LETSHEGO HOLDINGS LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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DIRECTORS' REPORT
For the year ended 31 December 2020

The Board of Directors is pleased to present their report to Shareholders together with the reviewed condensed consolidated financial statements for the year ended 31 December 2020.

1 **Financial results**

The condensed consolidated financial statements adequately disclose the results of the Group's operations for year ended 31 December 2020.

2 **Dividends**

An interim dividend of 3.9 thebe per share (prior year: 4.3 thebe per share) was declared on 27 August 2020.

A second and final dividend of 8.3 thebe per share (prior year: 7.7 thebe per share) was declared on 26 February 2021 and will be paid on or about 12 May 2021.

3 The below were the changes that took place during the current year:

Directors name		
Appointments		**Dates**
Ronald Hoekman	Non-executive Director	Appointed 22 January 2020
Andrew F Okai	Group Chief Executive Officer	Appointed 01 February 2020
Gwen Muteiwa	Group Chief Financial Officer	Appointed 24 March 2020
Resignations		
Dumisani Ndebele	Interim Group Chief Executive Officer	Resigned 30 January 2020

4 **Independent auditors**

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

5 **Company secretary and registered office**

Matshidiso Kimwaga
Letshego Place
Second Floor
Plot 22 Khama Crescent
Gaborone, Botswana

6 **Transfer secretaries**

PricewaterhouseCoopers (Pty) Ltd
Plot 50371
Fairgrounds Office Park
Gaborone, Botswana

7 **Attorneys and legal advisors**

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

8 **Company registration**

Registration Number: UIN BW00000877524

STATEMENT OF DIRECTORS' RESPONSIBILITY

For the year ended 31 December 2020

The directors of Letshego Holdings Limited are responsible for the condensed consolidated financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of these condensed consolidated financial statements using the framework principles, the recognition and measurement principles of IFRS and contain the presentation and disclosures required by IAS 34, 'Interim financial reporting'.

All companies within the Group maintain systems of internal control which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of the Group's assets. The directors are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the directors to indicate that any significant breakdown in the functioning of these systems has occurred during the period under review.

The going concern basis has been adopted in preparing the condensed consolidated financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Our external auditors conduct an examination of the condensed consolidated financial statements in conformity with International Standards on Review Engagements. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Board of Directors and the Board Audit Committee.

The Board of Directors have reviewed and approved the accompanying condensed consolidated financial statements, set out on pages 5 to 25, for issue on 03 March 2021 and signed on their behalf by:

………………………………………………

E Banda

Group Chairman

…………………………………………..

A F Okai

Group Chief Executive

Building a better working world

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Report on review of condensed consolidated financial information

To the shareholders of Letshego Holdings Limited

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Letshego Holdings Limited and its subsidiaries ("the Group") as at 31 December 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory notes ("condensed consolidated financial information") set out on pages 5 to 25. Management is responsible for the preparation and presentation of the condensed consolidated financial information using the framework principles, the recognition and measurement principles of International Financial Reporting Standards and ensure that the condensed consolidated financial statements contain the presentation and disclosures required by International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information as at and for the year ended 31 December 2020 is not prepared, in all material respects, in accordance with the framework principles, the recognition and measurement principles of International Financial Reporting Standards and do not contain the presentation and disclosures required by the International Accounting Standard 34, 'Interim Financial Reporting'.

Ernst + Young

Ernst & Young Botswana

Practicing Member: Francois Roos

Partner

Membership Number: 20010078

Certified Auditor

Gaborone

03 March 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Note	At 31 December 2020 (Reviewed) P'000	At 31 December 2019 (Restated) P'000	At 31 December 2018 (Restated) P'000
ASSETS				
Cash and cash equivalents	2	1,043,864	1,035,513	1,188,402
Advances to customers	3	10,161,534	9,071,484	8,698,831
Other receivables	4	263,202	247,996	252,491
Financial assets at fair value through profit or loss	5	140,804	-	-
Financial assets at fair value through other comprehensive income	6	59,408	53,591	53,591
Income tax receivable		102,633	82,741	44,829
Property, plant and equipment	7	94,229	99,671	80,532
Right-of-use assets	8	131,703	61,436	-
Intangible assets	9	39,091	45,221	45,488
Goodwill	10	65,598	68,233	106,229
Deferred tax assets		124,139	144,699	201,088
Total assets		**12,226,205**	**10,910,585**	**10,671,481**
LIABILITIES AND EQUITY				
Liabilities				
Financial liabilities at fair value through profit or loss	11	152,855	15,390	13,902
Customer deposits	12	664,393	426,673	497,718
Cash collateral	13	18,838	21,721	27,028
Trade and other payables	14	714,548	553,772	492,584
Lease liabilities	15	133,377	64,760	-
Income tax payable		103,057	239,743	232,132
Borrowings	16	5,649,561	4,966,785	5,315,417
Deferred tax liabilities		-	805	3,205
Total liabilities		**7,436,629**	**6,289,649**	**6,581,986**
Shareholders' equity				
Stated capital	17	872,169	862,621	862,621
Foreign currency translation reserve		(885,673)	(675,885)	(653,010)
Legal reserve		214,835	195,793	73,519
Fair value adjustment reserve		5,817	-	-
Share based payment reserve		31,295	24,304	18,089
Retained earnings		4,133,314	3,823,280	3,454,814
Total equity attributable to equity holders of the parent company		**4,371,757**	**4,230,113**	**3,756,033**
Non-controlling interests		417,819	390,823	333,462
Total shareholders' equity		**4,789,576**	**4,620,936**	**4,089,495**
Total liabilities and equity		**12,226,205**	**10,910,585**	**10,671,481**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	12 months ended 31 December 2020 (Reviewed) P'000	12 months ended 31 December 2019 (Restated) P'000
Effective interest income	18	2,712,278	2,974,839
Effective interest expense	19	(850,964)	(923,814)
Net interest income		**1,861,314**	**2,051,025**
Fee and commission income		71,033	59,451
Other operating income	20	212,536	273,018
Operating income		**2,144,883**	**2,383,494**
Employee costs	21	(493,497)	(454,023)
Other operating expenses	22	(595,308)	(622,737)
Net income before impairment and taxation		**1,056,078**	**1,306,734**
Expected credit losses	23	(25,771)	(169,101)
Profit before taxation		**1,030,307**	**1,137,633**
Taxation		(399,434)	(411,295)
Profit for the year		**630,873**	**726,338**
Attributable to :			
Equity holders of the parent company		575,718	652,239
Non-controlling interests		55,155	74,099
Profit for the year		**630,873**	**726,338**
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Fair value adjustment of financial asset	6	5,817	-
Foreign currency translation differences arising from foreign operations		(219,197)	(18,634)
Total comprehensive income for the year		**417,493**	**707,704**
Attributable to :			
Equity holders of the parent company		371,747	629,364
Non-controlling interests		45,746	78,340
Total comprehensive income for the year		**417,493**	**707,704**
Weighted average number of shares in issue during the year (millions)		2,128	2,125
Dilution effect - number of shares (millions)		99	40
Number of shares in issue at the end of the year (millions)		2,144	2,144
Basic earnings per share (thebe)		27.1	30.7
Fully diluted earnings per share (thebe)		25.8	30.1

