	P'000	P'000	%
Southern Africa	10,189,130	867,676	43,595	8.5
East and West Africa	2,942,730	410,767	35,275	14.0
	13,131,860	**1,278,443**	**78,870**	**9.7**

31 December 2021	Total gross advances	Re-phased loans	Expected Credit Loss held on Re-phased loans	Re-phased
	P'000	P'000	P'000	%
Southern Africa	8,894,071	523,168	156,950	5.9
East and West Africa	3,545,229	219,191	65,757	6.2
	12,439,300	**742,359**	**222,707**	**6.0**

1 RISK MANAGEMENT (continued)

1.3.2 Liquidity risk

Managing liquidity risk is an integral part of the Group's business operations. Liquidity risk arises when the Group is unable to generate sufficient cash flows to meet its obligations as they fall due or obligations are met in a way that is not sustainable. The Group liquidity could be affected by various factors, both internal and external. These include customer withdrawals, unexpected market disruptions that cause short-term and liquid assets become illiquid, failure by funders to roll over borrowed facilities or recalling existing loan facilities, credit events, natural disasters and adverse publicity among others.

The Group manages liquidity risk in line with relevant regulatory requirements and the set internal risk appetite. The Group has put in place adequate and sufficient liquidity risk mitigating controls which are frequently reviewed and monitored by an independent team.

The below measures are in place to manage liquidity risk.

- Adequate liquidity policies and procedures approved by the Board of Directors.
- Regular Cash flow budgeting and forecasting.
- Key liquidity ratios.
- Stress testing.
- Actual versus contractual cash flow analysis.
- Diversification of funding base.
- Matching loans and borrowings tenures.
- Adequate contingency liquidity.
- Adequate liquidity buffer.
- Structurally sound statement of financial position.
- Enhanced foreign currency management.

The Group's measures in place ensures, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring losses above the set risk appetite or risking adverse impact on the Group's reputation.

Overall, there is a sound and robust liquidity management process to measure, monitor and manage liquidity exposures which ensure business sustainability and market confidence in the Group. The Group will continuously forecast and analyse liquidity risk using different time horizons, to ensure that the Group is able to meet its obligations optimally.

The Group's liquidity risk framework includes internally determined liquidity limits aimed at ensuring business objectives are met and regulatory requirements complied with. The liquidity risk appetite is measured with reference to stressed net contractual and contingent outflows for a variety of stress scenarios and is used to determine the liquidity buffer. Stress testing is undertaken to assess and plan for the impact of various scenarios which may put the Group's liquidity at risk. The stress tests take account of both internal and external scenarios separately and on an aggregate basis. The stress scenario testing enables preparation of an operationally robust contingency funding plan. Reference is made to Note 18 and Note 36, where the Group was in breach of certain loan covenants in some subsidiaries and a scenario reflecting the impact on liquidity in the event that the particular lenders recall their facilities has been presented.

31 December 2022

Contractual maturities of financial liabilities	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Total P'000
Financial liabilities at fair value through profit or loss	386,348	561,091	253,656	1,201,095
Customer deposits	915,095	205,732	-	1,120,827
Cash collateral	18,476	-	-	18,476
Trade and other payables	715,490	-	-	715,490
Lease liabilities	31,085	46,421	56,674	134,180
Borrowings	4,649,371	4,572,605	749,166	9,971,142
	6,715,865	**5,385,849**	**1,059,496**	**13,161,210**

31 December 2021

Contractual maturities of financial liabilities	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Total P'000
Financial liabilities at fair value through profit or loss	362,599	272,003	174,019	808,621
Customer deposits	979,847	195,739	-	1,175,586
Cash collateral	21,522	-	-	21,522
Trade and other payables	965,860	-	-	965,860
Lease liabilities	32,560	47,379	60,021	139,960
Borrowings	3,110,312	4,416,920	315,610	7,842,842
	5,472,700	**4,932,041**	**549,650**	**10,954,391**

1 RISK MANAGEMENT (continued)

1.3.3 Market risk

Market risk is the risk of decline in the Group’s earnings or value of its holdings of financial instruments due to variations in market prices, which include currency exchange rates, interest rates and credit spreads. Market risk management is aimed at optimising return on risk while ensuring exposures are within the set risk appetite. Market risk exists wherever Letshego Holdings Limited (the Group) or its subsidiaries have banking or investment positions. Market risk is proactively managed and regularly reported. The reports highlight key focus areas based on exposures which include breaches on set limits.

The key objective is to provide assurance that losses resulting from market risk will not materially reduce the Group capital and earnings.

Foreign exchange rate risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations. Foreign exchange risk arising from future commercial transactions and recognized assets and liabilities are managed through use of forward contracts, cross currency swaps and through borrowings denominated in the relevant foreign currencies.

Net foreign exchange gains for the year ended 31 December 2022 was P90.7 million (31 December 2021: P2.4million).

Interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in prevailing levels of market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Interest rate risk management methodologies across the Group are designed to identify, measure, monitor and control interest rate risk in line with the operating model which exposes the Group to various interest rate risks including endowment risk, repricing risk, optionality risk, basis risk and yield curve risk.

31 December 2022

Buckets P'000	< 1 month	1 - 12 months	> 1 year	Total
Rate sensitive assets				
Short term investments	214,883	-	-	**214,883**
Loans and advances to customers	22,929	250,063	12,454,483	**12,727,475**
	237,812	250,063	12,454,483	**12,942,358**
Rate sensitive financial liabilities				
Customer deposits	113,544	730,268	277,015	**1,120,827**
Borrowings	785,728	5,318,258	1,923,854	**8,027,840**
	899,272	6,048,526	2,200,869	**9,148,667**
Gap	**(661,460)**	**(5,798,463)**	**10,253,614**	**3,793,691**
Cumulative Gap	**(661,460)**	**(6,459,923)**	**3,793,691**	

1 RISK MANAGEMENT (continued)

1.3.3 Market risk (continued)

Interest rate risk (continued)

31 December 2021

Buckets P'000	< 1 month	1 - 12 months	1 - 3 years	> 3 years	Total
Rate sensitive assets					
Short term investments	138,025	-	-	-	138,025
Loans and advances to customers	436,403	1,420,514	3,622,363	6,396,315	11,875,595
	574,428	1,420,514	3,622,363	6,396,315	12,013,620
Rate sensitive financial liabilities					
Customer deposits	262,568	717,279	195,739	-	1,175,586
Borrowings	2,442,597	3,816,832	501,132	620,207	7,380,768
	2,705,165	4,534,111	696,871	620,207	8,556,354
Gap	**(2,130,737)**	**(3,113,597)**	**2,925,492**	**5,776,108**	**3,457,266**
Cumulative Gap	**(2,130,737)**	**(5,244,334)**	**(2,318,842)**	**3,457,266**	

Market risk framework and governance
The ALM / Treasury Risk Framework outlines or discloses the methodology by which the Group identifies, measures, monitors, controls and reports on its market risk profile for every operation overseen by the Group. Effective board oversight of the Group's exposure to Market Risk is the cornerstone of an effective market risk management process. The Board and Senior Management understands the nature and level of market risk assumed by the Group and its subsidiaries and how this risk profile fits within the overall business strategies.

The Group has an effective market risk framework which include: -

The Board of Directors
The Board of directors undertake the ultimate responsibility and ensure that: -

- Approved market risk policies and procedures in place are effective and adequate.
- Acceptable market risk limits are aligned to the overall objectives.
- To formulate and approve broad business strategies and policies that govern or influence the market risk of the institution.

They understand and assess the performance of senior management in monitoring and controlling market risks in compliance with the institution's board approved policies.

Senior Management
The senior management are charged with implementing all approved policies that govern market risk and developing procedures for effective management of the risks. Therefore, the senior management is responsible for putting in place:-

Appropriate limits on risk taking;

- Adequate systems and standards for measuring market risk;
- Standards for valuing positions and measuring performance;
- A comprehensive market risk reporting with review process;
- Effective internal controls.

Interest rate benchmark reform

Overview
A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has borrowings that reference to USD LIBOR, EURIBOR and JIBAR.

The Group considers its risk exposure arising from IBOR reform to predominantly stem from its 3-month USD LIBOR, 6-month USD LIBOR and 3-months JIBAR exposures. In 2021, the Group commenced the process of implementing appropriate fall-back clauses for indexed facilities that were up for renewal. These clauses automatically switch the instrument from USD LIBOR to Secured Overnight Financing Rate (SOFR) as and when USD LIBOR ceases. According to the September 2022 announcement by the Financial Conduct Authority (FCA), USD LIBOR will continue to be published on a non-synthetic basis up to mid-2023. It is however anticipated that JIBAR will only be discontinued at some future date to be determined by the South Africa Reserve Bank (as the administrator of JIBAR).

The Group does not consider there to be risk arising from IBOR reform in respect of EURIBOR as at 31 December 2022. This is because the calculation methodology of EURIBOR changed during 2019 and the reform of EURIBOR appears to be complete. In July 2019, the Belgian Financial Services and Markets Authority (as the administrator of EURIBOR) granted authorisation with respect to EURIBOR under the European Union Benchmarks Regulation. This allows market participants to continue to use EURIBOR for both existing and new contracts and the Group expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future.

1 RISK MANAGEMENT (continued)

1.3.3 Market risk (continued)

Interest rate risk (continued)

Interest rate benchmark reform (continued)

Non-derivative Financial Liabilities

The Group's IBOR exposures to non-derivative financial liabilities are in floating-rate borrowings indexed to USD LIBOR and in bonds indexed to JIBAR. As indicated above, in 2021 the Group commenced the process of amending contractual terms for all USD LIBOR indexed exposures to incorporate fall-back clauses that introduce SOFR.

Derivatives

The Group holds cross currency swaps and a total return swap for risk management purposes that are designated in hedging relationships. The cross currency swaps have floating legs that are indexed to USD LIBOR and the total return swap is indexed to JIBAR. All of the Group's derivative instruments are governed by contracts based on International Swaps and Derivatives Associations (ISDA)'s master agreements.

The following table summarises the significant non-derivative exposures impacted by interest rate benchmark reform as at 31 December 2022:

	USD LIBOR P'000	JIBAR P'000	TOTAL P'000
Non-derivative financial liabilities			
Debt securities in issue	1,648,100	703,852	2,351,952
	1,648,100	**703,852**	**2,351,952**

The table above represents the exposures to interest rate benchmark reform by balance sheet account, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2022. Balances reported at amortised cost are disclosed at their gross carrying value, prior to any expected credit losses that may be held against them.

	USD LIBOR P'000	JIBAR P'000	TOTAL P'000
Derivatives held for risk management			
Total return swap	-	357,575	357,575
Cross currency swaps	981,497	-	981,497
	981,497	**357,575**	**1,339,072**

The table above represents the derivative exposures to interest rate benchmark reform, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2022. Derivatives are reported by using the notional contract amount and where derivatives have both pay and receive legs with exposure to benchmark reform, the notional contract amount is disclosed for both legs.

1 RISK MANAGEMENT (continued)

1.3.3 Market risks (continued)

Currency risk

The following table shows the assets and liabilities of the Group in the respective currencies (Pula equivalent) at the reporting date.

