

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY**

- If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, banker, lawyer, accountant or other professional adviser immediately.
- If you have sold or transferred all your shares in Letshego Holdings Limited (“**Letshego**” or “the **Company**”), you should at once hand this Circular together with the Notice of the Extraordinary General Meeting (“**EGM**”) and the Form of Proxy to the agent through whom you effected the sale and transfer for transmission to the purchaser or transferee.
- This Circular incorporates listing particulars and is issued in compliance with the Listing Requirements of the Botswana Stock Exchange for the purpose of giving information to the public with regard to the Shareholders of Letshego. The Botswana Stock Exchange assumes no responsibility for the accuracy of any of the statements made or opinions expressed in this Circular.



Registration number CO: 1998/442  
 “**Letshego**” or “**the Company**”

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**CIRCULAR TO SHAREHOLDERS**

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**in relation to the Related Party transaction and incorporating a notice of the EGM and a form of proxy**

A notice convening an EGM of Letshego is to be held at the Avani Gaborone Hotel on the 27<sup>th</sup> of November 2015 at 10.30hrs or any adjournments thereof, together with the Form of Proxy enclosed in the notice of the EGM. The Form of Proxy must be lodged at the Registered Office of the Company Secretary at c/o Dumisani Ndebele, Letshego Holdings Limited, 2<sup>nd</sup> Floor, Letshego Place, 22 Khama Crescent, Gaborone, not later than forty-eight (48) hours before the time set for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

<b>Important Dates</b>	
Date of Circular and Press Announcement	6 November 2015
Last day and time for lodgement of Form of Proxy	10.30 hrs on 25 November 2015
Date and time of EGM	10.30 hrs on 27 November 2015
Press Announcement on results of EGM	30 November 2015

*The above dates and times are subject to change. Any such change will be published in the press.*



**Stockbrokers**



**Legal Advisors**

**CORPORATE INFORMATION**

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**Head Office**

Letshego Holdings Limited  
(Registration Number CO 1998/442)  
2<sup>nd</sup> Floor, Letshego Place  
22 Khama Crescent  
Gaborone, Botswana  
P. O. Box 381, Gaborone  
Botswana

**Directors**

John A Burbidge  
Chris Low  
Josias de Kock  
Gaffar Hassam,  
Gerrit van Heerde  
Hannington Karuhanga  
Idris Mohammed  
Stephen Price  
Robert Thornton

**Company Secretary**

C/O Dumisani Ndebele  
Letshego Holdings Limited  
(Registration Number CO 1998/442)  
2<sup>nd</sup> Floor, Letshego Place  
22 Khama Crescent  
Gaborone, Botswana  
P. O. Box 381, Gaborone  
Botswana

**Sponsoring Broker**

Stockbrokers Botswana Limited  
Registration Number CO 88/163  
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Wing, Prime Plaza, New CBD  
Private Bag 00113,  
Gaborone, Botswana

**Legal Advisors**

Armstrongs Attorneys  
2<sup>nd</sup> Floor, Acacia House,  
Plot 54358  
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Gaborone, Botswana

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## INTERPRETATIONS AND DEFINITIONS

In this Circular and the annexures hereto, unless the context indicates a contrary intention, an expression which denotes and gender includes the other genders, a natural person and vice versa, the singular includes the plural and vice versa and the

<b>“Board”</b>	The Board of directors of Letshego.
<b>“BSE”</b>	The Botswana Stock Exchange as established by the Botswana Stock Exchange Act Cap 56:08.
<b>“Circular”</b>	This circular dated 06 <sup>th</sup> November 2015 including the annexed and attachments, the notice of the EGM and a form of proxy.
<b>“EGM”</b>	The extra ordinary general meeting of Shareholders, to be held at the Avani Gaborone Hotel at 10.30hrs on 27 <sup>th</sup> November 2015.
<b>“Independent Expert”</b>	African Alliance Advisory (Proprietary) Limited, a company incorporated in the Republic of South Africa.
<b>“Listing Requirements”</b>	The Listing Requirements of the BSE.
<b>“Material”</b>	Material, as defined in the BSE Listing Requirements for transactions, being no more than 3%.
<b>“Offer Consideration”</b>	means Tanzanian Shillings 10.4 billion (approximately BWP 50 million) as consideration for the 13% shares in Letshego Tanzania to be sold by the Sellers.
<b>“Offer”</b>	means the offer by Letshego to acquire the 13% minority shares in Letshego Tanzania from the minority shareholders of Letshego Tanzania.
<b>“Letshego” or “the Company”</b>	Letshego Holdings Limited a company incorporated with limited liability and registered according to the laws of Botswana and listed on the BSE.

- “Letshego Tanzania”** Letshego Tanzania Limited, a company incorporated and registered according to the laws of Tanzania.
- “Sellers”** the minority shareholders of Letshego Tanzania as more fully disclosed in paragraph 3 who wish to dispose their combined 13% shareholding in Letshego Tanzania.
- “Registered Office”** 2<sup>nd</sup> Floor, Letshego Place, Plot 22, Khama Crescent, P O Box 381, Gaborone.
- “Related Party”** As determined by the BSE Listing Requirements and as more fully disclosed in paragraph 3.
- “Resolution”** the ordinary resolution to be passed by the Shareholders of Letshego to acquire the minority shares in Letshego Tanzania, as more fully provided in the Notice of the EGM.
- “Shareholders”** Holders of Shares.

## CIRCULAR TO LHL SHAREHOLDERS

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### 1. THE TRANSACTION

The Board of Letshego has agreed to offer the Sellers who hold minority shares in Letshego Tanzania to acquire their remaining 13% shares in Letshego Tanzania. Letshego intends to exercise its pre-emption rights by acquiring the shares as it already owns 87% of the shares in Letshego Tanzania.

The Board of Letshego has agreed to acquire the Sellers shares for a consideration of Tanzanian Shilling 10.4 billion (approximately BWP 50 million) in aggregate for their combined 13% shares in Letshego Tanzania which has been agreed by the Sellers.

