

**LETSHEGO HOLDINGS LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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DIRECTORS' REPORT
For the year ended 31 December 2019

The Board of Directors is pleased to present their report to Shareholders together with the reviewed condensed consolidated financial statements for the year ended 31 December 2019.

1 Financial results

The condensed consolidated financial statements adequately disclose the results of the group's operations for year ended 31 December 2019.

2 Dividends

An interim dividend of 4.3 thebe per share (Prior year: 8.7 thebe per share) was declared on 28 August 2019.

A second and final dividend of 7.7 thebe per share (prior year: 3.3 thebe per share) was declared on 26 February 2020 and will be paid on or about 15 May 2020.

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

Directors name		Dates
Appointments		
Dumisani Ndebele	Interim Group Chief Executive Officer	Appointed 27 March 2019
Philip Odera	Non-executive Director	Appointed 12 December 2019
Abiodun Odubola	Non-executive Director	Appointed 12 December 2019
Ronald Hoekman	Non-executive Director	Appointed 22 January 2020
Andrew Okai	Group Chief Executive Officer	Appointed 01 February 2020
Resignations		
Colm Patterson	Group Chief Financial Officer	Resigned 2 March 2019
J de Kock	Non-executive Director	Resigned 5 March 2019
Smit Crouse	Group Chief Executive Officer	Resigned 27 March 2019
C van Schalkwyk	Non-executive Director	Resigned 2 May 2019
Dumisani Ndebele	Interim Group Chief Executive Officer	Resigned 30 January 2020

4 Independent auditors

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

5 Company secretary and Registered Office

Lawrence Khupe
Dumisani Ndebele
Matshidiso Kimwaga
Letshego Place
Second Floor
Plot 22 Khama Crescent
Gaborone, Botswana

Appointed 1 January 2018 and resigned 26 February 2019
Appointed 26 February 2019 and resigned 27 March 2019
Appointed 27 March 2019

6 Transfer secretaries

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

7 Attorneys and legal advisors

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

8 Company registration

Registration Number: CO98/442

STATEMENT OF DIRECTORS' RESPONSIBILITY

For the year ended 31 December 2019

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

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

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

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

The Board of Directors have reviewed and approved the accompanying condensed consolidated financial statements, set out on pages 5 to 20, for issue on 26 February 2020 and signed on their behalf by:



.....
E Banda

Group Chairman



.....
A F Okai

Group Chief Executive Officer

Report on review of condensed consolidated financial information
To the shareholders of Letshego Holdings Limited

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Letshego Holdings Limited and its subsidiaries (the 'Group') as at 31 December 2019 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes ("condensed consolidated financial information") set out on pages 5 to 20. Management is responsible for the preparation and presentation of the condensed consolidated financial information using the framework principles, the recognition and measurement principles of International Financial Reporting Standards and ensure that the condensed consolidated financial statements contain the presentation and disclosures required by International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information as at and for the year ended 31 December 2019 is not prepared, in all material respects, in accordance with the framework principles, the recognition and measurement principles of International Financial Reporting Standards and do not contain the presentation and disclosures required by the International Accounting Standard 34, 'Interim Financial Reporting'.


Ernst & Young

Practicing Member: Francois Roos
Partner
Membership Number: 20010078
Certified Auditor
Gaborone

