LETSHEGO UGANDA LIMITED

ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2024

CONTENTS

DIRECTORS

William Kasozi	Board Chairman
Geoffrey Kitakule	Director
Hannington Karuhanga	Director
Peter Herbert Masaaba	Director
Giles Germany Aijukwe	Director

AUDITOR

Ernst & Young
Certified Public Accountants
EY House
Shimoni Office Village
18 Clement Hill Road
P. O. Box 7215
Kampala, Uganda

SECRETARY

Martha Carolyne Nyadoi
Letshego Uganda Limited
Plot 9, Wampewo Avenue
Kololo
P. O. Box 24527
Kampala, Uganda

LAWYERS

Magna Advocates
Magna Chambers
Plot 41, Kanjokya Street
Kampala, Uganda

BANKERS

Standard Chartered Bank Uganda Limited
Plot 5, Speke Road
P. O. Box 7111
Kampala, Uganda

Stanbic Bank Uganda Limited
Plot 17, Hannington Road
P. O. Box 7131
Kampala, Uganda

Equity Bank Uganda Limited
Church House
Plot 34, Kampala Road
P. O. Box 10184
Kampala, Uganda

Centenary Bank
Mapeera House
Plot 44/46 Kampala Road
P. O. Box 1892
Kampala, Uganda

Absa Bank Uganda Limited
Plot 2, Hannington Road
P. O. Box 7101
Kampala, Uganda

Bank of Africa Uganda Limited
Plot 45, Jinja Road
P. O. Box 2750
Kampala, Uganda

NCBA Bank Uganda Limited
Rwenzori Towers
Plot 4/6 Nakasero Road
P. O. Box 28707
Kampala, Uganda

Guaranty Trust Bank Uganda Limited
Plot 56 Kira Road
P. O. Box 7323
Kampala, Uganda

KCB Bank Uganda Limited
Commercial Plaza
Plot 7, Kampala Road
P. O. Box 7399
Kampala, Uganda

HEAD OFFICE

Plot 9 Wampewo Avenue
P. O. Box 24527
Kampala, Uganda

BRANCH LOCATIONS

Apac
Hospital Road
Next to Finca Apac
Apac

Arua – Adumi Road
Plot 49
Orasea Complex
Adumi Road, Arua

Busia
Plot 10
Ekaka Road
Busia

Bundibugyo
Plot 2
Vanilla Street
Bundibugyo

Bushenyi
Plot 9
Bushenyi High Street
Bushenyi

Gulu
Friendship House
P. O. Box 447
Gulu

Ibanda
Plot 12 (f)
Bufunda Road
Ibanda

Iganga
Plot 4 (b)
Oboja Road
Iganga Municipal Council

Jinja
Plot 54
Iganga Road
Jinja Municipality

Kabale
Plot 8
Kabale Road
Ntungamo

Kabalore
Plot 1
Rukidi III Street
Fort Portal, Kabalore

Kabwohe
Plot 67
Kasese–Mbarara Highway
Kabwohe

Kagadi
Plot 10
Isungu Road
Kagadi – Kibaale

Kajjansi
Block 383
Opp. Equity Bank
Entebbe Road
Kajjansi

Kapchwora
Plot 32A
Kapchwora–Mbale Highway
Plot 32A

Kanungu
Independence Road
Opposite Postbank
Kanungu

Katwe
Muganzilwaza Complex
Katwe

Kamuli
Plot 14 Gabula
Kitimbo Road
Opposite Madaratsi
Kamuli

Luwero
Plot 739, Block 652
Kampala – Gulu Road
Kasana Luwero
Next to Elline Petrol Station

Kasese
Plot 20
Rwenzori Road
Kasese Town Council

Kyotera
Mutukula Road Cell
Kyotera

Kiboga
Plot 336
Opp. Kiboga Hospital
Kiboga

Kireka
Plot 336
Block 232 Next to Sports
View Hotel, Kireka

Kitgum
Plot 107
Uhuru Drive Road
Kitgum

Kisoro Town
Along the road
Opposite Bayport offices
Kisoro Town

Kisozi Complex
Plot 8
Kisozi Complex
Off Kyaggwe Road

Koboko
Samuel Baba Road
Koboko

BRANCH LOCATIONS (CONTINUED)

Kotido
Lodon Road
Kotido

Kumi
Plot 14
Oumo Road
Kumi

Moyo
Laura House
Besia Village
Moyo Town

Lira
Plot 13
Oyite Ojok Road
Lira

Masaka
Plot 19, Edward Avenue
Masaka

Masindi
Plot 91
Masindi Port Road
Masindi

Mayuge
Plot 11
Bugade Road
Mayuge

Mbale
Plot 1/3 Musundi Building
Manafwa Road
Mbale

Mbarara
Plot 2 Bananuka Drive
Kiswahilli Cell Kakoba
Division, Mbarara

Mityana
Plot 50
Block 425
Mityana

Mpigi
Plot 195
Mpigi-Kampala Road
Mpigi

Mubende
Plot 11
Mainstreet
Mubende Town

Moroto
Moroto-Napak Road
Opp. Shell petro-station
Moroto

Nebbi
Plot 19
Arua Road
Nebbi

Nateete
Plot 962, Block 18
Marvin House
Nateete

Soroti
Plot 59B, Gweri Road
Soroti

Ntungamo
Plot 8
Kabale Road
Ntungamo

Rukungiri
Orion House
Along Rubabo Road
Rukungiri

Tororo
Plot 15–17
Nagongera Road
Tororo Town

DIRECTORS' SUBMISSION

The directors submit their report together with the audited financial statements for the year ended 31 December 2024, which discloses the state of affairs of Letshego Uganda Limited (the "Company").

PRINCIPAL ACTIVITIES

The Company is engaged in the provision of short to medium-term unsecured loans to employees of the public and private sector organizations and provision of secured individual and business microfinance loans.

The Company is regulated by Uganda Microfinance Regulatory Authority, under the Tier 4 Microfinance Institutions and Money Lenders Act, Cap. 61, Laws of Uganda.

RESULTS AND DIVIDENDS

The profit for the year of Ushs 929 million (2023: Ushs 41 million) has been transferred to retained earnings. No dividends were paid during the year ended 31 December 2024 (2023: Ushs 3,593 million).

CORPORATE GOVERNANCE

The formal maintenance of high standards of corporate ethics in the conduct of the Company's affairs is the responsibility of the Board. To this end, the Company applies the Group Corporate Governance Framework for Subsidiary Boards which is aligned to King III Code of Corporate Governance and recommended international best practices. The Letshego Group Corporate Governance Framework for Subsidiary Boards covers various corporate governance principles and guidelines that are to be followed by subsidiaries regarding Board conduct, composition, etc. Both the Board and Senior Management are required to constantly assess the control and risk management procedures and ensure that implementation and regular reviews of such procedures takes place.

All directors may take independent professional advice, as is required to fulfil their duties, at the Company's expense.

The Board is responsible for the maintenance of sound internal controls, risk management, the preparation and integrity of the annual financial statements, compliance with all laws and regulations and the establishment of key policies and objectives. It therefore has full and effective control of the Company and is accountable and responsible for its performance to all stakeholders.

DIRECTORS

The directors who served during the year and up to the date of this report are disclosed on page 1 of this report.

AUDITOR

The Company's auditor, Ernst & Young has expressed willingness to continue in office in accordance with Section 167 (2) of the Companies Act, Cap. 106, Laws of Uganda.

By order of the Board

Secretary

01/04/ 2025

The Companies Act, Cap. 106, Laws of Uganda requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, Cap. 106, Laws of Uganda, the Tier 4 Microfinance Institutions and Money Lenders Act, Cap. 61, Laws of Uganda and the Tier 4 Microfinance Institutions and Money Lenders Regulations, 2018. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, Cap. 106, Laws of Uganda, the Tier 4 Microfinance Institutions and Money Lenders Act, Cap. 61, Laws of Uganda and the Tier 4 Microfinance Institutions and Money Lenders Regulations, 2018. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors have also assessed the Company's ability to continue as a going concern, as applicable, matters relating to the use of the going-concern basis of preparation of the financial statements. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Preparation and approval of the financial statements

The Tax Procedures Code Act Cap. 343 requires a taxpayer with an annual turnover of UShs 500 million to furnish, with the taxpayer's return of income, audited financial statements prepared by an accountant registered by the Institute of Certified Public Accountants of Uganda (ICPAU). The financial statements are prepared by the Company's accountant under the oversight of the directors.

The financial statements for Letshego Uganda Limited for the year ended 31 December 2024 have been prepared by CPA Dennis Ahimbisibwe (FM Number FM 779).

....
Signature

Approval of the financial statements

The financial statements were approved by the Board of Directors on 01 April 2025 and were signed on its behalf by:

....	....
Peter Herbert Masaaba	**Giles Germany Aijukwe**
Director	**Chief Executive Officer**

01 April 2025

Ernst & Young
Certified Public Accountants
Ernst & Young House
Plot 18, Clement Hill Road
Shimoni Office Village,
P.O. Box 7215
Kampala, Uganda

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Email: info.uganda@ug.ey.com
www.ey.com

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LETSHEGO UGANDA LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Letshego Uganda Limited ("the Company") set out on pages 12 to 73, which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Letshego Uganda Limited as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, Cap. 106, Laws of Uganda, the Tier 4 Microfinance Institutions and Money Lenders Act, Cap. 61, Laws of Uganda and the Tier 4 Microfinance Institutions and Money Lenders Regulations, 2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* and other independence requirements applicable to performing audits of financial statements of the Company and in Uganda. We have fulfilled our other ethical responsibilities in accordance with other ethical requirements applicable to performing audits of the Company and in Uganda. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Expected credit losses on loans and advances to customers</td></tr>
<tr><td>As indicated in note 16, the Company has computed an allowance for expected credit losses on gross loans and advances of Ushs 14,495 million (2023: Ushs 12,094 million) against gross loans and advances of Ushs 156,738 million as at 31 December 2024 (2023: Ushs 162,754 million). The estimate is based on a forward-looking approach that recognises loss allowances in accordance with IFRS 9 Financial Instruments.

IFRS requires the use of forward-looking expected credit loss (ECL) impairment models which take into account reasonable and supportable forward-looking information. There are a number of significant judgements which are required in measuring ECLs, including determining the criteria for a significant increase in credit risk, the application of future economic guidance and techniques used to determine the Probability of Default ('PD') and Loss Given Default ('LGD').

Management has estimated impairment provisions for loans and advances to customers collectively for homogenous loan portfolios using statistical methods on the basis of risk parameters using historical data taking into account forward-looking information on expected macroeconomic conditions.

Due to related estimation uncertainty and the significant subjective judgments involved, the assessment of ECLs has been considered a key audit matter. The complexity of these estimates require management to prepare adequate disclosures to explain the key judgments and the material inputs into the ECL computations.

Refer to notes 2 (j), 3.1 and 16 to the financial statements for accounting policies and the relevant detailed disclosures, respectively.</td><td>Our audit procedures included but were not limited to:

• Reviewing the accounting policies for compliance with IFRS 9 requirements.

• Reviewing the impairment models, assumptions, functioning and application of impairment models in accordance with IFRS 9.

• Reviewing the staging of financial instruments for compliance with IFRS 9 based on the performance of the loans and the available information.