31 December 2022	SA Rand P'000	Eswatini Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	Mozambican Metical P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	**Total Pula P'000**
Cash and similar instruments	7,887	24,484	240,939	3,467	143,674	53,708	225,597	23,519	17,010	53,408	146,568			80,511		**1,020,771**
Advances to customers	-	540,534	3,569,381	423,343	411,623	508,070	2,038,786	592,385	145,361	180,344	1,058,414	-	-	3,259,234	-	**12,727,475**
Investment in securities	-	-	487,195	-	-	-	-	-	-	-	204,906	-		-		**692,101**
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	1,178,969	-		**1,178,969**
Financial assets at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	43,107	-	-	**43,107**
Other receivables	790	2,201	282,320	1,694	22,598	6,972	44,738	12,310	1,662	1,863	22,099	-	-	80,286	-	**479,533**
Total assets	8,677	567,219	4,579,835	428,504	577,895	568,750	2,309,121	628,214	164,033	235,615	1,431,987	-	1,222,076	3,420,031	-	**16,141,956**
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	1,201,095	-	-	**1,201,095**
Customer deposits	-	-	402,312	-	45,515	-	567,822	-	45,854	38,385	20,940			-		**1,120,827**
Cash collateral	-	-	-	-	-	3,710	-	14,766	-	-	-			-		**18,476**
Borrowings	-	221,105	1,895,734	62,670	-	322,640	259,818	394,747	-	-	686,142	-	1,502,398	2,682,585	-	**8,027,840**
Trade and other payables	2,828	10,095	181,431	12,445	6,594 -	3,602	37,485	26,465	5,848	11,074	345,878	-	307	78,642	-	**715,490**
Total liabilities	2,828	231,200	2,479,477	75,115	52,109	322,748	865,125	435,978	51,702	49,459	1,052,960	-	2,703,800	2,761,227	-	**11,083,729**
Net exposure	5,849	336,019	2,100,358	353,389	525,786	246,002	1,443,996	192,236	112,331	186,156	379,027	-	(1,481,724)	658,804	-	**5,058,227**
Exchange rates at 31 December 2022 - mid: BWP 1.00 =	1.33	1.33	1.33	1.33	182.47	290.83	4.99	9.66	83.48	35.05	0.80	15.46	0.08	1.00	0.07	

31 December 2021	SA Rand P'000	Eswatini Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	Mozambican Metical P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
Cash and similar instruments	1,121	17,319	211,618	44,004	89,558	23,574	227,564	71,372	24,528	23,647	223,137	37	297,396	158,572	52	1,413,499
Advances to customers	-	488,571	3,163,786	330,568	417,985	448,105	1,770,352	617,556	56,585	143,476	1,508,789	-	-	2,929,822	-	11,875,595
Investment in securities	-	-	19,850	-	-	-	-	-	-	-	302,952	-	536,694	-	-	859,496
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	826,092	-	-	826,092
Financial assets at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	71,499	-	-	71,499
Other receivables	49	2,364	250,266	540	18,522	3,885	42,491	16,706	1,328	822	18,308	-	-	58,130	-	413,411
Total assets	1,170	508,254	3,645,520	375,112	526,065	475,564	2,040,407	705,634	82,441	167,945	2,053,186	37	1,731,681	3,146,524	52	15,459,592
Financial liabilities at fair value through profit or loss	76,753	-	-	-	-	-	-	-	-	-	-	-	731,868	-	-	808,621
Customer deposits	-	-	284,630	-	25,910	-	541,653	-	22,644	53,500	247,249	-	-	-	-	1,175,586
Cash collateral	-	-	-	-	-	7,078	-	14,444	-	-	-	-	-	-	-	21,522
Borrowings	28,939	138,240	1,460,346	77	-	201,042	196,499	404,207	-	-	850,279	-	783,047	3,318,092	-	7,657,248
Trade and other payables	3,176	6,337	176,144	3,988	23,193	7,366	23,519	37,782	2,187	7,957	562,136	-	13,046	99,029	-	978,534
Total liabilities	108,868	144,577	1,921,120	4,065	49,103	215,486	761,671	456,433	24,831	61,457	1,659,664	-	1,527,961	3,417,121	-	10,641,511
Net exposure	**(107,698)**	**363,677**	**1,724,400**	**371,047**	**476,962**	**260,078**	**1,278,736**	**249,201**	**57,610**	**106,488**	**393,522**	**37**	**203,720**	**(270,597)**	**52**	**4,818,081**
Exchange rates at 31 December 2021 - mid: BWP 1.00 =	1.36	1.36	1.36	1.36	196.16	301.96	5.44	9.64	87.86	35.03	0.53	15.87	0.09	1.00	0.08	

*The analysis above excludes non-monetary assets and liabilities and hence the "total assets" and "total liabilities" indicated above differ from the total amounts presented on the Statement of Financial Position.

1 RISK MANAGEMENT (continued)

Non-Financial Risk

Non-financial risks relate to operational risk that is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to reputation that the Group may suffer as a result of failure to comply with laws, regulations, rules, self- regulatory organization standards and codes of conduct applicable to its activities. Legal Risk which is a secondary risk under Compliance Risk, refers to the risk of loss resulting from unenforceability or unlawfulness of contracts, incorrect or incomplete contract documentation, absence of the country's jurisprudence or precedent and penalties or damages as a result of legislative breaches. Money Laundering risk is also a secondary risk under Compliance Risk and refers to the risk that arises from the execution of transactions to eventually convert illegally obtained money into legal money by obscuring the true nature, source, location, ownership or movement of the proceeds of crime. Conduct risk refers to inappropriate execution of business activities resulting in adverse impact to the Group's clients, or the group itself. During the fourth quarter, the Group introduced the Code of Conduct and its implementation is work in progress.

People risk is the exposure to financial losses or adverse enterprise outcomes arising from the Group's inability to attract, develop, manage and retain the required talent. This also includes breaches to employment legislation and practices, and mismanagement of employee relations.

Third-Party risk or Outsourcing Arrangements relates to the ineffective management of third-party relationships and the risks inherited through the association or services provided to the Group. A Third Party Risk Management Squad was established during the third quarter to develop and implement the Group's Third Party Risk Management Program.

Fraud Risk is the risk of unexpected financial or material loss as a result of fraudulent action of persons internal or external to the Group. The Group's Anti-Fraud and Corruption Policy and Whistle Blowing Policy are supported by an effective Fraud Risk Strategy covering Fraud Risk Prevention, Detection, Investigation and Recovery strategies.

Data Risk is the exposure to loss of value or reputation of the Group due to issues or limitations to the Group's ability to acquire, store, transform, move, use, destroy or protect the Group's data assets.

Digital Risk is the risk that arises from failure to leverage on digitalization activities across the Group that include channel and process implementation, integration, migration, optimization and rationalization.

Product risk relates to risks arising from the product life cycle-related activities and new product evolution and failure post-deployment. These include strategic considerations, product design, marketing, product delivery, origination or consummation, product use and duration and termination of the product—this results in high costs from redevelopment and delays in going to market.

Process Risk is the failure to process, manage and execute transactions and/or other processes correctly or appropriately. The Group is in the process of automating most of the back end processes to reduce process risk.

Health and Safety risk relates to an assessment of hazards that can lead to the harm, injury, death, or illness of employees across the Group. The Covid 19 Pandemic which is now under control was effectively managed as part of the Group's Health and Safety program.

Business Continuity or Disruption risk is the inability of the Group to effectively respond to a disruptive event or pandemic resulting in failure to continue with the provision of services to its clients or stakeholders.

All the non-financial risks mentioned above and those not included are managed by the Group in accordance with the approved ERM Framework approved by the Board of Directors covering:

• Effective Board and Senior Management oversight at both Group and country level;
• Sound risk management practices that are in line with best practice and local regulations in the countries in which the Group operates;
• Effective segregation of duties across the footprint;
• Established processes in risk identification, assessment, controls and monitoring;
• Fostering an improved risk awareness culture; and
• Operational risk appetite.

Group's approach to managing non-financial risk

The Group's approach to managing non-financial risk is to implement simple and appropriate fit for purpose risk management practices that assist the originators of risk events to understand their inherent risk and reduce their risk profile, in line with the Group's risk appetite, while maximizing on sustainable shareholder value.

Frameworks Per Risk Type and Risk Governance

All Non-financial Risks that are at Primary Risk level have Risk Type Frameworks and supporting policies that outline the overall risk management approach for the respective non-financial risk and ensure that an effective risk management and measurement process is adopted throughout the Group. The risk frameworks per primary risk type are maintained by the Risk Owners and formally reviewed after every two years in line with the Group's risk appetite. Furthermore, the approval authority for these Risk Frameworks and revisions thereto are mandated to the Group Risk, Social and Ethics Committee.

The ultimate responsibility for non-financial risk management rests with the Board of Directors. The Group Risk and Social Ethics Committee (GRSEC) meets on a quarterly basis to review all other major risks including non-financial risks. At management level, the Group Management Risk Committee reviews and monitors significant risk events and ensures that the control environment is adequate to prevent recurrence.

It is the responsibility of the Risk Owners to ensure that the risk culture, oversight and resources deployed are such that there is a capability to ensure adherence to the relevant policies, standards and procedures. The Risk Owners' purpose is to ensure the quality, integrity and reliability of all the risk management and internal control and to provide an opinion accordingly.

The management and measurement of non-financial risks

The Primary Risk Type Frameworks form the basis for the embedding of risk management into the day-to-day business processes and practices. This frameworks include qualitative and quantitative methodologies and tools to assist management to identify, assess and monitor all risks and to provide management with information for determining appropriate controls and mitigating measures.

The Group identifies and assesses non-financial risks inherent in all material products, activities, processes and systems. It ensures that before new products, activities, processes and systems are introduced or undertaken, the risk inherent in them is subjected to adequate assessment by the risk owners and control owners. To achieve this, Risk and Control Self Assessments (RCSAs) and Risk Registers are effectively used across the Group. The purpose of the RCSA process is to identify and effectively manage risks that could jeopardise the achievement of business objectives. The RCSA process identifies the appropriate controls to mitigate risk, and allows the Group Risk Owners and Control Owners to rate the level of inherent as well as residual risk taking consideration of the adequacy and effectiveness of controls.

All key functions under the Group are required to perform RCSAs at least once a year with oversight from Group Operational Risk and use Risk Registers to assess daily risks and report to Group EXCO through the Group Chief Risk Officer on a monthly basis.

In addition to the above, **Risk Appetite** metrics are tracked quarterly across the Group and any breaches are documented with action plans being put in place.

Finally, the Group has **incident management process** in place that is supported by the Incident Management Policy and Standards. Management and Staff proactively and appropriately manages incidents to minimize their impact. The Group tracks and maintains a database of all risk events, perform impact assessment and review risk and controls. All material risk events are recorded in the Risk Registers and reported to Group Management Risk Committee and Group Risk, Social and Ethics Committee on a quarterly basis.

1 RISK MANAGEMENT (continued)

1.5 Financial assets and liabilities measured at fair value disclosed by category

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

	Carrying amount					Fair value			
	Fair value - through OCI P'000	Fair value - through profit and loss P'000	Financial Assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
31 December 2022									
Financial assets measured at fair value									
Financial assets at fair value through OCI	43,107	-	-	-	43,107	-	-	43,107	43,107
Financial assets at fair value through profit or loss	-	1,178,969	-	-	1,178,969	-	1,178,969	-	1,178,969
	43,107	1,178,969	-	-	1,222,076	-	1,178,969	43,107	1,222,076
Financial assets not measured at fair value									
Cash and similar instruments	-	-	1,020,771	-	1,020,771	-	1,020,771	-	1,020,771
Investment in securities	-	-	692,101	-	692,101	-	692,101	-	692,101
Advances to customers	-	-	12,727,475	-	12,727,475	-	12,727,475	-	12,727,475
Other receivables	-	-	383,486	-	383,486	-	383,486	-	383,486
	-	-	14,823,833	-	14,823,833	-	14,823,833	-	14,823,833
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	-	1,201,095	-	-	1,201,095	-	1,201,095	-	1,201,095
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	622,013	622,013	-	622,013	-	622,013
Customer deposits	-	-	-	1,120,827	1,120,827	-	1,120,827	-	1,120,827
Cash collateral	-	-	-	18,476	18,476	-	18,476	-	18,476
Borrowings	-	-	-	8,027,840	8,027,840	-	8,027,840	-	8,027,840
	-	-	-	9,789,155	9,789,155	-	9,789,155	-	9,789,155

	Carrying amount					Fair value			
31 December 2021	Fair value - through OCI P'000	Fair value - through profit and loss P'000	Financial Assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets measured at fair value									
Financial assets at fair value through OCI	71,499	-	-	-	71,499	-	-	71,499	71,499
Financial assets at fair value through profit or loss	-	826,092	-	-	826,092	-	826,092	-	826,092
	71,499	826,092	-	-	897,591	-	826,092	71,499	897,591
Financial assets not measured at fair value									
Cash and similar instruments	-	-	1,413,500	-	1,413,500	-	1,413,500	-	1,413,500
Investment in securities	-	-	859,496	-	859,496	-	859,496	-	859,496
Advances to customers	-	-	11,875,595	-	11,875,595	-	11,875,595	-	11,875,595
Other receivables	-	-	330,411	-	330,411	-	330,411	-	330,411
	-	-	14,479,002	-	14,479,002	-	14,479,002	-	14,479,002
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	-	808,621	-	-	808,621	-	808,621	-	808,621
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	857,066	857,066	-	857,066	-	857,066
Customer deposits	-	-	-	1,175,586	1,175,586	-	1,175,586	-	1,175,586
Cash collateral	-	-	-	21,522	21,522	-	21,522	-	21,522
Borrowings	-	-	-	7,380,768	7,380,768	-	7,380,768	-	7,380,768
	-	-	-	9,434,942	9,434,942	-	9,434,942	-	9,434,942

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

1 RISK MANAGEMENT (continued)

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

Measurement of fair values

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identifiable assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value is observable
- Level 3 - Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable

Reconciliation of fair value measurement categorises within level 3 of the fair value hierarchy

Financial assets at FVTOCI - Level 3	**31 December 2022 P'000**	**31 December 2021 P'000**
Opening balance	71,499	59,408
(Loss)/gain included in other comprehensive income	(28,392)	12,091
	43,107	**71,499**

Sensitivity of fair value measurements to changes in unobservable market data.