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.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Stated capital	Retained earnings	Share based payment reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Legal reserve	Non-controlling interest	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Balance at 01 January 2020 - Restated	**862,621**	**3,823,280**	**24,304**	**-**	**(675,885)**	**195,793**	**390,823**	**4,620,936**
Total comprehensive income for the year								
Profit for the year	-	575,718	-	-	-	-	55,155	630,873
Other comprehensive income, net of income tax								
Other comprehensive income	-	-	-	5,817	-	-	-	5,817
Foreign currency translation reserve	-	-	-	-	(209,788)	-	(9,409)	(219,197)
Transactions with owners, recorded directly in equity								
Allocation to legal reserve	-	(19,042)	-	-	-	19,042	-	-
Recognition of share based payment reserve movement	-	-	16,539	-	-	-	-	16,539
New shares issued from long term incentive scheme	9,548	-	(9,548)	-	-	-	-	-
Dividends paid by subsidiary to minority interests	-	-	-	-	-	-	(18,750)	(18,750)
Dividends paid to equity holders	-	(246,642)	-	-	-	-	-	(246,642)
Balance at 31 December 2020 - Reviewed	**872,169**	**4,133,314**	**31,295**	**5,817**	**(885,673)**	**214,835**	**417,819**	**4,789,576**
Balance at 31 December 2018 - as previously reported	**862,621**	**3,500,317**	**18,089**	**-**	**(696,276)**	**73,519**	**316,392**	**4,074,662**
Prior year adjustment - note 22	**-**	(45,503)	**-**	**-**	43,266	-	17,070	14,833
Balance at 1 January 2019 - Restated	**862,621**	**3,454,814**	**18,089**	**-**	**(653,010)**	**73,519**	**333,462**	**4,089,495**
Total comprehensive income for the year								
Profit for the year	-	652,239	-	-	-	-	74,099	726,338
Other comprehensive income, net of income tax								
Foreign currency translation reserve	-	-	-	-	(22,875)	-	4,241	(18,634)
Transactions with owners, recorded directly in equity								
Allocation to legal reserve	-	(122,274)	-	-	-	122,274	-	-
Recognition of share based payment reserve movement	-	-	6,215	-	-	-	-	6,215
Dividends paid by subsidiary to minority interests	-	-	-	-	-	-	(20,979)	(20,979)
Dividends paid to equity holders	-	(161,499)	-	-	-	-	-	(161,499)
Balance at 31 December 2019 - Restated	**862,621**	**3,823,280**	**24,304**	**-**	**(675,885)**	**195,793**	**390,823**	**4,620,936**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	12 months ended 31 December 2020 (Reviewed) P'000	12 months ended 31 December 2019 (Restated) P'000
Operating activities			
Profit before taxation		1,030,307	1,137,633
Adjustments for :			
: Interest received		(2,712,278)	(2,974,839)
: Interest paid		850,964	923,814
: Amortisation, depreciation, right of use assets and disposals		85,673	84,972
: Impairment and write off charge		224,400	352,868
: Impairment of goodwill		-	38,737
Movement in working capital and other changes		(1,146,288)	(770,981)
Cash used in operations		(1,667,222)	(1,207,796)
Interest received		2,712,278	2,974,839
Interest paid		(837,911)	(913,398)
Income tax paid		(536,262)	(387,607)
Net cash flows (used in) / generated from operating activities		(329,117)	466,038
Investing activities			
Proceeds on disposal of plant and equipment		-	54
Purchase of property, plant and equipment and intangible assets		(45,320)	(69,960)
Net cash flows used in investing activities		(45,320)	(69,906)
Financing activities			
Dividends paid to equity holders and non-controlling interest		(265,392)	(182,478)
Conditional subsequent payment relating to the investment in AFB Ghana		-	(2,577)
Lease payments	15	(49,886)	(42,565)
Finance obtained from third parties		1,273,785	1,135,522
Repayment of borrowings		(526,226)	(1,415,529)
Net cash flows generated from / (used in) financing activities		432,281	(507,627)
Net movement in cash and cash equivalents		57,844	(111,495)
Cash and cash equivalents at the beginning of the year		972,123	1,100,342
Effect of exchange rate changes on cash and cash equivalents		(43,433)	(16,724)
Cash and cash equivalents at the end of the year	2	**986,534**	**972,123**

SEGMENTAL REPORTING

For the year ended 31 December 2020

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

The Group's geographical operating segments are reported below:

Reportable segments 31 December 2020	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	652,661	489,087	314,075	85,240	77,949	159,475	6,112	134,659	145,826	61,892	187,040	(169,133)	**2,144,883**
Profit / (loss) before taxation	471,412	333,581	197,177	60,845	29,992	60,803	614	21,669	64,682	5,935	115,732	(332,135)	**1,030,307**
Taxation - consolidated													(399,434)
Profit - consolidated													**630,873**
Gross advances to customers	2,937,130	2,714,213	1,268,176	428,787	514,252	737,442	33,309	418,300	459,312	151,564	1,077,036	-	10,739,521
Impairment provisions	(110,884)	(42,871)	(24,127)	(19,314)	(22,609)	(137,564)	(2,637)	(39,109)	(44,491)	(20,110)	(114,271)	-	(577,987)
Net advances	**2,826,246**	**2,671,342**	**1,244,049**	**409,473**	**491,643**	**599,878**	**30,672**	**379,191**	**414,821**	**131,454**	**962,765**	**-**	**10,161,534**
Total assets	**2,990,027**	**3,253,380**	**1,470,446**	**418,628**	**524,822**	**714,571**	**54,682**	**445,039**	**583,025**	**167,920**	**1,213,506**	**390,159**	**12,226,205**
Borrowings	**1,257,184**	**1,076,369**	**199,468**	**245,757**	**319,341**	**372,997**	**12,696**	**291,989**	**18,234**	**1,860**	**683,704**	**1,169,962**	**5,649,561**
Total liabilities	**1,376,416**	**1,333,001**	**604,966**	**258,504**	**332,572**	**504,844**	**34,070**	**309,802**	**112,469**	**62,515**	**1,048,203**	**1,459,267**	**7,436,629**