• Recomputed provisions that are forward-looking and expected losses during the initial recognition of a financial instrument.

• We reviewed a sample of loan files to assess the appropriateness of the input parameters.

• We assessed whether disclosures made in the financial statements are accurate, and whether they were complete in accordance with the requirements of IFRS 7: Financial Instruments: Disclosures.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included on pages 1 to 6, which includes the corporate information, the Report of the Directors as required by the Companies Act, Cap. 106, Laws of Uganda, and the statement of Directors' responsibilities. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, Cap. 106, Laws of Uganda, the Tier IV Microfinance Institutions and Money Lenders Act, Cap. 61, Laws of Uganda, and the Tier 4 Microfinance Institutions and Money Lenders Regulations, 2018 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

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

REPORT ON OTHER LEGAL REQUIREMENTS

The Companies Act, Cap 106, Laws of Uganda requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

ii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The Engagement Partner on the audit resulting in this independent auditor's report is CPA Freda Kaheru Agaba – P0531.

Ernst & Young
....

Ernst & Young
Certified Public Accountants of Uganda
Kampala

....
CPA Freda Kaheru Agaba
Partner

12 May 2025

LETSHEGO UGANDA LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 Ushs '000	2023 Ushs '000
Income			
Interest and similar income	6	63,149,381	59,348,741
Interest and similar expense	6	(17,266,788)	(16,460,949)
Net interest income		**45,882,593**	**42,887,792**
Other operating income	7	3,881,222	6,399,964
Net operating income		**49,763,815**	**49,287,756**
Expected credit losses	16	(11,525,869)	(6,946,777)
Staff costs	8	(8,744,642)	(9,651,186)
Depreciation and amortisation expense	9	(2,565,308)	(2,890,589)
Other operating expenses	10	(25,467,489)	(29,248,079)
Profit before tax		**1,460,507**	**551,125**
Income tax expense	12(a)	(531,726)	(509,981)
Profit for the year		**928,781**	**41,144**
Other comprehensive income		-	-
Total comprehensive income, net of tax		**928,781**	**41,144**

LETSHEGO UGANDA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	2024 Ushs '000	2023 Ushs'000
ASSETS			
Cash and bank balances	14	11,161,094	2,245,806
Fixed deposits	15	-	2,445,652
Loans and advances to customers	16	142,242,706	150,660,248
Other assets	17	1,295,923	1,444,766
Property, equipment and right-of-use assets	18	2,047,858	1,776,015
Intangible assets	19	267,831	323,410
Income tax recoverable	12(c)	526,180	1,955,187
Deferred tax asset	13	4,419,038	3,491,835
TOTAL ASSETS		**161,960,630**	**164,342,919**
LIABILITIES AND EQUITY			
Liabilities			
Bank overdraft	14	6,524,589	12,478,988
Trade and other payables	20	2,189,614	1,276,033
Lease liabilities	21	539,180	321,176
Borrowings	22	90,861,283	85,406,976
Amounts due to related parties	23	4,030,183	7,028,985
Loan guarantee fund	24	79,851	849,347
Total liabilities		**104,224,700**	**107,361,505**
Equity			
Ordinary share capital	25(a)	9,345,000	9,345,000
Preference share capital	25(c)	29,448,815	29,448,815
Share-based payments reserve	27	39,420	213,685
Regulatory risk reserve	28	3,156,599	9,007,229
Retained earnings		15,746,096	8,966,685
Total equity		**57,735,930**	**56,981,414**
TOTAL LIABILITIES AND EQUITY		**161,960,630**	**164,342,919**

The financial statements were approved for issue by the Board of Directors and signed on its behalf on 01 April 2025 by:

....
Peter Herbert Masaaba
Director

....
Giles Germany Aijukwe
Chief Executive Officer

LETSHEGO UGANDA LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Ordinary share capital Ushs'000	Preference shares Ushs'000	Share-based payments reserve Ushs'000	Shares pending registration Ushs'000	Credit risk reserve Ushs'000	Retained earnings Ushs'000	Total Ushs'000
At 1 January 2023	**300,000**	**30,874,194**	**250,123**	**9,045,000**	**10,760,041**	**10,765,551**	**61,994,909**
Total comprehensive income:							
Profit for the year	-	-	-	-	-	41,144	41,144
Transactions with owners:							
Conversion of redeemable preference shares	8,245,000	-	-	(8,245,000)	-	-	-
Paid up ordinary shares	800,000	-	-	(800,000)	-	-	-
Dividends paid	-	-	-	-	-	(3,592,822)	(3,592,822)
Transfer from regulatory reserve	-	-	-	-	(1,752,812)	1,752,812	-
Movement in share-based payment	-	-	(36,438)	-	-	-	(36,438)
Dividends on redeemable preference shares	-	(1,425,379)	-	-	-	-	(1,425,379)
At 31 December 2023	**9,345,000**	**29,448,815**	**213,685**	**-**	**9,007,229**	**8,966,685**	**56,981,414**
At 1 January 2024	**9,345,000**	**29,448,815**	**213,685**	**-**	**9,007,229**	**8,966,685**	**56,981,414**
Total comprehensive income:							
Profit for the year	-	-	-	-	-	928,781	928,781
Transactions with owners:							
Transfer from regulatory reserve	-	-	-	-	(5,850,630)	5,850,630	-
Movement in share-based payment	-	-	(174,265)	-	-	-	(174,265)
At 31 December 2024	**9,345,000**	**29,448,815**	**39,420**	**-**	**3,156,599**	**15,746,096**	**57,735,930**

LETSHEGO UGANDA LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 Ushs'000	2023 Ushs'000
Cash flows generated from operations	30	**26,605,701**	**6,640,074**
Interest paid on borrowings	22	(15,017,923)	(13,039,691)
Interest received from fixed deposits	15	194,080	214,334
Income tax paid	12(c)	(29,922)	(3,237,475)
Share based payment – actual vesting cost		-	(140,481)
Cash used in / (generated from) operating activities		**11,751,936**	**(9,563,239)**
Cash flows from investing activities			
Purchase of property and equipment		(982,185)	(958,572)
Proceeds from sale of asset		-	50,000
Net cash used in investing activities		**(982,185)**	**(908,572)**
Cash flows from financing activities			
Dividends paid		-	(3,592,822)
Borrowings from commercial banks	22	32,650,000	38,475,000
Repayment of loans from commercial banks	22	(26,849,602)	(38,182,554)
Payment of principal component of lease obligations	21	(1,581,383)	(1,698,552)
Payment of interest on lease obligations	21	(119,079)	(71,882)
Redemption of preference shares		-	(1,425,379)
Net cash generated from / (used in) financing activities		**4,099,936**	**(6,496,189)**
Movement in cash and cash equivalents:			
At beginning of year	**14**	**(10,233,182)**	**6,734,818**
Increase / (decrease) in cash and cash equivalents		14,869,687	(16,968,000)
At end of year	**14**	**4,636,505**	**(10,233,182)**

1. GENERAL INFORMATION

Letshego Uganda Limited is a private limited liability company incorporated under the Companies Act, Cap. 106, Laws of Uganda. The Company is domiciled in Uganda and its registered address is Plot 9 Wampewo Avenue, Kololo, Kampala, Uganda.

For reporting purposes under the Companies Act, Cap. 106, Laws of Uganda, the balance sheet is represented by the statement of financial position and the profit and loss account is represented by the statement of comprehensive income in these financial statements.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The financial statements are presented in Uganda Shillings and are rounded to the nearest thousand (Ushs '000').

(b) Changes in accounting policies and disclosures

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

In May 2023, the Board issued amendments to IAS 12 *Income Taxes*, which introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Changes in accounting policies and disclosures (Continued)

New and amended standards and interpretations (Continued)

- ***International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12 (Continued)***

The amendments require, for periods in which Pillar Two legislation is substantially enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

As at 31 December 2024, The Pillar Two Model Rules were not yet adopted as such the amendments did not have a material impact on the Company's financial statements.

- ***Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1***

In January 2020 and October 2022, the Board issued amendments to IAS 1 Presentation to Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify

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

The amendments did not have a material impact on the Company's financial statements.

- **Lease Liability in a Sale and Leaseback – Amendments to IFRS 16**

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

The amendment to IFRS 16 *Leases* specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments did not have a material impact on the Company's financial statements.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Changes in accounting policies and disclosures (Continued)

New and amended standards and interpretations (Continued)

- ***Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7***

In May 2023, the Board issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures.*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers.

The amendments did not have a material impact on the Company's financial statements.

New and revised IFRS Accounting Standards issued but not yet effective

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

- ***IFRS 18 – Presentation and Disclosure in Financial Statements (Effective for annual periods on or after 1 January 2027)***

IFRS 18 replaces IAS 1 *Presentation of Financial Statements.* IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Changes in accounting policies and disclosures (Continued)

New and revised IFRS Accounting Standards issued but not yet effective (Continued)

- **IFRS 18 – Presentation and Disclosure in Financial Statements (Effective for annual periods on or after 1 January 2027) (Continued)**

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The directors are still making assessments of the impact of the systems to the Company's financial reporting process and systems and intend to adopt the requirements when they become effective.

Standards issued but not yet effective that are not expected to have a material impact on The Company's financial statements

- Lack of exchangeability – Amendments to IAS 21 *(Effective for annual periods on or after 1 January 2025).*
- Classification and Measurement of Financial instruments- Amendments to IFRS 9 and IFRS 7*(Effective for annual periods beginning on or after 1 January 2026)*
- Annual Improvements to IFRS Accounting Standards—Volume 11 *(Effective for annual periods beginning on or after 1 January 2026)*
- Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7 *(Effective for annual periods beginning on or after 1 January 2026)*
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures *(Effective for annual periods beginning on or after 1 January 2027)*
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 *(In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting)*

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective on or after 1 January 2024.

(c) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Uganda Shillings in thousands (Ushs) which is the Company's functional currency.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Foreign currency transactions (Continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses are presented in profit or loss within 'other operating (expenses) / income – net'.

Non-monetary items are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transactions.

(d) Interest income and expense

The effective interest rate method

Under IFRS 9, interest income is recorded using the Effective Interest Rate (EIR) method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Company recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue / expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Net interest income comprises interest income and interest expense calculated using the effective interest method. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Interest income and expense(Continued)

The effective interest rate method (Continued)

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Company calculates interest income by applying the EIR to the amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Company calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

(e) Fee and commission income

The Company earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Company's fee and commissions income includes monthly loan administration fees.

(f) Cash collateral

In accordance with the Company's loan policy, all group borrowers depending on the nature of collateral provided and loan cycle are required to pay 10% of the loan as security before the requested amount is approved. Cash collateral consists of cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer. The cash collateral is set off against a loan balance only when the loan balance is deemed irrecoverable from the customers. The Company does not pay interest on loan security deposits. Cash collateral is classified as an 'other liability' type of financial instrument and is initially measured at fair value plus incremental direct transaction costs and is subsequently measured at amortized cost using the effective interest method.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(g) Income taxes

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred tax.

Current tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Income Tax Act, Cap. 338, Laws of Uganda. Current income tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which tax regulations are subject to interpretation and establishes provisions where appropriate, as disclosed in note 29.

