BOTSWANA

SWAZILAND

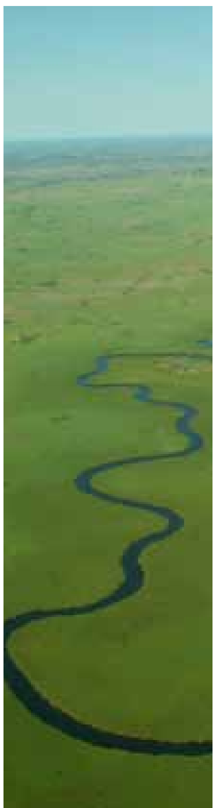
UGANDA

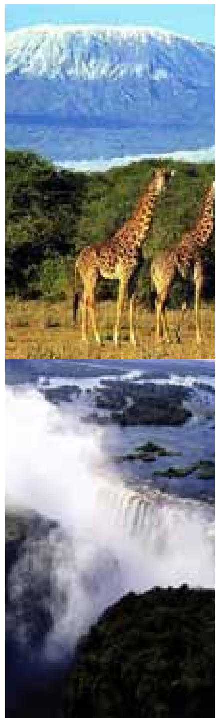
TANZANIA

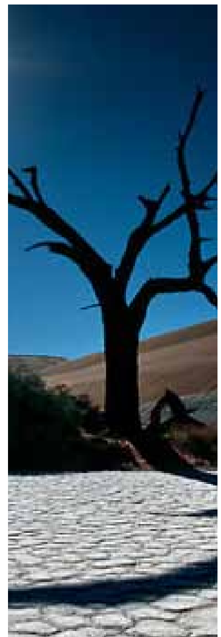
ZAMBIA

MOZAMBIQUE

NAMIBIA





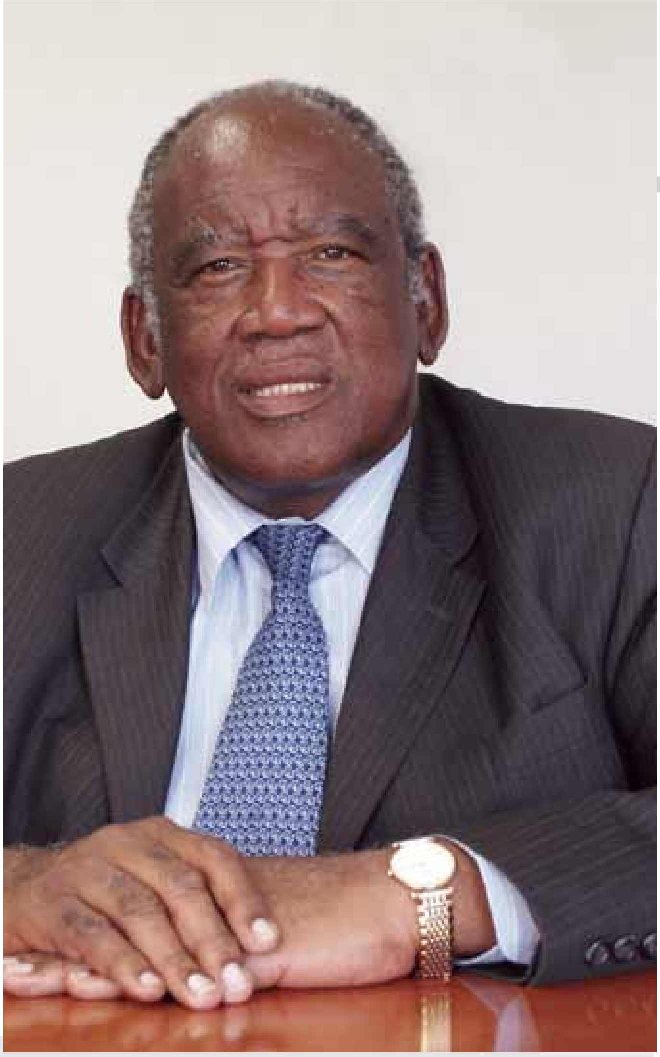


Letshego Holdings Limited
2012 Annual Report

Growing With You

About Us

Our Reviews



Governance

Audited Annual Financial Statements

Shareholders' Information and Notice of Annual General Meeting

About Us

Letshego is Setswana for the sturdy three-legged stand used throughout Africa to support and uplift heavy objects.

For us, this as a brand symbolises the upliftment we offer, which is straightforward, practical and resilient.

LETSHEGO HOLDINGS LIMITEED
GROUP FINANCIAL HIGHLIGHTS

EVENTS DURING THE PERIOD UNDER REVIEW

Formal launch of operations in Mozambique during February 2011 followed by the opening of four new regional branches in the country towards the end of the year

Shareholders approved, during April 2011, a revised borrowing mandate for the Board to borrow up to two times the shareholders' equity

Approval by Shareholders of a non-elective, non-cash scrip dividend during April 2011 resulting in 7 new ordinary shares being issued for every 100 ordinary shares held

Introduction of a 15% minority shareholder in Letshego Uganda during April 2011, which was rebranded from "Micro Provident Uganda" to "Letshego Uganda" in January 2012

The selection of a new integrated core debtors' and banking system was finalised during July 2011

Resumption of lending to Central Government employees in Zambia during September 2011

In September 2011 announcement of the intended acquisition of 62.52% of Micro Africa Limited

Application for banking licences progressed in certain territories

PROFIT BEFORE TAX

PULA 711.2mil

BASIC EPS

15%

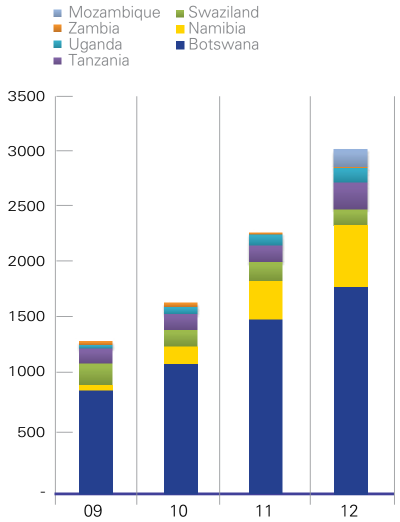
LOANS AND ADVANCES TO CUSTOMERS

PULA 3.0bn

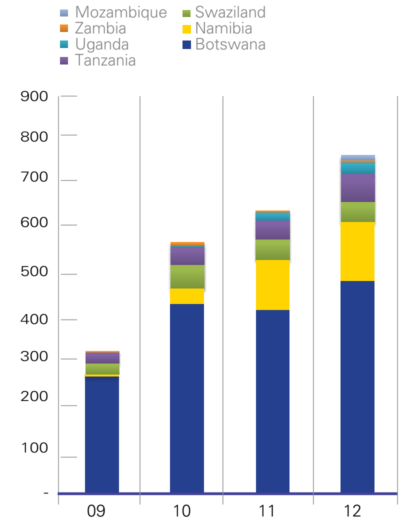
EARNINGS PER SHARE

thebe 29.6t

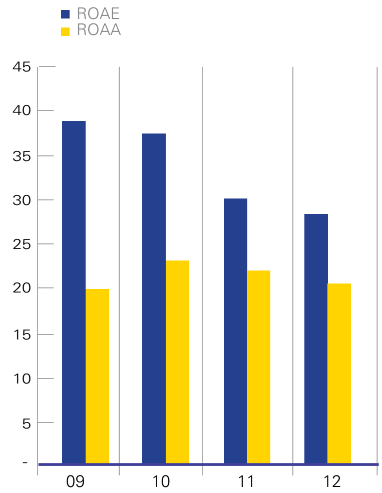
Net Advances to Customers (P'million)



Distribution of Profit Before Tax (P'million)



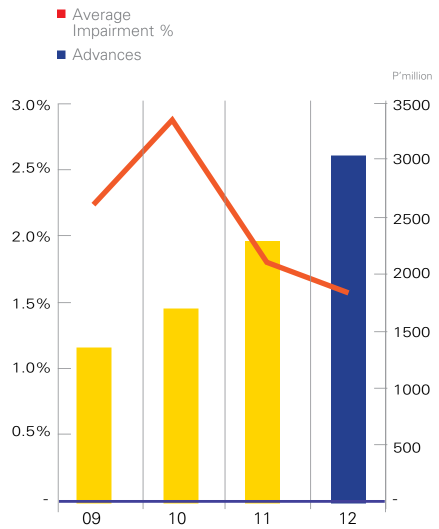
Return on Average Assets and Return on Average Equity (%)



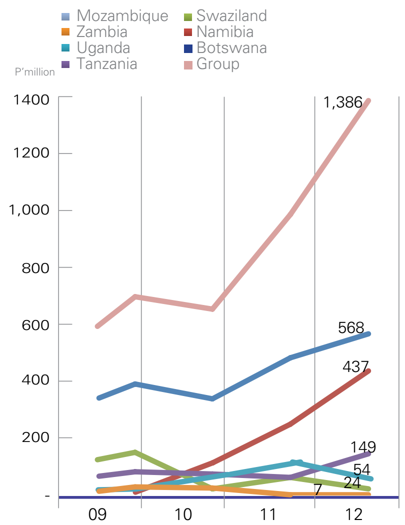
Note: 2010 return on average assets is after adjusting for the once off gain made from the sale of Legal Guard

Loans and Advances to Customers

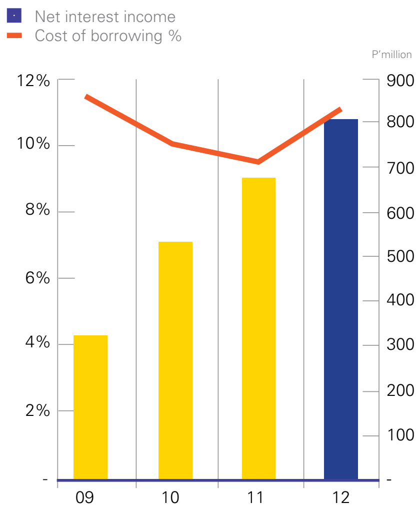
(Advances to Customers vs Impairments)



Net Payouts per Country



Cost of Borrowing and Net Interest Income



OUR VISION

Letshego aims to be a pan African leader of affordable, appropriate and high quality financial services.

OUR MISSION

To be the market leader in the financial services industry by offering competitive, diversified and innovative products to all our customers, combined with quality service and skilled workforce resulting in maximising stakeholder wealth based on good corporate citizenship practices.

PROFILE

For more than a decade, Letshego has demonstrated its commitment to customers by providing short to medium term personal, unsecured loans to formally employed individuals in government, parastatals and the private sector. In the past year we provided loans exceeding P3 billion, bringing our customer base to more than 167,000 across seven African countries.

Our straightforward operational model means consumers have access to a wide branch network making it easy for them to access quality financial services. We continue to make a difference in the communities in which we operate through the products and services we provide. Our products can help entry-level customers fund their children's education, home improvements, general household assets, set up small businesses and improve their standard of living. By providing consumer finance at affordable rates, in a responsible manner, Letshego helps customers achieve their financial goals.

Over the past year, our business has shown remarkable resilience and continues to be well positioned for further expansion in African markets. Leveraging on technology, resources and skills as a basis for implementing our strategy, Letshego is positioned for profitable and sustainable growth.

OUR VALUES

Professionalism
Integrity
Teamwork
Respect
Customer Service
Selflessness and Excellent Communication

LETSHEGO HOLDINGS LIMITED
GROUP OVERVIEW

PERSONAL LOANS UP TO

PULA

200,000

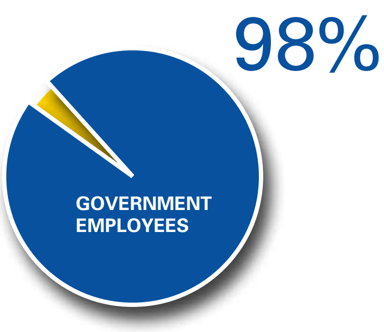
VEHICLE FINANCE UP TO

PULA

100,000

Personal loans Letshego offers personal loans from P500 up to P200,000, allowing customers to repay their debt over as long as 60 months. Loans are tailored to the individual's affordability.

Vehicle finance Letshego offers simple vehicle finance up to P100,000. Repayments can be made over 48 months and loans are granted for second hand and new vehicles.



Over 98% of clients are government employees of the respective countries in which the Group operates.

Formed in 1998, Letshego is incorporated in the Republic of Botswana, is listed on the Botswana Stock Exchange and is a Botswana International Financial Services Centre accredited company.

Letshego is a consumer financial services provider operating in sub-Saharan Africa. Our main business is to extend short to medium term personal, unsecured loans to formally employed individuals. Our customers are employees of government, parastatals and the private sector. Loan repayments are deducted at source through the payroll system of participating employers. Under this methodology Letshego is granted a salary deduction code that allows us to deduct repayments due on loans directly from an employee's salary.

Based on the same payroll deduction business model, a pan African expansion plan was adopted to ensure continued growth and geographic diversification outside of Botswana. We have expanded into Namibia, Swaziland, Tanzania, Uganda and Zambia. Trading in Mozambique commenced during February 2011.

MILESTONES

LHL Chairman, Mr. CM Lekaukau presenting the guest of honour at the official opening of the Mozambique offices, the Prime Minister of Mozambique, with the traditional "Letshego" tripod

Chairman of Letshego Mozambique, General TM Dai, welcoming the Prime Minister of Mozambique to the official opening of Letshego Mozambique

1998
- Incorporation and trading commences in Botswana

2002
- BSE listing

04
- Legal Guard launched

05
- Ugandan operations commence

06
- Swazi operations commence
- Tanzanian operations commence

07
- Zambian operations commence
- LHL IFSC accreditation obtained

2008
- LHL 10 year anniversary
- Acquisition of Eduloan Namibia (now Letshego Namibia)
- Change of name to Letshego Holdings Limited

09
- 30 million new Letshego shares issued on BSE

2010
- Sale of Legal Guard
- 10 for 1 share split approved by shareholders

11
- Mozambique operations commence
- LHL Shareholders approve scrip dividend
- Medium Term Note programme listed on the JSE
- Global credit rating obtained

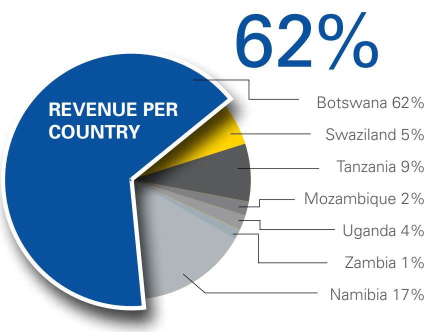
12
- Core lending and banking system selected
- Micro Africa acquired past year end
- Deduction code in Lesotho obtained

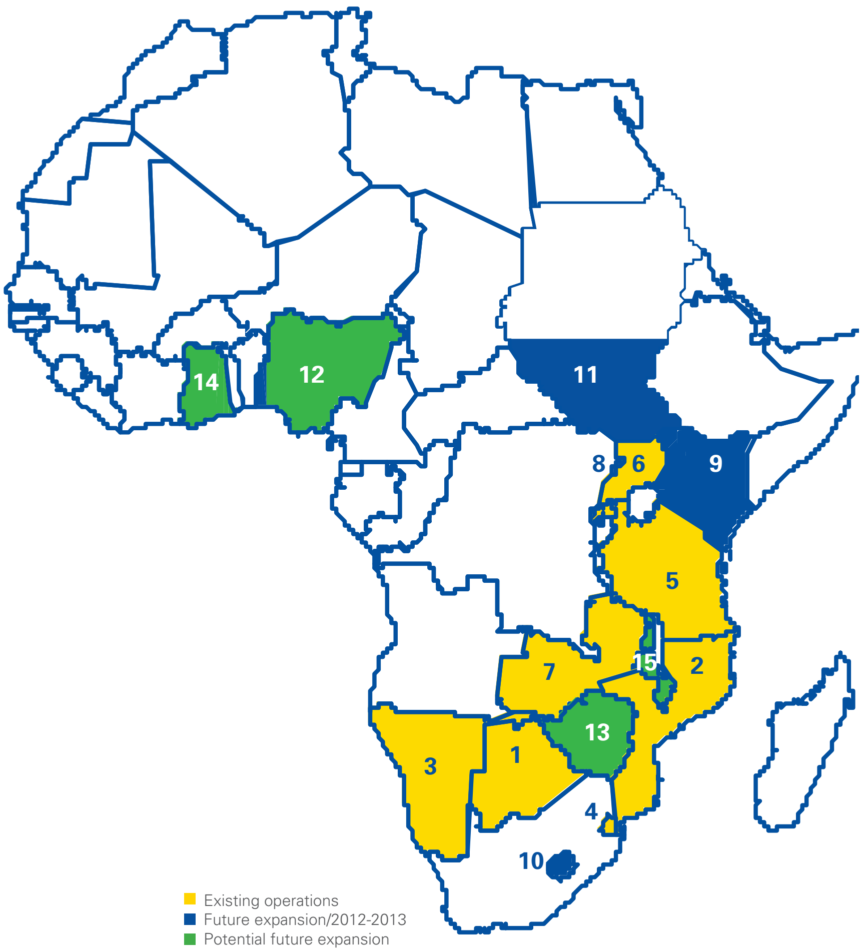
OUR PRESENCE IN AFRICA

Existing Operations
1. Botswana Financial Services
2. Mozambique Financial Services
3. Namibia Financial Services
4. Swaziland Financial Services
5. Letshego Tanzania
6. Letshego Uganda
7. Zambia Financial Services