SEGMENTAL REPORTING (CONT'D)
For the year ended 31 December 2020

Reportable segments 31 December 2019	Botswana P '000	Namibia P '000	Mozambique P '000	Lesotho P '000	Eswatini P '000	Kenya P '000	Rwanda P '000	Uganda P '000	Tanzania P '000	Nigeria P '000	Ghana P '000	Holding company or eliminations P '000	Total P '000
Operating income	669,189	555,601	316,740	88,591	67,452	156,116	9,414	142,348	168,278	53,430	284,979	(128,644)	**2,383,494**
Profit / (loss) before taxation	527,892	418,311	198,742	42,078	38,310	55,232	2,678	42,096	90,386	7,162	14,161	(299,415)	**1,137,633**
Taxation - consolidated													(411,295)
Profit - consolidated													**726,338**
Gross advances to customers	2,768,646	2,226,635	1,361,331	398,937	503,314	714,843	41,452	392,453	446,716	120,264	858,297	-	9,832,888
Impairment provisions	(167,400)	(21,227)	(21,142)	(40,047)	(8,002)	(145,981)	(2,513)	(47,809)	(96,848)	(14,381)	(196,054)	-	(761,404)
Net advances	**2,601,246**	**2,205,408**	**1,340,189**	**358,890**	**495,312**	**568,862**	**38,939**	**344,644**	**349,868**	**105,883**	**662,243**	**-**	**9,071,484**
Total assets	**2,887,109**	**2,619,349**	**1,680,227**	**397,833**	**547,946**	**676,075**	**70,451**	**379,592**	**543,901**	**150,122**	**807,153**	**150,827**	**10,910,585**
Borrowings	**1,163,526**	**348,212**	**404,866**	**260,410**	**348,696**	**319,143**	**15,281**	**218,503**	**20,900**	**850**	**503,509**	**1,362,889**	**4,966,785**
Total liabilities	**1,277,310**	**457,104**	**761,757**	**267,792**	**356,921**	**457,272**	**48,989**	**234,105**	**121,133**	**53,623**	**702,088**	**1,551,555**	**6,289,649**

SIGNIFICANT ACCOUNTING POLICIES
For the year ended 31 December 2020

Reporting entity

Letshego Holdings Limited (the Company) is a limited liability company incorporated in Botswana. The address of the company is Letshego Place, Plot 22 Khama Crescent, Gaborone, Botswana. The condensed consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the provision of short to medium-term unsecured loans to employees of the public, quasi-public and private sectors as well as provision of loans to MSE entities.

The condensed consolidated financial statements for the year ended 31 December 2020 have been approved for issue by the Board of Directors on 03 March 2021.

The accounting policies adopted are consistent with those of the previous financial year.

Basis of preparation

These condensed consolidated financial statements for the year ended 31 December 2020 have been prepared using the framework principles, the recognition and measurement principles of IFRS and contain the presentation and disclosures required by IAS 34, 'Interim financial reporting'. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS and the same accounting policies and methods of computation were applied in these condensed consolidated financial statements.

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

Use of judgements and estimates

The preparation of financial statements requires management to make 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 recognized in the period in which the estimate is revised if the revision affects only that year or in the year of the revision and future periods if the revision affects both current and future years.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated annual financial statements of the Group for the year ended 31 December 2019. The below new amendments and interpretations that took place during the year did not have a material impact on the condensed consolidated financial statements.

• Definition of Material – Amendments to IAS 1 and IAS 8 - effective 1 January 2020
• The Conceptual Framework of Financial Reporting - effective 1 January 2020
• Amendments to IFRS 3 – Business combinations – effective 1 January 2020
• Covid-19 Related rent concessions – Amendment to IFRS 16 - effective 1 June 2020

The below accounting standard was amended during the year and management is assessing its impact to the Group:
• Amendment to IAS 39, IFRS 7, IFRS 9 in respect of IBOR – effective 1 January 2020

Use of judgements and estimates (continued)

Goodwill impairment assessment
Key assumptions in the assessment of goodwill include inflation rates, long-term growth and discount rates. Goodwill was assessed for Namibia, Ghana, Kenya and Tanzania at 31 December 2020. All subsidiaries were profitable with positive growth rates expected, and indicated sufficient headroom to cushion against any future variations or pressures. At this time, we do not know of any material impact of changes to business operations that will arise from the ongoing Covid 19 pandemic.

Deferred tax asset recoverability
The two main areas of judgement on deferred tax recoverability, which could be affected by the Covid 19 lockdowns, relate to the timing differences on portfolio provisions and recognition of deferred tax assets on tax losses. Based on our assessments and financial forecast beyond December 2020 the Group expects to generate sufficient taxable profits and utilise these temporary differences and tax losses before they fall away.

Expected credit losses
The high level of uncertainties due to the unpredictable outcome of this pandemic make it difficult to estimate the financial effects of the outbreak. The significant estimates and judgements applied to determine the financial position at 31 December 2020 have been included as part of the accounting policies of the Group. The estimates applied, relating to the calculation of Expected Credit Losses, were based on forward looking factors referencing a range of forecast economic conditions as at that date. The outbreak of Covid-19 has resulted in disruption to business activities globally, since mid-January 2020 with a material impact being noted from March 2020.

All forward-looking statements in these condensed consolidated financial statements expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of the future development in the business environment and the future financial performance of Letshego Holdings Group and actual results may differ materially from those expressed in the forward-looking statements.

The estimates relating to the calculation of ECL are based on forward looking factors referencing a range of forecast economic conditions. The unpredictable and evolving outcomes of this pandemic therefore make it difficult to estimate the financial effects of the outbreak.

	Upside assumptions	**Downside assumptions**
Probability of default	A distribution of PDs for each portfolio was constructed and all the PDs were capped at the 25th percentile of each Portfolio's PD distribution, or better	A distribution of PDs for each portfolio was constructed and all the PDs were floored at the 75th percentile of each Portfolio's PD distribution, or worse
Loss given default	The LGDs for each portfolio were reduced by 10%	The LGDs for each portfolio were increased by 10%

1 Financial Instruments

1.1 Expected credit losses as at 31 December 2020

Below is a summary of the expected credit losses as at 31 December 2020

Operating Segments 31 December 2020 P'000	IFRS 9 ECL Provisions at 31 December 2020 - (Reviewed)				IFRS 9 ECL Provisions at 31 December 2019 - (Audited)			
	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 2020	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 2019
Financial assets								
Botswana	21,799	4,010	85,076	**110,884**	22,390	14,238	130,772	**167,400**
Namibia	16,752	9,690	16,428	**42,871**	6,200	1,110	13,917	**21,227**
Mozambique	13,423	1,614	9,089	**24,127**	4,420	3,240	13,482	**21,142**
Lesotho	7,789	769	10,756	**19,314**	6,558	4,989	28,500	**40,047**
Eswatini	3,704	2,252	16,652	**22,609**	3,276	417	4,309	**8,002**
Kenya	88,182	5,604	43,779	**137,564**	13,063	7,885	125,033	**145,981**
Rwanda	1,144	727	765	**2,637**	706	190	1,617	**2,513**
Uganda	13,028	3,522	22,559	**39,109**	7,336	5,071	35,402	**47,809**
Tanzania	15,966	3,304	25,221	**44,491**	24,287	9,056	63,505	**96,848**
Nigeria	2,631	2,388	15,091	**20,110**	2,226	1,947	10,208	**14,381**
Ghana	29,203	39,555	45,514	**114,271**	58,202	43,980	93,872	**196,054**
Total	**213,621**	**73,435**	**290,931**	**577,987**	**148,664**	**92,123**	**520,617**	**761,404**

As at 30 June 2020 ,the group took additional P36million for a single employer exposure in Eswatini which had six months outstanding repayments. As at 31 December 2020, all repayments had all been received and therefore the provision was released. Furthermore, an additional Covid-19 provision of P70m taken in the first half of the year was reversed (P86m at H1'20) as the repayment period came to an end . ECL 's are down from P761m in the end of 2019 to P578m in December 2020. This was driven by increased write offs from August to October 2020(FY 2020 : P408m) causing release of provisions coupled with positive rate update impact from Ghana, Mozambique, Tanzania Faidika and Uganda CF at the back of improved asset quality . The Group for the first time since 2014 have meet the Non performing loan (NPL) target of 5% as it was 5.3% at the end of December 2020 (FY 2019 :6.9%).