Based on the above a change in the value per share (based on company valuation), which is usually conducted during a cash subscription of shares, changes by 1% - 5% will result in a fair value gain or loss of P0.4m and P2.2m respectively. Where the fair value of this investment does not materially vary to its carrying value, gains or losses will not be recognised.

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

Financial instruments measured at fair value

Type	**Valuation technique**		**Significant unobservable inputs**
Financial assets and liabilities at fair value through profit or loss	Valued by discounting the future cash flows using market interest rate applicable at that time. The sum of the cash flows denoted in the foreign currencies are converted with the spot rate applicable at the reporting date.	Level 2	Based on BWP, EURO and USD risk free rates.
Fair value - through other comprehensive income	Since market values are not available from an observable market, as this is an investment in private equity, the recent transaction price has been considered as an approximation to fair value. The investment has been valued based on the recent price per share determined during a rights issue scheduled to occur in February 2023. The inputs include the number of shares and the price per share.	Level 3	Based on recent price per share

Financial instruments not measured at fair value

Type	**Valuation technique**		**Significant unobservable inputs**
Financial assets and liabilities at amortised cost	Valued by discounting the future cash flows using market interest rate applicable at that time. The sum of the cash flows denoted in the foreign currencies are converted with the spot rate applicable at the reporting date.	Level 2	Based on BWP, EURO and USD risk free rates.

Master netting or similar agreements

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

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

1.6 Summary of all financial risks and potential impact

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

	31 December 2022 P'000	**31 December 2021 P'000**
Interest rate risk		
Average cost of borrowings	*11.6%*	*9.4%*
Effect of increase in average borrowing cost by 3% (2021: 1%)		
- increase in interest expense	61,000	51,950
Effect on profit before tax	*7.6%*	*4.5%*
Currency risk		
Effect of BWP appreciation by 1%		
- Effective movement in foreign exchange rates	(28,000)	(6,893)
- Effect on profit before tax	*(3.5%)*	*(0.6%)*

Summary

Impact of all above risks on profit before tax:

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

2 USE OF ESTIMATES AND JUDGMENTS

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

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

Significant judgements made by management in the application of International Financial Reporting Standards occur mainly on loans and advances, impairments and share based payment calculations. Judgement is also applied to the valuation of goodwill recognised and probability of having sufficient taxable profits against which deferred tax assets may be utilised.

2.1 Impairment of advances to customers

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group regularly reviews its loan portfolio (note 6) and makes judgments in determining whether an impairment loss should be recognised in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and loss experience.

The below summarises the sensitivity analysis on impairment losses for changes in LGD and PD:

December 2022	Existing impairment Provision	Impact on changes in LGD		Impact on changes in PD	
		(+) 5%	**(-) 5%**	**(+) 5%**	**(-) 5%**
Stage 1: 12-month ECL allowance	164,479	173,328	112,068	254,751	110,646
Stage 2: Lifetime ECL allowance – not credit-impaired	42,597	54,466	32,901	57,446	39,921
Stage 3: Lifetime ECL allowance – credit-impaired	197,309	356,463	101,778	240,576	197,664
Total	**404,385**	**584,257**	**246,747**	**552,773**	**348,231**

December 2021	Existing impairment Provision	Impact on changes in LGD		Impact on changes in PD	
		(+) 5%	**(-) 5%**	**(+) 5%**	**(-) 5%**
Stage 1: 12-month ECL allowance	130,813	124,542	106,189	163,576	198,508
Stage 2: Lifetime ECL allowance – not credit-impaired	110,193	111,907	107,619	104,195	32,305
Stage 3: Lifetime ECL allowance – credit-impaired	322,699	332,002	290,433	298,232	261,595
Total	**563,705**	**568,451**	**504,241**	**566,003**	**492,407**

The sensitivity analysis has been calculated to show the impact of a 5% increase or decrease in the LGD and PD rates on the provision level. Therefore, based on the above, an increase in LGD or PD would have an adverse impact to Group profits. Measures are in place as per the risk governance framework to address this including portfolio management, which is inclusive of collection and recoveries, strategic focus and the risk appetite framework (note 1.3.1).

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Estimates and judgements in determining impairment of financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- the Group’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- the segmentation of financial assets when their ECL is assessed on a collective basis
- development of ECL models, including the various formulas and the choice of inputs
- determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- model adjustments and overlays will persist under IFRS 9 to account for localised impacts on the portfolio that are either not picked up by the model or late breaking news where running the ECL model would not be feasible
- as the ECL model is more quantitative in nature the formulation of provision overlay is backed by detailed analysis. The Group ensures that the following is done:
  - o rationale as to why overlay is appropriate is provided
  - o documentation of methodology and data used in determining the overlay is in place
  - o persistent overlays to be incorporated into the ECL model at a future date where applicable

USE OF ESTIMATES AND JUDGMENTS (continued)

Mobile loans Expected Credit Losses

A significant portion of the Ghana portfolio relates to mobile loans. A third party previously undertook the ECL model development and implementation of this portfolio. Since Letshego did not have a full view of historical data to develop an internal model, a conservative approach was taken to measure expected credit losses. In Q4 2022, Letshego was able to obtain access to historical data to develop an internal model. The data showed gradual improvements in default roll rates as well as evidence of recoveries to develop a Loss Given Default model. Management was then comfortable to remove the conservative estimate and instead apply the internal advanced approach, which implemented IFRS 9 compliant models to provide a more accurate position.

Management Overlays applied on calculation of Expected Credit Losses

In Ghana, on a monthly basis, a significant portion of the portfolio in Ghana experiences a delay in receipt of funds from a single Employer. This results in technical arrears for affected customers, which does not correctly reflect their credit risk profile as payments would have been deducted from their accounts. An overlay adjustment is applied to manually update the loan listing to correct these technical arrears. After this adjustment for affected accounts, the Expected Credit Loss calculations are then computed.

As at year end, Mozambique had a once-off operational incident occurred where a large payment from the government had been processed but did not reflect on the Letshego system due to technical issues with the file. This was resolved on 5th January 2023 and the payments correctly reflected by 7th January 2023. The 7th of January 2023 position was used to calculate the December 2022 ECL.

2.2 Share-based payment transactions

The Group operates an equity settled conditional Long Term Incentive Plan (LTIP). The plan is now only based on non-market conditions. These non-market performance conditions are determined by the Remuneration Committee. The number of awards to vest are assessed and adjusted for the attrition in participants as well as the extent of achievement of those conditions at the reporting dates. The assumption is that there will be a 55% (2021: 53%) vesting probability. Based on historical experience, the estimated achievement of conditions is considered accurate. Refer to Note 21 on Share-Based Payment Scheme.

Sensitivity analysis

The table below details the impact on the profit following a deviation from the 55% (2021: 53%) vesting probability.

	31 December 2022 P'000	31 December 2021 P'000
Impact of a 10% deviation	7,723	7,444
Impact of a 25% deviation	19,307	18,611
Impact of a 50% deviation	38,614	37,222

In the event that more than 55% of the shares vest the impact would be adverse to profit. In the event that less than 55% of the shares vest, the impact would be favourable to profit.

2.3 Deferred tax asset

The Group has recognised a deferred tax asset of P129 million (2021: P96 million) which arises from tax losses and other temporary differences that are available to set-off against future taxable income and other deductible temporary differences. The Group expects to generate sufficient taxable profits to utilise the deferred tax assets based on historical probability trends, management's plan on future business prospects and through the use of various tax planning opportunities which are available to the Group. In addition, the Group reviews the carrying amount of the deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. During the current reporting period the Group recognised additional deferred tax assets of approximately P41 million in its Tanzania operations owing to a revised outlook on the Group's ability to utilise assessed losses in that market.

Deferred tax asset movement on tax losses	31 December 2022 P'000	31 December 2021 P'000
Opening balance	5,583	-
Recognised during the year	48,626	5,583
Utilised during the year	(5,583)	-
Balance at the end of year	**48,626**	**5,583**

Summary of LHL Company tax losses recognised	Year of expiry		
December 2022	2027	13,086	6,301
		13,086	**6,301**

2.4 Income tax expense

The Group is subject to income taxes in various jurisdictions. The Group applies significant judgement in identifying uncertainties over income tax treatments in line with IFRIC 23. Since the Group operates in multinational environments, it assessed whether the interpretation had an impact on its consolidated financial statements. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.5 Estimating the incremental borrowing rate used in lease liabilities

The Group applied judgement in determining the interest rate implicit in its lease liabilities. The Group uses its incremental borrowing rate, which reflects what the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs, such as comparable market interest rates for similar financed transactions (where and when available), and is required to make certain entity specific estimates, such as the adjustments to the rates for the subsidiaries' stand-alone credit rating and country specific risks. Refer to Note 17 on Lease Liabilities.

USE OF ESTIMATES AND JUDGMENTS (continued)

2.6 Estimates in determining deferred revenue and related commissions

The Group recognises interest income using the effective interest method. The effective interest is the rate that 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 / behavioural terms of the financial instrument. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as other fee income / expense that are an integral parts of the instrument. Refer to Note 22 on Interest Income at Effective Interest Rate.

2.7 Goodwill

As required by IAS 36 Impairment of assets, the goodwill was assessed for impairment at year end. This goodwill arose from acquisition of Letshego Holdings Namibia Limited, Letshego Tanzania Limited, Letshego Kenya Limited and Letshego Ghana Plc. For the purpose of assessing goodwill for impairment, the relevant entities are considered to be cash generating units. Such impairment assessment was done using a discounted cash flow model incorporating budgets approved by those charged with governance. Cash flows beyond the period covered by approved budgets were forecasted based on projected growth rates for the relevant cash generating unit. The evaluation was based on a five year strategy and terminal value.

In light of the current economic factors as a result of the post Covid-19 environment, the Group assessed the recoverable amount of goodwill for the entities and determined that they were profitable with positive growth expected, indicating sufficient headroom to cushion against any future variations or pressures, with the exception of the goodwill that arose on the acquisition of Letshego Kenya Limited, which was determined to be impaired at the reporting date.

The recoverable amount of the cash generating units was determined with reference to the value in use. The growth rate is estimated based on past experience and anticipated future growth. The discount rate used is the weighted average cost of capital adjusted for specific risks relating to the entity. Refer to note 12 for the carrying value of each cash generating unit at the reporting date.
The table below shows the discount and growth rates used in calculating the value in use of each cash generating unit:

	31 December 2022		31 December 2021	
Entity	**Discount rates**	**Long term growth rates**	**Discount rates**	**Long term growth rates**
Letshego Holdings Namibia Limited	18%	5%	18%	5%
Letshego Tanzania Limited	25%	5%	25%	4%
Letshego Kenya Limited	29%	5%	19%	6%
Letshego Ghana Plc	23%	17%	22%	9%

Key assumptions used in value in use calculations and sensitivity to change in assumptions

The calculation of value in use for each cash generating unit is most sensitive to:
- discount rates
- inflation rate
- long term growth rates used to extrapolate cash flows beyond the forecast period

USE OF ESTIMATES AND JUDGMENTS (continued)

2.7 Goodwill (continued)

Discount rates
Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group’s investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the pre-tax discount rate by 0.5% - 1% for each cash generating unit would not result in a further impairment.

Inflation rate
Estimates are obtained from published indices for each country and forecast figures are used if data is publicly available.

If inflation rates increased by an average of 0.5% - 1% above the forecast price inflation, the Group will not have a further impairment.

Long term growth rates used to extrapolate cash flows beyond the forecast period
When using industry data for growth rates, these assumptions are important because management assesses how each subsidiary position, relative to its competitors, might change over the forecast period. Management also reviews each subsidiary's previous years' performance against performance targets and an average performance rate is used to extrapolate future cash flows.

An increase in the growth rate assumption will result in a decrease in impairment whereas a decrease in growth rate will have a further impairment.

	31 December 2022 P'000	31 December 2021 P'000
3 CASH AND SIMILAR INSTRUMENTS		
Cash at bank and in hand	779,699	1,217,269
Statutory cash reserve	26,189	58,206
Short term investments	214,883	138,025
	1,020,771	**1,413,500**
Cash and similar instruments for the purpose of the statement of cash flows	**994,582**	**1,355,294**

Short term investments constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest ranging between 4% - 14% per annum (2021: 3% - 12% per annum). Cash at bank is held with reputable financial institutions with good credit standing. Statutory cash reserve relates to cash held by the Central Bank for the respective subsidiaries based on the average customer deposits and therefore not available for day to day operations.

P112 million (2021: P108 million) of the borrowings in Ghana are secured by lien over Treasury Bills and Government instruments. The aggregated value of these Treasury Bills and Government instruments is P205 million (2021: P135 million).

P355 million (2021: P338 million) of the borrowings in Namibia are secured by lien over Government instruments. The aggregated value of these Government instruments is P487 million (2021: P369 million).