Future expansion/2012-2013
8. Rwanda
9. Kenya
10. Lesotho
11. South Sudan

Potential future expansion
12. Nigeria
13. Zimbabwe
14. Ghana
15. Malawi





Shareholders 100%

Letshego Holdings Limited
(Listed on the Botswana Stock Exchange and Botswana IFSC accredited)

- 100% Letshego Financial Services (Pty) Limited (Botswana)
- 96.25% Letshego Financial Services Mozambique SA
- 85% Letshego Financial Services (Namibia) (Pty) Ltd → 100% Cell Captive
- 85% Letshego Financial Services Swaziland (Pty) Limited
- 87% Letshego Tanzania Limited
- 85% Letshego Uganda Limited
- 100% Letshego Financial Services Limited (Zambia)
- 95% Letshego Financial Services Lesotho (Pty) Limited
- 100% LHL Cell Captive (Pty) Limited (Rest of Africa)

Note: Does not include dormant subsidiaries in Ghana and Malawi

STRATEGIC **UPDATE**

Performance and KPIs

167,000

Customers (2011:140,000)

P3.0 bn

Total loans and advances (2011: P2.3 billion)

22%

Increase in profit after tax

1.6%

Impairment expense on average loans and advances (2011: 1.9%)

7

Number of African countries we operate in

11

Number of countries after the acquisition of Micro Africa Limited and opening of Letshego Lesotho that will take place during 2012/2013

37%

Profit before tax generated from operations outside of Botswana

98%

Number of customers who are employed by governments of the respective countries Letshego operates in

Strategic aims	Description
 **Continue building** good quality consumer finance businesses	• We aim to be the leading consumer finance provider on the African continent • Our business model continues to support the growth of good quality loan books in the countries in which we operate
 **Evaluate opportunities** to create new consumer finance businesses and move, over time, into transactional banking and deposit taking	• Leveraging our established platform and infrastructure cross-border shared services centre and strong relationships with key stakeholders, we continue to pursue expansion opportunities across Africa • These will be based on the payroll deduction model that the Group has successfully implemented elsewhere
 **Transform the organisation** into a broader based financial services organisation	• With our proven ability to penetrate new growth markets, the investment case to expand our revenue streams and provide a broader range of financial services is compelling

Underpinned by our business principles of fairness, responsibility and sustainability

Priorities 2013 and beyond	Risks	Mitigation
• Manage our competitive position in the countries in which we operate • Grow our customer base • Increase market share but also managing specific risk factors • Continue to diversify into new countries and integrate Micro Africa Limited into the Letshego group • Apply for deposit taking licenses in targeted countries • Potential target countries over the longer term include Ghana, Nigeria, Malawi and Zimbabwe	**Credit risk** Since the greater part of our business risk is mitigated by deducting instalments at source, the residual risk arises due to employment attrition	• Continue to promote the establishment of central registries in each country • Promote the continuous review of legislation and regulations around minimum take-home pay versus the cost of a local 'bread basket' • Rigorous collection systems and teams • Maintain relationships with employers, unions, central registries and regulators • Roll out of comprehensive credit insurance
• Banking licence potential being explored for deposit-taking base, for transactional services, and possibly lateral integration into other products such as credit life insurance	**Funding risk** Being a non-deposit taking institution, we need to constantly ensure sufficient lines of funding at optimum costs to finance our growing asset base **Currency risk** As a result of multinational operations **Diversification risk** Dependency on single product offering; Inability to source more optimum funding	• Lines of credit from commercial banks have been put in place • Lines of credit from development finance institutions are in place • Match borrowing currency with lending currency • New funding lines continue to be explored • Provide other financial services and products including transactional banking and credit life insurance

Our intent

Our strategic intent
Letshego's strategic intent is to enhance profitability and shareholders' value and maintain a reputation for excellence by being the preferred consumer lending financial services provider with an emphasis on responsible corporate conduct and leading by example.

Strategy formulation
The Board reviews and formulates strategies and key management implements strategies throughout the year. The underlying formulation of Group and subsidiary strategies is informed through both internal and other research as well as critical networking and scoping conducted by the Group within its Enterprise Risk Management Framework

Good corporate governance
Caution and a desire for best practices and corporate governance principles are constantly balanced with our ability to deliver consistently improving shareholder value.

The Letshego Mozambique CEO, Ms. MH Williams, and her team at our Maputo head office.

Our Reviews

Given the prevailing economic conditions and business events during the period, and the many initiatives underway within the Group, the Directors are satisfied with the financial performance of the Group for the period under review.

CHAIRMAN'S **REPORT**

TOTAL ASSETS

PULA

3.2bn

CASH AND SHORT-TERM INVESTMENTS

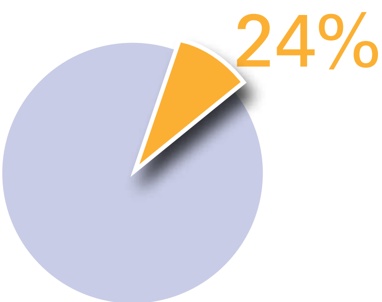
PULA

97.8mil

Advances to customers have grown to over P3.0 billion, an increase of 32% over the prior year

Profit before tax has increased by 13% to P711.2 million from P626.7 million

COST TO INCOME RATIO



Cost to income ratio has remained in our target range at 24% and this remains a very competitive industry benchmark

The 2012 financial year has seen the Letshego Group take significant strides towards its strategic goals. Along with the various financial indicators and milestones, this past financial year has seen even more strategic progress made than noted in my 2011 report.

Last year, our message was that our focus would be on growing quality loan books in existing territories and also pursue a broader financial services mandate. I am pleased to report that this was achieved. Some highlights are:

- Furtherance of our inorganic expansion drive (both from a regional and business segment perspective) through intended acquisition of the East African-based Micro Africa Limited Group;
- Our entry into Mozambique was well received, and the first trading year is included in our 2012 results;
- Conclusion of a core banking system choice, whose rollout will commence in due course;
- Work on banking licence applications in selected regions;
- Continuing work in the debt funding space, both privately and in the financial market.

We continue to apply this focus, and this is reflected in the financial results included below.

Financial performance

Asset quality

At P3.034 billion (2011: P2.3 billion), our net advances grew by an impressive 32%. In totality, the Group's interest-earning assets remain the largest component of total assets at 98% of P3.21 billion (2011: 97% of P2.43 billion). Other than customer advances, interest was earned on P73.6 million in cash and P24.2 million in short term investments (2011: P51.8 million and P12.6 million respectively).

Year on year, the 32% net customer advances growth is largely driven by continued strong performance in three countries in particular. These are Botswana (net book P1.82 billion, up 19% from P1.53 billion), Namibia (net book up 59% to P537 million from P338 million), and above-budget payout levels, for a start-up, in Mozambique (net book P159 million up from nil last period).

Our operations in Tanzania (net book of P237 million) and Uganda (net book of P128 million) also posted consistent and healthy book growth for the year of 60% and 32% respectively. The decrease in the Swaziland loan book of 13% is due to our decision to moderate lending levels in this territory.

Asset performance and profitability

Against the above asset performance, the Group recorded an increase in operating income of 20% for the year, an increase in total operating expenses of 46% and an increase in impairment expenses of 13%.

Interest margins were generally maintained but we anticipate these may come under pressure going forward as competition and low interest rates in some of our markets may have an impact. The average cost of borrowing held relatively steady during the period.

The significantly higher operating expenses in the current period are, in the main, attributable to Mozambican branch start-up costs, which are anticipated to persist into the 31 January 2013 financial year as expansion in that region continues. Upgrading of branches in Tanzania, once-off legal and related costs associated with the establishment of the Group's Medium Term Note (MTN) programme also contributed to this incremental expenditure in the period. However, strict control of normal operational expenditure in the more established business units has, and will continue, to be enforced. Positively, and notwithstanding the increase in costs, the Group's cost to income ratio for the year was 23.8% (2011:19.1%) which remains within our target range.

The reduction in the impairment expense as a percentage of the average advances book from 1.9% in 2011 to 1.6% this year is largely attributable to the introduction of credit insurance in Namibia, Swaziland and Mozambique, improved collections in Uganda, Tanzania and Zambia, recoveries of prior year written off amounts and overall concentration and efforts by the respective credit teams in all countries.

"The reduction in the impairment expense as a percentage of the average advances book from 1.9% in 2011 to 1.6% this year is largely attributable to the introduction of credit insurance in Namibia, Swaziland and Mozambique, improved collections in Uganda, Tanzania and Zambia, recoveries of prior year written off amounts and overall concentration and efforts by the respective credit teams in all countries."

CHAIRMAN'S **REPORT** (continued)

Ours is a long-term view and our emphasis in all our operating environments is to improve the overall sustainability of the consumer finance industry in all of our markets. As noted in my report in previous years, this involves working toward the establishment of central registries and adhering to minimum take-home pay standards. There is more on this important aspect of our business strategy in the sustainability section of this report.

Letshego Uganda staff making a donation to a local charity

Letshego Group Chairman, CM Lekaukau addressing dignitaries at the formal launch of Letshego Mozambique

These elements have all translated to the overall increase of 13% in Group profit before tax on 2011 levels to P711 million.

Funding

Our business growth is funded significantly out of external lines of credit, in addition to retained earnings. By January 2012, total borrowings had increased by 59% to P802.9 million (2011: P505.2 million) representing a debt to equity ratio of 35% (2011: 29%), which is well below the industry norm.

The balance sheet is strong with low gearing and a debt-to-equity ratio of 35%, indicating far more "headroom" for new funding levels. Though we have confirmed key funding lines in place, this aspect of our financial strategy remains an area of focus and we will continue to vigorously pursue further debt funding avenues in the year ahead.

Shareholder wealth

Also noteworthy was the issue of a paper dividend to the value of P273.6 million to shareholders on a basis of 7 new shares being issued for every 100 shares owned. This issue was motivated in order to ensure optimum use of additional company tax reserves, which was achieved. The ensuing credit to the Letshego Holdings tax charge has resulted in a 22% increase in the profit after tax reported, and is a once-off occurrence. It is anticipated that this issue of shares will assist further in the liquidity and trading of the Letshego stock on the local bourse.

In Botswana, the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) published the regulations for the industry and these are effective from 9th March 2012. Letshego Botswana will be in a position to comply with these new regulations and we do not anticipate any significant implications or changes to the business arising from these regulations, which are welcomed.

Letshego Tanzania with Tanzanian disadvantaged entrepreneurs

In April 2012, Directors further approved a cash dividend of 2.5 thebe a share which was carefully weighed against the funds required to further our numerous growth and strategic drives.

Operating environment

During the period an industrial action was undertaken by employees of the Government of the Republic of Botswana. This action started in mid April 2011 and ended on 6 June 2011. While the duration of the action was longer than anticipated, it did not have any significant impact on Letshego Botswana, or for that matter, Group operations.

Another significant event that occurred during the year was the uncertainty caused by the announcement of the Government of Botswana regarding possible actions on the deduction at source facilitation as well as its relationship with the Central Registries in Botswana. As communicated to Shareholders on 29 February 2012 no changes to the collection methodology in Botswana have occurred since August 2011. The operations of the Central Registries in Botswana continue as normal and collections remain at historical levels via the deduction at source basis.

We continue to monitor ongoing developments in this regard and remain committed to engaging in business in a manner that is responsible and cognisant of the changing environment in Botswana.

Ours is a long-term view and our emphasis in all our operating environments is to improve the overall sustainability of the consumer finance industry in all of our markets. As noted in my report in previous years, this involves working toward the establishment of central registries and adhering to minimum take-home pay standards. There is more on this important aspect of our business strategy in the sustainability section of this report.

Regulatory environment

We believe that Central Registries are the building blocks to best practices and responsible dealings in our industry. We will continue to promote the establishment of effective Registries in all regions we operate in. Central Registries have been and continue to be in place in Botswana, Namibia, Swaziland and Uganda.

In Botswana, the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) published the regulations for the industry and these are effective from 9th March 2012. Letshego Botswana will be in a position to comply with these new regulations and we do not anticipate any significant implications or changes to the business arising from these regulations, which are welcomed.

CHAIRMAN'S **REPORT** (continued)

"We believe that, overall, these new positions and staff members will help drive attainment of our strategic objectives. The Group's commitment to assembling the best skilled, motivated professionals, across functions, is high and this is another aspect of our strategic investment that is given importance in our development initiatives."

Overall, we welcome any new regulations and legislation as we believe that these can only serve to improve a culture of stringency, ethics and social responsibility, both on the part of financial service providers, employers and ultimately the consumer.

Funding outlook

As mentioned already, funding is key to the Letshego Group's continued growth and service to our valued market. We have maintained all lines of credit and continue to work on introducing new lines to support the growth of the business. Routes being explored include private and public debt / bond funding, money market investments, and capital market injections, whose cost would need to be balanced with the changing global economy and investment appetite.

Human Resources

Letshego now employs over 695 people across its operations, almost equally split between men and women. The staff complement grew significantly during the period, with growth particularly in Uganda and Tanzania and the staffing of the new operation in Mozambique. We welcome the new employees to the team and look forward to a long and mutually beneficial relationship.

We had also increased our staff complement at middle management levels in the holding company in the previous financial year, with the introduction of what is evolving into a strong second-in-command layer for our executive management team.

We believe that, overall, these new positions and staff members will help drive attainment of our strategic objectives. The Group's commitment to assembling the highest skilled, motivated professionals, across functions, is high and this is another aspect of our strategic investment that is given importance in our development initiatives.

The Group performs regular benchmarking exercises to ensure remuneration policies and practices are in line with best practice. The Group has a share based payments scheme, the "Long Term Incentive Plan" ("LTIP") in place for key management. The LTIP aligns team members' goals with the shareholders' and seeks to ensure retention and a shared long term vision.

A Letshego Tanzania promotion

Sustainability

Sustainability is not just a feature of our annual reporting, but a living concept in how the Letshego Group teams across Africa manage operations.

From an external stakeholder perspective, management and their teams spend time and effort cultivating relationships and engaging with our many stakeholders, seeking ways to enforce better business practice, address concerns and issues that may arise. Internally, management and the board continue to interact to improve governance and systems of control within the group, with regular 360 degree communication.

The board also endorses the King Code of Governance Principles for South Africa 2009 ("King III") issued by the Institute of Directors (Southern Africa). In particular, the Group is working towards meeting the revised governance and recommended practices outlined in these codes and explains overall compliance and exceptions to the core King III principles further on in this report.

Letshego recognises its social responsibilities and partners with governments in its countries of operations to address social ills and provide for the needs of the communities in which it operates and, as in previous years, sets aside 1% of its profit after tax on an annual basis. We have ploughed back millions into communities across our operations.

During the year we supported various welfare projects focused on young people in Namibia with P352,000; people with disabilities in Tanzania with P288,000; various health and youth projects in Botswana with P500,000; and a youth and health project in Uganda with P329,000. Letshego Holdings Limited also contributed P700,000 to various youth and housings projects. These strengthened our relationships with our communities and allowed our employees to participate in uplifting communities.

We recognise that our business must meet the needs of our customers on a sustainable basis in order to thrive. While Letshego does not actively dictate how our loan products should be utilised, we consciously ensure that amounts lent and the related pricing do not compromise our customers' take-home pay.

The establishment of independent central registries is very close to the Letshego Group's impetus for industry sustainability.

Central registries consolidate all third party government payroll deductions under one deduction code, which is then sent to government payroll centres. The resultant benefits include ensuring minimum take home pay rules are adhered to, efficiency and standardised operating models by lenders. We have been working with regulators in a number of countries to assist in the establishment of such systems as we believe they will contribute to the development of a sustainable industry and a direct bearing on the achievement of our strategic growth objectives.

Letshego Tanzania supporting World Health Day in Dar es Salaam

CHAIRMAN'S **REPORT** (continued)

"Given prevailing economic conditions, the Directors expect continued growth in the customer advances during the financial year to 31 January 2013 and continued profitability. However, this will be coupled with a more conservative lending approach in Botswana, following on from the Botswana fiscal budget speech (delivered in February 2012) indicating the possible reduction in the number of Government employees over time."

Changes in directorship

There were no changes in the board of directors during the year.

Areas of focus

For the year ahead, these include:

- Continue to grow quality customer advances in existing territories
- Commense operations in Lesotho
- Continue to explore new countries to extend the group's footprint
- Utilise the existing staff complement, branch network and ICT platform to drive efficiencies and new opportunities
- Introduce comprehensive credit insurance in other countries
- Pursue banking licenses in selected countries
- Continue to promote regulatory developments and industry best practice
- Integrate Micro Africa into the Letshego Group

Given prevailing economic conditions, the Directors expect continued growth in the loan book during the financial year to 31 January 2013 and continued profitability. However, this will be coupled with a more conservative lending approach in Botswana, following on from the Botswana fiscal budget speech (delivered in February 2012) indicating the possible reduction in the number of Government employees over time. This new risk is continually being assessed.