The impact of the Covid 19 pandemic is a signifcant matter for reporting in 2020. The outbreak affected most businesess across the continent and the world at large. Letshego's operations were also affected as a result of the lockdowns introduced by governments to protect its citizens from the pandemic, although the impact was curbed by the nature of Letshego's product offering. The loan book comprises 88% Deduction at Source (DAS), 9% Micro to Small Enterprises (MSE) and 3% informal loans. In 2020, no governments in our countries of operation retrenched employees and a 98% collection rate was maintained to the end of the year on the DAS book.

As a predominantly Government Deduction at Source (DAS) business, Letshego was able to remain resilient to the worst effects of Covid-19. This was mainly due to the fact that governments had chosen to take a countercyclical approach and not retrench, so as not to worsen any downward economic trends. As such our collection rate was 98% for DAS and 81% for MSE. This was demonstrated by a double digit loan book growth, loan loss rate and Stage 3 ratio which are well below market trends. This was underpinned by strong collection and recoveries strategies inclusive of experienced front-office ,risk management teams with sector expertise and long-standing government/customer relationships. Non performing loans therefore improved to 5.3% against a long standing target of 5%.(FY 2019 :6.9%) . Early Performance indicators (30 days past due) also improved positively from 10.2% in FY 2019 to 8.3% in FY 2020 ,reflecting good underwriting and booking quality .

During the year 2020, Covid-19 has resulted in the slowdown of most economies in Africa. Letshego’s Medium-to-Small Enterprises (MSE) segment in East and West Africa suffered the greatest impact. As part of mitigation measures to sustain the portfolio, the Group introduced a three-month repayment holiday as well as Covid -19 related collection and recovery strategies. 70% of MSE customers mainly in the travel and tourism, manufacturing, trade and the education sectors applied for the repayment holiday. The MSE segment makes up 9% of the Group’s total loan portfolio. The Deduction at Source (DAS) portfolio accounts for 88% of the loan portfolio and remained relatively resilient as governments have supported employees and sought to minimise retrenchments.

Impairment expense reduced by P142.5 million from December 2019 to December 2020, driven by mobile loans which reduced by P105.3m following implementation of our turnaround strategy which included scorecard optimisation. The portfolio has since normalised and had no once -offs. In previous reporting periods (2018/2019) the main drivers of increase in provisons were in East and west Africa as credit risk deteriorated on the MSE portfolio.

Below is a summary of the mobile loans expected credit losses as at 31 December 2020

Expected credit losses (mobile lending)	Dec-20	Dec-19
Stage 1	14,164	48,613
Stage 2	37,074	33,517
Stage 3	25,111	28,460
Total	**76,349**	**110,591**

Covid-19 ECL – In June 2020, stress testing led to staging amendments and therefore additional provision taken to cover 7% of the portfolio on repayment holiday (P686m exposure at risk). MSE porfolio consistsing 84% of the total accounts offered repayment holiday was impacted heavly at sector level with reduction in cashflows ,constrained collections and recoveries environment during lockdowns,slowdown in the foreclosure processes and deterioration of forward looking outlook. However 88% of our portfolio is government deduction at source and we leveraged from government continue to pay salaries and offering subsidies. However ,customers offered repayment holiday continued to pay even during the stress relief period ,with 80% of the portfolio ending the repayment period in July 2020 and the rest in December 2020 hence a minimal impact on overall book performance at the back of enhanced relationship based collection strategy.

Below is a summary of the accounts offered repayment holiday at 31 December 2020:

In BWP '000	As at 30 June 2020		As at 31 December 2020	
	No of Accounts	**Balance**	No of Accounts	**Balance**
MSE Total	9,917	575,400	1	274
DAS Total	8,090	108,200	0	0
Grand Total	**18,007**	**683,600**	**1**	**274**

Based on the sensitivity analysis done at the end of 31 December 2020, a 5% increase in LGD and PD will result in additional expected credit losses of P30 million - P60 million. Alternatively a 5% decrease in LGD and PD will result in a release of expected credit losses of P30 million - P60 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the year ended 31 December 2020

1 Financial Instruments (continued)

1.2 Maximum exposure to credit risk

	At 31 December 2020 (IFRS 9)	At 31 December 2019 (IFRS 9)
	P'000	**P'000**
Gross advances to customers	**10,739,521**	**9,832,888**
Of which stage 1	9,652,641	8,642,479
Of which stage 2	496,482	464,671
Of which stage 3	590,399	725,738
Expected credit loss provisions	**(577,987)**	**(761,404)**
Of which stage 1	(213,621)	(148,664)
Of which stage 2	(73,435)	(92,123)
Of which stage 3	(290,931)	(520,617)
Net advances to customers	**10,161,534**	**9,071,484**
Of which stage 1	9,439,020	8,493,815
Of which stage 2	423,046	372,548
Of which stage 3	299,468	205,121
Impairment (ECL) Coverage Ratio	**5%**	**8%**
Stage 3 Coverage Ratio	**98%**	**105%**

1.3 Expected credit losses: Stress Testing and Sensitivity Analysis

As a mostly Government Deduction at Source (DAS) business, Letshego was able to remain resilient to the worst effects of Covid-19. This was mainly due to the fact that governments had chosen to take a countercyclical approach and not retrench, so as not to worsen any downward economic trends.

Model recalibrations were performed in 2020 at two points, in April and October 2020. The period between April and October saw the pinnacle of the economic effects of the pandemic. This was the period that had the most severe lockdowns, curfew measures and border restrictions, affecting the ease of doing business. The Group put in a number of measures to mitigate the impact of these conditions which included repayment holidays and loan restructures.

Loss given default (LGD)

The absolute value shift in LGDs between April and October 2020 was 6.4%. This gave an indication of the sensitivity of our LGDs under economic duress. We were 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.