	31 December 2022 P'000	31 December 2021 P'000
4 INVESTMENT SECURITIES		
Government and Corporate bonds : 2 - 5 year fixed-rate notes	703,604	832,116
Government and Corporate bonds : Above 5 year fixed-rate notes	24,524	27,380
	728,128	859,496
Less : Expected credit losses	(36,027)	-
	692,101	**859,496**

Treasury bonds are classified as financial assets measured at amortised cost as the business model is to hold financial assets to collect contractual cash flows representing solely payments of principal and interest. These were issued by the Central Bank, Government and Corporates in Ghana and Namibia. Interest income generated from the government and corporate bonds during the year amounted to P47 million (2021: P17.5 million). The expected credit losses for the instruments held in Namibia were assessed to be insignificant at the reporting date.

In light of economic challenges currently being faced in Ghana, the government announced a Domestic Debt Exchange Program (the GDDXP) in December 2022, which involved an invitation to holders of domestic notes and bonds to exchange these for a set of four new bond issuances maturing in 2027, 2029, 2032 and 2037. The government of Ghana however, did not make any pronouncements to the market concerning US dollar denominated bonds, apart from indicating an intention to restructure these in the future. On the 19th of December 2022, Letshego Ghana submitted an exchange offer to the government of Ghana, whereby domestic bonds with a principal and unpaid accrued interest value amounting to the equivalent of P41.3 million were offered to be exchanged for the new bonds. The settlement date when the Republic of Ghana issued the new bonds to eligible holders was the 21st of February 2023. At 31 December 2022, the old bonds were considered to be "credit-impaired" and expected credit losses of P12.5 million (2021: nil) were computed and recognised.

Although a restructure of US dollar denominated bonds is yet to occur, Letshego Ghana, which held bonds amounting to the equivalent of P196.4 million at the reporting date conducted an ECL assessment on the USD denominated bonds. Following the assessment, the Group categorised these bonds as "credit-impaired" and expected credit losses of the equivalent of P23.5 million were recognised in light of the repayment of these instruments being likely to be affected by the government of Ghana's current financial challenges. In arriving at the expected credit losses, a benchmarking exercise that took into consideration other comparable economies that went into a similar domestic debt restructuring was used, where; (i) there was no previous default history before debt restructure, (ii) there was no loss of principal values by participants and, (iii) there was existence of an active market for the bonds.

	31 December 2022 P'000	31 December 2021 P'000

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Foreign currency swaps and forwards	1,178,969	826,092
	1,178,969	**826,092**

This relates to short term foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amount in another currency to reduce its exposure on currency risk. These were translated using reporting date exchange rates to reflect the changes in foreign currencies. The related financial liability at fair value through profit or loss is in Note 13.

Refer to Note 1.5 for details of the fair value and valuation technique adopted for Financial Assets at Fair Value through Profit or Loss in light of unobservable market data.

6 ADVANCES TO CUSTOMERS

Gross advances to customers	13,131,860	12,439,300
Less : Expected credit losses	(404,385)	(563,705)
- Stage 1	(164,479)	(130,813)
- Stage 2	(42,597)	(110,193)
- Stage 3	(197,309)	(322,699)
Net advances to customers	**12,727,475**	**11,875,595**

6.1 Maturity analysis

Maturing within one year	504,033	1,217,280
Maturing after one year within five years	5,612,721	9,683,393
Maturing after five years	7,015,106	1,538,627
Total gross advances to customers	**13,131,860**	**12,439,300**

Certain advances to customers are pledged as security to borrowings as set out in note 18.

6.2 Impairment of advances

Balance at the beginning of the year	563,705	577,987
Impairment on formal loans	(145,696)	(4,820)
Impairment on informal loans	(13,624)	(9,462)
Balance at the end of the year	**404,385**	**563,705**

An analysis of net advances by credit risk, including related impairment provisions, is contained in Note 1.3.1 to these financial statements.

6.3 Charges to profit or loss

Amounts written off, net of recoveries	(221,999)	2,914
Net remeasurement of allowance for expected credit losses: advances to customers	159,320	14,282
Net remeasurement of allowance for expected credit losses: investment securities	(36,027)	-
	(98,706)	**17,196**

	31 December 2022 P'000	31 December 2021 P'000
7 OTHER RECEIVABLES		
Deposits and prepayments	90,421	89,437
Receivable from insurance arrangements	316,524	269,544
Withholding tax and value added tax	5,626	880
Deferred arrangement and commission fees	44,128	29,767
Settlement and clearing accounts	14,834	19,742
Other receivables	8,000	4,041
	479,533	**413,411**

Due to the short-term nature of the current receivables, their carrying amount approximates their fair value.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2022 P'000	31 December 2021 P'000
Balance at the beginning of the year	71,499	59,408
Fair value (loss)/gain recognised through other comprehensive income	(28,392)	12,091
	43,107	**71,499**
Fair value (loss)/gain recognised through other comprehensive income - net of tax	(28,392)	9,431
% shareholding	1.5%	1.5%

The Group entered into a strategic partnership with a financial services organisation in 2016 and at the time acquired a 2.3% shareholding at P53.6 million. A fair value assessment is performed annually.

At 31 December 2022, based on a pre-money valuation of a pending rights issue transaction of the financial services organisation, the value of the Group's equity stake was determined to be approximately P43.1 million. This resulted in a fair value loss of P28.4 million being recognised through other comprehensive income in the current year. The fair value loss has been attributed to the general global economic conditions that have led to the collapse of technology company stocks in the recent past. No deferred tax asset was recognised on the fair value loss in light of the fact that it was considered that it would not be probable that the unused capital loss arising could be utilised for capital gains tax purposes in the future.

9 PROPERTY AND EQUIPMENT

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & building P'000	Work in progress P'000	Total P'000
Balance at 1 January 2022	16,742	124,768	105,951	16,887	94,704	359,052
Additions	4,246	30,604	20,481	-	16,189	71,520
Transfers	-	-	28,011	-	(110,893)	(82,882)
Forex translation	(1,569)	1,038	187	1,533	-	1,189
Balance at 31 December 2022	**19,419**	**156,410**	**154,630**	**18,420**	**-**	**348,879**
Accumulated depreciation						
Balance at 1 January 2022	11,433	99,047	75,750	-	-	186,230
Charge for the year	3,204	20,759	12,943	-	-	36,906
Forex translation	(1,238)	8,970	1,250	-	-	8,982
Balance at 31 December 2022	**13,399**	**128,776**	**89,943**	**-**	**-**	**232,118**
Net book value at 31 December 2022	**6,020**	**27,634**	**64,687**	**18,420**	**-**	**116,761**

Transfers include the carrying amount of work-in-progress costs amounting to P66.7 million associated with internally generated assets, which were re-classified to intangible assets (Note 11) during the period, following their hardware and software components becoming more apparent with the ongoing development of the entity's digital transformation platforms, as well as an amount of P44.2 million relating to leasehold improvements and furniture and fittings that were brought into use, following commissioning of the Group's head office premises in Gaborone, Botswana.

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & building P'000	Work in progress P'000	Total P'000
Balance at 1 January 2021	14,240	119,482	94,114	15,795	10,392	254,023
Additions	2,750	15,218	10,283	-	84,657	112,908
Transfers	-	729	(14)	-	(715)	-
Disposals	(822)	(18,327)	(16,283)	-	-	(35,432)
Forex translation	574	7,666	17,851	1,092	370	27,553
Balance at 31 December 2021	**16,742**	**124,768**	**105,951**	**16,887**	**94,704**	**359,052**
Accumulated depreciation						
Balance at 1 January 2021	9,147	86,971	64,705	(1,029)	-	159,794
Charge for the year	2,643	24,378	10,617	-	-	37,638
Transfers	-	283	1	-	-	284
Disposals	(227)	(18,022)	(14,859)	-	-	(33,108)
Forex translation	(130)	5,437	15,286	1,029	-	21,622
Balance at 31 December 2021	**11,433**	**99,047**	**75,750**	**-**	-	**186,230**
Net book value at 31 December 2021	**5,309**	**25,721**	**30,201**	**16,887**	**94,704**	**172,822**

10 RIGHT-OF-USE ASSETS

Cost	Property P'000	Total P'000
Balance at 1 January 2022	197,696	197,696
Additions	42,803	42,803
Forex translation	(5,293)	(5,293)
Balance at 31 December 2022	**235,206**	**235,206**
Accumulated depreciation		
Balance at 1 January 2022	98,940	98,940
Charge for the year	41,407	41,407
Forex translation	(6,795)	(6,795)
Balance at 31 December 2022	**133,552**	**133,552**
Net book value at 31 December 2022	**101,654**	**101,654**

10 RIGHT-OF-USE ASSET (CONTINUED)

Cost	Property P'000	Total P'000
Balance at 1 January 2021	202,979	202,979
Additions	26,328	26,328
Adjustment on lease modification	(33,911)	(33,911)
Forex translation	2,300	2,300
Balance at 31 December 2021	**197,696**	**197,696**
Accumulated depreciation		
Balance at 1 January 2021	71,276	71,276
Charge for the year	47,255	47,255
Adjustment on lease modification	19,310	19,310
Forex translation	(38,901)	(38,901)
Balance at 31 December 2021	**98,940**	**98,940**
Net book value at 31 December 2021	**98,756**	**98,756**

11 INTANGIBLE ASSETS

Cost	Computer Software P'000	Brand value P'000	Core deposit P'000	Work in progress P'000	Total P'000
Balance at 1 January 2022	109,273	4,101	9,324	-	122,698
Additions	3,117	-	-	219,414	222,531
Transfers	51	-	-	66,699	66,750
Forex translation	(2,058)	(93)	(92)	-	(2,243)
Balance at 31 December 2022	**110,383**	**4,008**	**9,232**	**286,113**	**409,736**
Accumulated amortisation					
Balance at 1 January 2022	81,381	3,275	8,002	-	92,658
Charge for the year	10,776	330	610	-	11,716
Forex translation	(436)	-	-	-	(436)
Balance at 31 December 2022	**91,721**	**3,605**	**8,612**	**-**	**103,938**
Net book value at 31 December 2022	**18,662**	**403**	**620**	**286,113**	**305,798**

Cost	Computer Software P'000	Brand value P'000	Core deposit P'000	Work in progress P'000	Total P'000
Balance at 1 January 2021	101,738	4,080	9,258	-	115,076
Additions	2,926	-	-	-	2,926
Disposals	(138)	-	-	-	(138)
Forex translation	4,747	21	66	-	4,834
Balance at 31 December 2021	**109,273**	**4,101**	**9,324**	**-**	**122,698**
Accumulated amortisation					
Balance at 1 January 2021	65,812	2,883	7,290	-	75,985
Charge for the year	12,684	392	712	-	13,788
Transfer	(284)	-	-	-	(284)
Disposals	-	-	-	-	-
Forex translation	3,169	-	-	-	3,169
Balance at 31 December 2021	**81,381**	**3,275**	**8,002**	**-**	**92,658**
Net book value at 31 December 2021	**27,892**	**826**	**1,322**	**-**	**30,040**

	31 December 2022 P'000	31 December 2021 P'000
12 GOODWILL		
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	22,958	22,537
Letshego Tanzania Limited	2,221	2,066
Letshego Kenya Limited	-	32,885
Letshego Ghana Plc	6,731	10,227
	31,910	**67,715**
Movement in goodwill		
Balance at the beginning of the year	67,715	65,598
Impairment charge	(32,795)	-
Effect of exchange rate changes	(3,010)	2,117
Balance at the end of the year	**31,910**	**67,715**

The Group performs its impairment test annually. The Group assesses the recoverable amount of goodwill in respect of all cash generating units in order to determine indications of impairment. The key assumptions used to determine the recoverable amount for the different cash generating units are projected cash flows, pre-tax discount rates and a growth rate to extrapolate any cash flows anticipated beyond a 5 year period. Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies. An assessment was performed at year end using the respective entities' value-in-use to determine the recoverable amount and there were no indications of impairment for the above cash generating units, apart from Letshego Kenya Limited.

Letshego Kenya Limited

The Group has embarked on a significant repositioning of its business in Kenya, whereby the entity will shift its focus to growing a predominantly Deduction-at-Source (DAS) and Instant Loans book, with significant leverage on the digital platform that the Group is currently developing. Prior to this, the entity in Kenya was more involved in servicing the medium-to-small enterprise (MSE) sector, and this will be scaled down in a concerted manner to pave way for the new business model. The projected cash flows for the entity were updated to reflect the relatively longer period in which the new business model could take to begin to generate cash flows in excess of the historical performance of the former business. As a result of the assessment, management decided to be recognise an impairment charge against the carrying amount of the entire goodwill in the entity, which was previously measured at P32.9 million. This was following management taking note that the goodwill that was in place was recognised when the underlying entity in Kenya was acquired in 2012 and although the new business model that the subsidiary is embarking on has been successful for the Group in other markets, management decided to be prudent and acknowledge the business challenges that could come about from replicating the model in a new market. In the assumptions for the value-in-use, management used a discount rate of 29% and a growth rate of 5% to project cash flows beyond 5 years and arrive at the discounted cash flows of the business.