Letshego Tanzania CSI event

Strategy

Letshego will continue to focus on controlling credit risk in the territories in which it currently operates. During the period, we commenced lending in Mozambique and subsequent to the year end the acquisition of Micro Africa was completed which brings Kenya, Rwanda and South Sudan into the group. We also plan to commence operations in Lesotho during the 31 January 2013 financial year and this will bring to

Letshego's drive to transform itself into a broader-based financial services organisation over time remains unchanged.

11 the number of countries Letshego has a presence in (7 in 2011 and 6 in 2010), yet another indicator of our progressive strategy in action.

We will also look to enter new countries where it is possible to implement our proven payroll deduction model or markets that support our retail banking plans. Countries currently being considered include, but are not limited to, Ghana, Nigeria, Malawi and Zimbabwe.

Letshego's drive to transform itself into a broader-based financial services organisation over time remains unchanged. We are mindful that the investments we make now in growing our infrastructure must be able to cater for the organisation we want to become, necessitating a long-term view from the top down within the Group. To facilitate our transformation, we have invested in, and continue, our IT platform to enable us to move from varying applications across our African footprint into a single integrated, seamless and robust banking and lending system. We will incorporate the best systems available to facilitate existing business, but ensure they allow for new products and services to be offered.

Pivotal to our strategic pillars (discussed further in our sustainability report) is enabling regional as well as business diversification in the strategic period ahead. Prospects for broader-based expansion into financial services still look positive.

Gratitude

Letshego depends on a wide range of stakeholders for its continued success. I am very grateful to our customers, staff, shareholders and strategic partners for ensuring Letshego goes from strength to strength. Our shareholders and other funders are key to our business model and I thank them for their support.

We work with many government departments, staff associations and regulators across our markets, all of whom have been critical to ensuring we operate a successful business model that delivers fuss-free, affordable finance in times of need to our customers. My thanks go to them all.

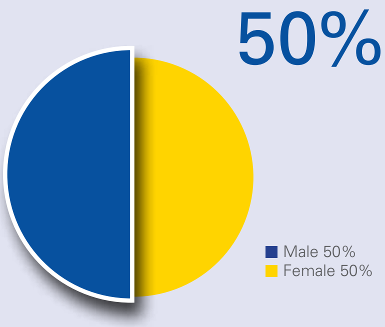
Thanks also to our board of directors, whose guidance has been invaluable to me and the rest of the management team.

CM Lekaukau
Chairman

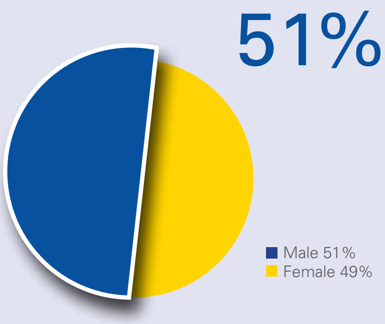
27 April 2012

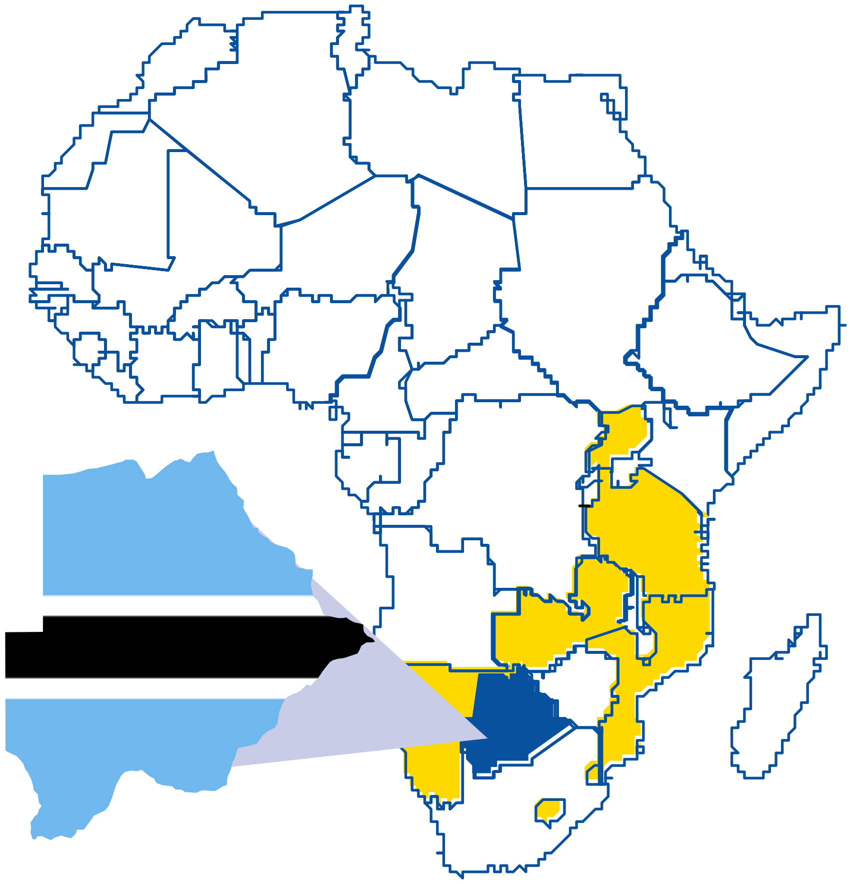
LETSHEGO HOLDINGS LIMITED OPERATIONAL OVERVIEW

Employees 2011



Employees 2012



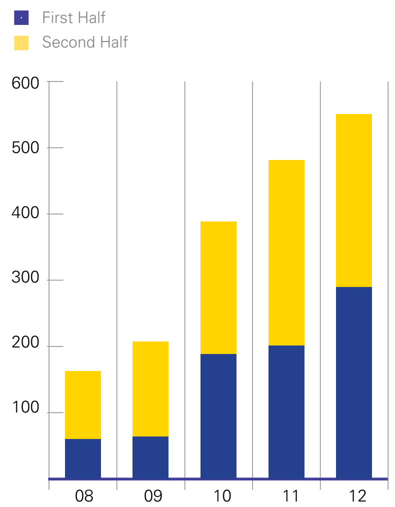


Our vital statistics - Company

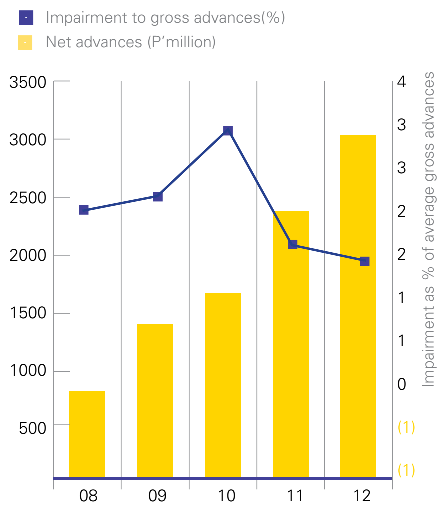
	2012	2011	2010
Number of branches – head office	1	1	1
Number of staff	45	39	41
Male	51%	51%	50%
Female	49%	49%	50%
Citizen	90%	88%	91%
Non-citizen	10%	12%	9%
Listing	BSE	BSE	BSE
Regulator	NBFIRA	NBFIRA	NBFIRA

LETSHEGO HOLDINGS LTD
GROUP FINANCIAL HIGHLIGHTS

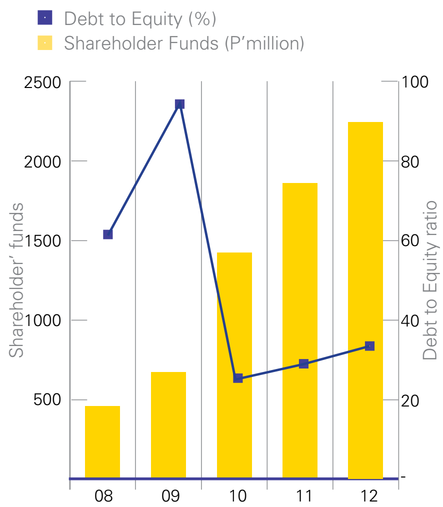
Profit After Tax (P'million)



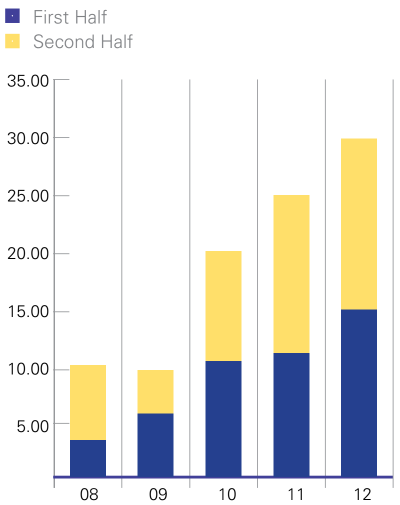
Advances vs Impairment to Net Advances



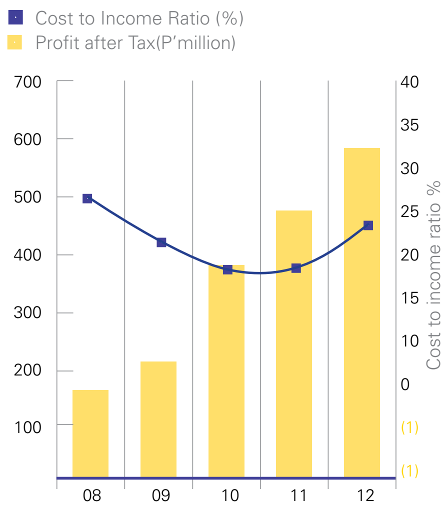
Shareholders' Funds: Debt to Equity



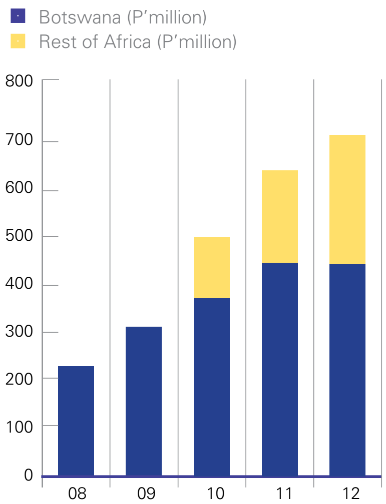
Earnings per Share (Thebe)



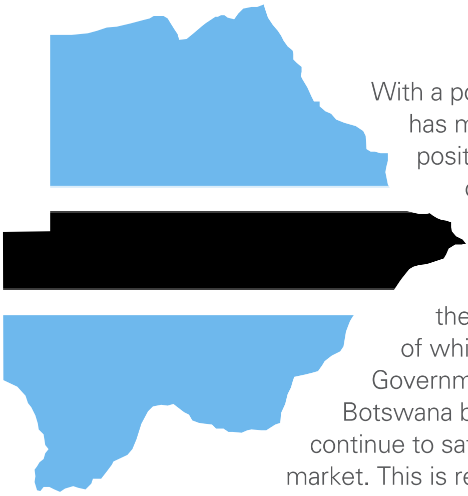
Profit after Tax to Cost to Income Ratio (P'million)



Geographic Diversification of Profit before Tax (P'million)



LETSHEGO FINANCIAL SERVICES **(PTY) LIMITED (BOTSWANA)**



With a population of 2,065,398, Botswana has made great strides in cementing its position as one of the fastest growing countries on the continent. The economic climate of the country continues to grow favourably, and this can be seen in, for example, the 685,300 people formally employed, of which 133,000 are employed by Government. Letshego's operations within Botswana began in 1998 and see the company continue to satisfy a growing segment of the market. This is reflected in Letshego's customer base of 39,297 (31 January 2012).

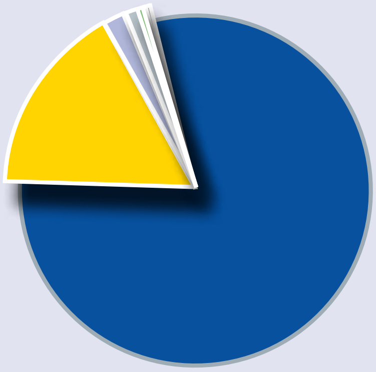
With 4 branches and 7 satellite offices, Letshego has a total staff complement of 88. Moreover, Botswana is one of 7 countries Letshego calls home in which there is credit insurance in place. It also boasts, at 30%, the second highest market penetration based on total Government employees, second only to LFS Namibia. LFS Botswana also contributes, at 62%, the bulk of the company's total revenue.

At a glance

	2012	2011	2010
Number of branches – main	4	4	4
Number of branches – satellite	7	5	5
Number of staff	88	81	81
Customers – employed by government	95%	95%	95%
Customers – employed by parastatals or private sector	5%	5%	5%
Total number of customers	39,297	35,990	36,818
Average value of loans at 31 January	P45.7k	P42.6k	P31.6k
% of book on payroll deduction model	99%	99%	99%
Collection statistics – average collection rate for the period	96%	98%	98%
Central registry in place	Yes	Yes	Yes
Regulator	NBIFIRA	NBIFIRA	NBIFIRA

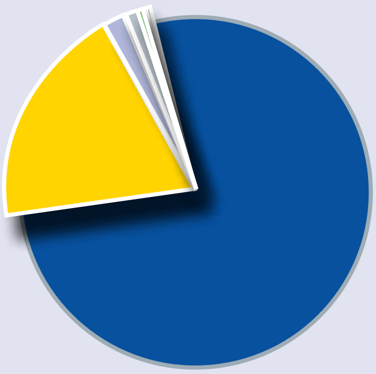
Loan book split by product for Botswana

2011 **76%**



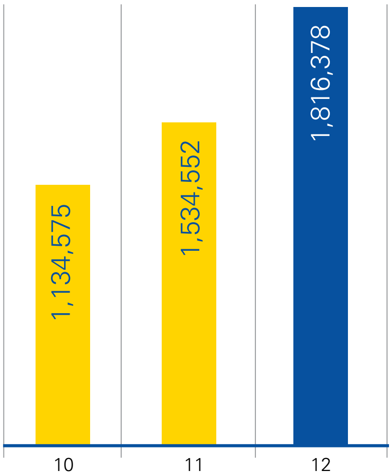
60 Month	76%
48 Month	21%
36 Month	2%
24 Month	1%
12 Month	0%
6 Month	0%

2012 **73%**

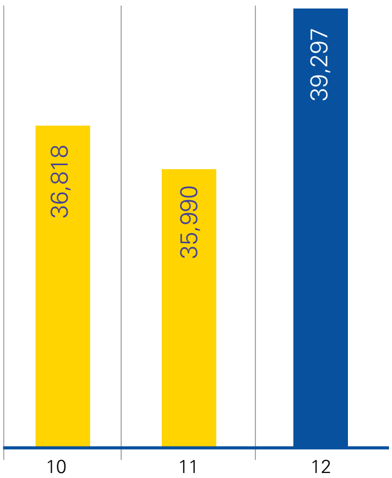


60 Month	73%
48 Month	23%
36 Month	2%
24 Month	1%
12 Month	0%
6 Month	0%

Total advances of customers (P’mil)



Total number of customers



Frederick W Mmelesi, CEO (43)

Nationality: Botswana
Joined Letshego: 1999
Qualifications: AAT; MBA; Executive Development Programme
Shareholding: 2,328,045

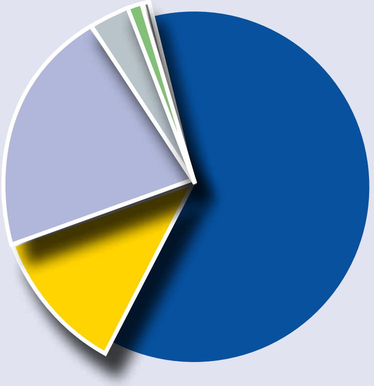
Lobatse branch staff with customers

CEO of Letshego Botswana, FW Mmelesi addressing a Letshego function in Francistown

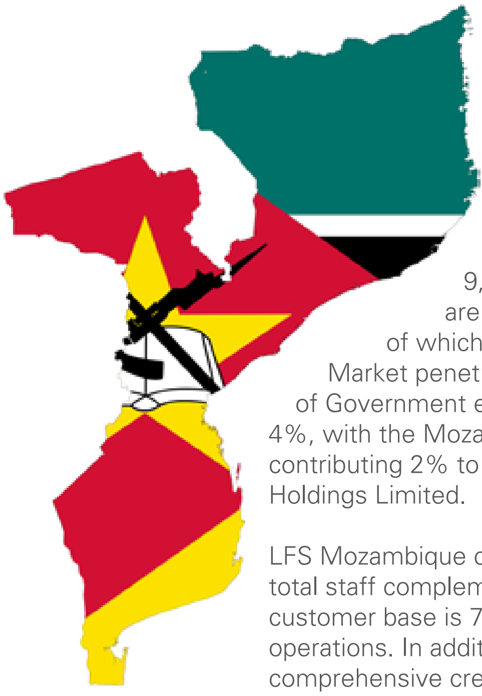
LETSHEGO FINANCIAL SERVICES **MOZAMBIQUE, SA**

Loan book split by product for Mozambique

2012 60%



60 Month	60%
48 Month	11%
36 Month	21%
24 Month	6%
12 Month	2%
6 Month	0%



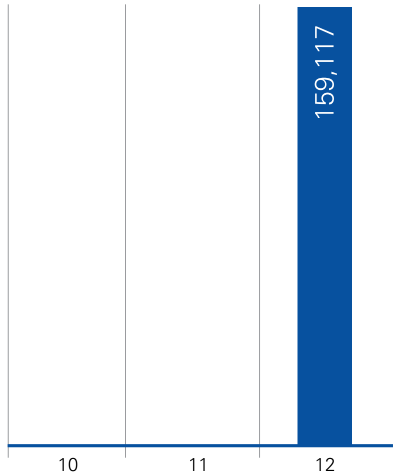
The most recently established Letshego operations are within Mozambique. With a total population of 22,948,860, Mozambique began playing host to Letshego in 2011. 9,870,000 of the total population are formally employed, 180,000 of which work for Government. Market penetration, based on the number of Government employees, however, stands at 4%, with the Mozambique operations presently contributing 2% to the total revenue of Letshego Holdings Limited.