The Offer Consideration was based on the net asset value of Letshego Tanzania as at 31<sup>st</sup> December 2014 per the audited financial statements plus the budgeted profit after tax for the year ended 31<sup>st</sup> December 2015.

Based on a closing date of 30 November 2015, and the estimated financial performance of Letshego Tanzania for the period to 30 November 2015, this would represent a premium of 8% over the net asset value of Letshego Tanzania.

Listing Requirements require that Letshego obtains prior approval from the Shareholders regarding this transaction as it constitutes a Related Party transaction in terms of the Listing Requirements. The Related Party transaction is less than 5% of the market capitalization of Letshego in terms of the Listing Requirements.

### 2. NATURE OF THE BUSINESS

Letshego Tanzania is a financial service provider and its main activity is to extend short and medium term, personal, unsecured loans to employed individuals. It is in the same line of business as its holding company, Letshego and the overall Letshego group of companies.

Letshego Tanzania commenced operations in June 2006 and was officially launched in November 2006. It currently operates from 16 branches countrywide and has 77 satellite offices. Its main business is to extend short and medium term personal unsecured loans to formally employed individuals working in government and parastatals. At 30 June 2015 Letshego Tanzania has a market share of 9%, with over 45,000 customers and loans valued of over BWP300 million. Its loans to customers grew by 14% in BWP terms and 24% in Tanzania Shillings in the period to 30 June 2015.

### 3. RELATED PARTIES

Other than as disclosed in these Circular or previous announcements to Shareholders, there has not been any other transactions with a Related Party.

The Related Parties are the minority shareholders of Letshego Tanzania. These are:-

- Dr Hassy Kitine who holds 6% in Letshego Tanzania and was, up to 29 August 2015, a non-executive director and chairman of Letshego Tanzania. He was previously a non-executive director of Letshego during 2007-2009;
- Joseph Rugumyamheko was a non-executive director of Letshego Tanzania from 2009 to 2014 and holds 2% shares; and
- Ambassador Paul Rapia who owns 5% and never served on the board of Letshego Tanzania or Letshego

The table below reflects the proposed Related Party transaction prior to it being implemented and thereafter:

	Prior	After
Shareholders	Shares (%)	Shares (%)
Dr Hassy Kitine	6%	0%
Joseph Rugumyamheko	2%	0%
Ambassador Paul Rupia	5%	0%
Letshego	87%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### 4. DIRECTORS' INTEREST IN LETSHEGO

The number of Shares held directly and indirectly by the Directors of Letshego, at the last year end of 31<sup>st</sup> December 2014 and as at the last practicable date before printing this circular, being 30<sup>th</sup> October 2015 was as follows:

#### Directors

	< Direct >		< -- Indirect -- >	
	No. of Shares	%	No. of Shares	%

Chris Low	1,453,659	0.0	-	-
Hannington Karahunga	29,000	0.0	-	-

The Shareholders represented directly by the directors of Letshego intend to vote in favour of the Resolution and they have no interest in the Related Party transaction

### **Substantial Shareholders**

	<Direct>		<Indirect>	
	No. of Shares	%	No. of Shares	%
Botswana Life Insurance Limited	506,346,861	23.2	-	-
FNB Botswana Nominees (Pty) Limited RE:AA BPOPF Equity	185,203,698	8.5	-	-
Stockbrokers RE: ADP I Holdings 2	180,484,287	8.3	-	-
FNB NOMS BW (Pty) Ltd RE: FAM BPOPF1-10001028	117 872 432	5.4		
SCBN (Pty) Ltd RE: JP 065/02 - FRANKLIN TEMPLETON INVESTMENT INVESTMENTS FUNDS	101,927,285	4.6	-	-

## **5. FINANCIAL EFFECTS OF THE RELATED PARTY TRANSACTION**

### **5.1 STATEMENT OF INDEBTEDNESS**

As at 30<sup>th</sup> June 2015, the Company's interim period end, Letshego had third party debt of BWP2.1 billion and cash and cash equivalent of BWP283 million. The value of Letshego assets at 30<sup>th</sup> June 2015 was BWP6.4 billion.

### **5.2 IMPACT ON NET ASSET VALUE PER SHARE**

The Related Party transaction is not expected to be implemented to the extent that it will adversely affect the cash flow of Letshego.

The proforma impact on the net assets from this Related Party transaction is estimated to be BWP50 million. The unaudited net asset value for the half year ended 30<sup>th</sup> June 2015 was BWP4.1 billion.

### **5.3 IMPACT ON EARNING PER SHARE**



This Related Party transaction will have no impact on net profit after tax or earnings per share as calculated before the impact of non-controlling interests. The unaudited earnings per share for the half year ended 30<sup>th</sup> June 2015 were 18.5 thebe per share.

**6. INDEPENDENT EXPERT OPINION**

A fair and reasonable opinion has been prepared by the Independent Expert which is attached to this Circular regarding the Related Party transaction.

**7. FINANCIAL INFORMATION**

All relevant financial information, including a full copy of the audited results for the year ended 31 December 2014 and unaudited interim financial results for the six month period ended 30<sup>th</sup> June 2015, is available for inspection at the Company's Registered Offices in relation to Letshego and Letshego Tanzania. The Auditor's report was unmodified.

There have been no material changes to the financial or trading position of the Company since the release of the unaudited interim financial results.

**8. PRO FORMA STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

The pro forma statement of financial position attached to this Circular is presented for illustrative purposes only, to provide information about how the Related Party transaction may affect the statement of financial position of Letshego at 30 June 2015 had the transactions been effective on that date. Due to the nature of a pro forma statement of financial position, it may not accurately reflect the financial position of Letshego after the Related Party transaction.

**9. OTHER INFORMATION**

**9.1 SIGNIFICANT CONTRACTS OTHER THAN IN THE ORDINARY COURSE OF BUSINESS**

Other than as disclosed in this Circular there have been no significant contracts entered into other than in the ordinary course of business.

**9.2 EXPERTS AND ADVISORS CONSENTS**

The independent expert, legal advisor and the sponsoring broker have each consented in writing to act in the capacities stated and to their names being stated in the Circular and had not withdrawn their consent prior to the publication of this Circular.