Letshego Holdings Namibia Limited

For the Namibia subsidiary, the Group's computation of recoverable amount achieved "headroom" above the carrying amount of goodwill recognised by approximately P102.4 million, following the application of a discount rates of 18% and cash flows forecasted beyond a five year period were extrapolated at a growth rates of 5%.

	31 December 2022 P’000	31 December 2021 P’000
13 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		
Foreign currency swaps and forwards	1,201,095	808,621
	1,201,095	**808,621**

In the current year P527.5m (2021:P333.3m) million relates to short term foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amount in another currency to reduce its exposure on currency risk (the respective assets are disclosed in Note 5).

Letshego Holdings Limited and Letshego Financial Services (Proprietary) Limited Botswana entered into currency swap agreements with financial institutions in respect of foreign currency denominated funding listed below. The currency swap hedges the variable factor of the capital and interest coupons payable on these. Management evaluates the effective cash flow and applicable payments on the capital and coupon payments and discounts these to calculate the fair value of the currency swap.

Entity - Cross Currency Swaps	**Currency**	**P'000**
Letshego Holdings Limited	USD	532,633
Letshego Financial Services (Proprietary) Limited Botswana	USD	223,133

Entity - Foreign Currency Forward Contracts	**Currency**	**P'000**
Letshego Holdings Limited	USD	124,642
Letshego Financial Services (Proprietary) Limited Botswana	USD	320,687

	31 December 2022 P’000	31 December 2021 P’000
14 CUSTOMER DEPOSITS		
Demand accounts	60,904	38,501
Savings accounts	422,290	395,319
Call and term deposits	637,633	741,766
	1,120,827	**1,175,586**

These are deposits from customers and are short-term in nature.

		31 December 2022 P'000	31 December 2021 P'000
15	**CASH COLLATERAL**		
	Balance at the beginning of the year	21,522	18,838
	(Utilised)/raised during the year	(3,046)	2,684
	Closing balance	**18,476**	**21,522**

Cash collateral represents payments made by customers as security for loans taken. The amounts are refundable upon the successful repayment of loans by customers or are utilised to cover loans in the event of default.

		31 December 2022 P'000	31 December 2021 P'000
16	**TRADE AND OTHER PAYABLES**		
	Insurance premium payable	185,981	142,839
	Payroll related accruals	23,662	14,400
	Staff incentive accrual (note 16.1)	74,300	87,888
	Accruals (note 16.2)	20,272	29,295
	Guarantee funds	318,691	546,039
	Other payables	73,407	124,493
	Value added tax/withholding tax payable	19,177	20,906
		715,490	**965,860**

Guarantee funds relates to deposits received by the Group from a strategic partner for the funding of the mobile loans in Ghana. Trade and other payables relates to clearing accounts and unpaid supplier invoices at the reporting date and due to the short - term nature, their carrying amount approximates their fair value.

		31 December 2022 P'000	31 December 2021 P'000
16.1	**Movement in staff incentive accrual**		
	Balance at the beginning of the	87,888	75,968
	Current period charge (note 25)	61,734	74,905
	Paid during the year	(75,322)	(62,985)
	Balance at the end of the year	**74,300**	**87,888**
16.2	**Movement in accruals**		
	Balance at the beginning of the	29,295	58,167
	Net accruals paid during the year	(9,023)	(28,872)
	Balance at the end of the year	**20,272**	**29,295**

17	**LEASE LIABILITIES**	**Carrying amount at 01 January 2022**	**Additions**	**Interest expense**	**Cash payments**	**Forex translation**	**Carrying amount at 31 December 2022**
	Lease liabilities	99,646	42,803	12,524	(58,521)	1,501	97,953

LEASE LIABILITIES	**Carrying amount at 01 January 2021**	**Additions**	**Adjustment on lease modification**	**Interest expense**	**Cash payments**	**Forex translation**	**Carrying amount at 31 December 2021**
Lease liabilities	**133,377**	26,328	(14,601)	14,930	(62,969)	2,581	99,646

	2022 P'000	2021 P'000
The following are the amounts recognised in profit or loss:		
Depreciation expense of right of use asset	41,407	47,255
Interest expense on lease liabilities	12,524	14,930
Expense relating to short-term leases	6,862	6,638
Expense relating to low value assets	849	1,414
	61,642	**70,237**
Total cash outflows relating to leases were as follows:		
Leases accounted for under IFRS 16	58,521	62,969
Short-term leases	6,862	6,638
Leases relating to low value assets	849	1,414
	66,232	**71,021**

The Group has entered into commercial leases for premises and operating equipment. The leases have an average life of between one and five years. The Group elects not to recognise assets and liabilities with a lease term of up to 12 months and low value leases for operating equipment. There are no restrictions placed upon the lessee by entering into these. The Group's leases are mainly non-cancellable and refer to the ageing of future lease payments as at 31 December 2022.

	31 December 2022 P'000	31 December 2021 P'000
18 BORROWINGS		
Commercial banks	4,283,243	3,015,603
Note programmes	1,677,771	2,070,285
Development Financial Institutions	2,066,826	2,294,880
Total borrowings	**8,027,840**	**7,380,768**
Contractual maturity analysis		
Maturing within one year	3,097,604	2,099,218
Maturing after one year within three years	3,603,774	3,387,421
Maturing after three years	1,326,462	1,894,129
Total borrowings	**8,027,840**	**7,380,768**
Contractual interest on borrowings to maturity at reporting date	1,943,302	462,074
Total contractual cash flows on interest bearing loans and borrowings	**9,971,142**	**7,842,842**
Movement in borrowings		
Balance at the beginning of the year	7,380,768	5,649,561
Finance obtained from third parties	2,186,243	2,817,052
Repayment of borrowings	(1,717,613)	(636,976)
Effect of exchange rate changes	178,442	(448,869)
Balance at the end of the year	**8,027,840**	**7,380,768**

Note programmes and bilateral placements

The Group has issued medium term note programmes of P1.68 billion (2021: P1.8 billion) of which P933 million (2021: P940 million) on the Botswana Stock Exchange, P343 million (2021: P576 million) on the Ghana Stock exchange and P287 million (2021: P171 million) listed on the Namibian Stock Exchange at the reporting date. Bilateral placements have been made by pension funds and certain investment houses in Eswatini amounting to P115m (2021: P79m)

Security

P1.3 billion (2021: P1.2 billion) of the borrowings are secured by the advances to customers of:
• Letshego Financial Services (Pty) Limited (Botswana).
• Letshego Holdings Limited. The aggregated net advances to customers of the above is P3.3 billion (2021: P2.9 billion) by way of a Security Sharing Agreement.

The Group Security Sharing agreement has the following covenants:
• Bad debts ratio
• Cash collection ratio
• Capitalisation ratio and
• Secured property ratio
The Group has complied with all the above debt covenants for both current and prior periods.

P3.2 billion (2021: P3.7 billion) relates to loans that are secured by a corporate guarantee from Letshego Holdings Limited. During the current year a number of subsidiaries sourced in-country and foreign funding which was guaranteed by Letshego Holdings Limited.

P245 million (2021: P404 million) relates to loans that are secured by a corporate guarantee from Letshego Financial Services (Pty) Limited Botswana. This relates to debt owed by Letshego Holdings Limited.

Interest rate

P1.7 billion (2021: P2.2billion) of the borrowings are at fixed interest rates, P5.1 billion (2021: P4.7 billion) are loans issued at variable interest rates and P1.2 billion (2021: P0.5 billion) are fixed via cross currency swaps. The variables rates include rates linked to each country's prime lending rate, Ghana reference rate, 3-months JIBAR, 3-months US LIBOR, Ghana 182 days T-bill and 3 months Bank of Botswana's rates.

Covenant breaches

As at the reporting date, the Group was in breach of certain loan covenants in relation to funding of P730m in certain subsidiary entities.
These were as follows:
Kenya - obligations amounting to P231m, covenant relating to profitability (Kenya had a negative return on assets) and non-performing loans ratio (PAR 90 and related provisions were greater than the target risk appetite level as defined by the lender);
Uganda - obligations amounting to P210m, covenant relating to portfolio quality. (i.e. Non-performing loans ratio and PAR 30 were greater than the target risk appetite level as defined by the lender);
Botswana - obligations of P96m, covenant defined on Letshego Holdings as the guarantor with respect to the net open foreign currency position on a consolidated basis (i.e foreign exchange risk exposure exceeded the covenant limit of 100%. This arose as a result of the Group's increased asset base denominated in foreign currency); and
Ghana - obligations of P193m, covenants on portfolio at risk, provisioning, open loan exposure, operating self-sufficiency, current ratio and forex exposure limit ratio were breached

At the time of reporting, letters of no action were received from certain funders catering for obligations amounting to P373m (relating to Kenya - P163m, and Uganda - P210m) and discussions with the funders were ongoing to remediate the remaining breaches. All instances are anticipated to have been rectified by the end of the first half of 2023.

19 STATED CAPITAL

	31 December 2022 P'000	31 December 2021 P'000
Issued: 2,149,114,056 ordinary shares of no par value (2021: 2,144,045,175) of which 3,989,970 shares (2021: 9,222,720) are held as treasury shares	**899,571**	**882,224**

31 December 2022	**Number of shares in issue**	**Shares held as treasury shares**	**Total number of shares**
Number of shares at the beginning of the year ('000)	2,134,822	9,223	2,144,045
Shares issued during the year ('000)	14,292	(9,223)	5,069
Acquired and transferred to treasury shares during the year ('000)	(3,990)	3,990	-
Number of shares at the end of the year ('000)	**2,145,124**	**3,990**	**2,149,114**

31 December 2021	**Number of shares in issue**	**Shares held as treasury shares**	**Total number of shares**
Number of shares at the beginning of the year ('000)	2,129,474	14,571	2,144,045
Shares issued during the year ('000)	5,348	(5,348)	-
Number of shares at the end of the year ('000)	**2,134,822**	**9,223**	**2,144,045**

In terms of the Group LTIP (note 21), 14.292 million shares (2021: 5.348 million) vested at Group level during the current year and were issued from the balance of treasury shares and an issue of new shares. Therefore the number of shares in issue increased to 2,145 million (2021: 2,135 million) and shares held as treasury shares reduced to 3.990 million (2021: 9.223 million).

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

CAPITAL MANAGEMENT

The Group monitors its capitalisation levels using metrics including Return on Equity, Capitalisation ratio (Total equity/total assets), Capital Adequacy ratio, Debt to Equity ratio and forecasts of asset and profitability performance. The Group's objectives when managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial position are:

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

The Group's shareholders' equity consists of stated capital and reserves. The Group uses its shareholders' equity and long term borrowings to fund growth and monitors the adequacy of its capital using internal benchmarks as well as external benchmarks set by funders and regulators in the countries of operations. A risk-based approach is also adopted whereby balances with counterparties are required to be supported by capital to a greater extent than other internally held assets.

	31 December 2022	31 December 2021
Capitalisation ratio	31%	31%
Return on equity	8%	14%
Debt to equity	142%	149%

Certain subsidiaries are regulated for capital requirements by the respective in-country regulators. Group maintains sufficient capital in its subsidiaries in order to meet the requirements of local jurisdictions. These are monitored constantly and actions are taken as and when required. During the year the subsidiaries have complied with the capital requirements.

20 LEGAL RESERVE

	31 December 2022 P’000	31 December 2021 P’000
Balance at the beginning of the year	265,244	214,835
Movement for the period – allocated from retained earnings	48,536	50,409
Balance at the end of the year	**313,780**	**265,244**

Legal reserve relates to non-distributable reserves and may be used to increase capital. This is applicable to the following:

- Letshego Financial Services Mozambique	Central Bank regulation requires a 30% transfer of annual profits.
- Letshego Bank (Namibia) Limited	The reserve represents the difference between provisions computed as per IFRS 9 and provisions calculated as per the regulatory approach.
- Letshego Ghana Plc	Central Bank regulation requires a 50% transfer of annual profits.
- Letshego Tanzania Limited	Where the provisions computed in accordance with International Financial Reporting Standards (IFRS) are less than those required by Regulations, a special non-distributable reserve shall be created through an appropriation of distributable reserves to eliminate the shortfall.
- Letshego Uganda Limited	Microfinance regulator requires a transfer of annual profits to be based on the difference between provisioning per IFRS 9 and as per the regulator.