LFS Mozambique comprises 5 branches, with a total staff complement of 50. LFS Mozambique's customer base is 7,627 after its first year of operations. In addition, LFS Mozambique has comprehensive credit default insurance in place.

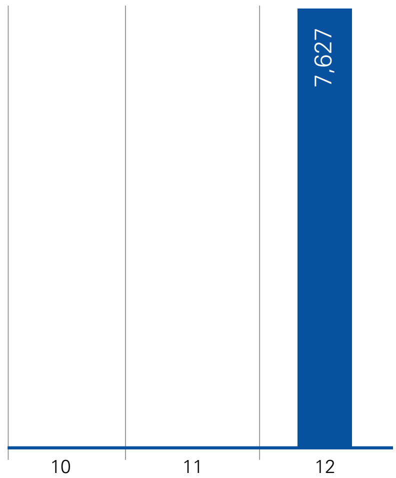
At a glance

	2012	2011	2010
Number of branches – main	5	1	N/A
Number of branches – satellite	0	0	N/A
Number of staff	50	3	N/A
Customers – employed by government	100%	N/A	N/A
Customers – employed by parastatals or private sector	0%	N/A	N/A
Total number of customers	7,627	N/A	N/A
Average value of loans at 31 January	P19.7k	N/A	N/A
% of book on payroll deduction model	100%	N/A	N/A
Collection statistics – average collection rate for the period	118%	N/A	N/A
Central registry in place	No	No	No
Regulator	Central Bank of Mozambique	Central Bank of Mozambique	Central Bank of Mozambique

Total advances of customers (P'mil)



Total number of customers



Melissa Huang-Williams, CEO (39)
Nationality: USA
Joined Letshego: 2010
Qualifications: CPA
Shareholding: Nil

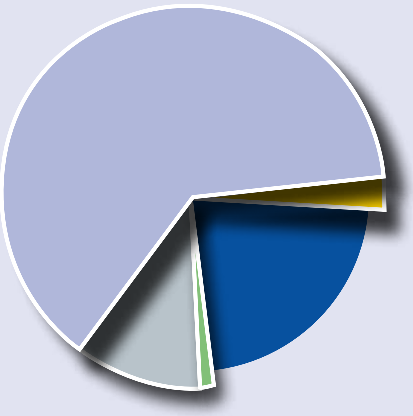
Mozambique team and customers outside the newly established offices in Maputo

CEO of Letshego Mozambique, MH Williams, with the Prime Minister of Mozambique at the Letshego Mozambique branch in Maputo

LETSHEGO FINANCIAL SERVICES **NAMIBIA (PTY) LTD**

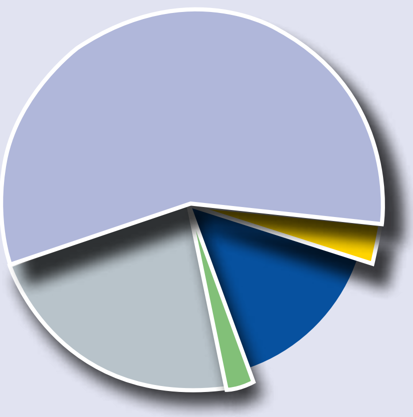
Loan book split by product for Namibia

2011 61%

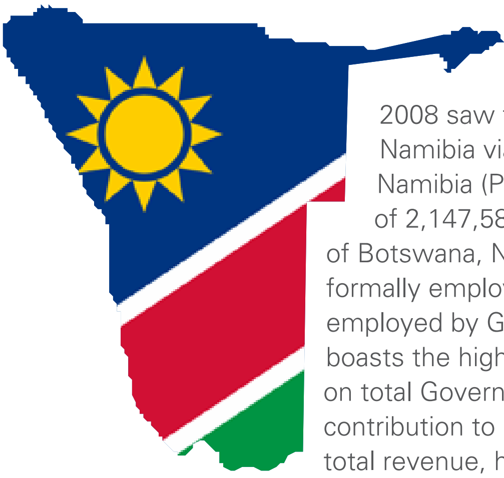


60 month	24%
48 month	3%
36 month	61%
24 month	11%
12 month	1%

2012 56%



60 months	13%
48 months	4%
36 months	56%
24 months	25%
12 months	3%

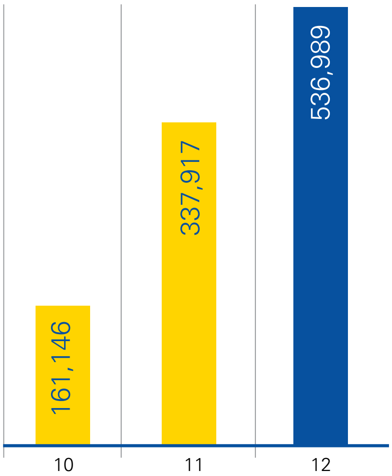


2008 saw the establishment of LFS Namibia via the acquisition of Eduloans Namibia (Pty) Ltd. Home to a population of 2,147,585, not much larger than that of Botswana, Namibia has 729,000 people formally employed. 88,814 of these are employed by Government. LFS Namibia boasts the highest market penetration based on total Government employees, at 43%. Its contribution to Letshego Holdings Limited's total revenue, however, which is currently at 17% is considerably less than that of LFS Botswana but promises further growth. LFS Namibia has grown to have 11 branches and one satellite office. The 38 staff members serve a customer base of 37,946, at present. LFS Namibia, as in Swaziland, Botswana and Mozambique, also has credit insurance in place.

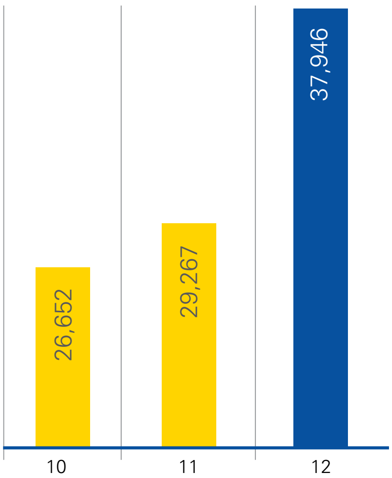
At a glance

	2012	2011	2010
Number of branches – main	11	7	7
Number of branches – satellite	1	1	2
Number of staff	34	34	35
Customers – employed by government	97%	97%	97%
Customers – employed by parastatals or private sector	3%	3%	3%
Total number of customers	37,946	29,267	26,652
Average value of loans at 31 January	P10.5k	P11.5k	P6.1k
% of book on payroll deduction model	100%	100%	100%
Collection statistics – average collection rate for the period	100%	100%	98%
Central registry in place	Yes	Yes	Yes
Regulator	NAMFISA	NAMFISA	NAMAFISA

Total advances of customers (P'mil)



Total number of customers



Willem Steenkamp, CEO (61)
Nationality: Namibia
Joined Letshego: 2003
Qualifications: BA, D Ed
Shareholding: 249,219

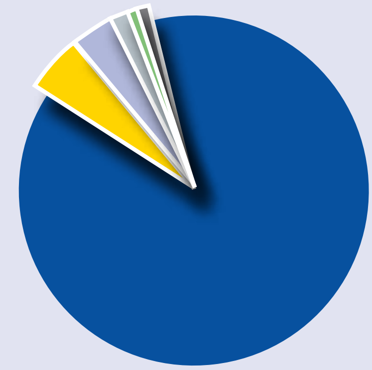
Letshego Namibia has sponsored a feeding initiative for local schools as part of its CSR actions

Letshego Namibia head offices in Windhoek

LETSHEGO FINANCIAL SERVICES
SWAZILAND (PTY) LTD

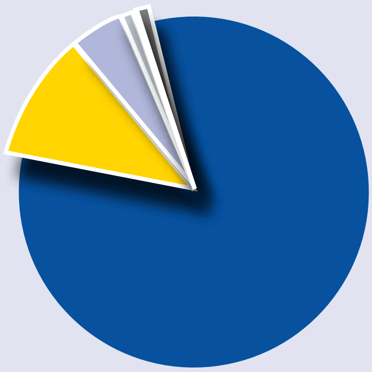
Loan book split by product for Swaziland

2011 87.2%

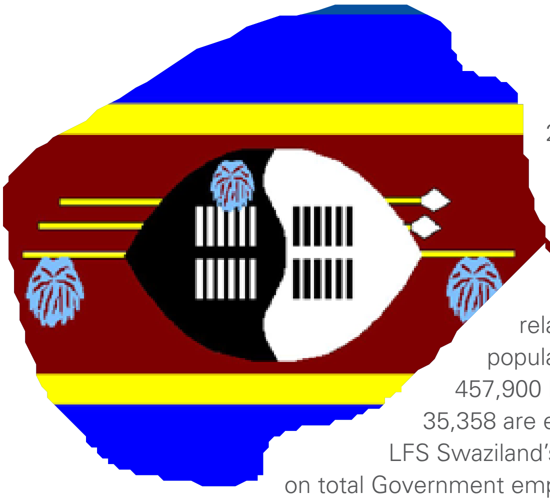


60 Month	87.2%
48 Month	6.9%
36 Month	4.7%
24 Month	0.9%
12 Month	0.3%
6 Month	0.0%

2012 78%



60 Month	78%
48 Month	15%
36 Month	6%
24 Month	1%
12 Month	0%
6 Month	0%

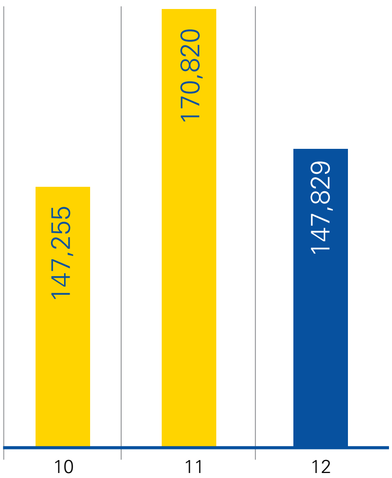


2006 also saw the establishment of LFS Swaziland, as Letshego strove to increase its continental footprint. Swaziland, though a relatively small country, boasts a population of 1,370,424. Of these, 457,900 have gainful employment and 35,358 are employed by the Government. LFS Swaziland's market penetration, based on total Government employees is a sound 18%, as of 31st January 2012. Letshego's customer base in Swaziland, moreover, stands at 6,242. LFS Swaziland is comprised of only 2 branches, with no satellite offices as yet. Letshego does, however, have credit insurance in place for their Swaziland operations. LFS Swaziland contributes 5% to Letshego's revenue.

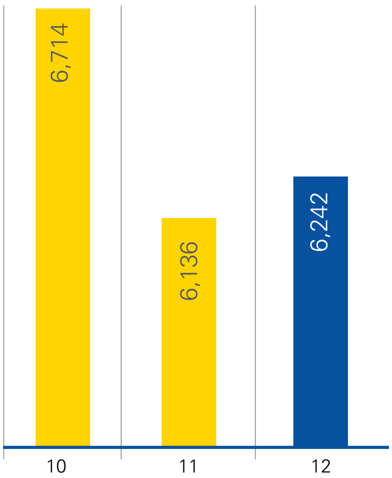
At a glance

	2012	2011	2010
Number of branches – main	2	2	2
Number of branches – satellite	–	–	–
Number of staff	15	15	14
Customers – employed by government	100%	100%	100%
Customers – employed by parastatals or private sector	0%	0%	0%
Total number of customers	6,242	6,136	6,714
Average value of loans at 31 January	P32.5k	P27.8k	P22.2k
% of book on payroll deduction model	100%	100%	100%
Collection statistics – average collection rate for the period	99%	99%	99%
Central registry in place	Yes	Yes	Yes
Regulator	Central Bank of Swaziland	Central Bank of Swaziland	N/A

Total advances of customers (P'mil)



Total number of customers



Mbuso Dlamini, CEO (35)

Nationality: Swaziland
Joined Letshego: 2010
Qualifications: BCom; CA (SA)
Shareholding: Nil

CEO of Letshego Swaziland, M Dlamini addressing staff at the annual wellness day

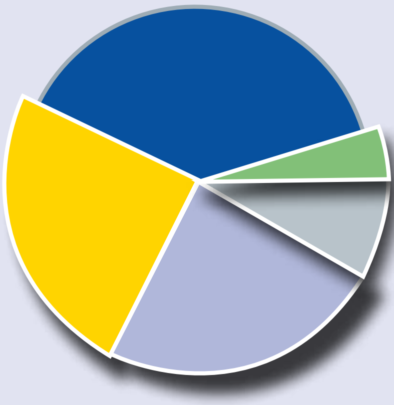
CEO of Letshego Swaziland and team members at the annual wellness day

LETSHEGO **TANZANIA LTD**

Letshego Tanzania was established in 2006 and has since grown to have 14 branches and 77 satellite offices across the country. This comprises of a total staff complement of 273 people. Tanzania's population stands at 42,746,620 at present, of which 21,860,000 are formally employed, and 573,000 of which are employed by Government. Letshego Tanzania's market penetration, based on total Government employees stands at 8%, as of 31 January 2012. Tanzania is home to one of Letshego's largest scale in-country operations, evidenced by their increasing customer base of 46,401.

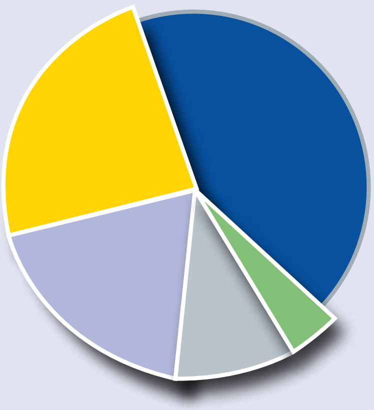
Loan book split by product for Tanzania

2011 **35%**



60 month	35%
48 month	24%
36 month	30%
24 month	8%
12 month	3%

2012 **42%**

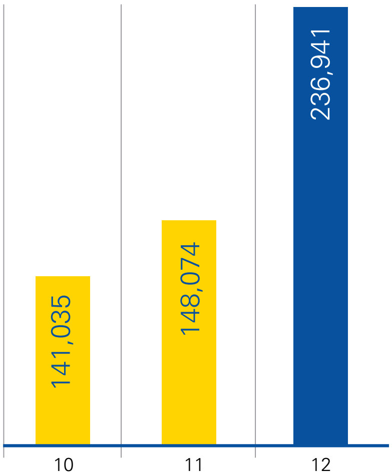


60 month	42%
48 month	25%
36 month	19%
24 month	10%
12 month	4%

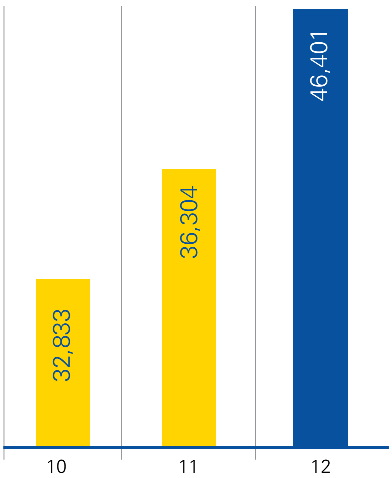
At a glance

	2012	2011	2010
Number of branches – main	14	13	13
Number of branches – satellite	77	77	77
Number of staff	273	208	123
Customers – employed by government	100%	100%	100%
Customers – employed by parastatals or private sector	0%	0%	0%
Total number of customers	46,401	36,304	32,833
Average value of loans at 31 January	P5.5k	P4.0k	P4.4k
% of book on payroll deduction model	100%	100%	100%
Collection statistics – average collection rate for the period	119%	100%	100%
Central registry in place	No	No	No
Regulator	N/A	N/A	N/A

Total advances of customers (P'mil)



Total number of customers



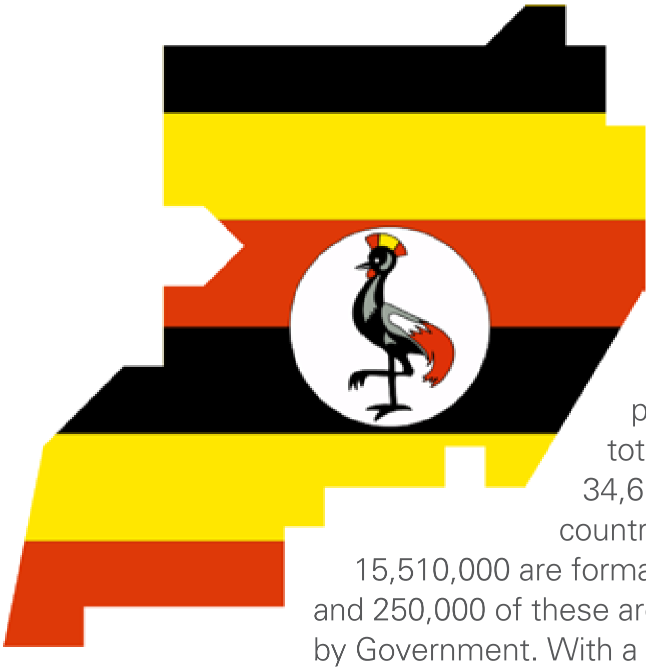
Marion Moore, CEO (58)
Nationality: South Africa
Joined Letshego: 2007
Qualifications: CPA; CISA
Shareholding: 1,566,192

Directors, guests and the CEO of Letshego Tanzania at a CSR event building small enterprise capacity for disabled people

The CEO of Letshego Tanzania, M Moore (left), speaking with guests and fellow director, J Rugumyamheto (far right) at a CSR event

LETSHEGO **UGANDA LIMITED**

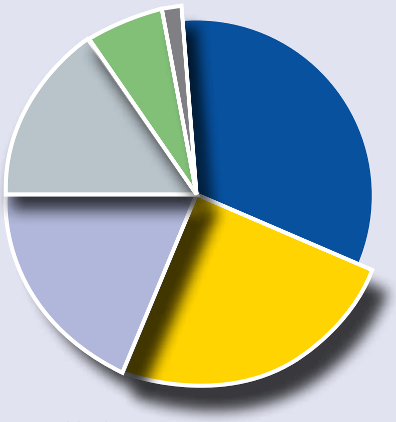
(formely Micro Provident Uganda Limited)



Established in 2005, Letshego Uganda has a customer base of 31,579 people from a total population of 34,612,250. Of the country's population, 15,510,000 are formally employed, and 250,000 of these are employed by Government. With a total staff complement within the country of 180, Letshego has a proud 13 branches and 23 satellite offices across Uganda. Letshego Uganda's market penetration based on total Government employees stands, as of 31st January 2012, at 13%.