1.4 Macroeconomic analysis

Country	INFLATION	GDP	CPI	UER
Botswana				
Ghana				
Kenya				
Lesotho				
Mozambique				
Namibia				
Nigeria				
Rwanda				
Swaziland				
Tanzania				
Uganda				

Country Macro-analysis : 2019 - 2020

1 Financial Instruments (continued)

1.4 Macroeconomic analysis (continued)

Inflation

With the exception of Botswana and Ghana, all subsidiaries' headline Inflation rates have increased YOY. However, the consumer price index (CPI) has increased across all the subsidiaries.

Gross domestic product (GDP)

With the exception of Namibia, Gross Domestic Product (GDP) has decreased across all the subsidiaries.

Unemployment rate

Unemployment rates have reduced for Kenya, Lesotho, Mozambique, Namibia, Nigeria and Swaziland. Ghana, Tanzania and Uganda have experienced an increase in unemployment rates, while Botswana and Rwanda's unemployment rates remained flat.

Country	INFLATION	GDP	CPI	UER
Botswana				
Ghana				
Kenya				
Lesotho				
Mozambique				
Namibia				
Nigeria				
Rwanda				
Swaziland				
Tanzania				
Uganda				

Country Macro-analysis : 2015 - 2020

The Government Deduction at Source (DAS) portfolio is the largest portfolio and constitutes more than 88% of the total loan portfolio. In general, the macroeconomic environment was on a downturn due to pressure from the Covid-19 pandemic. However, Governments were reluctant to retrench. Therefore, although the Group was operating in a difficult macroeconomic environment, clients continued to honor their financial obligations.

Influence of economic 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 when 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.

1.5 Expected credit losses: Forward looking

Macro economic forward looking factors were all stressed to downside heavy for Consumer Price Index (CPI), Inflation, Gross Domestic Product (GDP) and unemployment rate inline with Fitch Solutions' revised outlook for the period ending 31 December 2020.

The table below summarises the ECL impact of the sensitivity analysis after application of forward looking factors for the period ending 31 December 2020.

BWP'000	Base case	Upside		Downside		Probability Weighted ECL	Weighted Impact*
	ECL	ECL	Impact	ECL	Impact	ECL	Impact
Consumer	256,318	291,557	35,238	532,041	275,722	365,948	109,630
MSE	245,320	96,371	(148,949)	90,610	(154,710)	230,486	(14,834)
Informal	76,349	-	-	14,442	(61,907)	17,461	(58,888)
Total	**577,987**	**387,928**	**(113,711)**	**637,093**	**59,106**	**613,895**	**35,908**

**The probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used are 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.*

1 Financial Instruments (continued)

1.5 Expected credit losses: Forward looking (continued)

The total weighted impact of P35.9m is distributed to operating subsidiaries as follows:

Country	Base ECL	Probability Weighting	Impact BWP'000
	BWP'000	BWP'000	
Botswana	110,884	121,202	10,318
Ghana	114,272	119,520	5,248
Kenya	137,565	137,589	24
Lesotho	19,314	21,061	1,747
Mozambique	24,127	28,588	4,461
Namibia	42,871	46,480	3,609
Nigeria	20,110	21,665	1,555
Rwanda	2,637	3,514	877
Swaziland	22,609	24,657	2,048
Tanzania - Bank	26,289	28,003	1,713
Tanzania - Faidika	18,691	19,276	585
Uganda	38,618	42,340	3,723
Group	**577,987**	**613,895**	**35,908**

The Group, therefore estimates an additional ECL impact of P35.9 million as at December 2020 should the Group not have any mitigation in place. Full ECL disclosures can be read in conjuction with 31 December 2019 financial statements and only where there has been significant changes disclosure were noted above.

	At 31 December 2020 (Reviewed) P'000	At 31 December 2019 (Restated) P'000
2 Cash and cash equivalents		
Cash at bank and in hand	918,284	944,882
Statutory cash reserve	57,330	63,390
Short term investments	68,250	27,241
	1,043,864	1,035,513
Cash and cash equivalents for the purpose of the statement of cash flows	986,534	972,123

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.

3 Advances to customers		
Gross loans and advances to customers	10,739,521	9,832,888
Less : Expected credit losses	(577,987)	(761,404)
- Stage 1	(213,621)	(148,664)
- Stage 2	(73,435)	(92,123)
- Stage 3	(290,931)	(520,617)
Net advances to customers	10,161,534	9,071,484
4 Other receivables		
Deposits and prepayments	39,601	33,744
Receivable from insurance arrangements	168,029	160,084
Withholding tax and value added tax	755	405
Deferred arrangement fees	16,630	14,593
Clearing and other receivables	38,187	39,170
	263,202	247,996

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

5 Financial assets at fair value through profit or loss		
Foreign currency swap	140,804	-
	140,804	-

This relates to short term foreign currency swap arrangement with a financial institution, where the Group paid a specified amount in one currency and received 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 11.

6 Financial assets at fair value through other comprehensive income		
Balance at the beginning of the year	53,591	53,591
Fair value gain recognised through other comprehensive income	5,817	-
	59,408	53,591

The Group entered into a strategic partnership with a financial services organisation in 2016 and acquired 2.3% shareholding at P53.6 million. A fair value assessment is performed annually. In previous years the fair value of this investment did not materially vary to its carrying value and no gains or losses were recognised. In the current year a company valuation of the financial services organisation was carried out during a rights issue and based on this the value of our investment was P59.4 million. This resulted in a fair value gain of P5.8 million recognised above.

7 Property, plant and equipment

	Carrying amount at 01 January 2020	Additions	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 December 2020
Motor vehicles	5,772	1,938	539	(435)	(2,406)	(315)	5,093
Computer equipment	42,111	19,680	(5,190)	(8)	(21,673)	(2,409)	32,511
Office furniture and equipment	25,949	10,138	4,561	(239)	(11,327)	327	29,409
Land and building	18,739	-	-	-	-	(1,915)	16,824
Work in progress	7,100	9,444	(5,243)	-	-	(909)	10,392
	99,671	41,200	(5,333)	(682)	(35,406)	(5,221)	94,229

	Carrying amount at 01 January 2019	Additions	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 December 2019
Motor vehicles	4,831	2,213	1,350	(2)	(2,637)	17	5,772
Computer equipment	24,201	41,381	(4,138)	(12)	(19,851)	530	42,111
Office furniture and equipment	27,514	10,379	1,280	(74)	(12,682)	(468)	25,949
Land and building	18,518	-	-	-	-	221	18,739
Work in progress	5,468	5,437	(3,653)	-	-	(152)	7,100
	80,532	59,410	(5,161)	(88)	(35,170)	148	99,671

8 Right-of-use asset

	Carrying amount at 01 January 2020	Additions	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 December 2020
Property	61,436	111,863	-	-	(35,183)	(6,413)	131,703
	61,436	111,863	-	-	(35,183)	(6,413)	131,703

	Carrying amount at 01 January 2019	Implementation of IFRS 16	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 December 2019
Property	-	97,024	-	-	(35,473)	(115)	61,436
	-	97,024	-	-	(35,473)	(115)	61,436