Deferred tax

Deferred tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The principal temporary differences arise from depreciation on property and equipment and tax losses carried forward. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Company only offsets its deferred tax assets against liabilities when there is both a legal right to offset its current taxes and liabilities and it is the Company's intention to settle on a net basis.

h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value and are used by the Company in the management of its short-term commitments, deposits held at call with banks, net of bank overdraft facilities subject to sweeping arrangements. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Loans and advances to customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not held for trading and that the Company does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method less accumulated impairment losses.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Loans and advances to customers (Continued)

Initial recognition and measurement

Financial assets and liabilities, with the exception of loans and advances to customers, are initially recognized at the trade date, i.e., the date on which the Company becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognized when funds are transferred to the customers' accounts.

On initial recognition, financial instruments are measured at fair value. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the day 1 profit or loss in net operating income/expense.

Classification and measurement of financial instruments

Financial assets measured in accordance with IFRS 9, are classified in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); or
- Amortised cost.

Loans and advances to customers, deposits and balances with other banks, other receivables and cash are all classified as financial assets at amortised cost.

Borrowings and all financial liabilities are classified as financial liabilities at amortised cost.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(j) Financial assets and liabilities

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"), are subsequently measured at amortised cost;

- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income ("FVTOCI");

- All other debt instruments (e.g., debt instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Financial assets and liabilities (Continued)

However, the Company may make the following irrevocable election / designation at initial recognition of a financial asset on an asset- by-asset basis:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
- The Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortised cost or at FVTOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset. For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal outstanding.

The Company's holding in financial liabilities represents mainly borrowings from related parties and commercial banks and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows, that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

The Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective rather than on an instrument-by-instrument basis.

The Company's business models for managing its financial assets determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Financial assets and liabilities (Continued)

Debt instruments at amortised cost or at FVTOCI (continued)

In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain / loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on re-measurement recognised in profit or loss. Fair value is determined in the manner described below.

Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available); reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. In order to show how fair values have been derived, financial instruments are classified on a hierarchy of valuation techniques, as summarized below:

Level 1 financial instruments: instruments used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access at the measurement date.
Level 2 financial instruments: those were inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life.
Level 3 financial instruments: those that include one or more unobservable inputs that is significant to the measurement as whole.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Financial assets and liabilities (Continued)

Determination of fair value (Continued)

The Company did not have financial instruments measured at fair value as at 31 December 2024.

Reclassification of financial assets

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes or terminates a business line. Financial liabilities are never reclassified.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets. During the current year, loss allowances for expected credit losses have been recognized on loans and advances to customers.

With the exception of Purchased Originated Credit Impaired ("POCI") financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e., ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, for financial assets whose credit has not increased significantly since recognition (referred to as Stage 1); or

- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, for financial assets whose credit has not increased significantly since recognition (referred to as Stage 2) and the financial assets in default (referred to as "Stage 3").

- A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Company's policy is to recognize all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favorable change for such assets creates an impairment gain.

Significant increase in credit risk

In addition to the 30-day rebuttable presumption presented by the IFRS 9 standard, the Company considers the historical delinquency behaviour of accounts that are current (1–30 days) to identify whether there was a significant increase in credit risk. If an account was more than 30 days in arrears in the 6 months preceding the reporting date, then that account is classified as under Stage 2.

In addition to the historical behavior analysis, the Company also places accounts that are on the watchlist in Stage 2.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Financial assets and liabilities (Continued)

Probability of default

12-month probability of default (PD)

The Company uses historical performance data to calculate the point-in-time PD over the next twelve months. This is simply done by dividing the historical data into 12-month cohorts and dividing the defaulted exposure at the end of the cohort by the performing exposure at the start of the cohort. Write-offs are included in the defaulted exposure. The final 12-month PD is then taken as the average PD over 12 months.

Lifetime probability of default (PD)

In order to calculate the lifetime PD, the remaining life of the loan first has to be estimated in cases where there is no contractual maturity or where the behavioral lifetime of a product is significantly different from the contractual lifetime. The lifetime PD is then calculated by scaling up the 12-month PD by estimating a forward looking scalar based on macroeconomic outlook that represents PD increase for the next 12-months. This scale is multiplied by the 12-month PD to estimate the next cumulative PD for the next 12 months until the lifetime point is reached.

Incorporation of forward-looking information

The forward-looking scalar which is applied to arrive at the lifetime PD is calculated by scoring various macroeconomic variables and calculating a weighted value that represents the increase in PD for 12 months. The macroeconomic variables are based on a linear regression model that is fitted to the percentage of non-performing loans. The data is based on the BMI Research data bank and does not represent the specific default risk for the Company. Variables from the BMI Research database that has a strong correlation with the country NPL are shortlisted as candidate variables to be fitted to the logistic regression model for the Company.

Loss given default (LGD)

The loss given default is a discounted cash flow model discounting historical recovery over a 36-month period. The chain ladder method is used to estimate the recoveries on cohorts that have not yet seen 36 months of recoveries.

Exposure at default (EAD)

An amortization approach is taken to estimate the exposure at default (EAD). The balance of each loan at a certain point in time is determined by amortizing the loan and the calculating the present value of this amortised balance.

For stage 1, a 12-month amortization is applied for each loan with the addition of 3 months of interest based on the assumption that default will occur after 12 months.

For stage 2 accounts, the EAD is based on the remaining maturity of each loan and the behavioral lifetime point.

The ECL amount is calculated by combining the parameters as follows: ECL = PD X EAD X LGD

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Financial assets and liabilities (Continued)

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a Company of similar transactions such as in the Company's trading activity.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Company; or
- The borrower is unlikely to pay its credit obligations to the Company in full.

This definition of default is used by the Company for accounting purposes as well as for internal credit risk management purposes. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

Significant increase in credit risk

The Company monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

The Company's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Company monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Financial assets and liabilities (Continued)

Significant increase in credit risk (Continued)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward-looking information.

Derecognition

The Company derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Company considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Write-off

Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss. The Company has a 365-day write off point.

(k) Other assets

Other assets comprise deposits which arise during the normal course of business. Other assets are recognised when the Company obtains control of a resource as a result of past events and from which future economic benefits are expected to flow to the Company within the financial year.

Other assets are initially measured at fair value, which include transaction costs. Subsequent to initial recognition, other receivables are measured at amortised cost using the effective interest method, less accumulated impairment losses.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(l) Property and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is provided on the straight-line basis over the estimated useful lives of each item of plant and equipment in order to reduce the cost of the assets to the residual values.

Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

The estimated useful lives for the current and comparative period are as follows:

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

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted if appropriate. Where the carrying amounts of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised net within other income in the income statement.

(m) Intangible assets

Computer software development costs
Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date when it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is no more than three years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Costs associated with developing computer software programmes are recognized as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product that has a probable benefit exceeding one year, are shown as intangible assets and are amortised on a straight-line basis at a rate applicable to the expected useful life of the asset. Any impairment to the carrying value is recognised in the income statement when incurred.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Leases

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

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

Right-of-use assets

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

The right-of-use assets are presented within Note 18 *Property, equipment and right-of-use assets* and are subject to impairment in line with the Company's policy as described in Note 2 (n) Impairment of non-financial assets.

Right-of-use assets are depreciated on a straight-line basis over the lease term.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(o) Leases (Continued)

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The Company does not have any contracts as a lessor.

(p) Employee benefits

Defined contribution plan

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

The Company contributes to the National Social Security Fund (NSSF) in accordance with the requirements of the National Social Security Fund Act, Cap 230, Laws of Uganda.

Leave days

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

Employee bonus incentive

The Company also operates an employee bonus incentive scheme. The provision for employee bonus incentive is based on a predetermined Company policy and is recognised in other accruals. The accrual for employee bonus incentive is expected to be settled within one year.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(q) Share based payment transactions

Letshego Holdings Limited ("the holding company") operates an equity-settled conditional Long-Term Incentive Plan (LTIP). Conditional share awards are granted to management and key employees of the group companies including Letshego Uganda Limited. The number of vesting share awards is subject to achievements of certain non-market conditions. The grant date fair value of share awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period in which the employees become conditionally entitled to the share awards. The amount recognised a reserve in equity is adjusted to reflect the actual number of share awards that vest on vesting date.

(r) Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(s) Share capital and reserves

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

Preference shares are classified either as irredeemable or redeemable based on their unique features. All preference shares issued are irredeemable and interest has been waived at the option of the issuer. Irredeemable preference shares are classified as equity as they do not contain a present obligation to transfer economic benefits or exchange financial assets at unfavorable terms.

(t) Dividends

Dividends on ordinary shares are recognised in equity and as a liability in the period in which they are approved by the Company's shareholders. Dividends declared after the statement of financial position date are disclosed in the notes to the financial statements.

(u) Provisions and contingent liabilities

The Company recognises a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Company, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(v) Related party transactions

Related parties comprise directors and key management personnel of the Company and companies with common ownership and/or directors. Refer to note 23 for more details about related parties.

(w) Trade and other payables

Trade and other payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier. Trade and other payables that are of a short-term nature are not discounted due to the insignificance of the amortization charge. Trade and other payables are expected to be settled within one year.

3. FINANCIAL RISK MANAGEMENT

The following section discusses the Company's risk management policies. The measurement of ECL under IFRS 9 uses the information and approaches that the Company uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately, in note 3.

The Company's financial instruments as at 31 December 2024 and 2023 were aggregated as follows:

	Note	2024 Ushs '000	2023 Ushs '000
FINANCIAL ASSETS			
Financial assets held at amortised cost:			
Cash at bank and in hand	14	11,161,094	2,245,806
Fixed deposits	15	-	2,445,652
Loans and advances to customers	16	142,242,706	150,660,248
Other assets*	17	115,161	297,941
		153,518,961	**155,649,647**
FINANCIAL LIABILITIES			
Financial liabilities measured at amortised cost:			
Bank overdraft	14	6,524,589	12,478,988
Trade and other payables	20	2,189,614	1,276,033
Borrowings	22	90,861,283	85,406,976
Amounts due to related parties	23	4,030,183	7,028,985
Loan guarantee fund	24	79,851	849,347
TOTAL LIABILITIES		**103,685,520**	**107,040,329**

**Excludes prepayments*

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk framework

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Board also has overall responsibility for the establishment and oversight of the Company's risk management framework. The board has established the Country Management Committee ("CMC") which is responsible for developing and monitoring the risk management policies in their specified areas. Letshego Holdings Limited Group Risk Committee ("GRC") and Group Audit and Risk Committee (GARC) also assist the board in providing an oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company 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 obligations.

3.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans and advances to customers. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The provision of unsecured loans to formally employed individuals and also provision of secured microfinance loans to employed individuals and businesses are the main aspects of the Company's business. As such, exposure to credit risk and the management of this risk is a key consideration for the board.

Unsecured individual loans

The Board of Directors has delegated responsibility for the oversight of credit risk to the CEO and credit department. However, this must be viewed in light of the overall framework of the exclusive use of 'salary deduction codes' as the loan repayment mechanism.

It is the responsibility of the CEO to ensure that the Company's policies regarding credit risk, affordability levels, minimum take home pay and compliance with applicable local legislation regarding take home pay is reviewed at all times.