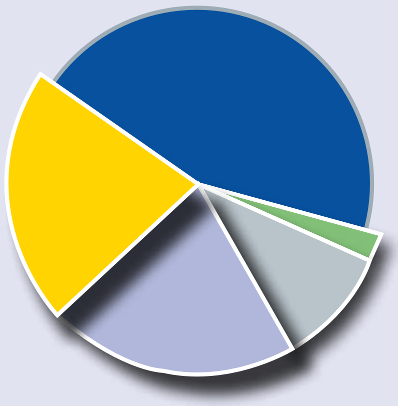
Loan book split by product for Uganda

2011 **29%**



- 60 Months 29%
- 48 Months 29%
- 36 Months 18%
- 24 Months 18%
- 12 Months 6%
- 6 Months 0%

2012 **46%**

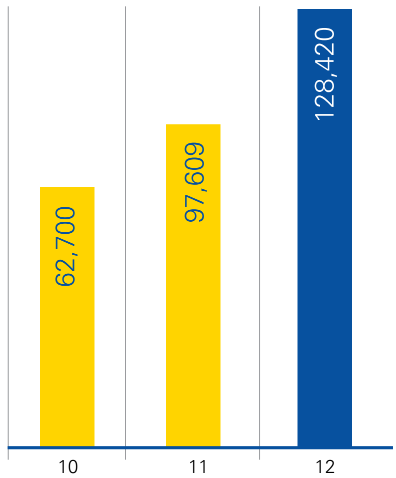


- 60 Months 46%
- 48 Months 24%
- 36 Months 16%
- 24 Months 11%
- 12 Months 3%

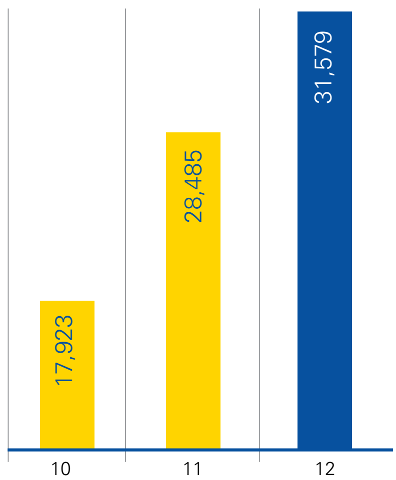
At a glance

	2012	2011	2010
Number of branches – main	13	13	11
Number of branches – satellite	23	16	11
Number of staff	180	192	151
Customers – employed by government	100%	100%	100%
Customers – employed by parastatals or private sector	0%	0%	0%
Total number of customers	31,579	28,485	17,923
Average value of loans at 31 January	P4.5k	P3.4k	P3.6k
% of book on payroll deduction model	100%	100%	100%
Collection statistics – average collection rate for the period	95%	98%	116%
Central registry in place	Yes	Yes	No
Regulator	No	No	No

Total advances of customers (P'mil)



Total number of customers



Geoffrey Kitakule, CEO (41)

Nationality: Uganda
Joined Letshego: 2008
Qualifications: MBA (Finance); MSc Computer Science; Bachelor of Statistics; Master of Laws in Information Technology and Telecommunications
Shareholding: 101,213

Letshego Uganda staff at a'Lets Give' CSR event

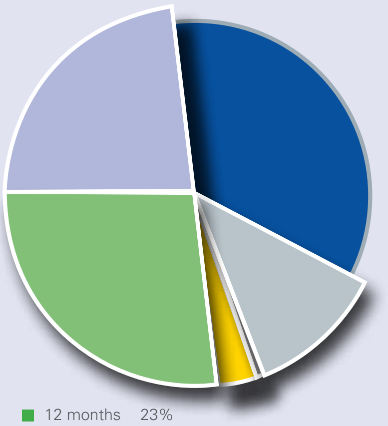
CEO of Letshego Uganda, G Kitakule with staff and dignitaries at a handover event for CSR activities

LETSHEGO FINANCIAL SERVICES **ZAMBIA LTD**

In 2007, Letshego expanded into the Zambian market. Home to 13,881,340 people, the country plays host to the sole LFS Zambia branch. With a staff complement of 9, Letshego serves 1,789 customers in a population in which 5,524,000 are gainfully employed. Of these 5,524,000, 150,000 are Government employees. LFS Zambia at present contributes 1% to the total Letshego revenue. The Zambia operations have a market penetration, based on total Government employees of 1%, as of 31st January 2012.

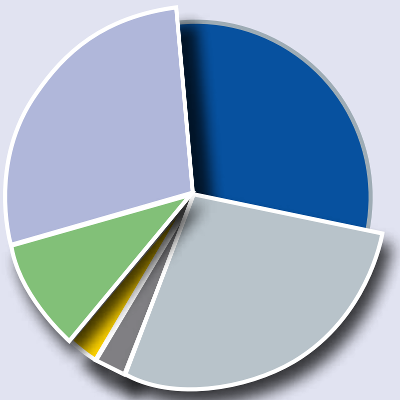
Loan book split by product for Zambia

2011 **33%**



12 months	23%
36 months	26%
60 months	33%
24 months	13%
6 months	0%
48 months	4%
Other	0%

2012 **28%**

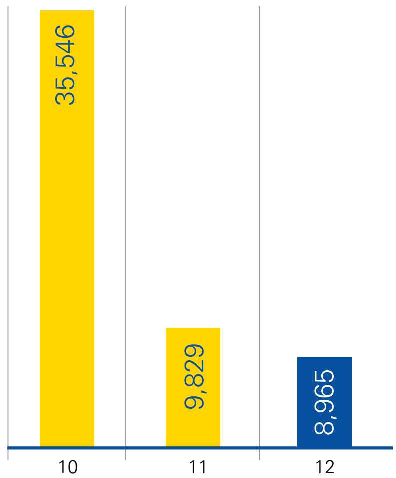


12 months	9%
36 months	31%
60 months	28%
24 months	27%
6 months	2%
48 months	2%
Other	0%

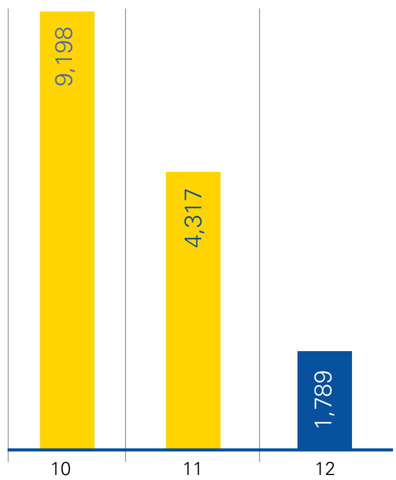
At a glance

	2012	2011	2010
Number of branches – main	1	1	2
Number of branches – satellite	0	1	1
Number of staff	13	13	28
Customers – employed by government	86%	95%	99%
Customers – employed by parastatals or private sector	14%	5%	1%
Total number of customers	1,789	4,317	9,198
Average value of loans at 31 January	7.2k	P2.3k	P4.0k
% of book on payroll deduction model	100%	100%	100%
Collection statistics – average collection rate for the period	96%	94%	104%
Central registry in place	No	No	No
Regulator	Central Bank of Zambia	Central Bank of Zambia	Central Bank of Zambia

Total advances of customers (P'mil)

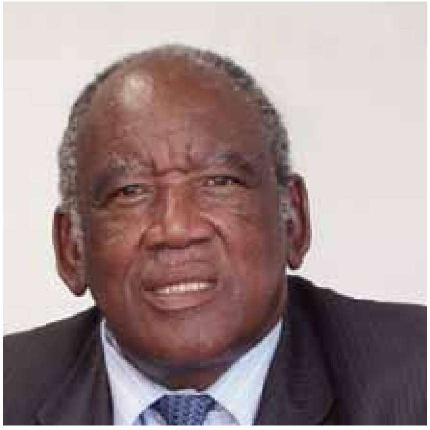


Total number of customers



George Barlow, CEO (40)
Nationality: South Africa
Joined Letshego: 2011
Qualifications: BSc, MSc Economics
Shareholding: Nil

BOARD OF DIRECTORS



Cuthbert Moshe Lekaukau (68)

Chairman

(LLB; LLM; Commonwealth Certificate in Legislative Drafting)

Mr Lekaukau served the Government of Botswana as a senior public officer in various capacities from 1973 to 1996. For 12 of those years he served as Permanent Secretary to the then Ministries of Works, Transport and Communications, Ministry of Mineral Resources and Water Affairs as well as the Ministry of Agriculture. He was awarded a Presidential Order of Honour in 1996 in recognition of his devoted service to the country. In December 1996, he was appointed to start Botswana Telecommunications Authority as the founding Executive Chairman and served there until 2006.

After rejoining the Public Service in 2007 to oversee and coordinate the implementation of projects, he was later appointed as the founding Director General of the Government Implementation Office in the Office of the President, a position he served in until September 2009.

He has served on the boards of various corporate institutions in Botswana, England, South Africa and Switzerland. He has also held positions in international and regional organisations. He currently sits on the Boards of Turnstar Limited and a number of private companies.

Appointed to the Board: 2002
Nationality: Botswana
Shareholding: 1,070,000 shares
Residence: Gaborone, Botswana

John Alexander Burbidge (61)

Independent Non-Executive Director Chairman of Group Audit and Risk Committee and Chairman of Investment Committee

CA

Mr Burbidge qualified as a Chartered Accountant in the UK and served in various senior management and board positions over a 27 year period with the African Life Group. These included the role of Managing Director, Executive Director, Chief Financial Officer and Company Secretary during his career with Botswana Insurance Holdings Limited and the African Life Group. In 1999 he was appointed to the Board of the African Life Group being responsible for the development and management of the African expansion which included operations in Botswana, Lesotho, Namibia, Kenya, Zambia, Ghana and Tanzania. He held this position until his retirement in 2007. Mr Burbidge is also a director of FSG Limited, a company listed on the Botswana Stock Exchange.

Appointed to the Board: 2002
Nationality: UK
Shareholding: None
Residence: George, RSA

Margaret Dawes (54)

Non-Executive Director, Member of Group Audit and Risk Committee and Remuneration Committee

CA

Ms Dawes represents Botswana Insurance Holdings on the Letshego Board. She has held various senior positions in the financial services and auditing industry in both the UK and South Africa. She leads the Rest of Africa division of Sanlam Developing Markets, part of the Sanlam Group which holds a controlling shareholding in Botswana Insurance Holdings Limited. Her responsibilities include the strategic management of the entities in Botswana, Ghana, Kenya, Tanzania and Zambia. Prior to her current position she held various roles within African Life and Sanlam Developing Markets. She also represents Sanlam Developing Markets on various other boards and committees.

Appointed to the Board: 2009
Nationality: South Africa
Shareholding: None
Residence: Johannesburg, RSA

Gaffar Hassam (36)

Non-Executive Director, Member of Investment Committee

FCCA, MBA (Oxford Brookes)

Gaffar is the Chief Executive Officer of Botswana Insurance Holdings and represents the company on the Letshego Board. He has held various roles with Botswana Insurance Holdings since joining the company in 2003. Prior to this, Gaffar worked with PricewaterhouseCoopers in Malawi and Botswana.

Appointed to the Board: 2009
Nationality: Malawi
Shareholding: None
Residence: Gaborone, Botswana

BOARD OF **DIRECTORS**

Legodile E Serema (64)

Independent Non-Executive Director

BSc (University of Minnesota, St Paul, USA); Various marketing qualifications

Legodile has served the Botswana Government and many different organisations in Botswana since 1971 including the Botswana Meat Commission and Botswana Ash and Sugar Industries. He was a councillor in the Lobatse Town Council from 2004 to 2009 and served as Mayor from 2007 to 2009. Legodile sits on the boards of a number of other companies.

Appointed to the Board: 2009
Nationality: Botswana
Shareholding: None
Residence: Lobatse, Botswana

Jan A Claassen (59)

Group Managing Director

BCom; LLB; Advanced Executive Programme (UNISA)

Jan has been the MD of Letshego since July 2003. Prior to joining Letshego, he spent seven years at First National Bank of Namibia as Deputy Managing Director. He spent the first twenty years of his career at First National Bank of South Africa in Johannesburg and has also worked in Malawi.

Appointed to the Board: 2003
Nationality: South Africa
Residence: Gaborone, Botswana
Shareholding: 8,509,830 shares

Idris Mohammed (41)

Non-Executive Director

Chairman of Remuneration Committee and member of the Group Audit and Risk Committee CFA; BSc (Industrial Engineering); MBA (Finance and Strategic Management, Wharton School, University of Pennsylvania)

Idris is a partner at Development Partners International, a leading pan-African private equity management firm based in London. He was previously a Vice President at WPA, Inc., the fund manager for Africa International Financial Holdings. Before that, Idris was a Vice President in the Special Situations Group at Goldman Sachs. He began his financial career at Core States Financial Corp (now part of Wells Fargo) in the asset management business. He subsequently held positions in treasury and asset/liability management. Idris is a Chartered Financial Analyst and holds a BSc in Industrial Engineering from Lehigh University and an MBA in Finance and Strategic Management from The Wharton School of the University of Pennsylvania. He is a citizen of Nigeria and the US.

Dumisani Ndebele (46)

Director: Risk and Compliance

BAcc (Hons); MBA (University of Derby) (UK); FCMA; FCPA

Dumisani joined Letshego in February 1999 as the Finance and Administration Manager. He became the Finance Director in 2002 and moved to his current role of Director: Risk and Compliance in August 2006.

Dumisani's previous experience includes roles at: PricewaterhouseCoopers Zimbabwe and Botswana; Cash Bazaar Holdings Botswana; Anglo American Botswana; and De Beers Botswana. He trained with PricewaterhouseCoopers in Zimbabwe for his articles under the Institute of Chartered Accountants Zimbabwe. He is a member of the Institute of Directors Southern Africa (IoDSA), the Information Systems Audit and Control Association (ISACA) as well as the Institute of Internal Auditors.