21 SHARE-BASED PAYMENT SCHEME

Performance shares granted as Long Term Incentive Plan (LTIP) may not exceed 10% of the issued ordinary shares of the Holding Company. The incentive is subject to Group performance conditions which are based on criteria set by the Group Remuneration Committee. These are aimed at alignment of the interests of staff with shareholder interests. They apply over a specified period of time and are pegged to a continued employment condition. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.

The Group does not have a past practice of cash settlement for these share options and therefore accounts for them as an equity-settled plan.

As at 31 December 2022, 132,533,060 total awards were outstanding (2021: 149,027,569) at grant date share prices of P0.71, P0.75 and P1.41 for 2020, 2021 and 2022 awards, respectively (31 December 2021: P1.65, P0,71 and P0.75 for 2019, 2020 and 2021 awards respectively).

	31 December 2022		31 December 2021	
Reconciliation of outstanding awards	**Fair values**	**No. of awards**	**Fair values**	**No. of awards**
Outstanding at the beginning of the year	P1.65/P0.71/P0.75	149,027,569	P1.88/P1.65/P0.71	108,526,020
Granted during the year	P1.41	28,125,180	0.75	59,168,876
Exercised during the year	P1.65	(14,291,633)	1.88	(5,348,420)
Forfeited due to not meeting performance	P1.65	(6,651,541)	1.88	(4,375,980)
Forfeited due to resignations	P0.71/P0.75/P1.41	(23,676,515)	P1.65/P0.71/P0.75	(8,942,927)
Outstanding at the end of the year	**P0.71/P0.75/P1.41**	**132,533,060**	**P1.65/P0.71/P0.75**	**149,027,569**

The weighted average share price at the date of exercise of these options was P1.41 (2021: P0.75)

Movement in share based payment reserve	**31 December 2022 P'000**	**31 December 2021 P'000**
Opening balance	39,907	31,295
Charge during the year (note 25)	19,914	18,667
New shares issue from treasury shares during the year	(17,347)	(10,055)
Closing balance	**42,474**	**39,907**

The award is indexed to the Group's share price on the Botswana Stock Exchange and does not accrue notional dividends during the vesting period. The awards vest in two equal amounts at 112 months from the date of award.

		31 December 2022 P'000	31 December 2021 P'000
22	**INTEREST INCOME AT EFFECTIVE INTEREST RATE**		
	Advances to customers	2,620,123	2,588,409
	Interest income on risk informal / mobile loans	96,874	92,879
	Interest income on non-risk informal / mobile loans	349,122	387,166
	Interest income from deposits with banks, including investment securities	79,553	42,057
		3,145,672	**3,110,511**
23	**INTEREST EXPENSE AT EFFECTIVE INTEREST RATE**		
	Overdraft facilities and term loans	1,027,556	731,942
	Interest adjustment on non-risk informal / mobile loans	349,122	387,166
		1,376,678	**1,119,108**
23.1	**OTHER INTEREST EXPENSE**		
	Interest expense on leases	12,524	14,930
24	**FEE AND COMMISSION INCOME**		
	Administration fees - lending	83,979	68,310
	Credit life insurance commission	5,575	15,371
		89,554	**83,681**
24.1	**OTHER OPERATING INCOME**		
	Early settlement fees	60,248	53,805
	Income from insurance arrangements	243,496	200,664
	Market adjustment gain on interest currency swaps	8,210	13,226
	Net foreign exchange gain	90,696	2,361
	Sundry income	37,153	16,548
		439,803	**286,604**
25	**EMPLOYEE BENEFITS**		
	Salaries and wages	454,637	411,292
	Staff incentive (note 16.1)	61,734	74,905
	Staff recruitment costs	1,096	1,861
	Staff pension fund contribution	38,282	31,538
	Directors' remuneration – for management services (executive)	10,276	7,978
	Long term incentive plan (note 21)	19,914	18,667
		585,939	**546,241**

26 OTHER OPERATING EXPENSES

	31 December 2022 P'000	31 December 2021 P'000
Accounting and secretarial fees	227	764
Advertising	40,441	26,656
Audit fees	7,358	6,661
- Audit services	7,191	6,514
- Covenant compliance fees	167	147
Bank charges	8,859	8,693
Computer expenses	9,755	13,139
Consultancy fees	56,163	49,805
Corporate social responsibility	1,961	1,689
Collection commission	72,159	75,909
Direct costs	29,343	36,844
Direct costs - informal loans	36,142	23,922
Depreciation and amortization - property & equipment, intangible assets	48,622	51,426
Depreciation - right of use assets	41,407	47,255
Directors' fees – non executive	9,985	9,850
Directors' fees – subsidiary boards	8,184	9,253
Government levies	22,673	31,024
Impairment of goodwill	32,795	-
Insurance	17,989	16,798
Insurance - customer short term	60,074	55,194
Office expenses	24,638	22,500
Short term leases - property	6,862	6,638
Rental expense for low value assets	849	1,414
Other operating expenses	155,639	91,156
- Entertainment	531	305
- IT costs	505	6,454
- Loss on disposal of plant and equipment, intangible assets	-	2,462
- Motor vehicle expenses	11,715	8,516
- Printing and Stationery	6,775	7,996
- Repairs and Maintenance	10,250	6,060
- Storage costs	3,324	2,848
- Subscriptions and licenses	27,179	8,099
- Other expenses	95,360	48,416
Payroll administration costs	2,131	1,093
Professional fees	46,704	34,596
Telephone and postage	36,536	32,418
Travel	22,431	16,272
	799,927	**670,969**

27 TAXATION

	31 December 2022 P'000	31 December 2021 P'000
Amounts recognised in profit or loss		
Current taxation	**370,475**	**383,684**
- Basic taxation	332,311	299,704
- WHT tax credits adjustments	40,275	86,653
- Release of prior year's tax provision	(2,111)	(2,673)
Deferred tax	**(38,164)**	**33,559**
- Origination and reversal of temporary differences	(38,164)	33,559
	332,311	**417,243**

27 TAXATION (continued)

		31 December 2022 P'000	31 December 2021 P'000
27.1	**Deferred taxation**		
	Balance at the beginning of the year	90,580	124,139
	Current year movement	38,164	(33,559)
	Balance at the end of the year	**128,744**	**90,580**
	Deferred tax assets	129,083	95,748
	Deferred tax liabilities	(339)	(5,168)
		128,744	**90,580**

The Group expects to generate sufficient taxable profits to utilise the deferred tax asset based on historical profitability trends and management judgement on future business prospects.

	31 December 2022 P'000	31 December 2021 P'000
Deferred taxation arises from temporary differences on the following items:		
Property and equipment	(3,841)	3,560
Lease liability	13,697	5,320
Right of use asset	(8,195)	(9,471)
Share based payment provision	8,702	10,334
Staff incentive provision	13,286	12,095
Expected credit losses	61,102	69,680
Taxation losses	48,626	5,583
Leave pay provision	2,967	580
Net deferred expenditure	3,470	4,747
Prepayments	(11,438)	(13,211)
Unrealised exchange (gain)/loss	(2,215)	6,069
Provisions	3,537	4,426
Financial assets and liabilities at fair value	(954)	(9,132)
	128,744	**90,580**

		31 December 2022 P'000	31 December 2021 P'000
27.2	**Reconciliation of current taxation**		
	Profit before taxation	801,255	1,146,744
	Tax calculated at Botswana statutory rate of 22%	176,276	252,284
	Effect of net foreign deductions at tax rate of 15%	14,833	4,457
	Effect of tax rates in foreign jurisdictions	57,520	44,262
	Expenses and revenues not deductible for tax purposes	45,518	32,260
	WHT tax credits adjustments	40,275	86,653
	Release of prior year's provision	(2,111)	(2,673)
		332,311	**417,243**
27.3	**Reconciliation of income tax paid**		
	Opening balance - net of receivables and payables	(38,499)	424
	Income tax charge for the year	**370,475**	**383,684**
	- Tax charge per profit or loss	332,311	417,243
	- Movement in deferred tax asset	33,335	(28,391)
	- Movement in deferred tax liabilities	4,829	(5,168)
	Closing balance - net of receivables and payables	13,028	38,499
	Income tax paid	**345,004**	**422,607**

28 EARNINGS PER SHARE

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

	31 December 2022 P'000	31 December 2021 P'000
Earnings attributable to ordinary equity holders of the parent	**401,903**	**671,554**
Weighted number of shares:		
At beginning of year	2,134,822	2,128,295
Effect of shares issued (31 December 2022 - 14,292 million shares : 31 December 2021 - 5,348 million shares)	12,138	4,513
Weighted number of shares at end of year	2,146,960	2,132,808
Basic earnings per share (thebe)	**18.7**	**31.5**

The calculation of diluted earnings per share is based on after taxation earnings attributable to ordinary shareholders and the weighted average number of shares in issue during the year, adjusted for the effects of dilutive potential ordinary shares as follows:

	31 December 2022 P'000	31 December 2021 P'000
Weighted number of shares:		
Weighted number of shares at end of year	2,146,960	2,132,808
Dilution effect - number of shares (note 21)	132,533	149,028
	2,279,493	2,281,836
Diluted earnings per share (thebe)	**17.6**	**29.4**

28.1 HEADLINE EARNINGS PER SHARE

Headline earnings per share is calculated based on offsetting once off specific provisions. Refer to the Group's calculations below:

31 December 2022	**Gross**	**Tax**	**Net**
Earnings attributable to ordinary equity holders of the parent	401,903	-	**401,903**
Impairment of goodwill	32,795	-	**32,795**
Headline earnings	**434,698**	**-**	**434,698**
Headline earnings per share (thebe)			**20.2**
Diluted headline earnings per share (thebe)			**19.1**

There was no impact on non-controlling interest on headline earnings for the year ended 31 December 2022.

31 December 2021	**Gross**	**Tax**	**Net**
Earnings attributable to ordinary equity holders of the parent	671,554	-	**671,554**
Disposal and write off of plant and equipment	2,324	(697)	1,627
Disposal and write off of intangible assets	138	(41)	97
Headline earnings	**674,016**	**(738)**	**673,278**
Headline earnings per share (thebe)			**31.6**
Diluted headline earnings per share (thebe)			**29.5**

There was no impact on non-controlling interest on headline earnings for the year ended 31 December 2021.

29	DIVIDEND PAID		31 December 2022 P'000	31 December 2021 P'000
	Previous year final dividend paid during the year		208,077	177,049
	Interim dividend paid		124,649	155,842
	Total dividend paid to equity holders		**332,726**	**332,891**
	Dividends per share : Interim (thebe)	- paid	5.8	7.3
	: Final (thebe)	- proposed (note 33)	9.7	9.7

30 SEGMENT INFORMATION

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

The Group operates in eleven countries, namely Botswana, Namibia, Mozambique, Lesotho, Eswatini, Kenya, Rwanda, Uganda, Tanzania, Nigeria, Ghana and offering Deduction at source (DAS), MSE and Informal loans to its customers. There were no changes in the reportable segments during the year.

The performance of the Holding Company is evaluated using proportionate consolidation and its financing and its income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arms-length basis in a manner similar to transactions with third parties. No operating segments have been aggregated to form the following reportable operating segments:

LETSHEGO HOLDING LIMITED

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30 SEGMENT INFORMATION (continued)

30.1 Reportable segments

31 December 2022	Botswana	Namibia	Mozambique	Lesotho	Eswatini	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company or eliminations*	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	**710,990**	**565,913**	**444,404**	**81,908**	**108,284**	**107,757**	**19,948**	**158,278**	**154,456**	**81,632**	**207,446**	**(355,189)**	**2,285,827**
Profit / (loss) before taxation	**521,325**	**322,431**	**231,527**	**56,363**	**70,072**	**21,583**	**1,764**	**47,313**	**20,534**	**23,492**	**31,462**	**(546,611)**	**801,255**
Taxation - consolidated													(332,311)
Profit - consolidated													**468,944**
Gross Advances to customers	3,335,195	3,605,877	2,094,444	430,432	564,812	635,150	150,069	535,146	469,824	203,061	1,107,850	-	13,131,860
Impairment provisions	(75,962)	(36,496)	(55,658)	(7,088)	(24,277)	(42,764)	(4,708)	(27,077)	(58,200)	(22,717)	(49,438)	-	(404,385)
Net Advances	**3,259,233**	**3,569,381**	**2,038,786**	**423,344**	**540,535**	**592,386**	**145,361**	**508,069**	**411,624**	**180,344**	**1,058,412**	**-**	**12,727,475**
Total assets	**4,071,814**	**4,321,279**	**1,496,544**	**225,178**	**464,014**	**538,578**	**24,572**	**420,589**	**470,342**	**15,191**	**1,117,813**	**3,742,702**	**16,908,616**
Borrowings	**1,802,404**	**1,895,734**	**259,818**	**62,670**	**221,105**	**394,747**	**-**	**322,640**	**-**	**-**	**686,142**	**2,382,580**	**8,027,840**
Total liabilities	**2,423,918**	**2,486,490**	**896,555**	**76,732**	**236,096**	**435,978**	**53,927**	**333,271**	**67,938**	**58,006**	**1,068,194**	**3,113,341**	**11,250,446**