Management ensures that appropriate procedures are performed as part of the loan application and disbursement process. Thereafter, the performance of the loan book is monitored by the credit department. Each credit department, reporting to the CEO, is responsible for management of the Company's credit risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

Secured individual and business loans

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Approvals Committee. Management is responsible for oversight of the Company's credit risk, including:

i. Formulating credit policies, covering collateral requirements and credit assessments, risk grading, risk reporting, documenting, legal procedures and compliance with regulatory and statutory requirements is done in consultation with the Company's Legal advisors;

ii. Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit committees. Larger facilities require approval by the management committee as appropriate;

iii. Reviewing and assessing credit risk: the Company assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process;

iv. Limiting concentrations of exposure to counterparties and industries (for loans and advances);

v. Developing and maintaining the Company's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.

vi. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types.

vii. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Clients are employees of participating employers. Where an employer is not a participating employer, the Company engages with that employer and obtains a deduction authorisation to enable deductions of the instalment from the employees' monthly salary.

Monitoring of monthly collections

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

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

Follow up action on non-performing loans

For loans that are written off, the credit departments follow set procedures to recover repayments. This involves, in certain instances, the appointment of legal agents to secure debt judgments.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

Allowances for impairment

The Company establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses on its loan portfolio. The main component of this allowance is a collective loan loss allowance established for collections of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Write-off policy

The Company writes off a loan balance, and any related allowances for impairment losses, when the Company determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation.

Definition of default, impaired and cured

The Company considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Company considers treasury and intercompany balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

The Company has aligned its definition of credit impaired assets under IFRS 9 to the EBA definition of non-performing loans ('NPLs').

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Company
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decreased in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Company
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumors or facts about financial difficulties

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

Definition of default, impaired and cured (Continued)

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account.

For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Company's models.

Loss given default

For corporate and investment banking financial instruments, LGD values are assessed at least every three months by account managers and reviewed and approved by the Company's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Company segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Company estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

Significant increase in credit risk

The Company continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year.

The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Set out below is an analysis of the gross and net amounts of impaired assets:

	Gross advances Ushs'000	Specific provision Ushs'000	Portfolio provision Ushs'000	Net advances Ushs'000
At 31 December 2024				
Bank balances (note 14)	11,161,094	-	-	11,161,094
Loans and advances to customers (note 16)	156,737,552	(1,817,096)	(12,677,750)	142,242,706
Other assets (note 17)	115,161	-	-	115,161
	168,013,807	**(1,817,096)**	**(12,677,750)**	**153,518,961**
At 31 December 2023				
Bank balances (note 14)	2,245,806	-	-	2,245,806
Fixed deposits (note 15)	2,445,652	-	-	2,445,652
Loans and advances to customers (note 16)	162,754,127	(1,104,579)	(10,989,300)	150,660,248
Other assets (note 17)	297,941	-	-	297,941
	167,743,526	**(1,104,579)**	**(10,989,300)**	**155,649,647**

Advances to government employees represent low risk customers where collections are made through a deduction code with an average collection rate of 92%. Letshego Uganda Limited gives loans to both government and non-government employees. As at 31 December 2024, 80% of the deduction at source loan book was government employees and 20% non-government employees.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

Significant increase in credit risk (Continued)

At 31 December 2024, advances to customers amounting to Ushs 10,131 million (2023: Ushs 10,559 million) were past due but not impaired. These relate to customers for whom there is no recent history of default of either full or part of the loan instalment. The credit quality of loans and advances is analyzed below based on the classification of various loans and advances:

	2024 Ushs'000	2023 Ushs'000
Neither past due, or impaired	128,261,183	134,661,897
Past due but not impaired	14,869,570	10,131,772
Past due and impaired	13,606,799	17,960,458
Total gross loans and advances to customers	**156,737,552**	**162,754,127**
Less: impairment provision	(14,494,846)	(12,093,879)
Net loans and advances to customers	**142,242,706**	**150,660,248**
Other exposures to credit risk		
Cash at bank (note 14)	11,161,094	2,245,806
Fixed deposits (note 15)	-	2,445,652
Other assets (note 17)	115,161	297,941
	11,276,255	4,989,399

Cash and cash equivalents

All cash at bank is held with reputable institutions with good credit history and are regulated by Bank of Uganda. As a result, the probability of loss due to credit risk is assessed as low.

Collateral held

The Company holds collateral against loans and advances to microfinance customers in the form of physical assets. Estimates of fair value are based on the value of the asset assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired. As an internal requirement, forced sale value of the collateral security is over and above the amounts of loans and advances disbursed.

The following tables show the maximum exposures to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

Dependent on the level of collateral, the exposures may not have individual ECL when the expected value of the collateral is greater than the LGD.

3. FINANCIAL MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

Collateral held (Continued)

31 December 2024

		Fair value of collateral and other credit enhancements held						
	Exposure to credit risk (net) Ushs'000	Securities* Ushs'000	Property and equipment Ushs'000	Offsetting agreements Ushs'000	Excess collateral Ushs'000	Total collateral Ushs'000	Net-exposure Ushs'000	Associated ECL Ushs'000
Balances at bank	11,161,094	-	-	-		-	11,161,094	-
*Loans and advances to customers**	142,242,706	219,844,648	-	-	(182,958,433)	36,886,215	105,356,491	14,494,846
Other assets	115,161	-	-	-	-	-	115,161	-
	153,518,961	**219,844,648**	**-**	**-**	**(182,958,433)**	**36,886,215**	**116,632,746**	**14,494,846**

31 December 2023

	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Balances at bank	2,245,806	-	-	-		-	2,245,806	-
Fixed deposits	2,445,652	-	-	-		-	2,445,652	-
*Loans and advances to customers**	150,660,248	154,955,250	-	-	(124,541,381)	30,413,869	120,246,379	12,093,879
Other assets	297,941	-	-	-	-	-	297,941	-
	155,649,647	**154,955,250**	**-**	**-**	**(124,541,381)**	**30,413,869**	**125,235,778**	**12,093,879**

*Due to the nature of the Company's business, most of the deductible at source loans and advances are unsecured.

3. FINANCIAL MANAGEMENT (CONTINUED)

3.2 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Company does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions are not available to the Company on acceptable terms. To limit this risk, management has arranged for diversified funding sources

The Company has adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The Company has developed internal control processes and contingency plans for managing liquidity risk. The ALM (Assets and Liability Management Committee) is responsible for managing the Company's liquidity risk through comprehensive policies, governance and review procedures, stress testing, monitoring of limit sets to ensure these are in line with the overall liquidity risk appetite and strategy of the Company. The treasury department of the Company is responsible for working with other departments within the Company to ensure the liquidity risk strategy is executed. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required.

The table below summarizes the maturity profile of the Company's financial assets and the undiscounted cash flows of its financial liabilities as at 31 December:

3. FINANCIAL MANAGEMENT (CONTINUED)

3.2 Liquidity risk and funding management (continued)

At 31 December 2024	On demand Ushs'000	Less than 3 months Ushs'000	3 to 12 months Ushs'000	1 to 5 Years Ushs'000	Over 5 years Ushs'000	Total Ushs'000
Assets						
Cash and bank balances	11,161,094	-	-	-	-	11,161,094
Loans and advances to customers	-	5,483,713	22,032,921	64,273,472	297,348,379	389,138,485
Other assets	-	115,161	-	-	-	115,161
Total undiscounted financial assets	**11,161,094**	**5,598,874**	**22,032,921**	**64,273,472**	**297,348,379**	**400,414,740**
Liabilities						
Bank overdraft	6,524,589	-	-	-	-	6,524,589
Trade and other payables	-	2,189,614	-	-	-	2,189,614
Amounts due to related parties	-	-	4,030,183	-	-	4,030,183
Loan guarantee fund	79,851	-	-	-	-	79,851
Lease liabilities	-	22,587	454180	107,836	-	584,603
Borrowings	-	10,504,161	32,679,416	64,500,487	-	107,684,064
Total undiscounted financial liabilities	**6,604,440**	**12,716,362**	**37,163,779**	**64,608,323**	**-**	**121,092,904**
Net liquidity position	**4,556,654**	**(7,117,488)**	**(15,130,858)**	**(334,851)**	**297,348,379**	**279,321,836**

3. FINANCIAL MANAGEMENT (CONTINUED)

3.2 Liquidity risk and funding management (continued)

At 31 December 2023	On demand Ushs'000	Less than 3 months Ushs'000	3 to 12 months Ushs'000	1 to 5 Years Ushs'000	Over 5 years Ushs'000	Total Ushs'000
Assets						
Cash and bank balances	2,245,806	-	-	-	-	2,245,806
Fixed deposits	-	-	2,445,652	-	-	2,445,652
Loans and advances to customers	-	5,054,100	15,378,596	56,948,597	216,820,982	294,202,275
Other assets	-	297,941	-	-	-	297,941
Total undiscounted financial assets	**2,245,806**	**5,352,041**	**17,824,248**	**56,948,597**	**216,820,982**	**299,191,674**
Liabilities						
Bank overdraft	12,478,988	-	-	-	-	12,478,988
Trade and other payables	-	1,276,033	-	-	-	1,276,033
Amounts due to related parties	-	-	7,028,985	-	-	7,028,985
Loan guarantee fund	849,347	-	-	-	-	849,347
Lease liabilities	-	76,926	219,111	65,018	-	361,055
Borrowings	-	9,061,810	27,077,867	75,333,373	-	111,473,050
Total undiscounted financial liabilities	**13,328,335**	**10,414,769**	**34,325,963**	**75,398,391**	**-**	**133,467,458**
Net liquidity position	**(11,082,529)**	**(5,062,728)**	**(16,501,715)**	**(18,449,794)**	**216,820,982**	**165,724,216**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Market risks

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Overall responsibility for managing market risk rests with the Country Management Committee. Management is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies. Risk measurement is currently based on sensitivity analysis.