Appointed to the Board: 2004
Nationality: Botswana
Residence: Gaborone, Botswana
Shareholding: 6,122,134 shares

SENIOR **MANAGEMENT**

Jan Claassen (59)
Group Managing Director
BCom; LLB; Advanced Executive Programme
(UNISA)
Nationality: RSA
Joined Letshego: 2003
Shareholding: 8,509,830 shares

Lydia Andries (39)
Group Head of Corporate Strategy and Communication
BSc Actuarial Science; MSc Actuarial Science; MSc Strategic Management
Nationality: Botswana
Joined Letshego: 2008
Shareholding: 125,000 shares

Dumisani Ndebele (46)
Director of Risk and Compliance
BAcc (Hons); MBA (University of Derby) (UK); FCMA; FCPA
Nationality: Botswana
Joined Letshego: 1999
Shareholding: 6,122,134 shares

Colm Patterson (40)
Group Chief Financial Officer
FCA (Ireland); CPA (Botswana)
Nationality: Ireland
Joined Letshego: 2007
Shareholding: 3,090,742 shares

Portia Ketshabile (43)
Group Human Resource Manager
Diploma in Personnel and Training Management; Management Development Programme
Nationality: Botswana
Joined Letshego: 2001
Shareholding: 116,820 shares

Jan Claassen

Lydia Andries

Dumisani Ndebele

Colm Patterson

Portia Ketshabile

Shawn Bruwer

Shawn Bruwer (35)
Group Chief Information Officer
BCom; CIMA; Various certificates in banking and credit management
Nationality: Namibia
Joined Letshego: 2006
Shareholding: 3,300,000 shares

Barati Rwelengera (34)
Group Risk and Compliance Manager
AAT; ACCA; CPA; (Botswana)
Nationality: Botswana
Joined Letshego: 2008
Shareholding: 501,131 shares

Onkemetse Mtonga (34)
Group Business Development Manager
Bachelor of Accounting, ACCA
Nationality: Botswana
Joined Letshego: 2010
Shareholding: None

Duduetsang Olsen (34)
Group Business Process Manager
Bachelor of Business Administration; MSc Strategic Management
Nationality: Botswana
Joined Letshego: 2009
Shareholding: 78,157 shares

Mythri Sambasivan George (33)
Group Finance Manager
CIMA; FCCA; ACPA
Nationality: India
Joined Letshego: 2010
Shareholding: None

Annie Chaka (40)
Group Information Technology Manager
Masters in Business Leadership
Nationality: Zimbabwe
Joined Letshego: 2000
Shareholding: 1,929,310 shares


Barati Rwelengera


Onkemetse Mtonga


Duduetsang Olsen


Mythri Sambasivan George


Annie Chaka

Letshego F
services M
Letshego
O parceiro que você merece
O parceiro que você merece

Governance

We must consider not only the commercial imperative of growing our profits sustainably, but our broader impact on our business environment and local communities.

SUSTAINABLE DEVELOPMENT **REPORT**

The purpose of this report is to build trust, provide information to and educate our readers, the general public, our shareholders, and investors.

Our approach to running our business is all-inclusive and comprehensive, recognising that our accountability towards the communities in which we operate and conducting our business ethically, and in a manner that enhances the economic and social well-being of our stakeholders, is an important part of our licence to operate.

We must consider not only the commercial imperative of growing our profits sustainably, but our broader impact, being a constantly growing provider of financial services through Africa. To this end, the critical success factor we have identified to sustainable development is financially responsible lending.

Scope of the report

This sustainability report covers the 2012 financial year and has drawn on the King III Code of Governance Principles and GRI guidelines. It extends to Letshego's subsidiaries. Letshego produced its last sustainability report in the 2011 Annual Report and aims to produce it on an ongoing annual basis.

We cover:

- Stakeholder engagement; and
- Identifying material issues

Letshego Botswana customer accepting his winning prize from a promotion campaign

Stakeholder engagement

Communicating and engaging with our stakeholders is an important part of Letshego's sustainability strategy. We have identified seven groups of stakeholders and put in place processes and strategies to ensure that we maintain regular informal and formal communication with each of them.

Through these relationships we are able to identify and report on any issues that may arise as a result of these interactions. We undertake to provide information which is truthful, accurate, timely, consistent and relevant to stakeholders in making their decisions. Below is a table summarising identified stakeholder groups, how Letshego engages with them, issues raised and actions taken over the past year.

Stakeholders	Method of communication	Issues raised	Action taken
Customers	• Advertisements • Website • Annual report	• Affordability • Responsible lending • Over-borrowing	• Adherence to regulations • Driving central registries • "Letshego 1 Loan" campaign
Shareholders, investors and analysts	• Annual General Meeting • Presentations • Site visits • Annual report • Corporate website • Investment updates	• Sustainability of profits • Over-commitment (customers' borrowing levels)	• Continued regional expansion • Conservative but steady growth • Affordability checks • Central registries
Government and regulators	• Specific meetings • Industry forums	• Compliance with new and existing legislation	• Ensuring own and peer compliance
Employees	• African Tripod quarterly magazine	• Focus on ethical conduct • Development and progression of staff	• Training and transfer of skills
Business organisations	• Consumer lenders forum in each region	• Responsible lending • Fair competition	• Engaging with Government to take in concerns • Engage with rivals to ensure fair conduct
Suppliers and service providers	• Regular meetings	• None	• Not applicable
Media	• Media releases • Press office • Presentations • Corporate web site	• Sustainability of profits • Over-commitment (customers' borrowing levels)	• Conservative but steady growth • Affordability checks • Central registries

SUSTAINABLE DEVELOPMENT REPORT (continued)

Identifying material issues

Material issues reflect the organisation's significant economic, environmental and social impacts and have a strong bearing on stakeholders' assessments and decisions about the Company. How effectively Letshego manages these issues affects its ability to achieve its strategic goals.

A number of material issues have been identified through a process of engagement with our internal and external stakeholders. These were determined using a number of methods including local benchmarking, the development of a risk mitigation matrix, analysis of previous issues and conducting surveys amongst some of our stakeholders. Our material issues are summarised as follows:

Delivering sustainable financial performance

Delivering a sustainable financial performance across its operations means maximising returns for shareholders and distributing the economic value in the countries in which we operate.

Material issue	Sub-issue	Comment on performance
Delivering sustainable financial performance	• Distribution of economic value generated • Sustainability of profits • Sustainability of funding	• Growth strategy across Africa bearing fruit • Diversification strategy implemented • Funding lines established
Providing compliant and responsible financial services	• Responsible lending	• Promoting the establishment of central registries in countries in which we operate
Focusing on customers	• Affordability	• Revised pricing structures
Managing our human resources	• Staff transformation • Staff development • Gender equality	• Invested in training and development
Ensuring ethical behaviour and good corporate governance	• Risk management • Internal controls	• Conducted a gap analysis with regard to King III • Updated risk management matrix • Engaged with competitors to ensure fair conduct
Corporate Social Investment	• Assisting communities in which we operate	• CSI commitments of 1% of after tax profit on a per country basis

Group Managing Director, JA Claasen, handing over a donation to the Lady Khama Trust

Our business model has allowed us to continue to expand and grow our operations across the continent. As part of our operational strategy we aim to diversify our business into a broader financial services business and over the longer term expand our operations into selected countries, which demonstrate good growth potential and sound economic fundamentals.

The management of risk is also critical to ensuring the continued financial viability of Letshego. A risk matrix was developed to ensure risks are properly assessed and control measures put in place to manage them.

The table below describes the most significant operational and strategic risks we face in our business model and how we address these.

Risk	Risk Management
Funding risk Being a non-deposit taking institution, we need to constantly ensure sufficient lines of funding at optimum costs to finance our growing asset base	• Lines of credit from commercial banks have been put in place • Lines of credit from development finance institutions are established
Credit risk Since the greater part of our business risk is mitigated by deducting instalments at source, the residual risk arises due to employment attrition	• Compliance with take home pay and affordability regulations • Establish central registries in each country • Rigorous collection systems and teams • Maintain relationships with regulators, employers, unions and central registries
Currency risk As a result of multinational operations	• Match borrowing currency with lending currency
Strategic risk Limited product lines	• Developing alternative revenue streams • Invest in more flexible debtors' systems • Banking licence potential being explored for deposit base
Operational risk Lack of policing and abuse of salary deduction codes by operators may result in over-commitment of customers	• Support and promote the establishment of central registries in countries in which we operate

SUSTAINABLE DEVELOPMENT REPORT (continued)

Risk	Risk Management
Competition risk Local and foreign competition entering the market in consumer lending	• Competitor analysis • Monthly management reporting • Advertising and marketing • Corporate Social Investment
Commercial or business risk Global financial crisis put pressure on governments to change domestic fiscal policies Shrinkage of donor funding and access to foreign loans to finance national budgets Governments may freeze new employment or retrench civil servants	• Group looking to increase its market share in parastatals and selected private sector companies • Monitoring and more regional diversification

Providing compliant and responsible financial services

Key drivers of change in the consumer finance payroll-based deduction industry will include developments in legislation or the regulatory framework, such as the establishment of the Non-Bank Financial Institution Regulatory Authority (NBFIRA) in Botswana. Central registries are emerging as best practice across the industry where the salary based model is in place. We have assisted in the establishment of central registries in a number of countries, which will ensure that responsible lending practices are standardized across the industry. The main aim of central registries is to administer and manage non-statutory deductions from Government employees' salaries and to ensure compliance with minimum pay legislation or regulations. Central registries are in place in Botswana, Namibia, Swaziland and Uganda.

At country level, Letshego works with regulators across our operating territories to ensure that we comply with national laws as relevant to our business.

During the year under review, the Group did not engage in any legal action for anti-competitive behavior, anti-trust or monopoly practices and was not fined nor sanctioned for non-compliance with any laws or regulations.

The Company was not engaged in any legal action for anti-competitive behavior, anti-trust or monopoly practices and was not fined nor sanctioned for non-compliance with any laws or regulations.

Focusing on our customers

Our customers are central to the sustainability of our business. We conduct regular market research to understand customer needs and our products constantly evolve to ensure that we continue to enhance customer satisfaction. We ensure that our customers are provided with clear information and are appropriately informed before, during and after the point of sale. Letshego also provides education programmes that improve the financial literacy of our customers, assisting them in making important decisions when it comes to borrowing. Our employees are trained to ensure that they provide customers with appropriate advice that takes into account their financial circumstances.

Letshego Botswana Marketing Manager and Finance Manager at annual wellness day

Affordability remains an important issue. Product pricing therefore plays a central role in our sustainability and must take into account competitiveness in the market. During the past financial year, we reviewed the pricing strategy of our products to ensure that they remain attractive to customers on the one hand and allow us to deliver sound financial results on the other.

For entry-level consumers, access to finance remains a challenge, especially for customers living outside of urban areas. One of Letshego's strategic imperatives is to ensure that our offerings remain innovative to suit the needs of different customer segments. As part of this we continue to look at new ways to strengthen our distribution channels through our branch network. We currently operate over 100 branches across the countries in which we operate. We are also investigating the use of mobile technology to improve accessibility even further.

Customer complaints are managed through a central complaints mechanism and follow-up action tracked and recorded. No incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship were recorded nor were any complaints regarding breaches of customer privacy and losses of customer data reported.

Measures to protect our customers throughout the product life cycle are outlined below:

Loan cycle	Risk of consumer abuse	Protective measures
Before sale	Incorrect or misleading advertising	Clear written communication with potential customers regarding products offered and information required as part of loan application process
At time of sale	Inappropriate contract wording	The Letshego Group has standardised contracts with disclosure of costs and other loan terms
	Legislation	The Group adopts host country usury/lending legislation regulations and in the absence of such laws aligns its operations with the National Credit Act of South Africa
	Unfair discrimination	Letshego requires that reasons be given to customers for rejection of loan applications

SUSTAINABLE DEVELOPMENT REPORT (continued)

Loan cycle	Risk of consumer abuse	Protective measures
At time of sale (continued)	Penalties imposed for loan cancellation	Letshego has a mandatory "cooling off" period across the Group during which the borrower can cancel the loan without penalty
After sale	Inaccurate recording of borrower payments	Provide statements of account at the request of the customer and at no cost to the customer
	Illegal payment collection methods	Collections are made through the payroll system
	Actions against a borrower who has no legal recourse or defence	The Group endeavors to resolve its disputes outside of court
	Abusive behaviour in the collection process	Collections are made through the payroll system
	Disclosure of borrower information to other parties	Borrower's information can only be shared with the borrower's written consent

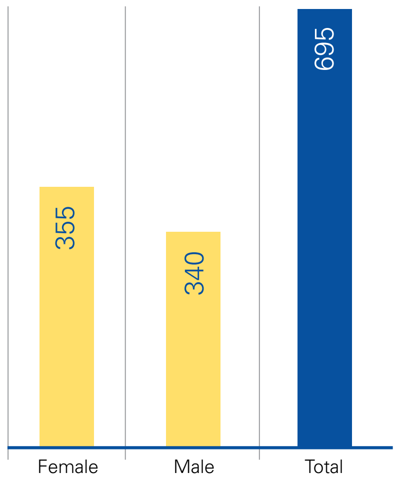
Letshego Botswana staff assisting a customer at the Lobatse branch

Attracting and retaining quality employees

Letshego's strength lies in its team of 695 employees. Employees work in a trusting environment, which is free from discrimination, prejudice, bias, harassment and violation. Employee rights and labour regulations are respected through human resources management, industrial relations and legal & compliance frameworks implemented throughout the Group. Employees are free to belong to a trade union or collective bargaining council.

Executives and management interact with staff on the basis of an open-door policy and employees are given the necessary infrastructure, training and support required to perform their duties professionally, effectively, efficiently and diligently. We strive to ensure that each employee's contribution is fairly rewarded and recognised. The Remuneration Committee monitors remuneration and reward structures to ensure that employees are compensated with competitive remuneration packages.

Total employees



Salary benchmarking

Letshego uses independent remuneration specialists to undertake general and sector-specific salary surveys to benchmark staff remuneration. In general, Letshego remunerates at the upper quartile of the 50th percentile. The Company also uses the Group's Long Term Incentive Plan to allow key employees to become shareholders in Letshego.

Up-skilling local employees

Letshego employs local employees in its various operations as much as possible. Efforts to increase these at all levels of the organisation, particularly at senior management level, are starting to bear fruit. Approximately 99% of our employees are from local communities.

Pension scheme

A key objective for the Letshego Group Pension Scheme is to provide for employees' retirement and to educate members in retirement-related matters.

Skills development and training

Letshego continues to invest significantly in developing its employees. The Group has established dedicated programmes to identify and develop high potential employees. These programmes improve general management skills and specific functional expertise. These programmes cater for international development opportunities and open up pan-African employment opportunities, facilitating the dissemination of expertise across the Group.

Employee wellness

Letshego has an HIV/Aids policy and promotes healthy lifestyles and living. An HIV/Aids awareness day is celebrated annually and in conjunction with medical scheme service providers and other stakeholders. An employee wellness day is held on an annual basis to ensure that employees are aware of their overall health status. Free HIV/Aids testing is also conducted on site and employees are encouraged to know their status.

Succession planning

Succession planning forms part of the Group's staff retention policies and this includes training and career development. The Group has linked its succession planning and employment equity strategies to focus on skills development and the training of its employees. This allows employees to take advantage of internal opportunities for advancement. Each subsidiary, with the assistance of the Human Resources Department, is responsible for putting plans in place to ensure the smooth succession of key executives. The succession strategy includes, where appropriate, the recruitment of talented individuals from outside the Group.

SUSTAINABLE DEVELOPMENT REPORT (continued)

A beneficiary of the school feeding CSR initiative in Namibia

Ensuring ethical behavior and good corporate governance

Ethical leadership is prioritised in the King III Code of Governance Principles and our Board ensures that collaborative efforts with stakeholders are embarked upon to promote ethical conduct and good corporate citizenship. In line with King III, Letshego's Code of Ethics was finalised during the current financial year and will be made available to all our stakeholders in due course.

Good corporate governance at Letshego is promoted by the Board and its committees to which various aspects are delegated. The major committees and their functions are summarised as follows:

- The Board formulates Group strategy, risk management and corporate governance philosophy. It also approves investment undertakings, is accountable to stakeholders and ensures regulatory and statutory compliance.

- The Executive Committee is responsible for implementing Board approved strategies and decisions. It also approves systems, policies and procedures and manages operational risks.

- The Group Audit and Risk Committee is responsible for the review of the Group's financial reports, ongoing monitoring and management of risks and approval of annual internal audit plans. It also ensures the monitoring of the ethical conduct of the Group and review of compliance with applicable laws and regulations.

- The Investment Committee reviews and recommends to the Board in terms of all new strategic investments and major funding initiatives that the Group may enter into, including the mechanism for investment.

- The Group Remuneration Committee formulates Group-wide remuneration strategies and policies (including those applicable to the Board), and monitors the implementation of these strategies and policies. It ensures that directors and staff are fairly rewarded and that market related reward strategies are implemented. It also establishes performance targets for the Group's incentive scheme.

Governance of sustainability

Ultimate accountability and responsibility for sustainable development rests with the Letshego Board of Directors. The sustainability strategy is integrated into the Group's longer-term objectives and permeates all operating divisions. Targets are set for the year ahead and we are in the process of developing a scorecard with which to compare performance from year to year.