31 December 2021	Botswana	Namibia	Mozambique	Lesotho	Eswatini	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company or eliminations	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	**679,180**	**539,233**	**415,987**	**89,917**	**88,414**	**139,549**	**8,604**	**159,363**	**143,836**	**73,916**	**233,885**	**(225,126)**	**2,346,758**
Profit / (loss) before taxation	**495,615**	**331,030**	**284,717**	**47,613**	**30,103**	**149,352**	**361**	**52,915**	**15,171**	**6,252**	**95,968**	**(362,353)**	**1,146,744**
Taxation - consolidated													(417,243)
Profit - consolidated													**729,501**
Gross Advances to customers	3,026,111	3,198,250	1,789,702	352,248	527,761	666,612	59,648	478,787	467,618	174,259	1,698,304	-	12,439,300
Impairment provisions	(106,595)	(34,463)	(19,350)	(21,680)	(39,191)	(49,056)	(3,063)	(30,682)	(49,632)	(30,784)	(179,209)	-	(563,705)
Net Advances	**2,919,516**	**3,163,787**	**1,770,352**	**330,568**	**488,570**	**617,556**	**56,585**	**448,105**	**417,986**	**143,475**	**1,519,095**	**-**	**11,875,595**
Total assets	**3,363,272**	**4,087,930**	**2,074,472**	**384,151**	**522,744**	**774,337**	**87,122**	**503,703**	**589,318**	**178,903**	**2,312,965**	**1,180,524**	**16,059,441**
Borrowings	**1,389,936**	**1,488,326**	**269,826**	**77**	**138,240**	**404,207**	**-**	**201,042**	**-**	**-**	**1,246,823**	**2,242,291**	**7,380,768**
Total liabilities	**1,688,902**	**1,957,440**	**901,509**	**9,395**	**148,063**	**463,386**	**26,322**	**216,161**	**79,702**	**63,803**	**2,074,245**	**2,924,511**	**10,553,439**

*Included in Holding company or eliminations are intragroup charges between the Holding Company and subsidiary entities.

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30 SEGMENT INFORMATION (continued)

30.2 Disaggregated revenue information

	Botswana	Namibia	Mozambique	Lesotho	Eswatini	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company or eliminations*	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
31 December 2022													
Interest income at effective interest rate	756,665	504,165	558,649	102,964	133,886	147,381	24,411	193,550	136,662	85,379	654,527	(152,567)	**3,145,672**
Interest expense at effective interest rate	(167,656)	(160,660)	(170,734)	(12,091)	(28,525)	(60,465)	(8,693)	(39,492)	(514)	(5,090)	(540,692)	(182,066)	**(1,376,678)**
Other interest expense	(2,000)	(526)	(2,579)	(1,225)	(544)	(1,491)	(285)	(303)	(105)	-	(500)	(2,966)	**(12,524)**
Net interest income	**587,009**	**342,979**	**385,336**	**89,648**	**104,817**	**85,425**	**15,433**	**153,755**	**136,043**	**80,289**	**113,335**	**(337,599)**	**1,756,470**
Fee and commission income	(2)	34,906	16,416	-	-	8,966	1,994	-	395	1,098	25,699	82	**89,554**
Other operating income	123,983	188,028	42,652	(7,740)	3,467	13,366	2,521	4,523	18,018	245	68,412	(17,672)	**439,803**
Operating income	**710,990**	**565,913**	**444,404**	**81,908**	**108,284**	**107,757**	**19,948**	**158,278**	**154,456**	**81,632**	**207,446**	**(355,189)**	**2,285,827**
31 December 2021													
Interest income at effective interest rate	711,832	453,990	507,471	117,931	107,812	171,827	10,591	182,005	130,193	76,960	750,534	(110,635)	**3,110,511**
Interest expense at effective interest rate	(125,822)	(90,842)	(138,165)	(22,756)	(29,604)	(55,786)	(2,186)	(34,620)	(612)	(3,913)	(546,625)	(68,177)	**(1,119,108)**
Other interest expense	(12,161)	(64)	(3,026)	(5,342)	(1,170)	(1,293)	(792)	7,769	3,547	313	(9,164)	6,453	**(14,930)**
Net interest income	**573,849**	**363,084**	**366,280**	**89,833**	**77,038**	**114,748**	**7,613**	**155,154**	**133,128**	**73,360**	**194,745**	**(172,359)**	**1,976,473**
Fee and commission income	-	4,778	28,439	-	-	12,050	269	-	139	556	37,450	-	**83,681**
Other operating income	105,331	171,371	21,268	84	11,376	12,751	722	4,209	10,569	-	1,690	(52,767)	**286,604**
Operating income	**679,180**	**539,233**	**415,987**	**89,917**	**88,414**	**139,549**	**8,604**	**159,363**	**143,836**	**73,916**	**233,885**	**(225,126)**	**2,346,758**

*Included in Holding company or eliminations are intragroup charges between the Holding Company and subsidiary entities.

31 RELATED PARTY TRANSACTIONS

Relationships:

Letshego Holdings Limited	Parent Company
Subsidiaries	Refer to note 34

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 executive directors.

31.1 Related party transactions

The Company 'Letshego Holdings Limited' is listed on the Botswana Stock Exchange. The Group partnered with Sanlam (SEM) to be its preferred insurance provider by offering innovative stand alone and embedded insurance solutions. Sanlam owns 58% of Botswana Insurance Holdings Limited (BIHL) which is a shareholder of Letshego Holdings Limited and there were no transactions with BIHL. However loans and advances of Letshego Financial Services Botswana (Pty) Ltd (LFSB) are insured through Botswana Life Insurance Limited which is a subsidiary of BIHL and commission of P15 million was earned by LFSB during the year (2021: nil).

Letshego Holdings Limited also provides guarantees to its subsidiary companies for purposes of credit enhancement at collateral for borrowings entered into by the subsidiaries. Refer to Note 18 for details of loan guarantees that were in place as at the reporting date.

	31 December 2022 P'000	31 December 2021 P'000
31.2 Compensation paid to key management personnel (executive directors)		
Paid during the period		
- Short-term employee benefits	10,276	7,978
	10,276	**7,978**

A total of 5,457,386 ordinary shares, at an exercise value of BWP7.7 million, were granted to Executives in terms of the Long Term Incentive Scheme (LTIP) for the 31 December 2022 financial year (2021: 7,840,198 ordinary shares, at an exercise value of BWP5.9million). 6,161,972 ordinary shares (at a market value of BWP11.1 million) relating to Executives vested and were exercised during the year (2021: nil)

32 CAPITAL COMMITMENTS

	2022	2021
Authorised by the directors:		
- Not contracted for	**347,209**	**311,169**

P69 million of the P347.2 million Capital Commitments for the following year relates to expenditure earmarked for the Group's internally developed digital retail financial services platform. The remainder relates to anticipated acquisitions of computer equipment, leasehold improvements and other software developments within the Group. The above commitments are wholly in respect of capital expenditure and funds to meet these will be provided from the Group's internal resources.

33 SUBSEQUENT EVENTS

Dividend declaration

A second and final dividend of 9.7 thebe per share (prior year: 9.7 thebe per share) was declared on 28 February 2023 and will be paid on or around 26 June 2023.

Ghana investment in government securities

Reference is be made to Note 4, where the Group's Ghana subsidiary submitted an exchange offer for old government bonds amounting to P41.3 million under the country's Domestic Debt Exchange Program (GDDXP) on 19 December 2022. Subsequent to this, on 21 February 2023, the government of Ghana accepted the offer by issuing new bonds to Letshego Ghana. The derecognition of the old bonds, subsequent recognition of the new bonds and accounting for any derecognition loss in profit or loss as a result of the renegotiation or modification of the contractual cash flows of the bonds has been determined to be a non-adjusting event after the reporting period. Management are still in the process of quantifying the impact of the modification. However, as at the reporting date, an expected credit loss allowance was recognised pertaining to the old bonds held.

Outlook post year-end

Ripples of the Russia-Ukraine War

The global economy suffered setbacks from the impacts of the Russia-Ukraine war in 2022. Evolution of the war and resultant geopolitical developments pose the highest downside risks to the global economy in the near term to 2024. Energy crisis, escalating cost of living, food supply crisis and risk of social unrest are the immediate thematic high probability - high impact risks to the global economic prospects in 2023. Sub-Sahara African economies are tightly tied to the global economic developments and therefore the slowdown and highly probable recession in advanced economies and emerging markets, tightening global financial conditions, and volatile commodity prices will weigh heavily on economic prospects for our presence countries in 2023. Local social-political and security risks prevailing in some markets will likely exacerbate the risks to the near term economic output for the countries. Macroeconomic conditions will remain tight. We expect much more muted GDP output for most markets following a deceleration of the recovery momentum from 2022. Inflation rates will remain elevated and above Central Banks' targets for most countries driven mainly by import inflation. Interest rates are expected to continue on the rising trend from 2022. Currencies will take a knock as well in the near term. Policy space to address the socio economic challenges across most of the markets are thin and therefore we expect fiscal policy consolidation to continue well into 2024. An estimate of the impact of this on the financial statements of the Group however could not be determined at the reporting date.

34 INVESTMENTS IN SUBSIDIARY COMPANIES

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

Subsidiary company	Country of incorporation	Nature of business	31 December 2022 % holding	31 December 2021 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100	100
Letshego Ghana (Plc)	Ghana	Unsecured consumer lending and deposit licensed	100	100
Letshego Kenya Limited	Kenya	Group lending, MSE and unsecured consumer lending	100	100
Letshego Financial Services Lesotho	Lesotho	Unsecured consumer lending	95	95
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending and deposit licensed	98	98
Letshego Holdings Namibia Limited	Namibia	Unsecured consumer lending and deposit licensed	78	78
ERF 8585 (Pty) Limited	Namibia	Property	100	100
Letshego Microfinance Bank Nigeria (Proprietary) Limited	Nigeria	Unsecured consumer lending and deposit licensed	100	100
Letshego Financial Services Swaziland Limited	Eswatini	Unsecured consumer lending	85	85
Letshego Tanzania Limited (Faidika)	Tanzania	Unsecured consumer lending	100	100
Letshego Bank (Tanzania) Limited	Tanzania	Unsecured consumer lending and deposit licensed	100	100
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85	85
Letshego South Africa Limited	South Africa	Support services	100	100
Letshego Mauritius Limited	Mauritius	Investment holding company	100	100

Group Structure

The Group has an intermediate holding company structure in Mauritius and will continue to explore its ownership structure over the years. This does not result in any change in the ultimate ownership of the subsidiaries. It will however allow for a more tax efficient movement of dividends within the Group.

34.1 Non-controlling interest (NCI)

Set out below is summarised financial information for Letshego Holdings Namibia Limited, which has a material non-controlling interest to the Group. The amounts disclosed are before inter-company elimination and will not reconcile back to the segment report (note 30) as it includes an investment property in Namibia.

	31 December 2022 P'000	31 December 2021 P'000
Summarised statement of financial position		
Assets	4,156,855	4,068,106
Liabilities	1,905,903	2,070,605
Net assets	**2,250,952**	**1,997,501**
Accumulated non-controlling interest	**411,967**	**390,119**
Summarised statement of profit or loss and other comprehensive income		
Revenue	727,099	630,141
Profit for the year	264,810	226,791
Profit allocated to non-controlling interest	**58,258**	**49,894**
Dividends paid to non-controlling interest	**44,754**	**31,755**
Summarised statement of cash flows		
Cash flows from operating activities	(58,667)	(527,593)
Cash flows used in investing activities	128,124	(6,496)
Cash flows from financing activities	(44,332)	400,637
	25,125	**(133,452)**

34.1 Non-controlling interest (NCI) (continued)

Non-controlling interest in the below markets are not material to the Group and their carrying values were as follows:

Non-controlling interest	31 December 2022 P’000	31 December 2021 P’000
Letshego Financial Services Lesotho	7,586	6,920
Letshego Financial Services Mozambique, SA	3,555	2,674
Letshego Financial Services Swaziland Limited	34,060	28,780
Letshego Uganda Limited	8,765	10,659
	53,966	**49,033**
Total accumulated non-controlling interest	**465,933**	**439,152**

Significant restrictions

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

35 INVOLVEMENT WITH UNCONSOLIDATED ENTITIES

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

Type	Nature and purpose	Interest held by the Group
Comprehensive insurance through cell captive arrangement ("cell captive")	To mitigate against the Group's credit risk in Mozambique and Namibia	The cell captive declares a profit share to Mozambique and Namibia

	31 December 2022 P’000	31 December 2021 P’000
Total assets	247,060	218,201
Total liabilities	129,971	95,288
Net assets	**117,089**	**122,913**

The cell captive is not consolidated as the Group does not have control over these entities. The net assets of the cell captive are included as part of other receivables (receivable from insurance arrangements) and payables (insurance premium payable) as disclosed in note 7 and note 16. There are no significant risks, nor expected changes therein, associated with the Group’s interest in the cell captive.