02 March 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

		At 31 December 2019 (Reviewed) P'000	At 31 December 2018 (Audited) P'000
ASSETS			
Cash and cash equivalents	3	1,035,513	1,188,402
Advances to customers	4	9,071,484	8,698,831
Other receivables	5	247,996	252,491
Financial assets at fair value through other comprehensive income		53,591	53,591
Income tax receivable		39,499	19,074
Property, plant and equipment	6	99,671	80,532
Right-of-use assets	7	61,436	-
Intangible assets	8	45,221	45,488
Goodwill	9	68,233	106,229
Deferred tax assets		144,699	211,651
Total assets		10,867,343	10,656,289
LIABILITIES AND EQUITY			
Liabilities			
Customer deposits	10	426,673	497,718
Cash collateral	11	21,721	27,028
Trade and other payables	12	552,356	492,225
Lease liabilities	13	64,760	-
Income tax payable		239,743	232,132
Borrowings	14	4,982,175	5,329,319
Deferred tax liabilities		805	3,205
Total liabilities		6,288,233	6,581,627
Shareholders' equity			
Stated capital	15	862,621	862,621
Foreign currency translation reserve		(713,418)	(696,276)
Legal reserve		195,793	73,519
Share based payment reserve		24,304	18,089
Retained earnings		3,837,070	3,500,317
Total equity attributable to equity holders of the parent company		4,206,370	3,758,270
Non-controlling interests		372,740	316,392
Total shareholders' equity		4,579,110	4,074,662
Total liabilities and equity		10,867,343	10,656,289

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 (Reviewed) P'000	Year ended 31 December 2018 (Audited) P'000
Effective interest income	16	2,974,839	2,718,257
Effective interest expense	17	(931,164)	(654,079)
Net interest income		2,043,675	2,064,178
Fee and commission income		59,451	30,735
Other operating income	18	273,018	267,421
Operating income		2,376,144	2,362,334
Employee costs	19	(454,023)	(390,177)
Other operating expenses	20	(622,737)	(590,158)
Net income before impairment and taxation		1,299,384	1,381,999
Expected credit losses	21	(169,101)	(361,491)
Profit before taxation		1,130,283	1,020,508
Taxation		(438,781)	(510,026)
Profit for the year		691,502	510,482
Attributable to :			
Equity holders of the parent company		620,034	438,639
Non-controlling interests		71,468	71,843
Profit for the year		691,502	510,482
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences arising from foreign operations		(11,284)	(48,688)
Total comprehensive income for the year		680,218	461,794
Attributable to :			
Equity holders of the parent company		602,892	422,780
Non-controlling interests		77,326	39,014
Total comprehensive income for the year		680,218	461,794
Weighted average number of shares in issue during the year (millions)		2,124	2,124
Dilution effect - number of shares (millions)		40	42
Number of shares in issue at the end of the year (millions)		2,144	2,144
Basic earnings per share (thebe)		29.2	20.7
Fully diluted earnings per share (thebe)		28.7	20.3

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Stated capital	Retained earnings	Shared based payments reserve	Foreign currency translation reserve	Legal reserve	Non- controlling interest	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Balance at 31 December 2017 - Audited	849,845	3,709,308	38,840	(680,417)	39,607	313,309	4,270,492
Impact of adopting IFRS 9 - final adjustments	-	(178,951)	-	-	-	(12,923)	(191,874)
Recognition of deferred tax on IFRS 9 adjustment	-	38,133	-	-	-	1,880	40,013
Adjusted balance 1 January 2018	849,845	3,568,490	38,840	(680,417)	39,607	302,266	4,118,631
Total comprehensive income for the year							
Profit for the year	-	438,639	-	-	-	71,843	510,482
Other comprehensive income, net of income tax							
Foreign currency translation reserve	-	-	-	(15,859)	-	(32,829)	(48,688)
Transactions with owners, recorded directly in equity							
Acquisition of Non-controlling interest - Tanzania Bank	-	(9,611)	-	-	-	(5,936)	(15,547)
Allocation to legal reserve	-	(33,912)	-	-	33,912	-	-
Allocation to share based payment reserve	-	-	(7,975)	-	-	-	(7,975)
New shares issued from long term incentive scheme	12,776	-	(12,776)	-	-	-	-
Dividends paid by subsidiary to minority interests	-	-	-	-	-	(18,952)	(18,952)
Dividends paid to equity holders	-	(463,289)	-	-	-	-	(463,289)
Balance at 31 December 2018 - Audited	862,621	3,500,317	18,089	(696,276)	73,519	316,392	4,074,662
Impact of adopting - IFRS 16	-	492	-	-	-	1	493
Adjusted balance 1 January 2019	862,621	3,500,809	18,089	(696,276)	73,519	316,393	4,075,155
Total comprehensive income for the year							
Profit for the year	-	620,034	-	-	-	71,468	691,502
Other comprehensive income, net of income tax							
Foreign currency translation reserve	-	-	-	(17,142)	-	5,858	(11,284)
Transactions with owners, recorded directly in equity							
Allocation to legal reserve	-	(122,274)	-	-	122,274	-	-
Allocation to share based payment reserve	-	-	6,215	-	-	-	6,215
New shares issued from long term incentive scheme	-	-	-	-	-	-	-
Dividends paid by subsidiary to minority interests	-	-	-	-	-	(20,979)	(20,979)
Dividends paid to equity holders	-	(161,499)	-	-	-	-	(161,499)
Balance at 31 December 2019 - Reviewed	862,621	3,837,070	24,304	(713,418)	195,793	372,740	4,579,110