### 9.3 **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the Registered Office of the Company during working hours from 8.00am to 5.00pm from the 06<sup>th</sup> November 2015 to 27<sup>th</sup> November 2015.

9.3.1 The signed Share Sale Agreement;

9.3.2 Independent Expert opinion subject to the Related Party transaction to which this circular pertains;

9.3.3 Audited Annual Financial Statements of Letshego for the year ended 31<sup>st</sup> December 2014 and Half Yearly Results of 30<sup>th</sup> June 2015; and

9.3.4 Certified copies of the Audited Annual Financial Statements of Letshego Tanzania for the year ended 31<sup>st</sup> December 2014 and Half Yearly Results of 30<sup>th</sup> June 2015.

### 9.4 **LITIGATION**

There are no legal or arbitration proceedings against the Company, nor, as far as the Board is aware, are there any legal or arbitration proceedings pending or threatened against the Company which have had or may have, a significant effect on the financial position of the Company.

### 9.5 **DIRECTORS' REMUNERATION**

The directors of the Company were paid BWP2.8 million in respect of fees in the financial period end 31<sup>st</sup> December 2014.

## 10. **DIRECTORS' OPINIONS AND RECOMMENDATIONS**

The directors of Letshego ("the directors") are of the opinion that the acquisition will be the long-term benefit of Letshego and its Shareholders. Accordingly, the directors recommend that Shareholders vote in favour of the ordinary resolutions necessary to approve and implement the acquisition entered into.

11. **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors, whose names are given in the section entitled Corporate Information in this Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false misleading that they have made all reasonable enquiries to ascertain such facts and (if applicable) that this Circular contains all information required by law.

The directors confirm that the Circular includes all such information within their knowledge (or which it would be reasonable for them to obtain by making enquiries) as investors and their professional advisors would reasonably require and reasonably expect to find for the purposes of making an informed assessment of the assets and liabilities, financial positions, profits and losses and prospects of the issuer and of the rights attaching to the securities to which the Circular relates.

12. **VOTING AT THE EGM**

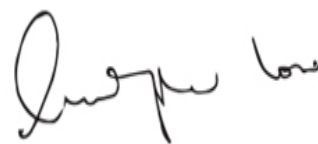
A simply majority is required to pass the resolution as set out in this Circular. The related parties and associates as detailed in page 7 above will not vote on any of the resolutions, nor will they be taken into account in determining a quorum at the EGM.

Signed by John Burbidge and Chris Low on behalf of each of the directors of Letshego.

Dated at Gaborone this 6<sup>th</sup> day of November 2015.



.....  
John Burbidge  
(Chairman)



.....  
Chris Low  
(Managing Director)

## PRO FORMA STATEMENT OF FINANCIAL POSITION

	30 June 2015 Reviewed	Impact of transaction	Proforma
	P'000	P'000	P'000
<b>Net assets</b>			
Total assets	6,443,196	(50,000)	6,393,196
Total liabilities	(2,387,956)	-	(2,387,956)
<b>Net asset value/equity</b>	<b>4,055,240</b>	<b>(50,000)</b>	<b>4,005,240</b>
Equity attributable to equity holders of the parent company	3,898,055	(9,749)	3,888,306
Non-controlling interests	157,185	(40,251)	116,934
<b>Earnings</b>			
Profit after tax	402,226	-	402,226
Number of shares in issue ('000)	2,179,000	-	2,179,000
<b>Earnings per share (thebe)</b>	<b>18.5</b>	<b>-</b>	<b>18.5</b>
<b>Loss on change of ownership</b>			
Tanzania NCI value	40,251	(40,251)	-
Consideration	-	50,000	-
<b>Loss on change of ownership</b>	<b>-</b>	<b>9,749</b>	<b>9,749</b>

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**INDEPENDENT EXPERT OPINION**

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23 October 2015

Letshego Holdings Limited  
P.O. Box 381  
Gaborone  
Botswana

Dear Sirs

**INDEPENDENT VALUATION REPORT TO LETSHEGO HOLDINGS LIMITED REGARDING THE ACQUISITION OF THE  
MINORITY INTEREST IN LETSHEGO TANZANIA LIMITED**

**INTRODUCTION**

As part of Letshego Holdings Limited's ("LHL") pan-African expansion strategy, LHL started entering into new markets, mostly through partnering up with local investors. This would typically involve the local investor taking up a minority shareholding in the LHL subsidiary. This partnership was critical in getting the operations established in each country of investment.

The minority shareholders of Letshego Tanzania Limited ("Letshego Tanzania") assisted with the establishment of Letshego Tanzania upon its incorporation in 2006. Over the years they have been instrumental in assisting Letshego Tanzania with various operational issues regarding loan registration and collection processes, amongst others. With the operating environment now stabilised, the local investors are seeking to exit their minority shareholdings in Letshego Tanzania. LHL has entered into a share sale agreement with the minority shareholder for the purchase of their shares in Letshego Tanzania (the "Transaction"), pursuant to which Letshego Tanzania will become a wholly owned subsidiary of LHL. The consideration payable for the Transaction amounts to TZS 10.4 billion for the remaining 13% of Letshego Tanzania.

African Alliance Advisory (Pty) Ltd, (Incorporated in the Republic of South Africa Reg. No. 2002/030821/07)

Authorised Financial Services Provider: FSP No. 24828

Directors: LR da Camara, PA O'Flaherty

Illovo Edge Office Block, Building 4, Cnr Harries and Fricker roads, Illovo, Gauteng, 2196

Postnet Suite 78, Private Bag X11, Birnam Park, Gauteng, 2015

Telephone: (+27) 11 214 8300 [www.africanalliance.com](http://www.africanalliance.com)

The acquisition of the shares in Letshego Tanzania, not already owned by LHL, is defined as a “related party transaction” under Section 10.1 (Transactions with Related Parties), specifically Section 10.4 of the Botswana Stock Exchange (“BSE”) Listings Requirements. LHL is therefore required to provide the BSE with a written confirmation from an independent professional expert that the terms of the Transaction with the related party are fair and reasonable (a “Fairness Opinion”) as far as the shareholders of the listed company are concerned as required by Section 10.4 of the BSE Listings Requirements.