Interest rate sensitivity analysis

The Company's equity sensitivity to changes in interest rates is a measure of the sensitivities of its asset and liability mismatches to longer-term interest rate changes. The sensitivities include assumptions for product maturities and renewals along with certain customer behaviours (including prepayments and redemptions). The Company calculates these measures as the change in the present value of its asset and liability portfolios, including off-balance sheet instruments, resulting from an immediate and sustained interest rate shocks. The following table demonstrates the sensitivity to a reasonably possible parallel change in interest rates (all other variables being constant) of the Company's profit before tax and equity by currency for those currencies where the Company has a material exposure:

31 December 2024

In Ushs million	Increase / (decrease) in basis points	Sensitivity of profit before tax	Risk limit set for profit before tax	Sensitivity of equity	Risk limit set for equity
	500 / (500)	2,810 / (2,810)	±90	1,967 / (1,967)	±50

31 December 2023

In Ushs million	Increase/(decrease) in basis points	Sensitivity of profit before tax	Risk limit set for profit before tax	Sensitivity of equity	Risk limit set for equity
	500 / (500)	2,873 / (2,873)	±90	2,011 / (2,011)	±50

There is an exposure to interest rate risk associated with the effects of fluctuations in the prevailing levels of market interest rates on the Company's results, financial position and cash flows. Cash received is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. Generally, interest on advances to customers is fixed, whereas interest on borrowings is variable. The table below summarises the exposure to interest rate risk through grouping of assets and liabilities into repricing categories, determined to be the earlier of the contractual repricing date or maturity.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Market risks (continued)

Interest rate sensitivity analysis (Continued)

31 December 2024	Up to 1 month	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Non-interest bearing	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets						
Cash and cash equivalents	11,161,094	-	-	-	-	11,161,094
Loans and advances to customers	318,846	9,739,374	7,967,709	124,216,777	-	142,242,706
Other receivables	-	-	-	-	115,161	-
Total assets*	**11,479,940**	**9,739,374**	**7,967,709**	**124,216,777**	**-**	**153,403,800**
Liabilities						
Bank overdraft	-	(6,524,589)	-	-	-	(6,524,589)
Trade and other payables	-	-	-	-	(2,189,614)	-
Cash collateral	-	-	-	-	(79,851)	-
Amounts due to related parties	-	-	-	-	(4,030,183)	-
Borrowings	(5,264,630)	(31,279,388)	(49,643,239)	(4,674,026)	-	(90,861,283)
Total liabilities*	**(5,264,630)**	**(37,803,977)**	**(49,643,239)**	**(4,674,026)**	**-**	**(97,385,872)**
Net interest sensitivity gap*	**6,215,310**	**(28,064,603)**	**(41,675,530)**	**119,542,751**	**-**	**56,017,928**

**Excludes non-interest-bearing assets and liabilities*

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Market risks (continued)

Interest rate sensitivity analysis (Continued)

31 December 2023	Up to 1 month	From 1 to 12 months	From 1 year to 3 years	From 3 years & above	Non-interest bearing	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Cash and cash equivalents	2,245,806	-	-	-	-	2,245,806
Fixed deposits	-	2,445,652	-	-	-	2,445,652
Loans and advances to customers	503,615	13,177,790	18,539,603	118,439,240	-	150,660,248
Other receivables	-	-	-	-	297,941	-
Total assets*	**2,749,421**	**15,623,442**	**18,539,603**	**118,439,240**	**-**	**155,351,706**
Liabilities						
Bank overdraft	-	(12,478,988)	-	-	-	(12,478,988)
Trade and other payables	-	-	-	-	(1,276,033)	-
Cash collateral	-	-	-	-	(849,347)	-
Amounts due to related parties	-	-	-	-	(7,028,985)	-
Borrowings	(2,597,788)	(20,868,342)	(48,068,726)	(13,872,120)	-	(85,406,976)
Total liabilities*	**(2,597,788)**	**(33,347,330)**	**(48,068,726)**	**(13,872,120)**	**-**	**(97,885,964)**
Net interest sensitivity gap	**151,633**	**(17,723,888)**	**(29,529,123)**	**104,567,120**	**-**	**57,465,742**

**Excludes non-interest-bearing assets and liabilities*

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Market risks (continued)

Currency risk

The Company has a current account with Letshego Holdings Limited in Botswana Pula with a balance equivalent to Ushs 4,030 million (31 December 2023: Ushs 7,028 million). No exposure to other currencies existed as at 31 December 2024. The currency risk is managed by, as much as possible, carrying out all the Company's transactions in local currency and holding all assets and liabilities in local currency.

Sensitivity analysis

As at December 2024, if the Botswana Pula had strengthened by 5% against the Uganda Shilling with all other variables held constant, the post-tax profit for the year would have been lower by Ushs 141 (2023: Ushs 246 million). If Botswana Pula had weakened by 5% against the Uganda Shillings, there would be an opposite effect of above.

3.4 Prepayment risk

Prepayment risk primarily relates to the Company's loan portfolio and is the risk that the Company will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected.

The Company uses the same models and inputs that it also uses for ECL models to project the impact of varying levels of prepayment on its net interest income and distinguishes between the different reasons for repayment (e.g., relocation, refinancing and renegotiation).

When estimating the prepayment rates, the Company also takes into account the effect of any prepayment penalties, when applicable, and other socio-economic factors (interest rates, house price movements, unemployment rates, ageing population, etc.) on a forward-looking basis. The model is back tested against actual outcomes.

3.5 Capital management risk

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.
- To comply with the capital requirements set out by the Company's bankers;
- To maintain a strong asset base to support the development of business.
- To maintain an optimal capital structure to reduce the cost of capital.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Capital management risk (Continued)

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of the debt to capital ratio.

	2024 Ushs'000	2023 Ushs'000
Total borrowings (Note 22 and 23)	94,891,466	92,435,961
Net (cash) / overdraft position (Note 14)	(4,636,505)	10,233,182
Net debt	**90,076,773**	**102,669,143**
Total equity	57,735,930	56,981,414
Total capital	**147,812,703**	**159,650,557**
Debt to capital ratio	61%	64%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3 which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing Companies of similar financial assets for the purposes of measuring ECL.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Detailed information about the judgements and estimates made by the Company in the above areas is set out in note 3.

(a) Equipment

Critical estimates are made by the directors in determining depreciation rates for equipment. The rates used are set out in accounting policy 2 (l) above.

(b) Taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Company has no tax losses (2023: nil) carried forward. On this basis, the Company has recognised deferred tax assets on short-term timing differences between tax positions and accounting positions. Refer to note 13 for details on the deferred tax asset recognised.

Judgments in applying the Company's accounting policies

In the process of applying the Company's accounting policies, management has made judgements in determining the classification of financial assets and leases and whether assets are impaired.

5. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Company's financial assets and financial liabilities are disclosed in note 3. The carrying amounts of these instruments approximate their value due to their short-term nature. Furthermore, all loans and advances, and borrowings are issued/acquired at commercial rates. Therefore, the discounted values of these instruments using market rates do not materially differ from their consideration paid/received on origination, and from the carrying amounts on the statement of financial position date.

The fair values of loans and advances to customers and borrowings are estimated by a discounted cash flow model based on contractual cash flows using actual or estimated yields and discounting by yields incorporating the counterparties' credit risk.

6. NET INTEREST INCOME

Interest income and interest expense	**2024 Ushs'000**	**2023 Ushs'000**
Interest income recognized using the effective interest method:		
Interest on loans and advances	63,037,974	59,135,441
Interest on fixed deposits	111,407	213,300
	63,149,381	59,348,741
Interest expense recognized using the effective interest method:		
Overdraft facility fee	1,116,374	1,859,960
Interest expense on lease obligations	119,079	71,882
Interest on bank and other borrowings	15,451,110	14,044,931
Debt origination fees	580,225	484,176
	17,266,788	16,460,949

7. OTHER OPERATING INCOME

	2024 Ushs'000	**2023 Ushs'000**
Foreign exchange gain	864	1,019,934
Unprocessed receipts written back	262,084	-
Other income*	3,618,274	5,380,030
	3,881,222	6,399,964

**Other income includes income from short-term advances to related parties.*

8. STAFF COSTS

	2024 Ushs'000	**2023 Ushs'000**
Salaries and wages	7,777,175	8,443,283
Staff incentive	514,216	155,271
Staff training	3,937	173,093
Staff welfare	238,109	230,123
Other staff costs	385,470	545,373
Share based incentive scheme (Note 27)	(174,265)	104,043
	8,744,642	9,651,186

9. DEPRECIATION AND AMORTISATION EXPENSE

	2024 Ushs'000	**2023 Ushs'000**
Depreciation of property and equipment (Note 18)	926,987	926,232
Depreciation of right of use assets (Note 18)	1,582,742	1,726,838
Amortisation of intangible assets (Note 19)	55,579	237,519
	2,565,308	2,890,589

10. OTHER OPERATING EXPENSES

	2024 Ushs'000	2023 Ushs'000
Advertising	1,584,376	2,122,853
Audit fees	166,251	150,851
Telecommunication and postage expenses	1,288,692	1,359,426
Travel expenses	1,846,699	1,586,524
Management fees	4,330,027	8,337,736
Sales commission	2,124,812	2,765,029
IT expenses	3,969,275	2,573,112
Other operating expenses	10,157,357	10,352,548
	25,467,489	**29,248,079**

11. PROFIT BEFORE TAX

Profit before tax for the year is arrived at, after deduction / (crediting) of the following items:

	2024 Ushs'000	2023 Ushs'000
Depreciation of property and equipment (note 9)	926,987	926,232
Amortisation of intangible assets (note 9)	55,579	237,519
Depreciation of right-of-use asset (note 9)	1,582,742	1,726,838
Auditor's remuneration (note 10)	166,251	150,851
Foreign exchange gain (note 7)	(864)	(1,019,934)

12. INCOME TAX

(a) Income tax expense

	2024 Ushs'000	2023 Ushs'000
Current tax expense	1,458,929	1,342,879
Deferred tax credit (note (13))	(927,203)	(832,898)
	531,726	509,981

(b) Reconciliation of accounting profit to taxable profit

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2024 Ushs '000	2023 Ushs '000
Accounting profit before tax:	1,460,507	551,125
Tax calculation at applicable rate – 30% (2023: 30%)	438,152	165,338
Tax effect of:		
Expenses not deductible for tax purposes:	93,574	344,643
Income tax expense	531,726	509,981

12. INCOME TAX (CONTINUED)

(c) Income tax recoverable

	2024 Ushs '000	2023 Ushs '000
At 1 January	1,955,187	60,591
Tax charge for the year	(1,458,929)	(1,342,879)
WHT tax paid during the year	29,922	33,135
Tax paid during the year	-	3,204,340
Income tax paid during the year	29,922	3,237,475
At 31 December	526,180	1,955,187

13. DEFERRED TAX ASSET

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2023: 30%). The movement on the deferred tax account is as follows:

	2024 Ushs'000	2023 Ushs'000
At start of the year	3,491,835	2,658,937
Credit to profit or loss	927,203	832,898
Deferred tax at the end of the year	4,419,038	3,491,835

Deferred tax assets and the deferred tax movement in the profit or loss account, are attributable to the following items:

2024	At 1 January 2024 Ushs '000'	Credit to profit or loss Ushs '000'	At 31 December 2024 Ushs '000'
Accelerated depreciation	(318,132)	(5,778)	(323,910)
Short term timing differences	(3,173,703)	(921,425)	(4,095,128)
Net deferred asset	(3,491,835)	(927,203)	(4,419,038)

2023	At 1 January 2023 Ushs '000'	Credit to profit or loss Ushs '000'	At 31 December 2023 Ushs '000'
Accelerated depreciation	(335,086)	16,954	(318,132)
Short term timing differences	(2,323,851)	(849,852)	(3,173,703)
Net deferred asset	(2,658,937)	(832,898)	(3,491,835)

14. CASH AND BANK BALANCES

	2024 Ushs'000	2023 Ushs'000
Cash in hand	71,446	126,437
Cash at bank	11,089,648	2,119,369
	11,161,094	2,245,806

Cash and cash equivalents	2024 Ushs'000	2023 Ushs'000
Cash at bank and in hand	11,161,094	2,245,806
Bank overdrafts	(6,524,589)	(12,478,988)
	4,636,505	(10,233,182)

Terms of the overdraft:

The overdraft facilities were obtained from Guaranty Trust Bank, KCB Bank and Absa Bank Uganda. The facility limits are Ushs 5 billion for each facility and are repayable on demand. The facilities attract interest at a floating rate based on the current commercial bank borrowing rate and are secured by a corporate guarantee from Letshego Holdings Limited.