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

		Year ended 31 December 2019 (Reviewed) P'000	Year ended 31 December 2018 (Audited) P'000
	Note		
Operating activities			
Profit before taxation		1,130,283	1,020,508
Add : Amortisation, depreciation and others		85,024	51,505
: Impairment and write off charge	21	352,868	508,211
: Impairment of goodwill	9	38,737	22,000
Movement in working capital and other changes		(753,826)	(1,281,971)
Cash generated from operations		853,086	320,253
Taxation paid		(386,994)	(478,948)
Net cash generated / (utilised) from operating activities		466,092	(158,695)
Investing activities			
Purchase of property, plant and equipment		(69,960)	(29,891)
Net cash flows used in investing activities		(69,960)	(29,891)
Financing activities			
Dividends paid to equity holders and non-controlling interest		(182,478)	(482,241)
Payment for acquisition of interest in a subsidiary		(2,577)	(15,547)
Payment of lease liabilities		(42,565)	-
Finance obtained from third parties		1,135,522	1,938,071
Repayment of borrowings		(1,415,529)	(638,687)
Net cash (utilised) / generated from financing activities		(507,627)	801,596
Net movement in cash and cash equivalents		(111,495)	613,010
Cash and cash equivalents at the beginning of the year		1,100,342	492,367
Effect of exchange rate changes on cash and cash equivalents		(16,724)	(5,035)
Cash and cash equivalents at the end of the year	3	972,123	1,100,342

SEGMENTAL REPORTING

For the year ended 31 December 2019

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

The Group's geographical operating segments are reported below:

Reportable segments December 2019	Botswana	Namibia	Mozambique	Lesotho	Swaziland	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company or eliminations	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	669,189	561,126	316,740	88,591	67,452	156,116	9,414	142,348	168,278	53,430	284,979	(141,519)	2,376,144
Profit before taxation	527,892	423,836	198,742	42,078	38,310	55,232	2,678	42,096	90,386	7,162	14,161	(312,290)	1,130,283
Taxation - consolidated													(438,781)
Profit - consolidated													691,502
Gross advances to customers	2,768,646	2,226,635	1,361,331	398,937	503,314	714,843	41,452	392,453	446,716	120,264	858,297	-	9,832,888
Impairment provisions	(167,400)	(21,227)	(21,142)	(40,047)	(8,002)	(145,981)	(2,513)	(47,809)	(96,848)	(14,381)	(196,054)	-	(761,404)
Net advances	2,601,246	2,205,408	1,340,189	358,890	495,312	568,862	38,939	344,644	349,868	105,883	662,243	-	9,071,484
Borrowings	1,163,526	348,212	404,866	260,410	348,696	319,143	15,281	218,503	20,900	850	503,509	1,378,279	4,982,175

SEGMENTAL REPORTING (CONT'D)