9 Intangible assets

	Carrying amount at 01 January 2020	Additions	Transfers	Disposal	Amortization charge	Forex translation	Carrying amount at 31 December 2020
Computer software	40,848	4,120	5,333	-	(13,343)	(1,032)	35,926
Brand value	1,618	-	-	-	(470)	49	1,197
Core deposit	2,755	-	-	-	(589)	(198)	1,968
	45,221	4,120	5,333	-	(14,402)	(1,181)	39,091

	Carrying amount at 01 January 2019	Additions	Transfers	Disposal	Amortization charge	Forex translation	Carrying amount at 31 December 2019
Computer software	39,649	10,550	5,161	-	(13,276)	(1,236)	40,848
Brand value	2,363	-	-	-	(280)	(465)	1,618
Core deposit	3,476	-	-	-	(737)	16	2,755
	45,488	10,550	5,161	-	(14,293)	(1,685)	45,221

	At 31 December 2020 (Reviewed) P'000	At 31 December 2019 (Restated) P'000
10 Goodwill		
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	22,489	23,111
Letshego Tanzania Limited	1,886	1,874
Letshego Kenya Limited	31,349	33,238
AFB Ghana Plc	9,874	10,010
	65,598	**68,233**

The Group performs its impairment test annually. The Group assesses the recoverable amount of goodwill in respect of all cash generating units to determine indications of impairment. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2019. Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies.

In light of current economic factors as a result of Covid 19 the Group performed an impairment assessment as at 31 December 2020 for all the above cash generating units and no indications of impairment were noted.

	At 31 December 2020 (Reviewed) P'000	At 31 December 2019 (Restated) P'000
11 Financial liabilities at fair value through profit or loss		
Foreign currency swap	152,855	15,390

In the current period P144.6 million relates to short term foreign currency swap arrangement with a financial institution, where the Group paid a specified amount in one currency and received specified amount in another currency to reduce its exposure on currency risk (the assets is disclosed in note 5).
Whereas P8.2 million (Dec 2019 : P15.4 million) relates to currency swap agreements with a local financial institution in respect of foreign currency denominated funding denominated in US Dollars and Euro. The currency swap hedges the variable factor of the capital and interest coupons payable on these funding lines.

12 Customer deposits		
Demand accounts	106,384	67,155
Savings accounts	107,669	67,381
Call and term deposits	450,340	292,137
	664,393	426,673
13 Cash collateral		
Cash collateral on loans and advances	18,838	21,721

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.

14 Trade and other payables	**At 31 December 2020 (Reviewed) P'000**	**At 31 December 2019 (Restated) P'000**
Insurance premium payable	146,530	36,184
Payroll related accruals	14,204	37,201
Staff incentive accrual	75,968	66,732
Other provisions	58,167	59,573
Guarantee funds	291,961	194,582
Trade and other payables	94,818	119,677
Value added tax / withholding tax payable	32,900	39,823
	714,548	553,772

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

15 Lease liabilities	**Carrying amount at 01 January 2020**	**Additions**	**Interest expense**	**Cash payments**	**Forex translation**	**Carrying amount at 31 December 2020**
Lease liabilities	64,760	111,863	13,053	(49,886)	(6,413)	133,377

	Carrying amount at 01 January 2019	**Implementation of IFRS 16**	**Interest expense**	**Cash payments**	**Forex translation**	**Carrying amount at 31 December 2019**
Lease liabilities	-	97,024	10,416	(42,565)	(115)	64,760

Refer to the 31 December 2019 annual financial statements for the full year movements.

	At 31 December 2020 (Reviewed) P'000	**At 31 December 2019 (Restated) P'000**
The following are the amounts recognised in the profit or loss:		
Depreciation expense of right of use asset	35,183	35,473
Interest expense on lease liabilities	13,053	10,416
Expense relating to short-term leases	7,325	9,018
Expense relating to low value assets	2,852	6,891
Total amount recognised in the profit or loss	58,413	61,798

16 Borrowings		
Commercial banks	2,588,765	1,904,695
Note programmes	1,555,891	1,729,542
Development Financial Institutions	1,339,680	1,118,927
Pension funds	165,225	213,621
	5,649,561	4,966,785

The Group has issued secured debt by means of medium term note programmes under Security Sharing Arrangement (SSA), comprising P350 million (FY 2019: P511 million) listed on the Johannesburg Stock Exchange, and commercial bank loans of P2.02 billion (FY 2019 P1.39 billion).
These borrowings are secured by the advances to customers of:
• Letshego Micro Financial Services (Namibia) (Pty) Limited
• Letshego Financial Services (Pty) Limited (Botswana)
• Letshego Financial Services Swaziland (Pty) Limited which was retired on the 29th September 2020.

The aggregated net advances to customers of the above is P4.34 billion (FY 2019 P4.25 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

17 Stated capital		
Issued: 2,144,045,175 ordinary shares of no par value (2019: 2,144,045,175) of which 14,571,140 shares (2019: 19,054,190) are held as treasury shares	872,169	862,621

In terms of the Group's long term incentive plan, shares of P9.55 million (2019: nil) vested at Group level during the year.

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		12 months ended 31 December 2020 (Reviewed) P'000	12 months ended 31 December 2019 (Restated) P'000
18	**Effective interest income**		
	Advances to customers	2,426,509	2,504,158
	Interest income on risk informal / mobile loans	78,346	193,786
	Interest income on non-risk informal / mobile loans	185,271	250,414
	Interest income from deposits with banks	22,152	26,481
		2,712,278	2,974,839
19	**Effective interest expense**		
	Overdraft facilities and term loans	634,053	663,495
	Interest adjustment on non-risk informal / mobile loans	185,271	250,414
	Interest expense on leases	13,053	10,416
	Market to market loss on foreign currency swaps	-	1,488
	Foreign exchange loss / (gain)	18,587	(1,999)
		850,964	923,814
20	**Other operating income**		
	Early settlement fees	42,156	52,627
	Income from insurance arrangements	153,925	195,026
	Market to market gain on foreign currency swaps	7,184	-
	Sundry income	9,271	25,365
		212,536	273,018
21	**Employee costs**		
	Salaries and wages	361,782	364,146
	Staff incentive	75,053	40,280
	Staff recruitment costs	2,184	8,152
	Staff pension fund contribution	28,669	27,106
	Directors' remuneration – for management services (executive)	9,270	8,124
	Long term incentive plan	16,539	6,215
		493,497	454,023
22	**Other operating expenses**		
	Accounting and secretarial fees	641	687
	Advertising	22,078	15,941
	Audit fees	5,732	5,565
	- Audit services	5,575	5,265
	- Covenant compliance fees	157	237
	- Tax advisory services	-	63
	Bank charges	10,497	7,208
	Computer expenses	17,005	12,317
	Consultancy fees	59,650	50,308
	Corporate social responsibility	4,912	3,266
	Collection commission	61,033	50,636
	Direct costs	50,305	39,844
	Direct costs - informal loans	22,969	44,370
	Depreciation and amortization	49,808	49,463
	Depreciation - right of use	35,183	35,473
	Directors' fees – non executive	8,581	6,474
	Directors' fees – subsidiary boards	7,746	5,832
	Government levies	27,142	26,789
	Insurance	18,688	9,359
	Impairment of goodwill	-	38,737
	Impairment of cash accounts	-	6,039
	Office expenses	23,161	22,043
	Rental expense for low value assets	7,325	9,018
	Short term leases	2,852	6,891
	Other operating expenses	80,668	86,098
	- Entertainment	338	576
	- IT costs	8,000	5,222
	- Loss on disposal of fixed assets	-	36
	- Motor vehicle expenses	6,554	6,196
	- Printing and Stationery	7,745	8,145
	- Repairs and Maintenance	4,292	6,111
	- Storage costs	2,271	1,940
	- Subscriptions and licenses	5,919	5,282
	- Other expenses	45,549	52,590
	Payroll administration costs	2,086	2,234
	Professional fees	24,972	27,465
	Telephone and postage	32,995	29,261
	Travel	19,279	31,419
		595,308	622,737