15. FIXED DEPOSITS

	2024 Ushs'000	2023 Ushs'000
Principal	-	2,362,979
Accrued interest	-	82,673
	-	2,445,652

The movement in the fixed deposits held by the Company is shown as follows:

	2024 Ushs'000	2023 Ushs'000
At 1 January	2,445,652	2,264,501
Interest income	111,407	213,300
Additions	-	2,362,979
Maturities	(2,362,979)	(2,180,794)
Interest received	(194,080)	(214,334)
At 31 December	-	2,445,652

Bank fixed deposits mature within 12 months and are denominated in Uganda Shillings. The weighted average effective interest rate is 9% (2023: 9%).

16. LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances	2024 UShs'000	2023 UShs'000
Consumer loans	118,025,332	127,223,093
Microfinance loans	33,594,121	30,990,719
	151,619,453	**158,213,812**
Accrued fees	5,907,425	5,586,535
Loans and advances to customers	**157,526,878**	**163,800,347**
Less: deferred fee income	(789,326)	(1,046,220)
	156,737,552	**162,754,127**
Less: provision for impairment 16 (b)	(14,494,846)	(12,093,879)
Net loans and advances to customers	142,242,706	150,660,248

(b) Increase in expected credit losses

The movement in expected credit losses is made up of the following:

	2024 Ushs'000	2023 Ushs'000
At 1 January	12,093,879	7,874,801
Increase in expected credit losses	11,525,869	6,946,777
Repayments and write-offs already expensed to profit or loss	(9,124,902)	(2,727,699)
At 31 December	14,494,846	12,093,879

The expected credit loss expense for the year comprises:

	2024 Ushs'000	2023 Ushs'000
Loans written off directly	9,749,199	3,149,516
Increase in impairment charge for the year	2,400,967	4,219,078
Recoveries from previously written off loans	(624,297)	(421,817)
	11,525,869	6,946,777

The following table shows the analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets:

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

31 December 2024

	ECL Staging				
	Stage 1 12-month ECL Ushs '000	Stage 2 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Purchased Credit Impaired Ushs '000	Total Ushs '000
Consumer loans					
Current	83,638,561	4,334,987	-	-	87,973,548
Watch	10,179,520	7,846,969	-	-	18,026,489
Non-performing	143	681,828	11,343,324	-	12,025,295
Gross amount:	**93,818,224**	**12,863,784**	**11,343,324**	-	**118,025,332**
Loss allowance:	(1,594,428)	(1,782,088)	(9,664,422)	-	(13,040,938)
Carrying amount	**92,223,796**	**11,081,696**	**1,678,902**	-	**104,984,394**

31 December 2023

	ECL Staging				
	Stage 1 12-month ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Purchased Credit Impaired Ushs '000	Total Ushs '000
Consumer loans					
Current	96,378,299	2,274,094	-	-	98,652,393
Watch	11,080,609	3,399,882	-	-	14,480,491
Non-performing	-	541,487	13,548,722	-	14,090,209
Gross amount:	**107,458,908**	**6,215,463**	**13,548,722**	-	**127,223,093**
Loss allowance:	(667,341)	(96,093)	(10,155,037)	-	(10,918,471)
Carrying amount	**106,791,567**	**6,119,370**	**3,393,685**	-	**116,304,622**

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

31 December 2024

		ECL Staging			
	Stage 1 12-month ECL Ushs '000	Stage 2 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Purchased Credit Impaired Ushs '000	Total Ushs '000
Microfinance loans					
Current	25,458,958	92,749	-	-	25,551,707
Watch	4,213,216	1,891,224	-	-	6,104,440
Non-performing	-	-	1,937,974	-	1,937,974
Gross amount:	**29,672,174**	**1,983,973**	**1,937,974**	**-**	**33,594,121**
Loss allowance:	(204,129)	(135,531)	(1,114,248)	-	(1,453,908)
Carrying amount	**29,468,045**	**1,848,442**	**823,726**	**-**	**32,140,213**

31 December 2023

		ECL Staging			
	Stage 1 12-month ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Purchased Credit Impaired Ushs '000	Total Ushs '000
Microfinance loans					
Current	19,389,770	1,033,842	-	-	20,423,612
Watch	4,056,587	2,599,823	-	-	6,656,410
Non-performing	-	-	3,910,697	-	3,910,697
Gross amount:	**23,446,357**	**3,633,665**	**3,910,697**	**-**	**30,990,719**
Loss allowance:	(497,218)	(341,430)	(336,760)	-	(1,175,408)
Carrying amount	**22,949,139**	**3,292,235**	**3,573,937**	**-**	**29,815,311**

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The loss allowance recognized in the period is impacted by a number of factors, as described below:

1. Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" or "step down" between 12-months and lifetime ECL;
2. Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
3. Impact on measurement of ECL due to changes in PDs, EADs and LGDs in the period arising from regular refreshing of inputs into models;
4. Impact on the measurement of ECL due to changes made to models and assumptions;
5. Discount unwind within ECL due to passage of time as ECL is measured on a present value basis;
6. Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
7. Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

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

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

31 December 2024

	ECL Staging				
	Stage 1 12-month ECL Ushs '000	**Stage 2 Lifetime ECL Ushs '000**	**Stage 3 Lifetime ECL Ushs '000**	**Purchased Credit Impaired Ushs '000**	**Total Ushs '000**
Consumer loans					
Gross-carrying amounts:					
At 1 January	107,458,908	6,215,463	13,548,722	-	127,223,093
Transfers:					
Transfers from stage 1 to stage 2	(7,478,611)	7,478,611	-	-	-
Transfers from stage 1 to stage 3	(4,438,277)	-	4,438,277	-	-
Transfers from stage 2 to stage 3	-	(2,175,384)	2,175,384	-	-
Transfers from stage 3 to stage 2	-	1,721,565	(1,721,565)	-	-
Transfers from stage 2 to stage 1	1,549,495	(1,549,495)	-	-	-
New assets originated or purchased	10,047,933	-	-	-	10,047,933
Payments or assets derecognised	(13,321,224)	1,173,024	(631,217)	-	(12,779,417)
Write-offs	-	-	(6,466,277)	-	(6,466,277)
	93,818,224	**12,863,784**	**11,343,324**	**-**	**118,025,332**

31 December 2024

	ECL Staging				
	Stage 1 12-month ECL Ushs '000	**Stage 2 Lifetime ECL Ushs '000**	**Stage 3 Lifetime ECL Ushs '000**	**Purchased Credit Impaired Ushs '000**	**Total Ushs '000**
Microfinance loans					
Gross-carrying amounts:					
At 1 January	**23,446,357**	**3,633,665**	**3,910,697**	**-**	**30,990,719**
Transfers:					
Transfers from stage 1 to stage 2	(236,996)	236,996	-	-	-
Transfers from stage 1 to stage 3	(402,188)	-	402,188	-	-
Transfers from stage 2 to stage 3	-	(253,797)	253,797	-	-
Transfers from stage 3 to stage 2	-	33,209	(33,209)	-	-
Transfers from stage 2 to stage 1	789,453	(789,453)	-	-	-
Change in assumptions	38,869,675	-	-	-	38,869,675
New assets originated or purchased	(32,794,127)	(876,647)	(354,784)	-	(34,025,558)
Payments or assets derecognised	-	-	(2,240,715)	-	(2,240,715)
Write-offs	**29,672,174**	**1,983,973**	**1,937,974**	**-**	**33,594,121**

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

31 December 2023	ECL Staging				
	Stage 1 12-month ECL Ushs '000	Stage 2 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Purchased Credit Impaired Ushs '000	Total Ushs '000
Consumer loans					
Gross-carrying amounts:					
At 1 January	98,665,193	6,320,996	8,644,424	-	113,630,613
Transfers:					
Transfers from stage 1 to stage 2	(1,981,021)	1,981,021	-	-	-
Transfers from stage 1 to stage 3	(4,134,641)	-	4,134,641	-	-
Transfers from stage 2 to stage 3	-	(2,409,794)	2,409,794	-	-
Transfers from stage 3 to stage 2	-	1,474,940	(1,474,940)	-	-
Transfers from stage 2 to stage 1	700,650	(700,650)	-	-	-
New assets originated or purchased	27,811,782	-	-	-	27,811,782
Payments or assets derecognised	(13,603,055)	(451,050)	124,983,293	-	110,929,188
Write-offs	-	-	(125,148,490)	-	(125,148,490)
	107,458,908	**6,215,463**	**13,548,722**	**-**	**127,223,093**

31 December 2023	ECL Staging				
	Stage 1 12-month ECL Ushs '000	Stage 2 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Purchased Credit Impaired Ushs '000	Total Ushs '000
Microfinance loans					
Gross-carrying amounts:					
At 1 January	**26,111,499**	**4,043,091**	**5,602,064**	**-**	**35,756,654**
Transfers:					
Transfers from stage 1 to stage 2	(1,184,610)	1,184,610	-	-	-
Transfers from stage 1 to stage 3	(592,036)	-	592,036	-	-
Transfers from stage 2 to stage 3	-	(347,700)	347,700	-	-
Transfers from stage 3 to stage 2	-	510,142	(510,142)	-	-
Transfers from stage 2 to stage 1	266,440	(266,440)	-	-	-
Change in assumptions	244,101	195,869	699,346	-	1,139,316
New assets originated or purchased	26,291,645	-	-	-	26,291,645
Payments or assets derecognised	(27,690,682)	(1,685,907)	30,328,781	-	952,192
Write offs	-	-	(33,149,088)	-	(33,149,088)
	23,446,357	**3,633,665**	**3,910,697**	**-**	**30,990,719**

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period:

31 December 2024

	ECL Staging				
	Stage 1 12-month ECL Ushs '000	**Stage 2 Lifetime ECL Ushs '000**	**Stage 3 Lifetime ECL Ushs '000**	**Purchased Credit Impaired Ushs '000**	**Total Ushs '000**
Consumer loans					
Loss allowance:					
At 1 January	681,945	69,011	10,167,515	-	10,918,471
Transfers:					
Transfers to stage 1	4,360,126	(1,041,134)	(3,318,992)	-	-
Transfers to stage 2	(59,372)	180,404	(121,032)	-	-
Transfers to stage 3	(1,965,076)	(1,993,778)	3,958,854	-	-
Changes in assumptions:	1,841,676	9,354,407	35,659,789	-	46,855,872
New assets originated or purchased	1,615,540	-	-	-	1,615,540
Payments or assets derecognised	(4,880,411)	(4,786,822)	(30,215,435)	-	(39,882,668)
Write-offs	-	-	(6,466,277)	-	(6,466,277)
	1,594,428	1,782,088	9,664,422	-	13,040,938