African Alliance Advisory Limited (“African Alliance”) has been appointed by the board of directors of LHL to express a Fairness Opinion on the Transaction, as required in terms of section 10.4 of the BSE Listing Requirements.

## **RESPONSIBILITY**

Compliance with the BSE Listing Rules is the responsibility of the LHL Directors. Our responsibility is to express a Fairness Opinion based on an independent valuation of Letshego Tanzania based on our independent reasonable assurance engagement, performed in accordance with the International Standards on Assurance Engagements (ISAE 3000): Assurance engagements other than audits or reviews of historical information. This standard requires us to comply with ethical requirements and to plan and perform the assurance engagement to obtain reasonable assurance, regarding the subject matter of the engagement. Our responsibility encompasses the following:

- i. We will design our procedures to address all matters we believe to be significant within the scope described above without necessarily addressing matters that are not apparent to us from the reasonable enquiry we undertake as independent professional experts;
- ii. We will discuss all matters that we consider to be of significance with the Directors as these arise during the course of our work;
- iii. Conclusions based on information supplied by and from discussions with the Directors and their professional advisors, and by performing those procedures that would enable us to express an opinion on the information included in our statement; and
- iv. The Fairness Opinion shall not in any way constitute recommendations regarding the completion of the Transaction.

## **DETAILS AND SOURCES OF INFORMATION**

In performing our independent valuation we have relied upon the following principal sources of information:

- Signed share sale agreement;
- Annual Financial Statements (“AFS”) of Letshego Tanzania for the years ended 31 January 2012, 2013 and AFS for the 11 months ended 31 December 2014. Letshego Tanzania changed its financial reporting date to align to that of LHL;

- Letshego Tanzania’s management accounts as at 31 August 2015 (“Valuation Date”);
- Budgeted financial information in respect of Letshego Tanzania for the financial year ending 31 December 2015;
- Forecast financial information in respect of Letshego Tanzania for the financial years ending 31 December 2016 to 2019;
- Discussions with LHL management regarding the strategic rationale for the Transaction;
- Discussions with LHL management regarding the historical, budget and forecast financial information of Letshego Tanzania;
- Prevailing market, economic, legal and other conditions which may affect the underlying value of Letshego Tanzania;
- Publicly available information relating to the general Microfinance sector in Tanzania; and
- Publicly available information relating to the industry in which Letshego Tanzania operates that we deemed to be relevant, including LHL company announcements and media articles.

The information above was secured from:

- Directors and management of the LHL; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing the operations of Letshego Tanzania.

## **PROCEDURES**

In performing our independent valuation we have undertaken the following procedures and taken into account the following factors in evaluating the fairness of the Transaction:

- Reviewed the terms and conditions of the Transaction;
- Reviewed the financial information related to Letshego Tanzania, as detailed above;

- Reviewed and obtained an understanding as to the forecast financial information in respect of Letshego Tanzania and assessed the achievability thereof by considering historic information as well as macroeconomic and sector specific data to determine the achievability of the projections;
- Held discussions with the management of LHL and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- Compiled forecast cash flows by using the forecast financial information as detailed above and African Alliance's assumptions in respect of growth in revenue and net profits beyond the forecast period. African Alliance's assumptions of cost of equity were applied to the forecast cash flows to produce a discounted cash flow valuation of Letshego Tanzania;
- Compiled a market comparable valuation based on African Alliance's calculated price-to-book and price earnings multiples of comparable market and financial information to the profit after tax and book value as at the valuation date;
- Assessed the long-term potential of Letshego Tanzania based on historic and forecast performance and assuming growth in loans and advances;
- Performed a sensitivity analysis on key assumptions included in the valuation, specifically related to projected growth rates in the loan book, discount rate used in the valuation model and growth rate beyond the forecast period; and
- Evaluated the relative risks associated with Letshego Tanzania and the Microfinance sector in Tanzania, including assessing prevailing economic and market conditions and trends.

#### **APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS**

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in performing our independent valuation by:

- Conducting analytical reviews on the historic financial results and forecast financial information in respect of Letshego Tanzania, such as key ratio and trend analyses; and
- Determining the extent to which any representations were confirmed by documentary evidence as well as our understanding of Letshego Tanzania and the Microfinance sector.



## LIMITING CONDITIONS

This independent valuation is provided to the directors and shareholders of LHL in connection with and for the purposes of the Transaction. The independent valuation does not purport to cater for each individual shareholder's perspective, but rather that of the general body of LHL shareholders.

Individual shareholders' decisions regarding the Transaction may be influenced by such shareholders' particular circumstances and accordingly individual shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the Transaction.

We have relied upon and assumed the accuracy of the information provided to us in deriving our independent valuation. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our independent valuation, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the financial information, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, Letshego Tanzania's financial forecast relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Letshego Tanzania will correspond to those projected. We have however considered the assumptions inherent therein.

We have also assumed that the Transaction will have the legal consequences described in discussions with, and materials furnished to us, by representatives of LHL and we express no opinion on such consequences.

Our independent valuation is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the independent valuation, and we are under no obligation to update, review or re-affirm our independent valuation based on such developments.

## INDEPENDENCE

We confirm that African Alliance has no equity interest in LHL or Letshego Tanzania or any interest in other party to the Transaction.

Furthermore, we confirm that our professional fees are not contingent upon the success of the proposed Transaction.