For the year ended 31 December 2019

Reportable segments December 2018	Botswana	Namibia	Mozambique	Lesotho	Swaziland	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company or eliminations	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	655,835	577,985	226,515	87,480	56,479	137,288	11,602	136,364	203,902	57,503	240,192	(28,811)	2,362,334
Profit before taxation	457,854	447,740	109,225	57,168	32,698	(22,034)	(772)	37,210	95,358	14,320	43,148	(251,407)	1,020,508
Taxation - consolidated													(510,026)
Profit - consolidated													510,482
Gross advances to customers	2,702,359	1,920,415	1,291,433	357,831	434,953	722,623	54,093	359,647	552,020	103,390	1,043,202	-	9,541,966
Impairment provisions	(239,776)	(18,489)	(26,726)	(20,768)	(5,765)	(128,404)	(8,567)	(49,695)	(154,588)	(23,649)	(166,708)	-	(843,135)
Net advances	2,462,583	1,901,926	1,264,707	337,063	429,188	594,219	45,526	309,952	397,432	79,741	876,494	-	8,698,831
Borrowings	1,010,044	362,793	370,122	240,003	292,313	536,614	27,361	174,797	32,766	-	552,203	1,730,303	5,329,319

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December 2019

Reporting entity

Letshego Holdings Limited (the Company) is a limited liability company incorporated in Botswana. The address of the company is Letshego Place, Plot 22 Khama Crescent, Gaborone, Botswana. The condensed consolidated financial statements as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the provision of short to medium-term unsecured loans to employees of the public, quasi-public and private sectors as well as provision of loans to MSE entities.

The condensed consolidated financial statements for the year ended 31 December 2019 have been approved for issue by the Board of Directors on 26 February 2020.

The accounting policies adopted are consistent with those of the previous financial year except for IFRS 16 Leases which was effective on 1 January 2019.

Basis of preparation

These condensed consolidated financial statements for the year ended 31 December 2019 have been prepared using the framework principles, the recognition and measurement principles of IFRS and contain the presentation and disclosures required by IAS 34, 'Interim financial reporting'. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS.

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

Use of judgements and estimates

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

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated annual financial statements of the Group for the year ended 31 December 2018 except for the adoption of IFRS 16 on Leases which is detailed in **note 2** and other new amendments and interpretations that took place during year did not have a material impact on the Group Condensed financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the year ended 31 December 2019

1 Financial Instruments

Expected credit losses as at 31 December 2019

Below is a summary of the expected credit losses as at 31 December 2019:

Operating Segments 31 December 2019 P'000	IFRS 9 ECL Provisions at 31 December 2019 - (Reviewed)				IFRS 9 ECL Provisions at 31 December 2018 - (Audited)			
	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2019	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2018
Financial assets								
Botswana	22,390	14,238	130,772	167,400	23,341	14,755	201,680	239,776
Namibia	6,200	1,110	13,917	21,227	5,297	876	12,316	18,489
Mozambique	4,420	3,240	13,482	21,142	8,582	994	17,150	26,726
Lesotho	6,558	4,989	28,500	40,047	3,280	1,764	15,724	20,768
Swaziland	3,276	417	4,309	8,002	1,170	1,198	3,397	5,765
Kenya	13,063	7,885	125,033	145,981	10,033	6,407	111,964	128,404
Rwanda	706	190	1,617	2,513	2,638	259	5,670	8,567
Uganda	7,336	5,071	35,402	47,809	13,716	6,838	29,141	49,695
Tanzania	24,287	9,056	63,505	96,848	32,572	14,271	107,746	154,589
Nigeria	2,226	1,947	10,208	14,381	7,014	4,504	12,131	23,649
Ghana	58,202	43,980	93,872	196,054	60,351	48,780	57,576	166,707
Total	148,664	92,123	520,617	761,404	167,994	100,646	574,495	843,135