31 December 2023

	ECL Staging				
	Stage 1 12-month ECL Ushs '000	**Stage 3 Lifetime ECL Ushs '000**	**Stage 3 Lifetime ECL Ushs '000**	**Purchased Credit Impaired Ushs '000**	**Total Ushs '000**
Consumer loans					
Loss allowance:					
At 1 January	1,920,812	191,169	1,839,353	-	3,951,334
Transfers:					
Transfers to stage 1	143,378	(7,019)	(136,359)	-	-
Transfers to stage 2	33,649	(20,755)	(12,894)	-	-
Transfers to stage 3	14,546	(59)	(14,487)	-	-
Changes in assumptions:	(619,302)	356,724	49,760,311		49,497,733
New assets originated or purchased	5,562,356	-	-	-	5,562,356
Payments or assets derecognised	(6,373,494)	(451,049)	(166,416,899)	-	(173,241,442)
Write-offs	-	-	125,148,490	-	125,148,490
	681,945	69,011	10,167,515	-	10,918,471

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

31 December 2024

	ECL Staging				
	Stage 1 12-month ECL Ushs '000	**Stage 2 Lifetime ECL Ushs '000**	**Stage 3 Lifetime ECL Ushs '000**	**Purchase Credit Impaired Ushs '000**	**Total Ushs '000**
Microfinance loans					
Loss allowance:					
At 1 January	497,218	341,430	336,760	-	1,175,408
Transfers:					
Transfers to stage 1	31,981	(10,904)	(21,077)	-	-
Transfers to stage 2	(10,904)	28,830	(17,926)	-	-
Transfers to stage 3	(173,485)	(143,907)	317,392	-	-
Change in assumptions	170,300	563,198	(402,183)	-	331,315
New assets originated or purchased	(310,981)	(643,116)	3,141,997	-	2,187,900
Write-offs	-	-	(2,240,715)	-	(2,240,715)
	204,129	135,531	1,114,248	-	1,453,908

31 December 2023

	ECL Staging				
Microfinance loans	**Stage 1 12-month ECL Ushs '000**	**Stage 3 Lifetime ECL Ushs '000**	**Stage 3 Lifetime ECL Ushs '000**	**Purchased credit impaired Ushs '000**	**Total Ushs '000**
Loss allowance:					
At 1 January	1,450,661	527,803	1,945,003	-	3,923,467
Transfers:					
Transfers to stage 1	83,563	(78,054)	(5,509)	-	-
Transfers to stage 2	56,530	(38,220)	(18,310)	-	-
Transfers to stage 3	440,970	(76,526)	(364,444)	-	-
Change in assumptions	(418,478)	120,858	(122,543)		(420,163)
New assets originated or purchased	(1,116,028)	(114,431)	(510,056)	-	(1,740,515)
Write-offs	-	-	(587,381)	-	(587,381)
	497,218	341,430	336,760	-	1,175,408

17. OTHER ASSETS

	2024 Ushs'000	**2023 Ushs'000**
Other receivables	115,161	297,941
Prepayments	1,180,762	1,146,825
	1,295,923	1,444,766

18. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Computer equipment Ushs'000	Office equipment, furniture and fittings Ushs'000	Work in progress Ushs'000	Motor vehicles Ushs'000	Leasehold improvements Ushs'000	ROU - leasehold property Ushs'000	Total Ushs'000
Cost							
At 1 January 2023	**586,726**	**2,955,918**	**149,079**	**803,722**	**2,706,079**	**6,868,692**	**14,070,216**
Additions	373,635	96,412	45,239	357,000	86,286	1,647,058	2,605,630
Reclassification	2,103,755	(935,314)	(149,079)	136,904	-	-	1,156,266
Disposals	-	-	-	(98,000)	-	-	(98,000)
At 31 December 2023	**3,064,116**	**2,117,016**	**45,239**	**1,199,626**	**2,792,365**	**8,515,750**	**17,734,112**
At 1 January 2024	**3,064,116**	**2,117,016**	**45,239**	**1,199,626**	**2,792,365**	**8,515,750**	**17,734,112**
Additions	262,876	276,743	-	-	442,566	1,799,387	2,781,572
Reclassification	45,239	-	(45,239)	-	-	-	-
At 31 December 2024	**3,372,231**	**2,393,759**	**-**	**1,199,626**	**3,234,931**	**10,315,137**	**20,515,684**
Depreciation							
At 1 January 2023	**271,094**	**2,604,733**	**-**	**373,217**	**2,229,343**	**6,638,593**	**12,116,980**
Depreciation charge	266,974	180,001	-	249,235	230,022	1,726,838	2,653,070
Reclassification	2,118,389	(934,354)	-	105,579	(3,567)	-	1,286,047
Disposals	-	-	-	(98,000)	-	-	(98,000)
At 31 December 2023	**2,656,457**	**1,850,380**	**-**	**630,031**	**2,455,798**	**8,365,431**	**15,958,097**
At 1 January 2024	**2,656,457**	**1,850,380**	**-**	**630,031**	**2,455,798**	**8,365,431**	**15,958,097**
Depreciation charge	347,447	151,073	-	238,507	189,960	1,582,742	2,509,729
At 31 December 2024	**3,003,904**	**2,001,453**	**-**	**868,538**	**2,645,758**	**9,948,173**	**18,467,826**
Net book value							
At 31 December 2024	368,327	392,306	-	331,088	589,173	366,964	2,047,858
At 31 December 2023	407,659	266,636	45,239	569,595	336,567	150,319	1,776,015

19. INTANGIBLE ASSETS

	2024 Ushs'000	2023 Ushs'000
Cost		
At 1 January	2,977,547	1,049,011
Reclassification	-	1,928,536
At 31 December	2,977,547	2,977,547
Accumulated amortization		
At start of year	2,654,137	644,611
Reclassification	-	1,772,007
Charge for the year	55,579	237,519
At end of year	2,709,716	2,654,137
Net book value at 31 December	267,831	323,410

20. TRADE AND OTHER PAYABLES

	2024 Ushs'000	2023 Ushs'000
Accounts payable	-	129,088
Accruals	161,557	147,503
Other payables	2,028,057	999,442
	2,189,614	1,276,033

21. LEASE LIABILITIES

	2024 Ushs'000	2023 Ushs'000
At 1 January	321,176	372,670
Additions	1,799,387	1,647,058
Interest accrued	119,079	71,882
Payment of interest component	(119,079)	(71,882)
Payment of principal component	(1,581,383)	(1,698,552)
At 31 December	539,180	321,176

22. BORROWINGS

	2024 Ushs'000	2023 Ushs'000
Commercial banks	75,184,935	68,854,385
Development financial institutions	15,676,348	16,552,591
	90,861,283	85,406,976

22. BORROWINGS (Continued)

	2024	2023
Contractual maturity analysis	**Ushs'000**	**Ushs'000**
Maturing within one year	31,210,932	23,466,130
Maturing after one year within three years	50,407,856	47,268,726
Maturing after three years	6,117,435	12,810,154
Total borrowings	**87,736,223**	**83,545,010**
Contractual interest on borrowings to maturity at reporting date	19,947,841	27,928,040
Total contractual cash flows on interest bearing loans and borrowings	**107,684,064**	**111,473,050**
At 1 January	85,406,976	84,240,402
Additions	32,650,000	38,475,000
Interest expense	15,451,110	14,044,931
Interest payment	(15,017,923)	(13,039,691)
Repayments	(26,849,602)	(38,182,554)
Debt arrangement fees	(779,278)	(131,112)
At 31 December 2024	**90,861,283**	**85,406,976**

Security

The facilities (Absa Bank Uganda Ltd, KCB Bank Uganda Limited, NCBA Bank Uganda Limited, Exim Bank Uganda, Equity Bank Uganda, Developing World Markets and Soluti Finance) are secured by a letter of comfort from the holding company, Letshego Holdings Limited, a corporate guarantee from Letshego Financial Services (Pty) Limited (Botswana).

22. BORROWINGS (CONTINUED)

The table below shows details of facilities secured by a letter of comfort from the holding company:

31 December 2024

Lender	Currency	Amount secured Ushs' 000	Principal Ushs' 000	Tenor - months	Start date	Maturity Date	Rate	Interest Rate type	Outstanding 31 Dec 2024 Ushs' 000
Exim Bank Uganda	Ushs	7,000,000	2,329,633	60	24/Mar/21	24/Mar/26	18%	Fixed	2,277,577
KCB Uganda Limited 1	Ushs	10,000,000	4,286,139	60	27/Aug/21	27/Aug/26	17%	Fixed	4,184,128
Equity Facility 1	Ushs	10,000,000	4,950,955	48	30/Aug/22	30/Aug/26	16%	Fixed	5,004,436
Soluti Finance - 229.1	Ushs	2,000,000	1,292,460	48	16/Sep/22	16/Sep/26	18%	Floating	1,268,669
Soluti Finance - 229.2	Ushs	2,000,000	1,289,126	48	16/Sep/22	16/Sep/26	18%	Floating	1,265,138
KCB Bank Uganda 2	Ushs	17,000,000	11,322,768	60	03/Oct/22	03/Oct/27	17%	Fixed	11,174,915
DMW Facility	Ushs	11,172,240	7,448,160	48	29/Dec/22	29/Dec/26	17%	Fixed	8,053,221
Absa Uganda 4	Ushs	5,000,000	2,500,000	36	28/Apr/23	28/Apr/26	17%	Floating	2,508,573
NCBA Bank Uganda 2	Ushs	8,000,000	5,432,110	48	19/May/23	19/May/27	16%	Fixed	5,321,676
Absa Uganda Facility 5.1	Ushs	18,175,000	13,631,250	48	20/Oct/23	20/Oct/27	17%	Floating	13,723,447
KCB Facility 3	Ushs	6,500,000	5,600,725	60	15/Dec/23	15/Dec/28	17%	Fixed	5,497,927
FSDU Facility 1	Ushs	800,000	800,000	24	25/Dec/23	25/Jan/26	0%	Fixed	779,508
Absa Uganda Facility 5.2	Ushs	11,250,000	9,000,000	48	14/Feb/24	20/Oct/27	17%	Floating	9,060,873
NCBA Bank Uganda 3	Ushs	7,500,000	6,569,972	48	05/Apr/24	05/Apr/28	17%	Fixed	6,471,132
HFB Uganda Limited 1	Ushs	3,000,000	2,796,644	60	23/Apr/24	23/Apr/29	16%	Fixed	2,808,304
FSDU Facility 2	Ushs	800,000	800,000	24	05/Apr/24	05/Apr/26	0%	Fixed	779,508
FSDU Facility 3	Ushs	1,100,000	1,100,000	24	19/Aug/24	19/Aug/26	0%	Fixed	1,071,823
Soluti Finance - 191.6	Ushs	1,500,000	1,500,000	48	27/Sep/24	27/Sep/28	18%	Fixed	1,464,379
Soluti Finance - 191.7	Ushs	1,500,000	1,500,000	48	27/Sep/24	27/Sep/28	18%	Fixed	1,464,379
HFB Uganda Limited 2	Ushs	2,000,000	2,000,000	60	22/Nov/24	22/Nov/29	16%	Fixed	1,982,438
Exim Bank Uganda 2	Ushs	4,000,000	4,000,000	60	19/Dec/24	19/Dec/29	17%	Fixed	3,919,954
Debt arrangement fees			-						779,278
Total			90,149,942						90,861,283