	12 months ended 31 December 2020 (Reviewed) P'000	12 months ended 31 December 2019 (Restated) P'000
23 Expected credit losses		
Amounts written off	407,817	434,599
Recoveries during the year	(198,629)	(183,767)
Expected credit losses reversed during the year	(183,417)	(81,731)
	25,771	169,101

22 Prior year adjustment

Letshego Holdings Limited (LHL) is the majority shareholder of Letshego Holdings Namibia Limited (LHN), with a shareholding of 78%. LHN in turn has two wholly- owned subsidiaries, Letshego Micro Financial Services Namibia Ltd (LMFSN) and Letshego Bank Namibia (LBN).

In August 2011, Letshego Holdings Limited granted a shareholder loan to Letshego Micro Financial Services Namibia Ltd (LMFSN) of N$600 million, increasing the loan amount over the years. On 1 March 2018, in order to support the growth of the Namibian business, LHL made a decision to convert the outstanding shareholder loan of N$897.1 million into 1000 redeemable non-cumulative preference shares of N$1.00 each, at par value plus a premium.

During 2019, it was determined that the conversion had not been completed in accordance with the Companies Act 2004 and the Listing Requirements of the Namibia Stock Exchange, thereby making the transaction irregular and therefore null and void.

The Group sought external legal counsel to assess the options available and the way forward on this transaction. Two alternatives were given, as follows:
1. regularise and validate the conversion through the court process.
2. maintain the conversion as null and void and therefore reverse the transaction from the date of conversion. This would entail reinstating the shareholder loan retrospectively from 1 March 2018.

Following deliberations and consultation, the LHL Board opted to reverse the transaction and restate the LHN and LHL company financial statements for the years 2018 and 2019.

The restatement entails recalculation of interest on the loan from 1 March 2018 and adjusting for the difference between loan interest and coupon on the preference shares, as well as adjusting for the difference in the tax treatment of the two financial instruments. The effect of the restatement on the Letshego Holdings Limited Group financial statements is shown below:

Statement of financial position - extract	**At 31 Dec 2018 Audited - (as previously stated)**	**Increase / Decrease**	**At 31 Dec 2018 Restated**	**At 31 Dec 2019 Audited - (as previously stated)**	**Increase / Decrease**	**At 31 Dec 2019 Restated**
Balance Sheet	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Income tax receivable	19,074	25,755	44,829	39,499	43,242	82,741
Deferred tax asset	211,651	(10,563)	201,088	144,699	-	144,699
Total assets	**10,656,289**	**15,192**	**10,671,481**	**10,867,343**	**43,242**	**10,910,585**
Trade and other payables	492,225	359	492,584	552,849	923	553,772
Total liabilities	**6,581,627**	**359**	**6,581,986**	**6,288,726**	**923**	**6,289,649**
Foreign currency translation reserve	(696,276)	43,266	(653,010)	(713,418)	37,533	(675,885)
Retained earnings	3,500,317	(45,503)	3,454,814	3,836,578	(13,298)	3,823,280
Total equity attributable to equity holders of the parent company	**3,758,270**	**(2,237)**	**3,756,033**	**4,205,878**	**24,235**	**4,230,113**
Non-controlling interests	316,392	17,070	333,462	372,739	18,084	390,823
Total shareholders' equity	**4,074,662**	**14,833**	**4,089,495**	**4,578,617**	**42,319**	**4,620,936**

Statement of profit or loss and other comprehensive income - extract	**At 31 Dec 2019 Audited - (as previously stated) P'000**	**Increase / Decrease P'000**	**At 31 Dec 2019 Restated P'000**
Effective interest expense	(931,164)	7,350	(923,814)
Profit before taxation	**1,130,283**	**7,350**	**1,137,633**
Taxation	(438,781)	27,486	(411,295)
Profit for the year	**691,502**	**34,836**	**726,338**

	At 31 Dec 2018 Audited - (as previously stated)	**Increase / Decrease**	**At 31 Dec 2018 Restated**	**At 31 Dec 2019 Audited - (as previously stated)**	**Increase / Decrease**	**At 31 Dec 2019 Restated**
Basic earnings per share (thebe)	20.7	(2.2)	18.5	29.2	1.5	30.7
Fully diluted earnings per share (thebe)	20.3	(2.2)	18.1	28.6	1.5	30.1

Basic and diluted earnings per share for the prior years have also been restated and noted above.

23 Contingent liabilities

There are no significant contingent liabilities as at 31 December 2020.

24 Capital commitments

At 31 December 2020 the commitments for capital expenditure under contract amounted to NIL (2019: P Nil).

25 Related party transactions

The significant related party transaction that took place relates to the reversal of a loan conversion to preference shares in Letshego Namibia that took place in March 2018. This lead to a restatement of 2018 and 2019 financials and refer to note 22 on the further detailts. Other than this there were no significant change in the nature and quantum of related party transactions.

26 Events occurring after reporting date

Dividend declaration

A final and second dividend of 8.3 thebe per share was declared on 26 February 2021.

27 Outlook post year-end

The economic impact of the second wave and the new strains identified in various parts of the world for 2021 remains to be seen. With the rollout of vaccines, infection rates are likely to start coming down but of importance will be the rollout of these vaccines across the African continent. Was is evident at the start of 2021 is the general preference by African governments for restricted trading hours and daily curfews as compared to total lockdowns, which could further hurt economies still recovering from the 2020 national lockdowns.

East and West Africa are expected to record improved economic growth in 2021, with West Africa being a key growth driver. Recovery is expected in Ghana, Nigeria, and Kenya. We will continue to monitor earnings performance across all our markets and assess the impact of changes to the competitive landscape, changes in government policy and legislation as well as any changes in customer behavior on the Group's revenues.