36 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled.

As at 31 December 2022	Within 12 months P'000	After 12 months P'000	Total P'000
Assets			
Cash and similar instruments	1,020,771	-	1,020,771
Investment securities	-	692,101	692,101
Financial assets at fair value through profit or loss	379,231	799,738	1,178,969
Advances to customers	504,033	12,223,442	12,727,475
Other receivables	479,533	-	479,533
Financial assets at fair value through other comprehensive income	43,107	-	43,107
Income tax receivable	81,454	-	81,454
Property and equipment	-	116,761	116,761
Right-of-use assets	-	101,654	101,654
Intangible assets	-	305,798	305,798
Goodwill	-	31,910	31,910
Deferred tax assets	-	129,083	129,083
Total assets	**2,508,129**	**14,400,487**	**16,908,616**
Liabilities			
Financial liabilities at fair value through profit or loss	386,348	814,747	1,201,095
Customer deposits	843,812	277,015	1,120,827
Cash collateral	18,476	-	18,476
Trade and other payables	715,490	-	715,490
Lease liabilities	20,055	77,898	97,953
Income tax payable	68,426	-	68,426
Borrowings	3,097,604	4,930,236	8,027,840
Deferred tax liabilities	-	339	339
Total liabilities	**5,150,211**	**6,100,235**	**11,250,446**
Net	**(2,642,082)**	**8,300,252**	**5,658,170**

The Group's operations and nature of business intrinsically creates a short-term maturity mismatch between assets and liabilities. This is largely due to average customer loans and advances term out to tenors that are greater than 3 years, whilst a significant portion of the Group's external liabilities' tenors are limited to 3 years. The result is a short-term maturity mismatch which the Group resolves by proactively managing all up-coming debt maturities that are ear-marked for rollover and maintaining a robust funding pipeline to close out any short-term gaps in liquidity created due to the maturity mismatch.

Reference is made to Note 18, whereby the Group is in breach of certain covenants in some subsidiary entities. Historically the Group has managed to remediate similar matters without the funding counterparties recalling facilities extended. In the unlikely event of this occurring, total Borrowings amounting to P357 million that would have been classified under the "After 12 Months" category have been reflected under the "Within 12 Months" category in the above analysis. The Group, however, currently has sufficient liquid resources and access to a funding pipeline to pay down these obligations upon them falling due. Further comfort is derived from the Group's engagement with these funders who have not indicated any intent to terminate the loans or re-call the disbursed amounts.

36 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

As at 31 December 2021	Within 12 months P'000	After 12 months P'000	Total P'000
Assets			
Cash and similar instruments	1,413,500	-	1,413,500
Investment securities	-	859,496	859,496
Advances to customers	587,481	11,288,114	11,875,595
Other receivables	413,411	-	413,411
Financial assets at fair value through profit or loss	370,433	455,659	826,092
Financial assets at fair value through other comprehensive income	71,499	-	71,499
Income tax receivable	134,767	-	134,767
Property and equipment	-	172,822	172,822
Right-of-use assets	-	98,756	98,756
Intangible assets	-	30,040	30,040
Goodwill	-	67,715	67,715
Deferred tax assets	-	95,748	95,748
Total assets	**2,991,091**	**13,068,350**	**16,059,441**
Liabilities			
Financial liabilities at fair value through profit or loss	362,599	446,022	808,621
Customer deposits	979,847	195,739	1,175,586
Cash collateral	21,522	-	21,522
Trade and other payables	965,860	-	965,860
Lease liabilities	20,901	78,745	99,646
Income tax payable	96,268	-	96,268
Borrowings	2,099,218	5,281,550	7,380,768
Deferred tax liabilities	-	5,168	5,168
Total liabilities	**4,546,215**	**6,007,224**	**10,553,439**
Net	**(1,555,124)**	**7,061,126**	**5,506,002**

LETSHEGO HOLDINGS LIMITED

GROUP VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	31 December 2022 P'000	31 December 2021 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	3,145,672	3,110,511
Cost of services	(1,389,202)	(1,134,038)
Value added services	1,756,470	1,976,473
Fee and commission income	89,554	83,681
Other operating income	439,803	286,604
Other operating costs	(709,898)	(572,288)
Impairment of advances and treasury bonds	(98,706)	17,196
	1,477,223	**1,791,666**
Value allocated		
To employees		
Staff costs	585,939	546,241
To expansion and growth		
Retained income	136,218	396,610
Depreciation	78,313	84,893
Amortisation	11,716	13,788
Deferred tax	(38,164)	33,559
	188,083	528,850
To Government		
Taxation	370,475	383,684
To providers of capital		
Dividends to shareholders	332,726	332,891
	1,477,223	**1,791,666**

Summary	%	%
Employees	39.7	30.5
Expansion and growth	12.7	29.5
Government	25.1	21.4
Providers of capital	22.5	18.6
	100.0	**100.0**

LETSHEGO HOLDINGS LIMITED

FIVE YEAR FINANCIAL HISTORY

STATEMENTS OF FINANCIAL POSITION

	2022 December P'000	2021 December P'000	Restated 2020 December P'000	Restated 2019 December P'000	2018 December P'000
Assets					
Cash and cash equivalents	1,020,771	1,413,500	975,656	1,035,513	1,188,402
Investment securities	692,101	859,496	68,208	-	-
Financial assets at fair value through profit or loss	1,178,969	826,092	140,804	-	-
Advances to customers	12,727,475	11,875,595	10,161,534	9,071,484	8,698,831
Other receivables	479,533	413,411	263,202	247,996	252,491
Financial assets at fair value through OCI	43,107	71,499	59,408	53,591	53,591
Income tax receivable	81,454	134,767	102,633	82,741	19,074
Property and equipment	116,761	172,822	94,229	99,671	80,532
Right-of-use assets	101,654	98,756	131,703	61,436	-
Intangible assets	305,798	30,040	39,091	45,221	45,488
Goodwill	31,910	67,715	65,598	68,233	106,229
Deferred tax assets	129,083	95,748	124,139	144,699	211,651
Total assets	**16,908,616**	**16,059,441**	**12,226,205**	**10,910,585**	**10,656,289**
Liabilities					
Financial liabilities at fair value through profit or loss	1,201,095	808,621	152,855	15,390	-
Customers deposits	1,120,827	1,175,586	664,393	426,673	497,718
Cash collateral	18,476	21,522	18,838	21,721	27,028
Income tax payable	68,426	96,268	103,057	239,743	232,132
Trade and other payables	715,490	965,860	714,548	553,772	492,225
Lease liabilities	97,953	99,646	133,377	64,760	-
Borrowings	8,027,840	7,380,768	5,649,561	4,966,785	5,329,319
Deferred tax liabilities	339	5,168	-	805	3,205
Total liabilities	**11,250,446**	**10,553,439**	**7,436,629**	**6,289,649**	**6,581,627**
Shareholders' equity					
Stated capital	899,571	882,224	872,169	862,621	862,621
Foreign currency translation reserve	(492,653)	(557,341)	(885,673)	(675,885)	(696,276)
Legal reserve	313,780	265,244	214,835	195,793	73,519
Fair value adjustment reserve	(13,144)	15,248	5,817	-	-
Share based payment reserve	42,474	39,907	31,295	24,304	18,089
Retained earnings	4,442,209	4,421,568	4,133,314	3,823,280	3,500,317
Total equity attributable to equity holders of the company	**5,192,237**	**5,066,850**	**4,371,757**	**4,230,113**	**3,758,270**
Non-controlling interests	465,933	439,152	417,819	390,823	316,392
Total shareholders' equity	**5,658,170**	**5,506,002**	**4,789,576**	**4,620,936**	**4,074,662**
Total equity and liabilities	**16,908,616**	**16,059,441**	**12,226,205**	**10,910,585**	**10,656,289**

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2022	2021	2020	2019	2018
Interest income at effective interest rate	3,145,672	3,110,511	2,712,278	2,974,839	2,718,257
Interest expense	(1,389,202)	(1,134,038)	(850,964)	(923,814)	(654,079)
Net interest income	**1,756,470**	**1,976,473**	**1,861,314**	**2,051,025**	**2,064,178**
Fee and commission income	89,554	83,681	71,033	59,451	30,735
Other operating income	439,803	286,604	212,536	273,018	267,421
Total income	**2,285,827**	**2,346,758**	**2,144,883**	**2,383,494**	**2,362,334**
Employee benefits	(585,939)	(546,241)	(493,497)	(454,023)	(390,177)
Other operating costs	(799,927)	(670,969)	(595,308)	(622,737)	(590,158)
Operating income before impairment	**899,961**	**1,129,548**	**1,056,078**	**1,306,734**	**1,381,999**
Expected credit losses / impairment expense	(98,706)	17,196	(25,771)	(169,101)	(361,491)
Operating income before taxation	**801,255**	**1,146,744**	**1,030,307**	**1,137,633**	**1,020,508**
Taxation	(332,311)	(417,243)	(399,434)	(411,295)	(510,026)
Profit for the year	**468,944**	**729,501**	**630,873**	**726,338**	**510,482**
Appropriations					
Dividends	(332,726)	(332,891)	(246,642)	(161,499)	(463,289)
Retained income	**136,218**	**396,610**	**384,231**	**564,839**	**47,193**
Attributable to :					
Equity holders of the parent company	401,903	671,554	575,718	652,239	438,639
Non-controlling interests	67,041	57,947	55,155	74,099	71,843
	468,944	**729,501**	**630,873**	**726,338**	**510,482**

The supplementary information presented does not form part of the annual financial statements of the Group, and is unaudited.

LETSHEGO HOLDINGS LIMITED

ANALYSIS OF SHAREHOLDING

FOR THE YEAR ENDED 31 DECEMBER 2022

Top ten shareholders		**31 December 2022 Shares held ('000) Number**	**%**
• Botswana Life Insurance Limited	Non-Public	597,236	27.79%
• FNB Botswana Nominees RE: BIFM - ACT MEM & DP EQ	Public	405,529	18.87%
• Botswana Public Pension Fund: Vunani	Public	251,001	11.68%
• Stanbic Nominees Botswana RE BPOPF WT PRO PORT MCP	Public	77,601	3.61%
• SCBN (Pty) Ltd RE: CITI 024/76 SCBN (PTY) LTD RE: CITI 024/76	Public	73,572	3.42%
• Hitesh Natwarlal Anadkat	Public	63,053	2.93%
• Business Doctor Investment Limited	Non-Public	51,339	2.39%
• Stanbic Nominees Botswana RE BIFM MLF	Public	46,735	2.17%
• Stanbic Nominees Botswana RE BIFM PLEF	Public	44,870	2.09%
• STANBIC NOMINEES BOTSWANA RE MORULA RE DPF	Public	28,650	1.33%
		1,639,585	**76.29%**
Other corporate entities, nominees and trusts and individuals		505,539	23.52%
Treasury shares		3,990	0.19%
Total		**2,149,114**	**100%**

		31 December 2021 Shares held ('000) Number	**%**
• Botswana Life Insurance Limited	Non-Public	597,236	27.86%
• Vunani Fund Managers – BPOPF	Public	252,169	11.76%
• BIFM BPOPF – Active Members And Deferred Pensioners	Public	217,994	10.17%
• ADP I Holding 2	Non-Public	180,484	8.42%
• Hitesh Natwarlal Anadkat	Non-Public	63,053	2.94%
• SCBN (Pty) Ltd Re: Citi 024/76 Kuwait Inv Authority	Public	56,183	2.62%
• Morula Capital Partners – BPOPF WT PRO PORT	Public	55,993	2.61%
• Business Doctor Investment Limited	Non-Public	51,339	2.39%
• BIFM Professional Local Equity Fund	Public	38,469	1.79%
• BIFM Market Linked Fund	Public	36,281	1.69%
		1,549,201	**72.26%**
Other corporate entities, nominees and trusts and individuals		585,622	27.31%
Treasury shares		9,223	0.43%
Total		**2,144,046**	**100%**

Directors' shareholdings	**31 December 2022 Shares held Number ('000)**	**%**	**31 December 2021 Shares held Number ('000)**	**%**
• Aobakwe Aupa Monyatsi	442	0.0	-	-
• Tinotenda Gwendoline Muteiwa	79	0.0	-	-
• Hannington Karuhanga*	-	-	33	0.0
	521	**0.0**	**33**	**0.0**

*Resigned 22 June 2022