## HISTORICAL FINANCIAL INFORMATION

Historical financial information for Letshego Tanzania is detailed in the table below:

## Balance Sheet

Balance sheet (TZS '000)	2012A	2013A	2014A		ManAccs (Aug 2015)
			(Jan)	2014A (Dec)	
<b>Assets</b>					1,000
Cash and bank balances	2,565,045	8,270,192	6,884,374	6,148,163	8,124,019
Net loans and advances to customers	51,627,492	66,109,198	58,005,864	58,252,321	63,539,640
Other receivables	158,950	613,794	422,177	436,511	202,037
Deferred tax asset	396,969	390,758	975,327	658,601	240,007
Corporate tax recoverable	446,322	-	-	230,216	265,021
Property and equipment incl. intangible assets	283,845	360,138	280,973	431,560	381,806
<b>Total assets</b>	<b>55,478,623</b>	<b>75,744,080</b>	<b>66,568,715</b>	<b>66,157,372</b>	<b>72,752,530</b>
<b>Equity and liabilities</b>					
Trade and other payables	13,496,482	1,147,661	858,766	1,268,400	707,846
Tax payable	-	836,337	1,136,638	-	-
Borrowings- Interco.	12,723,718	29,725,367	2,264,590	1,389,147	1,828,863
<b>Total liabilities</b>	<b>26,220,200</b>	<b>31,709,365</b>	<b>4,259,994</b>	<b>2,657,547</b>	<b>2,536,709</b>
Share capital- Ordinary	149,445	149,445	149,445	149,445	149,445
Retained earnings	17,268,819	31,985,620	50,217,733	62,196,610	69,279,672
Preference share capital	11,496,037	11,496,037	11,496,037	496,037	496,037
Share based payment reserve/ LTIP	344,122	403,613	445,506	657,733	290,666
<b>Total equity</b>	<b>29,258,423</b>	<b>44,034,715</b>	<b>62,308,721</b>	<b>63,499,825</b>	<b>70,215,820</b>
<b>Total equity and liabilities</b>	<b>55,478,623</b>	<b>75,744,080</b>	<b>66,568,715</b>	<b>66,157,372</b>	<b>72,752,530</b>

## Income Statement

Income statement (TZS '000)	2012A	2013A	2014A (Jan)	2014A (Dec)	ManAccs (Aug 2015)
Interest income	21,487,677	37,485,510	38,855,277	34,895,029	19,805,809
Interest expense	(600,112)	(2,944,806)	(1,224,267)	(287,985)	-
<b>Net interest income</b>	<b>20,887,565</b>	<b>34,540,704</b>	<b>37,631,010</b>	<b>34,607,044</b>	<b>19,805,809</b>
Net fee and commission income	6,153	2,537	58,995	582,025	41,637
Other operating income/ (expenses)	79,827	(383)	-	-	-
<b>Total income</b>	<b>20,973,545</b>	<b>34,542,858</b>	<b>37,690,005</b>	<b>35,189,069</b>	<b>19,847,446</b>
Impairment losses on loans and advances	(1,527,474)	(2,075,319)	(3,521,524)	(1,583,902)	(934,557)
<b>Net operating income</b>	<b>19,446,071</b>	<b>32,467,539</b>	<b>34,168,481</b>	<b>33,605,168</b>	<b>18,912,889</b>
Operating expenses	(8,634,634)	(11,150,751)	(8,549,519)	(10,227,196)	(6,313,043)
<b>Profit before tax</b>	<b>10,811,437</b>	<b>21,316,788</b>	<b>25,618,962</b>	<b>23,377,971</b>	<b>12,599,846</b>
Tax expense	(3,268,486)	(6,599,987)	(7,386,849)	(7,007,095)	(4,152,495)
<b>Profit for the year</b>	<b>7,542,951</b>	<b>14,716,801</b>	<b>18,232,113</b>	<b>16,370,877</b>	<b>8,447,351</b>
Gross loans and advances to customers	52,133,892	66,973,307	60,079,106	58,964,226	69,594,597
Total interest earning assets	52,133,892	66,973,307	60,079,106	58,964,226	69,594,597

## VALUATION APPROACH

The four most widely used valuation techniques for Microfinance financial institutions involve the income approach and two types of market comparable multiples. The income approach indicates the market value of an enterprise based on the present value of the cash flows that the business can be expected to generate in the future. Multiples can be based on historical values (trailing multiples) or future estimates (forward multiples) of historic financial information of comparable listed companies.

Banks and Microfinance financial institutions pose particular challenges for valuations for two principal reasons. The first is that the nature of these businesses makes it difficult to define finance costs, making the estimation of free cash flows much more difficult. The other is that debt is essentially a 'working capital' for these institutions. Capital for non-financial services firms takes the form of debt and equity. To determine an equity value for such firms, an enterprise value is determined, based on cash flows to the firm and debt is deducted from the enterprise value to arrive at net equity value. Capital in a lending institution's context can therefore be more narrowly defined as including only equity capital. Consequently, a free cash flow to equity discount model has been used to value Letshego Tanzania as opposed to a free cash flow to firm model.

The two equity-based alternatives to valuing financial institutions include:

- Cash flow to equity discount model; and
- Dividend discount model (not applicable as Letshego Tanzania does not have a dividends policy and has not declared any dividend from 2012).

We have used a cash flow to equity approach to arrive at a fair value for Letshego Tanzania. Free cash flows to equity include cash flows attributable to equity holders, i.e. net of cash flows re-invested in the firm i.e. to grow the loan book. Non-financial services firms generally look to fund future growth from equity (and debt, depending on optimal gearing strategy), while Letshego Tanzania will fund future growth through internally generated cash flows and debt, generally from LHL.

Letshego Tanzania equity has been valued by discounting cash flows to equity at the cost of equity. Equity multiples such as Price Earnings and Price-to-Book multiples are the recommended comparatives for financial service firms. We have used this approach as a secondary valuation methodology.

The valuations were performed taking cognisance of risk and other market and industry factors affecting Letshego Tanzania. Additionally, sensitivity analyses were performed on key value drivers.

Prevailing market and industry conditions were also considered as key external value drivers in assessing the risk profile of Letshego Tanzania.