Maximum exposure to credit risk

	At 31 December 2019 (IFRS 9)	At 31 December 2018 (IFRS 9)
	P'000	P'000
Gross advances to customers	9,832,888	9,541,966
Of which stage 1 and 2	9,107,150	8,808,593
Of which stage 3	725,738	733,373
Expected credit loss provisions	(761,404)	(843,135)
Of which stage 1 and 2	(240,787)	(268,640)
Of which stage 3	(520,617)	(574,495)
Net advances to customers	9,071,484	8,698,831
Of which stage 1 and 2	8,866,363	8,539,952
Of which stage 3	205,121	158,879
Impairment (ECL) Coverage Ratio	8%	9%
Stage 3 Coverage Ratio	105%	115%

2 Impact of adopting IFRS 16

2.1 Nature of the effect of adoption of IFRS 16

Introduction

IFRS 16 which supersedes IAS 17 Leases is effective from 1 January 2019. The standard has an option for a company to choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers. The Group did not early adopt IFRS 16 and as such the effective date of adoption is 1 January 2019.

Overall impact

The Group has lease obligations for the rental of premises. These leases were previously treated according to IAS 17. The Group has opted not to reassess if these leases meets the definition of a lease on initial adoption of IFRS 16 and as such the leases were considered to have met the definition of a lease.

In addition an assessment was done to review the composition of the lease payments in all subsidiaries to determine if there are any non-lease components. In some cases the lease payments includes an additional amount for services charges and these were considered to be non-lease components as they relates to utilities, garbage collection etc. The Group has taken the option to separate lease and non-lease components.

Balance Sheet

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. Furthermore, the present value of the future lease payments is recognised as a financial liability if lease payments are made over time.

Income Statement

IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). This change aligns the lease expense treatment for all leases. Although the depreciation charge is typically even, the interest expense reduces over the life of the lease as lease payments are made. This results in a reducing total expense as an individual lease matures. The difference in the expense profile between IFRS 16 and IAS 17 is expected to be insignificant for many companies holding a portfolio of leases that start and end in different reporting periods.

2.2 Approach adopted by Group

The standard allows for two approaches in the adoption being the full retrospective approach and the modified retrospective approach. The full retrospective requires the restatement of the prior year reported numbers whilst in the latter the adjustment as a result of the adoption of the standard are effected in the current year.

The Group has opted for the modified retrospective approach and as such the effect of the new standard has been accounted for in the current year and the cumulative effect of adopting IFRS 16 has been recognised to opening retained earnings.

Discount factor

Under IFRS 16 'Leases', discount rates are used to determine the present value of the lease payments used to measure a lessee's lease liability. Discount rates are also used to determine lease classification for a lessor and to measure a lessor's net investment in a lease. For lessees, the lease payments are required to be discounted using:

- the interest rate implicit in the lease if readily determinable, or
- the lessee's incremental borrowing rate.

Right of use asset:

This is the lessee's right to use an asset over the life of the lease. The right-of-use asset is measured at its carrying amount on the lease commencement date, but discounted using the incremental borrowing rate at the date of initial application and this is depreciated over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2 Impact of adopting IFRS 16

2.2 Approach adopted by Group (continued)

Lessee's incremental borrowing rate

Where the lessee is unable to readily determine the interest rate implicit in the lease, the discount rate will be the lessee's incremental borrowing rate. The incremental borrowing rate is an interest rate specific to the lessee that reflects:

- the credit risk of the lessee
- the term of the lease
- the nature and quality of the security
- the amount 'borrowed' by the lessee, and
- the economic environment (the country, the currency and the date that the lease is entered into) in which the transaction occurs.

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

Group adopted the practical expedient that allows companies to apply the same discount rate to a portfolio of leases that have similar characteristics. The practical expedient has been applied per country as its effect is reasonably expected to be materially the same as the assessment of the discount rate on a lease-by-lease approach.

The weighted average incremental borrowing rate of 15% was applied across the Group in recognising the lease liabilities at the date of initial application.