28 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following risks from financial instruments:
- credit risk
- liquidity risk
- market risk
- operational risk

Approach to managing credit risk

The Board of Directors is ultimately responsible for the management of credit risk and has delegated responsibility for the oversight of credit risk to the Group Risk Management Committee and Country Management Committees. It is the responsibility of Group Credit Risk and each CEO to ensure that the Group's policies regarding credit risk, credit scoring, collateral contribution, affordability levels and minimum take home pay is complied with at all times. The Group manages credit risk in accordance with its credit risk policies, guidelines and procedures which provide for the maintenance of a strong culture of responsible lending that promotes inclusive finance. Full details of the Group credit risk disclosures should be read in conjunction with the group's annual financial statements as at 31 December 2019. In response to Covid -19 key procedures and processes where revised to address key challenges. These include the following:

- Revision of credit risk appetite and alignement of concentration risk and tolerance levels
- Monthly stress testing
- Revised collections and recoveries strategies inclusive of relationship officers and direct sales agents
- Stakeholder relationship management for government DAS book
- Regulatory relationship management
- Weekly and monthly portfolio quality reviews

Interest rate risk

Governments, including their central banks, have instituted measures to mitigate against the economic effects of the Covid-19 pandemic. A key lever used by those central banks has been the reduction in interest rates to stimulate their economies and these policies have a significant effect on the Group's results.

The Group's loans and advances to customers are contractually fixed rate in nature however are noted to behaviourally reprice annually as most of the Group's customers apply for loan top-ups every year. This gives the Group the opportunity to reprice the loans provided to customers in line with changes to reference rates and market conditions. The Group's borrowings amounted to P5.7 billion at 31 December 2020, 65% of which have a variable interest rate.

The Group conducted a sensitivity analysis to assess the impact that 100 basis points adjustment to reference floating rates would have on the Group's net interest margin. The monthly impact of a 1% increase in floating reference rates of borrowings would result in P3 million monthly decrease in net interest margin. The annualised impact would amount to P36.084 million decrease in net interest margin. Conversely, a reduction of 1% would lead to an increase in net interest margin of a similar [same] amount.

The table below shows the effect on profit before taxation, of changes in reference rates from December 2020 assuming borrowings remained the same.

Country	Impact on Profit BWP
Botswana	1,646,920
Ghana	385,488
Kenya	61,836
Lesotho	18,108
Mozambique	124,673
Namibia	516,497
Rwanda	257
Swaziland	150,734
Uganda	102,551
Total	**3,007,063**

Average cost of borrowings during 2020 was 11%. Annualised impact of increase in borrowing costs ranging between 2% - 3% due to uncertainties would be P72.2m – P108.3m. This would impact Profit before tax for the year ended 31 December 2020 by 7% - 11%.

Currency risk

Most currencies weakened during the course of 2020 as a result of the COVID-19 pandemic as well as Global political and economic developments.

The Group actively manages foreign currency exposures. At year end there were position in foreign currency that were converted into alternate currencies on a short term deliverable basis to manage the risk of negative foreign currency movement against the base currency (Botswana Pula). These were ZAR and USD positions translated into Pula and disclosed in the annual financial statements as foreign currency swaps.

The Group's main foreign currency exposure is on the South African Rand (ZAR) on both assets and liabilities. The ZAR depreciated by 3% against the BWP during 2020. This impacted the Group's profits by 1%. If the ZAR depreciated by 10% - 15% during 2020, this would have resulted in foreign exchange gains of P32m – P45m. Similarly if the ZAR appreciated at the same levels, the impact on the Group's Profit before taxation would an decrease of P32m – P45m.

Other risks

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2019. There have been no changes in the risk management department or in any risk management policies since 31 December 2019.

28.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. read in conjunction with the group's annual financial statements as at 31 December 2019.

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

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

28 FINANCIAL RISK MANAGEMENT

28.2 Financial assets and liabilities measured at fair value

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

- 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 techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Reconcilation of fair value measurement categorises within level 3 of the fair value hierachy

	31 December 2020 P'000	31 December 2019 P'000
Financial assets - Level 3		
Opening balance	53,591	53,591
Total gain in other comprehensive income	5,817	-
	59,408	**53,591**

In the current year a company valuation of the financial services organisation was carried out during a rights issue and based on this the value of our investment was P59.4 million. This resulted in a fair value gain of P5.8 million recognised above.

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 rights issues changes by 1% - 5% will result in a fair value gain or loss of P0.6m and P3m respectively. In instances where the fair value of this investment does not materially vary to its carrying value and no gains or losses will be recognised.

Financial instruments measured at fair value

Type	Valuation technique		Significant observable / 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.
Financial assets at fair value through OCI	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 approximate to fair value	Level 3	Based on company valuation from a right issue

31 December 2020	Carrying amount: Fair value -through OCI	Fair value -through profit and loss	Financial Assets at amortised cost	Financial liability at amortised cost	Total	Fair value: Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial assets measured at fair value									
Financial assets at fair value through OCI	59,408	-	-	-	59,408	-	-	59,408	59,408
Financial assets at fair value through profit or loss	-	140,804	-	-	140,804	-	140,804	-	140,804
	59,408	140,804	-	-	200,212	-	140,804	59,408	200,212
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1,043,864	-	1,043,864				
Advances to customers	-	-	10,161,534	-	10,161,534				
Right-of-use assets	-	-	131,703	-	131,703				
Other receivables	-	-	222,846	-	222,846				
	-	-	11,559,947	-	11,559,947				
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	-	152,855	-		152,855	-	152,855	-	152,855
	-	152,855	-	-	152,855	-	152,855	-	152,855
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	605,680	605,680				
Lease liabilities	-	-	-	133,377	133,377				
Customer deposits	-	-	-	664,393	664,393				
Cash collateral	-	-	-	18,838	18,838				
Borrowings	-	-	-	5,649,561	5,649,561				
	-	-	-	7,071,849	7,071,849				

28 FINANCIAL RISK MANAGEMENT

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

	Carrying amount					Fair value			
31 December 2019	**Fair value -through OCI**	**Fair value -through profit and loss**	**Financial Assets at amortised cost**	**Financial liability at amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	P'000	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Financial assets measured at fair value									
Financial assets at fair value through OCI	53,591	-	-	-	53,591	-	-	53,591	53,591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1,035,513	-	1,035,513				
Advances to customers	-	-	9,071,484	-	9,071,484				
Right-of-use assets	-	-	61,436	-	61,436				
Other receivables	-	-	213,847	-	213,847				
	-	-	10,382,280	-	10,382,280				
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	-	15,390	-	-	15,390	-	15,390	-	15,390
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	447,217	447,217				
Lease liabilities	-	-	-	64,760	64,760				
Customer deposits	-	-	-	426,673	426,673				
Cash collateral	-	-	-	21,721	21,721				
Borrowings	-	-	-	4,966,785	4,966,785				
	-	-	-	5,927,156	5,927,156				

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