### Cost of equity

A cost of equity used is 31.6% and it was determined as follows:

Cost of Equity Range		
Risk free rate	Rf	16.96%
Equity market risk premium	EMRP	8.5%
Beta	$\beta$	1.06
Small stock premium	SSP	5.7%
<b>Rf + <math>\beta</math> × EMRP + SSP</b>	<b>Ke</b>	<b>31.6%</b>

Beta calculation	Country	Beta
Bank Raykat	Indonesia	1.44
Bank Danamon	Indonesia	1.06
Bank Tabungan	Indonesia	1.34
Equity Bank	Kenya	1.26
AEON Financial Service Company	Japan	0.98
Banco do Nordeste do Brasil SA	Brazil	0.39
<b>Median</b>		<b>1.06</b>

*Note: Apart from Equity Bank in Kenya, there are no other listed African Microfinance institutions where reliable beta data could be sourced. Capitec Bank Holdings Limited ("Capitec") was excluded from the above comparable company beta pool as unlike the other companies used in the calculation, Capitec has moved away from the microfinance lending business to a more of a traditional bank business model.*

Comments:

- The risk free rate is based on the yield to maturity of a 10 year Tanzanian Treasury Bond as per the Bank of Tanzania website as at 13<sup>th</sup> of October 2015;
- The equity market risk premium is based on the average market risk premium used in East Africa per the PwC valuation methodology survey 2014/15;
- The beta is based on the median equity betas of comparable listed global Microfinance Institutions over the past 60 months based on the data from Bloomberg; and
- To compensate for the risk not accounted for by the beta, a premium of 5.7% has been used based on the range per the PwC valuation methodology survey 2014/15 given the expected size of the Company.

### Cash flow to equity discount model

A valuation range of c. TZS 79 billion to c. TZS 99 billion was determined in terms of a cash flow to equity model as follows:

Valuation (TZS '000)	2015F	2016F	2017F	2018F	2019F
Net interest income	31,791,709	37,363,703	45,767,042	61,109,781	82,208,354
Net fee and commission income	531,466	1,659,640	1,396,162	1,825,409	2,409,540
Other operating income	-	-	-	-	-
Impairment losses on loans and advances	(1,553,761)	(3,681,119)	(1,769,363)	(2,313,350)	(3,053,622)
Operating expenses	(11,962,485)	(12,355,148)	(13,520,785)	(17,233,607)	(22,210,245)
Tax expense	(7,133,769)	(6,896,122)	(9,561,917)	(13,015,741)	(17,803,486)
Depreciation	134,216	164,072	212,279	259,118	305,657
Capex	(173,626)	(266,607)	(56,444)	(193,836)	(192,593)
<b>Free cash flow to equity</b>	<b>11,633,750</b>	<b>15,988,417</b>	<b>22,466,974</b>	<b>30,437,775</b>	<b>41,663,606</b>

Valuation summary (TZS '000)	% of Value	Low	High	Average
PV of forecast cash flows	51%	55,851,079	61,340,041	58,484,114
PV of residual value	49%	47,739,212	68,638,385	56,901,400
Equity value (non-marketable, non-controlling basis)		103,590,292	129,978,426	115,385,514
Minority Discount	-23.8%	-24,654,489	-30,934,865	-27,461,752
Adjusted equity value		78,935,802	99,043,560	87,923,762
Adjusted equity value (marketable, controlling basis)		78,935,802	99,043,560	87,923,762

### Comments:

1. Forecast revenue growth is based on Letshego Tanzania introducing loans to the private sector as well as introducing a new housing product. Letshego Tanzania will continue maintaining its current practices of making all loan repayment deductions directly at the source of income of the borrowers, mainly their salaries, to reduce the risk of defaults.

### Sensitivity analysis - Cash flow to equity discount model

The sensitivity analysis using various key variables impacting on Letshego Tanzania forecast performance is detailed below:

African Alliance Base Case		Ke & Terminal Growth Rate Sensity Analysis (TZS 'millions)						
		Ke						
		27.6%	28.6%	29.6%	30.6%	31.6%	32.6%	33.6%
Terminal Growth Rate	3.5%	102,829	98,235	94,008	90,108	86,499	83,151	80,038
	4.0%	103,995	99,277	94,943	90,949	87,259	83,839	80,662
	4.5%	105,210	100,362	95,914	91,822	88,046	84,550	81,307
	5.0%	106,480	101,492	96,926	92,730	88,863	85,288	81,974
	5.5%	107,807	102,672	97,979	93,673	89,711	86,052	82,666
	6.0%	109,195	103,904	99,077	94,655	90,592	86,846	83,382

African Alliance Base Case		Terminal Value as % of Total Value						
		Ke						
		27.6%	28.6%	29.6%	30.6%	31.6%	32.6%	33.6%
Terminal Growth Rate	3.5%	53.5%	52.2%	50.9%	49.7%	48.4%	47.3%	46.1%
	4.0%	54.0%	52.7%	51.4%	50.1%	48.9%	47.7%	46.5%
	4.5%	54.5%	53.2%	51.9%	50.6%	49.4%	48.1%	47.0%
	5.0%	55.1%	53.7%	52.4%	51.1%	49.8%	48.6%	47.4%
	5.5%	55.6%	54.2%	52.9%	51.6%	50.3%	49.1%	47.8%
	6.0%	56.2%	54.8%	53.4%	52.1%	50.8%	49.5%	48.3%

### Market Approach Valuation

The Market Approach indicates the market value of an enterprise based on a comparison of the business to a peer group of publicly traded companies. The Market Approach may also indicate the value of an enterprise by applying the implied multiples of recent transactions, in the same industry, to the earnings of the entity being valued. We have performed a detailed Market Approach valuation for Letshego Tanzania based on historic and forecast multiples of comparable financial institutions. The Market Approach is particularly reliable in the valuation of privately owned enterprises as there are a number of comparable listed institutions. For illustrative purposes we have also calculated and presented the multiples of listed traditional banks in Tanzania.

A valuation range of c. TZS 72.79 billion to TZS 94.871 billion was determined using the market approach methodology. This particular approach used the Price to Book ("P/B") multiple and the Price to Earnings ("P/E") multiple.

### Price to Book Multiple

Research has shown that there is a relationship between P/B and Return on Equity (“ROE”) in financial institutions. A valuation range of c. TZS 72.79 billion to TZS 94.871 billion was determined using the unadjusted median P/B multiple and the adjusted median P/B multiple for the 2014 financial year.