The Group applied the available practical expedients as follows:

- used a single discount rate to a portfolio of leases per subsidiary with reasonably similar characteristics
- relied on its assessment of whether leases are onerous immediately before the date of initial application
- excluded the direct cost from the measurement of the right of use asset at the date of initial application

Short term leases

Group has elected not to recognise assets and liabilities for lease with a lease term of up to 12 months. This election only applies where the total portfolio of similar leases are of that tenor and has been adopted in Uganda only.

Low value leases

The Group has also opted not to recognise assets and liabilities for low value leases for operating equipment.

2.3 Adjustments recognised of adoption of IFRS 16 :

	P'000
Opening lease commitments disclosed as at 31 December 2018	38,561
Commitment relating to short - term leases	(1,969)
	36,592
Discounted using the lessee's incremental borrowing rate of at the date of initial application	60,432
Lease liability recognised as at 1 January 2019	97,024

The impact on retained earnings on 1 January 2019 was a decrease of P493 thousand.

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	At 31 December 2019 (Reviewed) P'000	At 31 December 2018 (Audited) P'000
3 Cash and cash equivalents		
Cash at bank and in hand	944,882	822,897
Statutory cash reserve	63,390	88,060
Short term investments	27,241	277,445
	<u>1,035,513</u>	<u>1,188,402</u>
Cash and cash equivalents for the purpose of cash flow statements	<u>972,123</u>	<u>1,100,342</u>

Statutory cash reserve relates to cash held by the Central Bank for the respective subsidiaries based on the average customer deposits and therefore not available for day to day operations.

4 Advances to customers		
Gross loans and advances to customers	9,832,888	9,541,966
Less : Expected credit losses / impairment losses	(761,404)	(843,135)
- Stage 1	(148,664)	(167,994)
- Stage 2	(92,123)	(100,646)
- Stage 3	(520,617)	(574,495)
	<u>9,071,484</u>	<u>8,698,831</u>
5 Other receivables		
Deposits and prepayments	33,744	38,909
Receivable from insurance arrangements	160,084	147,331
Withholding tax and value added tax	405	881
Deferred arrangement fees	14,593	16,365
Other receivables	39,170	49,005
	<u>247,996</u>	<u>252,491</u>

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

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

7 Right of use asset	Carrying amount at 01 January 2019	Implementation of IFRS 16	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 December 2019
Property	-	97,024	-	-	(35,473)	(115)	61,436
	<u>-</u>	<u>97,024</u>	<u>-</u>	<u>-</u>	<u>(35,473)</u>	<u>(115)</u>	<u>61,436</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
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	At 31 December 2019 (Reviewed) P'000	At 31 December 2018 (Audited) P'000
9 Goodwill		
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	23,111	22,774
Letshego Tanzania Limited	1,874	1,891
Letshego Kenya Limited	33,238	33,367
Letshego Bank (T) Limited	-	15,130
Letshego Microfinance Bank Nigeria Limited	-	23,942
AFB Ghana Plc	10,010	9,125
	68,233	106,229

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies. The Group assesses the recoverable amount of goodwill in respect of all cash generating units noted above to determine indications of impairment.

The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2018. In the current year an impairment provision of P38.7 million was recognised for goodwill arising from acquisition of Letshego Microfinance Bank Nigeria Limited (P23.7 million) and Letshego Bank Tanzania (P15 million).

	At 31 December 2019 (Reviewed) P'000	At 31 December 2018 (Audited) P'000
10 Customer deposits		
Deposits from customers	426,673	497,718
11 Cash collateral		
Cash collateral on loans and advances	21,721	27,028

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

12 Trade and other payables		
Insurance premium payable	36,184	65,547
Payroll related accruals	103,933	91,437
Other provisions	59,573	60,866
Guarantee funds	194,582	168,215
Trade and other payables	119,184	91,790
Value added tax / withholding tax payable	38,900	14,370
	552,356	492,225