African Footprint and Market Profiles where Letshego Operates - 31 January 2012							
	**Botswana	Swaziland	Tanzania	Uganda	Zambia	Namibia	Mozambique
Year established	1998	2006	2006	2005	2007	2008	2011
Population*	2,065,398	1,370,424	42,746,620	34,612,250	13,881,340	2,147,585	22,948,860
Formally employed*	685,300	457,900	21,860,000	15,510,000	5,524,000	729,000	9,870,000
Government employees*	133,000	35,358	573,000	250,000	150,000	88,814	180,000
Number of customers	39,297	6,242	46,401	31,579	1,789	37,946	7,627
Market penetration basedon total Govt employees (%)	30%	18%	8%	13%	1%	43%	4%
No of branches	4	2	14	13	1	11	5
No of satellite offices	7	0	77	23	0	1	0
Staff complement	88	15	273	180	13	34	50
Net advances book (BWP'm)	1,816	147.8	236.9	128.4	9.0	536.7	159.1
Cost to income ratio	8.6%	6.2%	32%	33.4%	55.3%	27.7%	59.2%
Collection stats (%)	96%	99%	119%	95%	96%	98%	118%
Credit insurance in place	Yes	Yes	No	No	No	Yes	Yes

Source: * Management Estimates **Letshego Financial Services Botswana only

School feeding CSR initiative by Letshego Namibia

CORPORATE SOCIAL **INVESTMENT**

Letshego's CSI programme earmarks 1% of after tax profit to spend on worthy projects on a country-specific basis.During the past year, we funded educational programmes and charitable initiatives that benefit the youth, education, and healthcare and enterprise development. During the year, Letshego supported over 30 projects, providing total funding of P2.6 million for the following projects across different countries:

Letshego Financial Services Namibia donated P352,000 to a school feeding scheme which provides soup and bread to 10,000 underprivileged children at eight different schools. The Company also provided funds for a horse therapy project at Dagbreek School (for mentally impaired children), and funded salaries of teachers at a pre-primary school for HIV/Aids orphans.

CEO of Letshego Botswana at a house handover ceremony

Letshego Tanzania conducted research on the needs of local communities and decided to focus on providing support to disabled members of the community by setting aside P288,000 which assisted 42 Tanzanians with special mobility needs. Beneficiaries received wheelchairs and other equipment to assist them to start their own businesses as well as basic entrepreneur training.

Letshego Financial Services Botswana spent nearly P500,000 on various CSI initiatives. Projects included donations to the Botswana Council for the Disabled, Masiela Trust Fund, the Cancer Association of Botswana, LIFELINE and Childline. These organisations have made it their mission to alleviate poverty, care for the orphans, provide counseling and care for those living with cancer and HIV/Aids in Botswana. The Company also funded the building of houses and the medical and educational expenses of a young boy who suffered burns in a domestic incident. Various schools were given funding towards their prize giving ceremonies, in different parts of the country

Letshego Holdings' CSR initiatives focused on education and welfare. A total of P700,000 was spent on its initiatives for the period. Funds were provided to Gamodubu Child Care Trust to buy food, transport, gas and toiletries for the whole year. The organisation focuses on providing emotional and psychological support as well as basic needs to vulnerable children. The Company also pledged to build 12

houses within a period of three years as part of the President's Housing Appeal.
Letshego Uganda spent a total of P501,000 in support of two CSI projects. The Company provided funding for HIV counseling, testing and nutritional support to the police force, teachers and civil servants. It also launched a malaria prevention drive in the north of the country.

Letshego Swaziland donated P48,000 towards projects for orphaned and vulnerable children.

CSR initiative of 'horse therapy' for mentally impaired children is supported by Letshego Namibia

CORPORATE **GOVERNANCE**

Letshego's Board of Directors is committed to upholding strong corporate governance throughout the Group. During the past year concerted efforts were made towards considering the recommendations of the King III report (King III) introduced by the Institute of Directors (South Africa) in September 2008.

A gap analysis has been made in applying the principles outlined in King III, as appropriate to the business. Governance is actively monitored to identify opportunities for improvement of operational and corporate practices. Letshego strives to maintain high standards of business ethics and integrity throughout the Group.

Key developments in the area of Corporate Governance last year included:

- A gap analysis between current Corporate Governance practice and King III was updated and an action plan implemented to address identified areas.
- Progress has been made on the updating of the Board Audit Committees Charters to reflect amendments included in King III and other amendments in regulatory or legislative frameworks; and
- The foundation for a Code of Ethics was developed and an ethics hotline for staff introduced.

Letshego Holdings and Letshego Botswana donation to an AIDS Child Care initiative by Botswana Retired Nurses' Association

The Board

Structure

Letshego has a unitary Board of eight directors, comprising three independent non-executive directors, three non-executive directors and two executive directors. The executive in charge of the finance function is not a director. At least one third of the non-executive directors rotate every year in line with King III.

The Board elects a Chairman of the Board who is an independent non-executive director. Mr Cuthbert Lekaukau joined the Board in 2002 and has been Chairman for ten years. It also appoints a Managing Director (MD) and ensures that the role and function of the MD is formalised. The Board has embarked on a process of self-assessment, while plans are being developed to introduce formal performance assessments for individual directors.

A brief curriculum vitae of each director is set out earlier on in this annual report.

The Board meets at least once every quarter. Four Board meetings were held during the year. Directors are fully briefed by the Company Secretary and provided with all necessary information sufficiently ahead of the scheduled board meetings to enable effective discharge of their responsibilities. The Board compiles an annual work plan to ensure all relevant matters for Board consideration are prioritised and addressed. Members of senior management, assurance providers and professional advisers may attend meetings by invitation only, but they do not form part of the quorum of any meeting.

The non-executive directors are individuals who objectively contribute a wide range of industry skills, knowledge and experience to the Board and are not involved in the daily operations of the Company. All non-executive directors have unrestricted access to management at any time. When required, non-executive directors are entitled to access the external auditors and, at the Company's expense, are able to seek independent professional or expert advice on any matters pertaining the Group.

Non executive directors meet regularly without executive management to execute objective judgement on the affairs of the Group and to contribute to the performance and actions of executive management.

Role of the Board

The Board provides effective leadership based on an ethical foundation and ensures that the Company is and is seen to be a responsible corporate citizen. It uses an Enterprise Risk Management framework to align strategy and risk.
In addition the Board:

- ensures the Company has an effective independent Group Audit and Risk Committee;
- oversees the governance of risk;
- manages the governance of Information Technology systems;
- ensures compliance with applicable laws and adherence to non-binding rules, codes and standards; and
- puts in place an effective risk-based internal audit.

Board Charter

The Board Charter which sets out the Board's responsibilities was updated during the financial year.

Company Secretary

The Company Secretary plays a critical role in the Corporate Governance of the Group. He acts as an adviser to the Board, guiding individual directors and committees in areas such as Corporate Governance, updates on legal and statutory amendments and the effective execution of directors' responsibilities and fiduciary duties. He is currently an executive director.

The Company Secretary ensures that Board and committee charters are kept up to date and that Board papers are circulated. He also assists in eliciting responses, input and feedback for Board and Board Committee meetings.

CORPORATE **GOVERNANCE**
(continued)

In assisting the Board to discharge its collective duties, certain Board responsibilities have been delegated to the Group Audit and Risk Committee, Group Remuneration Committee, Investment Committee and Executive Committee.

The Company Secretary assists the Group Remuneration Committee in ensuring that the correct procedure is followed for the appointment of directors.

Whenever deemed necessary, the Company Secretary reviews the rules and procedures applicable to the conduct of the affairs of the Board. If necessary, the services and guidance of the corporate sponsor and other experts are procured to ensure that the directors have adequate insight to discharge their responsibilities effectively. Furthermore, the Company Secretary assists in the process of self-evaluation of the Board and its sub-committees.

Board processes

Appointments to the Board

New Board appointments are proposed by the ad-hoc Nominations Committee, taking into account the appropriate balance of skills, experience and diversity required to lead, control and best represent the Group. To this end, the Committee submits a formal proposal to the Board for its consideration. Background and reference checks are performed before the nomination and appointment of directors. The appointment of non-executive directors is formalised through a letter of appointment and the Board makes full disclosure regarding individual directors to enable shareholders to make their own assessment of directors.

Ongoing training and development of directors is provided. A formal induction programme for new directors will be introduced in the next financial year.

Succession planning

Letshego promotes succession planning for all key positions. Succession plans are integrated into the key performance areas at management and executive levels. Succession plans are reviewed by the Remuneration Committee through the year and report-backs are given to the Board at subsequent meetings.

Board sub-committees

In assisting the Board to discharge its collective duties, certain Board responsibilities have been delegated to the Group Audit and Risk Committee, Group Remuneration Committee, Investment Committee and Executive Committee. In so doing, the Board is cognisant of its ultimate responsibility for leading and directing the affairs of the Group. The Board and sub- committees have each established an annual work plan to ensure that relevant matters are addressed as appropriate.

Each sub-committee is governed by formal terms of reference which are reviewed annually for adequate alignment to prevailing legislation, regulations and best Corporate Governance trends. The terms of reference for all sub-committees are being reviewed to ensure compliance with the King III Report going forward.

Committees comprise a majority of non-executive directors. Committees are free to take independent, external professional advice at cost to the Company subject to an approval process being followed.

Based on the outcome of sub-committee self-evaluation exercises, the Board is of the opinion that the sub-committees have effectively discharged their responsibilities in accordance with their specific terms of reference.

Group Audit and Risk Committee

The Group Audit and Risk Committee is responsible for oversight of risk management in the Group. It comprises non-executive director Mr JA Burbidge (Chairman of the Committee) and non-executive directors Ms M Dawes and Mr I Mohammed.

Group Audit and Risk Committee Report

The Group Audit and Risk Committee has an independent role with accountability to the Board. The Board elects the chairman of the Audit Committee. The Committee members are sufficiently qualified and experienced in matters such as financial reporting, internal financial controls, external and internal audit processes, corporate law, risk management and IT governance processes within the Group. The Board has satisfied itself that all members of the Committee act independently.

Composition of the Board's sub-committees is as follows (at 31 January 2012):

Sub-committees

Group Audit and Risk Committee

Chairman: JA Burbidge
Members: M Dawes; I Mohammed

- Reviews Group financial reports
- Provides ongoing monitoring and management of risks
- Approves annual internal and external audit plans
- Monitors the ethical conduct of the Group
- Reviews compliance with applicable laws

Investment Committee

Chairman: JA Burbidge
Members: JA Claassen; I Mohammed; G Hassam; C Patterson

- Reviews and recommends to the Board regarding all new strategic investments and major funding initiatives the Group may enter into, including the mechanism for investment

Group Remuneration Committee

Chairman: I Mohammed
Members: CM Lekaukau; M Dawes

- Reviews the remuneration policies of the Group
- Ensures that directors and staff are fairly rewarded
- Ensures that market-related reward strategies are adhered to
- Establishes performance targets for the Group's incentive scheme.

CORPORATE **GOVERNANCE**
(continued)

The Committee is responsible for recommending the appointment of the external auditors. It is tasked with the responsibility of nominating the external auditors for appointment, approving the terms of engagement and remuneration for the external audit engagement and monitoring and reporting on the independence of the external auditors in the annual financial statements.

New Committee members are recommended to the Board for approval on an annual basis.

The Committee meets at least twice annually, but more often if necessary. Four meetings were held during the year under review and attendance at these meetings is set out at the end of this section.

The Committee has unrestricted access to the external and internal auditors. The Chairman of the Committee represents the Group Audit and Risk Committee at the annual general meeting each year.

The Committee is responsible for recommending the appointment of the external auditors. It is tasked with the responsibility of nominating the external auditors for appointment, approving the terms of engagement and remuneration for the external audit engagement and monitoring and reporting on the independence of the external auditors in the annual financial statements. The Committee defines a policy for non-audit services provided by the external auditor and must approve the contracts for non-audit services. The Committee also reviews the quality and effectiveness of the external audit and is informed of any Reportable Irregularities identified and reported by the internal and external auditor. It is satisfied with the independence of the external auditor.

The Committee assists the Board with all financial reporting and reviews the annual financial statements as well as the preliminary announcements and interim financial information. It further provides the Board with its views on a regular assessment of the going concern status of the Group and regularly reviews the appropriateness of the capital structure. The Committee specifically oversees financial reporting risks, internal financial controls and fraud and IT risks as they relate to financial reporting. The Group's whistle-blowing arrangements are approved and monitored by the Committee.

The Committee also considers the risk management policy and plan and monitors the risk management process. A policy and plan for a system and process of risk management has been developed and is in place. This highlights the Board's responsibility for risk governance. The Board approves the risk management policy and plan and ensures that the risk management plan is continuously monitored.

The risk strategy is executed by management by means of an enterprise risk management system and processes. Management is accountable for integrating risk in the day-to-day activities of the Company. The Director of Risk and Compliance is a suitably experienced person who has access to and interacts regularly on strategic matters with the Board and/or appropriate Board committees. Effective and ongoing risk assessments are performed and a systematic, documented, formal risk assessment is conducted once a year. Risks are prioritised and ranked to focus responses and interventions. The risk assessment process involves the risks affecting the various income streams of the Company, the critical dependencies of the business, the sustainability and the legitimate interests and expectations of stakeholders. Risk assessments adopt a top-down approach and the Board regularly

Letshego Botswana prize giving event in Francistown

receives and reviews a register of the Group's key risks. The Board ensures that key risks are quantified where practicable.

Findings by the external auditors arising from their annual statutory audit are tabled and presented at a Group Audit and Risk Committee meeting following the audit. The Committee endorses action plans for management to mitigate noted concerns. In subsequent meetings, management reports on actions taken until all issues are fully resolved. This process highlights areas requiring improvement and helps to enhance the Group's financial control processes. In order to report annually to the Group's stakeholders and the Board, the Committee has access to the Company's records, facilities, employees and any other resources necessary to discharge its responsibilities effectively.

The internal audit function is overseen by the Committee and this assists the Board in assessing the Group's risk management and governance processes and is governed by an internal audit charter. The charter is updated and approved by the Group Audit and Risk Committee annually.

The Director of Risk and Compliance is a member of the Executive Committee. This is considered appropriate for the size of the organisation. The Group Risk and Compliance Manager is responsible for implementing the internal audit strategy and reports functionally to the Director of Risk and Compliance who, in turn, reports on internal audit matters to the Group Audit and Risk Committee. The Board is ultimately responsible for the Group's system of internal controls as set out in the approval of the annual financial statements found here.

With the assistance of the Group Audit and Risk Committee, the Directors have satisfied themselves that an adequate system of internal controls is in place to mitigate significant risks identified to an acceptable level, and the Directors are satisfied that nothing has come to their attention during the year to indicate that a material breakdown in the effective functioning of this system within the Group has occurred.

The Committee has considered and is satisfied with the expertise and experience of the Chief Financial Officer, who performs the duties of a financial director. Further, the Committee has considered and is satisfied with the independence of the external auditors and with the effectiveness of the Group's internal audit function.
The Group Audit and Risk Committee has recommended the annual financial statements for approval to the Board.

JA Burbidge
Audit and Risk Committee Chairman
27 April 2012

CORPORATE **GOVERNANCE**
(continued)

The Committee's responsibilities are aimed at ensuring that the Board has sufficient resources with the prerequisite mix of expertise, experience and diversity to fulfill the strategic intentions of the Group.

Remuneration Committee

The Remuneration Committee is responsible for reviewing the remuneration policies of the Group. It comprises of Mr I Mohammed, Mr CM Lekaukau and Ms M Dawes. The Board has satisfied itself with the level of experience and competency of the Committee members.

Remuneration Committee Report

The Committee meets a minimum of twice annually, and during the past year met two times. Attendance at meetings is set out in the table at the end of this section.

The Committee's terms of reference are reviewed and approved by the Board each year and outline its composition, objectives, processes and remuneration guidelines. They describe the Committee's responsibilities and duties. The Committee is responsible for ensuring that the Company's executive directors and management are rewarded fairly in accordance with their individual contribution to the Group's overall performance objectives. Further, the Committee makes recommendations to the Board on non-executive directors' fees.

The Committee's responsibilities are aimed at ensuring that the Board has sufficient resources with the prerequisite mix of expertise, experience and diversity to fulfill the strategic intentions of the Group.

Remuneration policy

A strategic objective for Letshego is to attract and retain high calibre individuals. Executive and management remuneration is formulated in a manner which aligns the reward of these employees with changes in the value delivered and recognises and rewards individual contributions.

Surveys conducted by independent consultants indicate that basic salaries paid by the Group are industry and market related. In awarding annual increases to employees, consideration is given to an employee's performance as well as economic conditions impacting the industry and geographical market in which the employee is based.

Executive and management remuneration comprises the following elements:

- **Base salary:** This is payable in cash, reviewed annually and in circumstances where the executive or manager is promoted.

- **Annual incentive:** This discretionary portion of remuneration increases as a proportion of maximum potential earnings as the employee reaches higher levels of seniority. Payable in cash, the annual incentive is determined according to the achievement of predetermined performance targets by the employee and by Letshego.

- **Long-term incentive:** This is an additional discretionary reward measure that awards qualifying members of staff with shares in the Group over a three year vesting period. Vesting conditions are aligned to the Group's strategic objectives.

- **Benefits:** These vary from country to country depending on customs and regulations. Benefits include retirement funding, medical insurance and life and disability insurance.

Non-executive directors

After conducting research into trends in non-executive director remuneration, non-executive Directors' fees are proposed by the Remuneration Committee. Non-executive Directors' fees are fixed for the year. Generally, directors of subsidiary and the Company Boards are remunerated on a structure consisting of an annual retainer and sitting fees for meetings attended.

Non-executive Directors do not receive any fees which are related to the performance of the Group and do not participate in any share-based payments or incentives.

Details of the remuneration of non-executive and executive directors for the year under review can be found in notes 22 and 28.3 of the Group's annual financial statements within this report.