The table below shows the unadjusted P/B multiples of the comparable companies used in the analysis. The P/B multiples are based on the share prices at the valuation date and the last reported Net Asset Value (“NAV”) of each comparable.

Name	Country	Market Cap USD 'millions	PB 2014A	ROE 2014A
Bank Danamon Indonesia Tbk PT	Indonesia	1,936	0.8	8.4%
Bank Tabungan Negara (Persero) Tbk PT	Indonesia	780	0.9	9.4%
Bank Rakyat Indonesia (Persero) Tbk PT	Indonesia	16,206	2.4	27.4%
Capitec Bank Holdings Ltd	South Africa	4,847	n/a	n/a
Equity Bank Ltd	Kenya	1,616	2.6	29.7%
Financiera Independencia SAB de CV SOFOM ENR	Mexico	178	0.8	9.7%
Aeon Financial Service Co Ltd	Japan	4,450	2.0	14.2%
Banco do Nordeste do Brasil SA	Brazil	607	0.7	26.2%
Mibanco Banco de la Microempresa SA	Peru	248	1.3	21.9%
CRDB Bank PLC	Tanzania	446	2.2	23.4%
National Microfinance Bank PLC	Tanzania	635	2.4	30.2%
DCB Commercial Bank PLC	Tanzania	18	1.2	11.5%
<b>Median</b>		<b>1,616</b>	<b>1.10</b>	<b>18.1%</b>

*The P/B multiples of the listed Tanzanian Banks are shown for illustrative purposes only and are not taken into account in the P/B multiple valuation of Letshego Tanzania as they are traditional banks rather than microfinance institutions. Whereas Capitec Bank Holdings Ltd was excluded from the analysis as it has changed its business model away from a microfinance institution to that of a more traditional bank.*

### Price Earnings Multiple

The P/E multiple valuation resulted in a valuation range of TZS 74.981 billion to TZS 91.437 billion. A trailing P/E and forward P/E multiple were used in determining the above valuation range. The P/E multiple valuation of Letshego Tanzania is based on the median P/E multiple of the listed financial institutions used in the analysis.

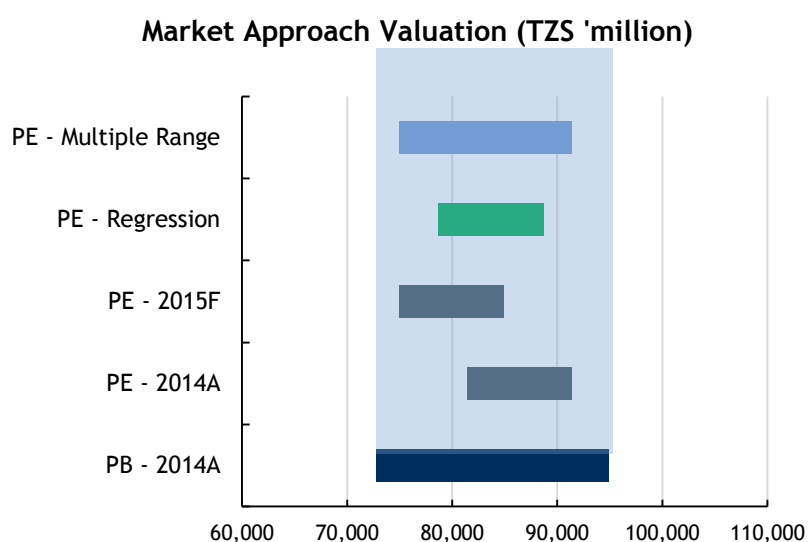
The median P/E multiples of the comparative financial institutions for 2014 and 2015F were applied to the 2014 and 2015F profit after tax of Letshego Tanzania.

Name	Country	Market Cap USD 'millions	PE	
			2014A	2015F
Bank Danamon Indonesia Tbk PT	Indonesia	1,936	10.3	10.5
Bank Tabungan Negara (Persero) Tbk PT	Indonesia	780	10.0	17.4
Bank Rakyat Indonesia (Persero) Tbk PT	Indonesia	16,206	9.5	11.3
Capitec Bank Holdings Ltd	South Africa	4,847	25.5	20.9
Equity Bank Ltd	Kenya	1,616	9.7	9.0
Financiera Independencia SAB de CV SOFOM ENR	Mexico	178	9.3	8.1
Aeon Financial Service Co Ltd	Japan	4,450	13.8	
Banco do Nordeste do Brasil SA	Brazil	607	2.8	
Mibanco Banco de la Microempresa SA	Peru	248	7.2	
<hr/>				
CRDB Bank PLC	Tanzania	446	10.1	
National Microfinance Bank PLC	Tanzania	635	8.9	
DCB Commercial Bank PLC	Tanzania	18	10.5	
<b>Median</b>		<b>1,616</b>	<b>9.7</b>	<b>10.9</b>

Implied Multiples Market Approach	2014A		2015F	2014
	Low	High	LHL - Implied Approach	
Implied Price to book	1.17	1.53		1.29
Implied Price Earnings		6.1	6.4	5.33

Note: The above implied multiples have been adjusted for size and as a result they will be lower than the median multiples from comparable financial institutions.