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

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

	31 December 2019 (Reviewed) P'000	31 December 2018 (Audited) P'000
<i>The following are the amounts recognised in the profit or loss:</i>		
Depreciation expense of right of use asset	35,473	-
Interest expense on lease liabilities	10,416	-
Expense relating to short-term leases	4,588	-
Expense relating to low value assets	11,321	-
Total amount recognised in the profit or loss	61,798	-
14 Borrowings		
Commercial banks	1,920,085	2,504,294
Note programmes	1,729,542	1,787,303
Development Financial Institutions	1,118,927	887,655
Pension funds	213,621	150,067
	4,982,175	5,329,319
15 Stated capital		
Issued: 2,144,045,175 ordinary shares of no par value (2018: 2,144,045,175) of which 19,054,190 shares (2018: 19,054,190) are held as treasury shares	862,621	862,621

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 December 2019

	Year ended 31 December 2019 (Reviewed) P'000	Year ended 31 December 2018 (Audited) P'000
16 Effective interest income		
Advances to customers	2,504,158	2,466,385
Interest income on risk informal / mobile loans	193,786	140,503
Interest income on non-risk informal / mobile loans	250,414	83,535
Deposits with banks	26,481	27,834
	2,974,839	2,718,257
17 Effective interest expense		
Overdraft facilities and term loans	663,495	566,797
Interest adjustment on non-risk informal / mobile loans	250,414	83,535
Interest expense on leases	10,416	-
Market to market adjustment on foreign currency swaps	1,488	11,586
Foreign exchange loss / gain	5,351	(7,839)
	931,164	654,079
18 Other operating income		
Early settlement fees	52,627	41,241
Income from insurance arrangements	195,026	213,483
Sundry income	25,365	12,697
	273,018	267,421
19 Employee costs		
Salaries and wages	364,146	313,382
Staff incentive	40,280	54,466
Staff recruitment costs	8,152	2,666
Staff pension fund contribution	27,106	17,913
Directors' remuneration – for management services (executive)	8,124	9,725
Long term incentive plan	6,215	(7,975)
	454,023	390,177
20 Other operating expenses		
Accounting and secretarial fees	687	1,084
Advertising	15,941	17,421
Audit fees	5,565	4,836
- Audit services	5,265	4,675
- Covenant compliance fees	237	161
- Tax advisory services	63	-
Bank charges	7,208	7,305
Computer expenses	12,317	18,599
Consultancy fees	50,308	46,116
Corporate social responsibility	3,266	4,138
Collection commission	50,636	49,700
Direct costs	39,844	27,561
Direct costs - informal loans	44,370	32,817
Data centre decommissioning	-	5,000
Depreciation and amortization	49,463	36,291
Depreciation - right of use	35,473	-
Directors' fees – non executive	6,474	7,105
Directors' fees – subsidiary boards	5,832	4,892
Government levies	26,789	22,876
Insurance	9,359	10,136
Impairment of goodwill (note 9)	38,737	22,000
Impairment of cash accounts	6,039	-
Office expenses	22,043	24,301
Operating lease rentals - property	15,909	48,115
Other operating expenses	86,098	91,324
- Claim expenses - cell captive	-	5,726
- Entertainment	576	1,057
- IT costs	5,222	15,325
- Loss on disposal of fixed assets	36	6,351
- Motor vehicle expenses	6,196	6,192
- Printing and Stationery	8,145	7,673
- Repairs and Maintenance	6,111	3,806
- Storage costs	1,940	1,496
- Subscriptions and licenses	5,282	3,953
- Other expenses	52,590	39,745
Payroll administration costs	2,234	2,066
Professional fees	27,465	42,643
Telephone and postage	29,261	26,471
Travel	31,419	37,361
	622,737	590,158

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	Year ended 31 December 2019 (Reviewed) P'000	Year ended 31 December 2018 (Audited) P'000
21 Expected credit losses		
Amounts written off	434,599	298,297
Recoveries during the year	(183,767)	(146,720)
Expected credit losses raised during the year	(81,731)	209,914
	<u>169,101</u>	<u>361,491</u>

22 Contingent liabilities

There are no significant contingent liabilities as at 31 December 2019.