22. BORROWINGS (CONTINUED)

31 December 2023

Lender	Currency	Amount secured Ushs' 000	Principal Ushs' 000	Tenor - months	Start date	Maturity Date	Rate	Interest Rate type	Outstanding 31 Dec 2023 Ushs' 000
KCB Bank Uganda 1	Ushs	10,000,000	6,332,431	60	27-Aug-21	27-Aug-26	16.00%	Fixed	6,294,574
NCBA Bank Uganda	Ushs	6,500,000	892,316	48	7-May-20	7-May-24	16.50%	Fixed	894,938
Exim Bank Uganda	Ushs	7,000,000	3,869,742	60	24-Mar-21	24-Mar-26	16.50%	Fixed	3,852,341
Soluti Finance –MFD	Ushs	500,000	41,667	48	16-Dec-19	16-Dec-23	18.50%	Floating	41,341
Equity Facility	Ushs	10,000,000	7,344,408	48	30-Aug-22	30-Aug-26	16.00%	Fixed	7,290,120
Soluti Finance-229.1	Ushs	2,000,000	1,870,667	48	16-Sep-22	16-Sep-26	18.00%	Fixed	1,869,756
Soluti Finance-229.2	Ushs	2,000,000	1,869,733	48	16-Sep-22	16-Sep-26	17.50%	Fixed	1,868,441
KCB Bank Uganda 2	Ushs	17,000,000	14,195,710	60	3-Oct-22	3-Oct-27	16.80%	Fixed	14,268,643
DMW Facility	Ushs	11,172,240	11,172,240	48	29-Dec-22	29-Dec-26	17.35%	Fixed	11,891,103
Absa Uganda 4	Ushs	5,000,000	4,166,666	48	28-Apr-23	19-Mar-27	17.00%	Floating	5,051,024
NCBA Bank Uganda 2	Ushs	8,000,000	7,118,872	48	19-May-23	19-May-27	16.50%	Fixed	7,101,470
Absa Uganda Facility 5	Ushs	18,175,000	18,175,000	48	20-Oct-23	20-Oct-27	16.40%	Floating	18,617,149
KCB Bank Uganda 3	Ushs	6,500,000	6,500,000	60	15-Dec-23	15-Dec-28	17.00%	Fixed	6,497,185
Debt arrangement fees			-						(131,109)
Total			**83,549,452**						**85,406,976**

23. RELATED PARTIES

Letshego Uganda Limited is 85% owned by Letshego Holdings Limited, a public company incorporated in the Republic of Botswana and listed on the Botswana Stock Exchange. Transactions and balances with related parties were as follows:

Letshego Uganda Limited has a current account with Letshego Holdings Limited. The current account consists of the management and guarantee fees that were charged by Letshego Holdings on a regular basis. No interest is levied on this balance, and it is payable on demand. Guarantee fees are charged at 2% per month on the opening balance of the loan facilities guaranteed by LHL as at year start. Management fees are computed based on a number of parameters, which included but not limited to salaries of LHL support team, net loan payment outs and subsidiary staff count.

	2024 Ushs'000	2023 Ushs'000
a) Management, shared costs and guarantee fees		
Letshego Holdings Limited	4,030,183	7,028,985

The nature of the underlying transactions is indicated below:

	2024 Ushs'000	2023 Ushs'000
Group shared costs	2,069,548	2,999,263
Management fee	10,841,911	10,108,900
Guarantee fees	3,209,948	2,725,460
Intercompany loan due from LHL	(12,091,224)	(8,804,638)
	4,030,183	7,028,985

b) Key management compensation

Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2024 Ushs'000	2023 Ushs'000
Salaries and other short-term employment benefits	2,940,806	3,355,863

c) Directors' remuneration

Directors' fees (included in key management compensation above)	262,383	322,000

24. LOAN GUARANTEE FUND

	2024 Ushs '000	2023 Ushs '000
At start of year	849,347	1,078,956
Net movement during the period	(769,496)	(229,609)
At end of year	79,851	849,347

The loan guarantee fund represents security for customer's group loan obligations to the Company. This is computed as a percentage of the customer's approved loans. In the event of default, the customer forfeits all or part of the fund to the extent of the amount at risk.

25. SHARE CAPITAL

a) Ordinary share capital	2024 Ushs' 000	2023 Ushs' 000
Authorised share capital		
33,333,333 ordinary shares of Ushs 300 each (2023:1,000,000 ordinary shares of Ushs 300 each)	10,000,000	10,000,000
Issued and fully paid up		
31,150,000 ordinary shares of Ushs 300 each (2023:1,000,000 ordinary shares of Ushs 300 each)	9,345,000	9,345,000

In a bid to transition to a Microfinance Deposit-Taking Institution (MDI) status, the shareholders resolved to increase ordinary share capital to Ushs 10 billion. Following the capital increment decision, the majority shareholder, LHL that holds 85% of the Company's shares decided to convert its preference shares amounting to Ushs 8,245 million into ordinary shares. The minority shareholder who holds the remaining 15% paid additional capital of Ushs 800 million, leaving the balance of Ushs 655 million unpaid.

As at year-end, the total authorized number of ordinary shares is 33,333,333 with a par value of Ushs 300 per share with an equivalent of Ushs 10,000,000,000 however only 31,150,000 shares are fully paid up with an equivalent value of Ushs 9,345,000,000 and the difference of 2,183,333 shares with an equivalent value of UGX 655,000,000 are not yet paid pending clearance from the minority shareholder.

c) Preference share capital

Reconciliation of the irredeemable preference share capital is as follows:

	2024 Ushs'000	2023 Ushs'000
At start of year:	29,448,815	30,874,194
Dividends on redeemable preference shares	-	(1,425,379)
At end of year	29,448,815	29,448,815

25. SHARE CAPITAL (CONTINUED)

The irredeemable preference shares were issued by Letshego Uganda Limited to Letshego Holdings Limited at a par value of Ushs 300 each and a premium of Ushs 2,400 per share. The preference shares entitle the holder to receive out of the profits of the Company available for distribution and permitted by law to be distributed, in priority to the payment of any dividend to the holders of ordinary shares, a non-cumulative preferential dividend as such rate as their nominal amount as determined by the Board. Such dividends are payable at such intervals as may be determined by the Board. They are non-cumulative with a non-cumulative coupon rate of dividend of 19%.

26. DIVIDENDS

No dividends were paid during the year ended 31 December 2024 (2023: Ushs 3,593 million).

27. SHARE BASED PAYMENT TRANSACTIONS

Letshego Holdings Limited ("the Holding Company"), operates an equity settled conditional long term incentive plan ("LTIP"). Under the plan, conditional share awards are granted to management and key employees of the group companies. The number of vesting share awards is subject to achievement of certain non-market conditions.

Shares granted in terms of the plan may not exceed 10% of the issued ordinary shares of the holding company. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.
The first allocation of share awards under the plan was made during 2007. The vesting period of the share awards is generally three years.

	2024	2023
Number of awards	**Ushs'000**	**Ushs'000**
At start of year	213,685	250,123
Share incentive scheme expense	(174,265)	104,043
Vesting costs paid	-	(140,481)
At end of year	39,420	213,685

A reconciliation of the values recognised and vested on an annual basis is disclosed in the statement of changes in equity.

28. REGULATORY RISK RESERVE

The movement in the regulatory risk reserve in 2024 and 2023 relates to the amount by which provisions recognized under the Tier 4 Microfinance Institutions and Money Lenders Act, Cap. 61, Laws of Uganda, exceed those required under IFRS Accounting Standards as issued by the International Accounting Standards Board. The movement in the regulatory risk reserve is as indicated below:

	2024	2023
	Ushs'000	**Ushs'000**
At 1 January	9,007,229	10,760,041
Transfer from the regulatory reserve	(5,850,630)	(1,752,812)
At end of year	3,156,599	9,007,229

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

As at 31 December 2024:

	Within 12 months Ushs'000	After 12 months Ushs'000	Total Ushs'000
ASSETS			
Cash at bank and in hand	11,161,094	-	11,161,094
Loans and advances to customers	18,369,368	123,873,338	142,242,706
Other assets	1,295,923	-	1,295,923
Property and equipment	-	2,047,858	2,047,858
Intangible assets	-	267,831	267,831
Income tax recoverable	526,180	-	526,180
Deferred tax asset	-	4,419,038	4,419,038
Total assets	**31,352,565**	**130,608,065**	**161,960,630**
LIABILITIES			
Bank overdraft	6,524,589	-	6,524,589
Trade and other payables	2,189,614	-	2,189,614
Lease liabilities	-	539,180	539,180
Borrowings	31,209,120	59,472,163	90,681,283
Amounts due to related parties	-	4,030,183	4,030,183
Loan guarantee fund	79,851	-	79,851
Total liabilities	**40,003,174**	**64,041,526**	**104,044,700**
Net:	**(8,650,609)**	**66,566,539**	**57,915,930**

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2023:

	Within 12 months Ushs'000	After 12 months Ushs'000	Total Ushs'000
ASSETS			
Cash at bank and in hand	2,245,806	-	2,245,806
Fixed deposits	2,445,652	-	2,445,652
Loans and advances to customers	13,681,405	136,978,843	150,660,248
Other assets	1,444,766	-	1,444,766
Property and equipment	-	1,776,015	1,776,015
Intangible assets	-	323,410	323,410
Income tax recoverable	1,955,187	-	1,955,187
Deferred tax asset	-	3,491,835	3,491,835
Total assets	**21,772,816**	**142,570,103**	**164,342,919**
LIABILITIES			
Bank overdraft	12,478,988	-	12,478,988
Trade and other payables	1,276,033	-	1,276,033
Lease liabilities	-	321,176	321,176
Borrowings	23,466,130	61,940,846	85,406,976
Amounts due to related parties	-	7,028,985	7,028,985
Loan guarantee fund	849,347	-	849,347
Total liabilities	**38,070,498**	**69,291,007**	**107,361,505**
Net:	**(16,297,682)**	**73,279,096**	**56,981,414**

30. CASH FLOWS FROM OPERATIONS

	Note	2024 Ushs'000	2023 Ushs'000
Profit before tax		**1,460,507**	**551,125**
Adjustments for:			
Interest income on fixed deposits	6	(111,407)	(213,300)
Interest expense on lease obligations	6	119,079	71,882
Interest on bank and other borrowings	6	15,451,110	14,044,931
Share incentive scheme expense	8	(174,265)	104,043
Depreciation of property and equipment	9	926,987	926,232
Depreciation of right of use assets	9	1,582,742	1,726,838
Amortisation of intangible assets	19	55,579	237,519
Adjustments to property and equipment		-	(26,748)
Impairment of loans and advances to customers	16	11,525,869	6,946,777
Amortisation of debt origination fees	22	(779,278)	(131,112)
Gain on disposal of property and equipment		-	(50,000)
		30,056,923	**24,188,187**
Changes in working capital:			
Purchase of fixed deposits	15	-	(2,362,979)
Maturities of fixed deposits	15	2,362,979	2,180,794
Increase in loans and advances to customers		(3,108,327)	(9,506,575)
Decrease in other assets		148,843	449,877
Decrease in cash collateral		(769,496)	(229,609)
Decrease in amounts due to related parties		(2,998,802)	(4,265,543)
Increase / (decrease) in trade and other payables		913,581	(3,814,078)
Cash flows generated from operations		**26,605,701**	**6,640,074**

31. CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 31 December 2024.

32. EVENTS AFTER REPORTING DATE

There are no events after reporting date that require adjustment to, or disclosure in the financial statements.