## Market Approach Summary



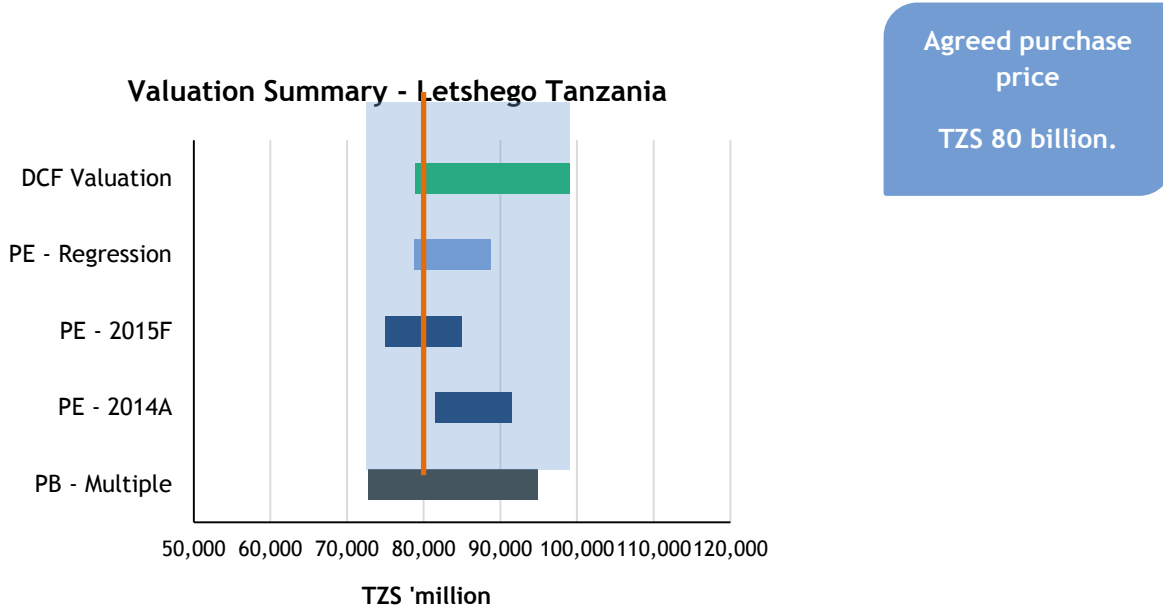
Offer price offered to the minorities:  
TZS 10.4 billion.

This equates to an implied valuation of TZS 80 billion.



**VALUATION RESULTS**

Based on the results of our procedures performed, our detailed valuation work and other considerations, we determined a valuation range for Letshego Tanzania of between c. TZS 73 billion to TZS 99 billion with the most likely value being c. TZS 88 billion.



**OPINION**

African Alliance has considered the terms and conditions of the Transaction and, based on and subject to the conditions set out herein, is of the opinion that the Transaction, based on quantitative considerations, is fair and reasonable to the LHL shareholders.

Our opinion is necessarily based upon the information available to us up to 12<sup>th</sup> of October 2015, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Transaction will be fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Yours faithfully

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Patrick O'Flaherty

Director

Letshego Holdings Limited



Republic of Botswana  
Registration Number: Co. 1998/442  
Date of Incorporation: 4 March 1998  
ISIN: BW 000 000 0322

("the Company")

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**NOTICE OF AN EXTRAORDINARY GENERAL MEETING  
OF SHAREHOLDERS**

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**NOTICE IS HEREBY GIVEN** of an Extraordinary General Meeting of shareholders of Letshego Holdings Limited will be held at 10.30 hrs on the 27<sup>th</sup> November 2015 at the Avani Gaborne Hotel to consider and if thought fit, to adopt, with or without amendment, the following Resolution:

**Ordinary Resolution 1:**

That the Directors be and are hereby authorized to acquire the remaining 13% shares in Letshego Tanzania Limited from the Sellers.

Please note that a Shareholder may be present at the meeting, in person or by proxy. A proxy need not be a member of the Company.

If you are unable to attend the meeting, kindly complete and return the enclosed Form of Proxy, in accordance with the instructions printed thereon, as soon as possible, but in any event so as to be received by the company secretary of Letshego Holdings Limited by no later than 25<sup>th</sup> November 2015.

The return of the Form of Proxy does not preclude a Shareholder from attending the Extraordinary General Meeting and voting in person.

Letshego Holdings Limited



Incorporated in the Republic of Botswana

Registration Number: Co. 1998/442

Date of Incorporation: 4 March 1998

ISIN: BW 000 000 0322

("the Company")

**FORM OF PROXY**

**For use at the Extra-Ordinary General Meeting of the Shareholders of Letshego Holdings Limited to be held on 27<sup>th</sup> November 2015 at 10.30 hrs at the Avani Gaborone Hotel, Gaborone, Botswana.**

PLEASE READ THE NOTES BELOW BEFORE COMPLETING THIS FORM

I/We \_\_\_\_\_

(NAME (S) IN BLOCK LETTERS)

being the holder of  shares in Letshego Holdings Limited do hereby appoint (see Note 1):

1. \_\_\_\_\_ or failing him/her;
2. \_\_\_\_\_ or failing him/her;
3. the Chairman of the Extraordinary General Meeting

as my/our proxy to act for me/us at the extraordinary general meeting, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my /our name/s in accordance with the following instructions:

	Number of ordinary shares		
	For	Against	Abstain
Ordinary Resolution 1			

SIGNED AT \_\_\_\_\_ ON \_\_\_\_\_ 2015

SIGNATURE \_\_\_\_\_

ASSISTED BY (where applicable) \_\_\_\_\_

Each ordinary shareholder is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote in place of that ordinary shareholder at the E.G.M.

**NOTES:**

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the Extraordinary General Meeting", but such deletion must be initialed by the shareholder. The person whose name appears first on the form of proxy and whose name has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.
2. In the event a Shareholder does not insert the name of a proxy or the name of any alternative proxy, then the shareholder shall be deemed to have appointed the Chairman of the Extraordinary General Meeting as his/hers/its proxy.
3. In the event that a Shareholder does not complete the instructions as to how the proxy shall vote, then the proxy shall be entitled to vote as he/she/it thinks fit.
4. The authority of a person signing proxy under a power of attorney or on behalf of a company must be attached to the proxy unless that authority has already been recorded by the Company Secretary or waived by the Chairman of the Extraordinary General Meeting.
5. Forms of proxy must be lodged or posted to, and reach the registered office of the Company, by 10.30 hrs on 25<sup>th</sup> November 2015.
6. The completion and lodging of this form of proxy shall not preclude the relevant Shareholder from attending the extraordinary general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof should the shareholder wish to do so.
7. The Chairman of the Extraordinary General Meeting may accept a proxy form which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a Shareholder wishes to vote.
8. Any alteration or correction to this form must be initialed by the signatory/ signatories.