23 Capital commitments

At 31 December 2019 the commitments for capital expenditure under contract amounted to NIL (2018: P Nil).

24 Related party transactions

There has been no significant change in the nature and quantum of related party transactions from those reported in the annual financial statements for the year ended 31 December 2018.

25 Events occurring after reporting date

A final dividend of 7.7 thebe per share was declared on 26 February 2020.

Andrew Okai was appointed as the Group CEO with effect from 01 February 2020.

There were no material changes in the affairs of the Group between the 31 December 2019 year end and the date of the approval of these condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the year ended 31 December 2019

26 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

Approach to managing credit risk

The Board of Directors is ultimately responsible for the management of credit risk and has delegated responsibility for the oversight of credit risk to the Group Risk Management Committee and Country Management Committees. It is the responsibility of Group Credit Risk and each CEO to ensure that the Group's policies regarding credit risk, credit scoring, collateral contribution, affordability levels and minimum take home pay is complied with at all times. The Group manages credit risk in accordance with its credit risk policies, guidelines and procedures which provide for the maintenance of a strong culture of responsible lending that promotes inclusive finance. Full details of the Group credit risk disclosures should be read in conjunction with the group's annual financial statements as 31 December 2018.

Other risks

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as 31 December 2018. There have been no changes in the risk management department or in any risk management policies since the year end.

26.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework read in conjunction with the group's annual financial statements as 31 December 2018.

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

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

26.2 Financial assets and liabilities measured at fair value

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

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

Financial instruments measured at fair value

Type	Valuation technique				Significant					
Currency swap	Fair value cash flow				Level 2	Based on BWP, EURO and USD risk free rates.				
Financial assets at fair value through OCI	Since market values are not available from an observable market, as this is in private equity, the recent transaction price has been considered as an approximate to fair value				Level 3	Based on recent price per share				
	Fair value - through OCI	Fair value - through profit and loss	Carrying amount		Total	Fair value				Total
			Financial Assets at amortised cost	Financial Liability @ amortized cost		Level 1	Level 2	Level 3		
31 December 2019	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	
Financial assets measured at fair value										
Financial assets at fair value through OCI	53,591	-	-	-	53,591	-	-	53,591	53,591	
Financial assets not measured at fair value										
Cash and cash equivalents	-	-	1,035,513	-	1,035,513					
Advances to customers	-	-	9,071,484	-	9,071,484					
Other receivables	-	-	213,847	-	213,847					
	-	-	10,320,844	-	10,320,844					
Financial liabilities measured at fair value										
Borrowings - currency swap	-	15,390	-	-	15,390	-	15,390	-	15,390	
Financial liabilities not measured at fair value										
Trade and other payables	-	-	-	446,724	446,724					
Customer deposits	-	-	-	426,673	426,673					
Cash collateral	-	-	-	21,721	21,721					
Borrowings	-	-	-	4,966,785	4,966,785					
	-	-	-	5,861,903	5,861,903					

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the year ended 31 December 2019

26 FINANCIAL RISK MANAGEMENT

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

	Fair value - through OCI	Fair value - through profit and loss	Carrying amount		Total	Fair value			Total
			Loans and advances	Financial Liability @ amortized cost		Level 1	Level 2	Level 3	
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
31 December 2018									
Financial assets measured at fair value									
Financial assets at fair value through OCI	53,591	-	-	-	53,591	-	-	53,591	53,591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1,188,402	-	1,188,402				
Advances to customers	-	-	8,698,831	-	8,698,831				
Other receivables	-	-	212,701	-	212,701				
	-	-	10,099,934	-	10,099,934				
Financial liabilities measured at fair value									
Other payables - interest rate swap	-	13,240	-	-	13,240	-	13,240	-	13,240
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	398,759	398,759				
Customer deposits	-	-	-	497,718	497,718				
Cash collateral	-	-	-	27,028	27,028				
Borrowings	-	-	-	5,316,079	5,316,079				
	-	-	-	6,239,584	6,239,584				

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