Executive directors

Executive directors' incentive bonuses are evaluated and recommended by the Remuneration Committee for approval of the Board.

I Mohammed
Remuneration Committee Chairman

27 April 2012

CORPORATE **GOVERNANCE**
(continued)

The Board is ultimately responsible for overseeing the Group's compliance with laws, rules, codes and standards in terms of King III.

Investment Committee

The Committee's role is to assist the Board of Directors in fulfilling its oversight responsibilities regarding the implementation of the Group strategic investment objectives. It meets as needed. Mr JA Burbidge chairs this committee and other members are Mr I Mohammed, Mr JA Claassen and Mr G Hassam.

The Committee is responsible for:

- critically reviewing and making recommendations to the Board regarding all new strategies, investments and major funding initiatives the Group may enter into;
- determining the mechanism for investment;
- selecting between priority and non-priority investments;
- deciding on appropriate funding mechanisms in the context of the overall funding strategy of the Group, including the possibility of new equity/equity-linked issues; and
- attending to such matters as the Board may determine from time to time.

JA Burbidge
Chairman

27 April 2012

Letshego Mozambique stall at a trade fair in Maputo

Governance and compliance

The Company is developing an IT governance framework which will be put in place in the next financial year.

Legal compliance

The Board is ultimately responsible for overseeing the Group's compliance with laws, rules, codes and standards in terms of King III. The Board has delegated to management responsibility for the implementation of an effective compliance framework and processes as envisaged by King III. Ongoing training programmes for directors incorporate an overview of any changes to applicable laws, rules, codes and standards.

King III

Compliance with King III, as a widely accepted global corporate governance code, is a priority for the Letshego Board and executive management team. The following major advances in improving our internal standard of governance occurred during the year under review:

- The board, internal audit and board committee charters were updated during the year and as part of ongoing King III compliance and alignment;
- Further a Letshego Group Code of Ethics was launched during the year;
- An independently managed ethics and whistle blowing hotline was set up to facilitate the reporting of all unethical conducts within the group.

The gaps in compliance with King III were identified to be the following:

The imbalance regarding the number of independent non-executive directors in the board and its sub committees has a historical background. The current board members were appointed due to their experience and knowledge of the business. The compliance of board composition and membership to King III is a fundamental imperative that the current board is aspired for but whilst addressing the immediate requirements of the business.

Board and Sub Committee Composition

- No formal succession planning for the role of Chairman
- Need for appointment of Deputy Chairman and/or Lead Independent Director
- Only three out of eight board members are independent non executive directors
- The executive in charge of finance is not a director
- The Company Secretary is an executive director
- Only one out of three members of the Audit and Risk Committee is an independent non-executive director
- Only one out of three members of the Remuneration Committee is an independent non-executive director
- Only one out of three members of the Investment Committee is an independent non-executive director

In keeping with the spirit of King III, areas of non-compliance are explained below:

Explanation

- The imbalance regarding the number of independent non-executive directors in the board and its sub committees has a historical background. The current board members were appointed due to their experience and knowledge of the business. Whilst compliance with King III in terms of Board composition and membership is a fundamental imperative to which the Group aspires, the current Board addresses the immediate requirements of the business.

Performance evaluation

- The board has not embarked on performance evaluation of its individual non-executive board members.
- Executive directors are appraised based on predetermined strategic objectives and achievement of specific Group financial performance targets that are approved by the board annually.

Explanation

- Self-assessments are conducted annually for the board and its committees. The self-assessments which are based on a scoring system, cover a number of areas on the responsibilities of the board and its committees, such as governance issues, risk management, strategy formulation and evaluation, etc. Through the scores, the board and its committees are able to determine the weaknesses and strengths. Strategic objectives are then agreed for the weaknesses and action plans with timelines are drawn to implement the agreed actions in order to improve the scores in the future. The board and its committees have made commendable strides in the area of self-assessment and an appropriate evaluation framework will be considered for individual board members' evaluation.

Approach to risk management

Compliance and risk management falls under the same portfolio at Letshego. The Director of Risk and Compliance provides the Board with assurance that the Group is compliant with applicable laws and regulations across Africa. The compliance function is structured such that its function, role and position in terms of reporting lines is a reflection of the Group's decision on how compliance is to be integrated with its ethics and risk management.

CORPORATE **GOVERNANCE**

(continued)

External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented and that they are prepared in compliance with International Financial Reporting Standards. Their audit also includes an assessment of selected key internal controls. The preparation of the annual financial statements and the adequacy of the system of internal controls remains the responsibility of the directors.

Reputation management

Internal and external matters that could impact Letshego's reputation are regularly monitored and reported on. Corporate communication is managed in a structured manner to ensure that accurate and valued information is disseminated consistently to all stakeholders. All customer complaints are tracked and appropriate corrective action is implemented as soon as practicable.

Where relevant, the Group adheres to industry-regulated codes of conduct in the countries in which it operates.

D Ndebele
Director of Risk and Compliance

27 April 2012

Disclosed below are details of Board meetings during 2012 and attendance by members:
Directors attendance and remuneration - year ended 31 January 2012

Directors	Board attendance	Audit Committee attendance	Remco Committee attendance	Investment Committee attendance	Board meetings	Retainer	Audit Committee	Remuneration Committee	Investment Committee	Subsidiary Board	Total
C M Lekaukau	4/4	-	2/2	-	108,500	145,566	-	51,000	-	203,000	508,066
J A Burbidge	4/4	4/4	-	1/1	102,000	66,734	102,000		25,500		296,234
J.A Claassen	4/4	4/4	2/2	1/1	-	-	-	-	-	-	-
D Ndebele	4/4	4/4	2/2	-	-	-	-	-	-	-	-
I Mohammed	4/4	4/4	2/2	1/1	102,000	66,734	102,000	51,000	25,500	-	347,234
L.E Serema	4/4	-	-	-	102,000	66,734	-	-	-	-	168,734
M Dawes	4/4	3/4	2/2	-	102,000	66,734	76,500	51,000	-	-	296,234
G Hassam	4/4	-	-	1/1	102,000	66,734	-	-	25,500	-	194,234
Total					618,500	479,236	280,500	153,000	76,500	203,000	1,810,736

Executive directors' remuneration - year ended 31 January 2012

Executive Directors	For management Services	Pension fund contributions	Performance Bonus	Total
J A Claassen	2,738,531	-	2,500,000	5,238,531
D Ndebele	1,553,462	141,532	950,000	2,644,994


Letshego

Audited Annual Financial Statements

GROUP DIRECTORS' REPORT AND RESPONSIBILITY STATEMENT

The Directors have pleasure in submitting to the shareholders their report and the audited financial statements of Letshego Holdings Limited (the Company) and its subsidiaries (the Group) for the year ended 31 January 2012.

Nature of business
The Group is engaged in the provision of short to medium-term unsecured loans to employees in the public, quasi-public and private sectors.

Stated capital
During April 2011 128,900,290 ordinary shares were issued in terms of the approval from shareholders for a non-cash non-elective scrip dividend of seven new shares issued for every one hundred shares held on the late date to register being 17 March 2011. Subsequent to this, on 26 April 2011, 14,674,696 ordinary shares were issued at various prices in terms of the Group's long term incentive plan. These two items brought the overall stated capital to P 669.9 million.

Subsidiary companies
The Group finalised a transaction on 1 April 2011 to sell 15% of its interest in Letshego Financial Services Uganda (formerly Micro Provident Uganda Limited) to a Ugandan citizen.

The Group, following Central Bank of Mozambique approval, finalised a transaction in September 2011 to issue 15% of the start up share capital of Letshego Financial Services Mozambique to three Mozambican citizens. Their contribution of the start up capital was financed by a loan from Letshego Holdings Limited. Details of the loan can be found in note 6 of the annual financial statements.

By the year end, the minority shareholders shareholding has reduced to 3.75% after further capital was introduced by Letshego Holdings Limited.

Dividends

Current year
A first and final dividend of 2.5 (two and a half) thebe per share for the year ended 31 January 2012 has been declared on 24 April 2012.

GROUP DIRECTORS' REPORT AND RESPONSIBILITY STATEMENT (continued)

Prior year

During February 2011, the Board of Directors resolved to issue a scrip dividend in order to utilise the Company's Additional Company Tax (ACT) reserves. The scrip issue was effected on the basis of approximately 7 new shares for every 100 shares. The gross dividend value was at BWP 273,647,364 (Two hundred and seventy three million six hundred and forty seven thousand three hundred and sixty four Pula). The full details regarding this were sent to shareholders in a circular dated 18 March 2011 and the scrip dividend was approved by shareholders at an EGM on 11 April 2011.

Directors

The following persons were directors of the company during the period:

* C.M. Lekaukau [1]	(Chairman)
* J.A. Burbidge 3	
* M.M. Dawes 4	
* G. Hassam 5	
J.A. Claassen 4	(Managing Director)
D. Ndebele [1]	
* I.M. Mohammed 2	(Alternative Director – RN Alam [2])
* L.E. Serema 1	

* Non-executive

[1]Botswana [2]USA [3]UK [4]RSA [5]Malawi

Directors' shareholdings

The aggregate number of shares held directly by directors is 15,701,964 (2011: 10,379,438). Full details of this shareholding are available at the registered office of the company or at the office of the transfer secretaries.

Long Term Incentive Plan

The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP), which was approved by shareholders at an Extraordinary General Meeting held on 20 December 2005. Under the plan, conditional share awards are granted to management and key employees. With effect from 1 February 2008, the number of vesting share awards is subject to achievement of certain non-market conditions. Prior to this date, vesting of share awards was subject to the achievement of certain market and non-market conditions, which required a fair valuation element. With the removal of market conditions, the estimation of shares to vest for a year is based on internal projections as to the specified conditions being achieved. Shares are awarded in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange.

GROUP DIRECTORS' REPORT AND RESPONSIBILITY STATEMENT (continued)

Statement of responsibility

The Directors are responsible for the preparation and fair presentation of the consolidated annual financial statements and the annual financial statements of Letshego Holdings Limited, comprising the statements of financial position at 31 January 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

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

The Directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe the businesses will not be going concerns in the foreseeable future.

The auditor is responsible for reporting on whether the consolidated annual financial statements and annual financial statements of the Company are fairly presented in accordance with International Financial Reporting Standards.

Approval of the annual financial statements:

The consolidated annual financial statements and annual financial statements of the Company, as indicated in the first paragraph, were approved by the Board of Directors on 27 April 2012 and are signed on its behalf by:

C.M. Lekaukau
Chairman

J.A. Claassen
Managing Director

REPORT OF THE INDEPENDENT AUDITORS

KPMG

Chartered Accountants
Audit
Plot 67977, Off Tlokweng Road,
Fairground Park
PO Box 1519, Gaborone, Botswana

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Web http://www.kpmg.com/

INDEPENDENT AUDITOR'S REPORT
To the members of Letshego Holdings Limited

We have audited the consolidated annual financial statements and annual financial statements of Letshego Holdings Limited, which comprise the statements of financial position at 31 January 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 76 to 136.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity and group's preparation and fair presentation of the financial statements 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 entity or group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects the consolidated and separate financial position of Letshego Holdings Limited at 31 January 2012, and consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

Other matter
The supplementary schedules set out on pages 137 to 140 do not form part of these financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on these schedules.

KPMG

KPMG
Practicing Member: Francois Roos
Practice number: 20010078.45
Date: 8 June 2012

STATEMENTS OF FINANCIAL POSITION

AT 31 JANUARY 2012

		GROUP		COMPANY	
		2012	2011	2012	2011
	Note	P'000	P'000	P'000	P'000
ASSETS					
Cash and cash equivalents	3	73,612	51,848	11,976	986
Advances to customers	4	3,034,639	2,298,880	-	-
Other receivables	5	18,730	9,152	14,223	4,491
Short term investments	7.1	24,187	12,593	-	-
Taxation refundable		-	-	2,476	-
Long term receivables	6	11,120	10,007	11,120	10,007
Investment in subsidiary companies	7	-	-	1,893,365	1,408,236
Plant and equipment	8	9,513	7,045	1,534	2,182
Intangible assets	9	3,291	306	2,848	250
Goodwill	10	27,824	27,824	-	-
Deferred taxation	24.2	9,809	12,575	4,793	5,547
Total assets		**3,212,725**	**2,430,230**	**1,942,335**	**1,431,699**
LIABILITIES AND EQUITY					
Liabilities					
Trade and other payables	11	70,732	109,200	23,466	17,789
Taxation payable		14,275	28,100	-	2,527
Borrowings	12	802,864	505,174	434,509	283,006
Total liabilities		**887,871**	**642,474**	**457,975**	**303,322**
Shareholders' equity					
Stated capital	13	669,876	412,814	669,876	412,814
Foreign currency translation reserve		(32,521)	(9,774)	-	-
Share based payment reserve	14	15,654	12,545	10,266	8,626
Retained earnings		1,617,969	1,334,016	804,218	706,937
Total equity attributable to equity holders of the parent company		**2,270,978**	**1,749,601**	**1,484,360**	**1,128,377**
Non-controlling interests	15	53,876	38,155	-	-
Total shareholders' equity		**2,324,854**	**1,787,756**	**1,484,360**	**1,128,377**
Total liabilities and equity		**3,212,725**	**2,430,230**	**1,942,335**	**1,431,699**

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY 2012

		GROUP		COMPANY	
		2012	2011	2012	2011
	Note	P'000	P'000	P'000	P'000
Interest income	18	900,514	721,900	128,827	119,069
Interest expense	19	(65,395)	(42,959)	(38,369)	(14,555)
Net interest income		**835,119**	**678,941**	**90,458**	**104,514**
Premium income		64,243	30,696	-	-
Insurance fees		(5,708)	(2,358)	-	-
Net interest and insurance income		**893,654**	**707,279**	**90,458**	**104,514**
Fee and commission income	20	87,198	107,161	-	-
Other operating income	21	10,107	8,716	374,997	28,792
Operating income		**990,959**	**823,156**	**465,455**	**133,306**
Employee benefits	22	(100,297)	(73,051)	(46,477)	(27,149)
Other operating expenses	23	(113,367)	(73,538)	(22,299)	(17,849)
Claims mitigation reserve movement		(686)	(2,825)	-	-
Insurance claim expense		(21,268)	(8,069)	-	-
Net income before impairment and taxation		**755,341**	**665,673**	**396,679**	**88,308**
Impairment of advances	4	(44,109)	(38,957)	-	-
Profit before taxation		**711,232**	**626,716**	**396,679**	**88,308**
Taxation	24	(133,433)	(153,379)	(25,751)	(6,400)
Profit for the year		**577,799**	**473,337**	**370,928**	**81,908**
Attributable to :					
Equity holders of the parent company		555,944	456,893		
Non-controlling interests		21,855	16,444		
Profit for the year		**577,799**	**473,337**		
Other comprehensive income, net of tax					
Foreign currency translation differences arising from foreign operations		(27,160)	(10,708)	-	-
Total comprehensive income for the year		550,639	462,629	370,928	81,908
Attributable to :					
Equity holders of the parent company		533,197	446,292		
Non-controlling interests		17,442	16,337		
Total comprehensive income for the year		**550,639**	**462,629**		
Basic earnings per share – (thebe)	25	29.6	25.8		
Fully diluted earnings per share – (thebe)	25	27.0	23.3		
Dividends per share - final	26	14.9	2.99		
Weighted average number of shares in issue during the period (millions)	25	1,953	1,837		
Number of shares in issue at the end of the period (millions)	25	1,985	1,842		
Dilution effect - number of shares (millions)		189	192		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2012

	Note	Stated Capital P'000	Retained Earnings P'000	Share Based Payment Reserve	Foreign Exchange Translation Reserve P'000	Non Controlling Interest P'000	Total P'000
GROUP							
Balance at 1 February 2011		412,814	1,334,016	12,545	(9,774)	38,155	1,787,756
Total comprehensive income for the year							
Profit for the year		-	555,944	-	-	21,855	577,799
Other comprehensive income, net of income tax							
Foreign currency translation reserve		-	-	-	(22,747)	(4,413)	(27,160)
Transactions with owners, recorded directly in equity							
Sale of non-controlling interest in subsidiaries		-	1,656	-	-	1,619	3,275
Allocation to share based payment reserve	14	-	-	22,853	-	-	22,853
New shares issued from long term incentive scheme	14	19,744	-	(19,744)	-	-	-
Dividend paid by subsidiary		-	-	-	-	(3,340)	(3,340)
Dividends to equity holders	26	237,318	(273,647)	-	-	-	(36,329)
Balance at 31 January 2012		**669,876**	**1,617,969**	**15,654**	**(32,521)**	**53,876**	**2,324,854**
GROUP							
Balance at 1 February 2010		396,019	932,365	18,287	827	21,818	1,369,316
Total comprehensive income for the year							
Profit for the year		-	456,893	-	-	16,444	473,337
Other comprehensive income, net of income tax							
Foreign currency translation reserve		-	-	-	(10,601)	(107)	(10,708)
Transactions with owners, recorded directly in equity							
New shares issued from long term incentive scheme	14	16,795	-	(16,795)	-	-	-
Allocation to share based payment reserve	14	-	-	11,053	-	-	11,053
Dividends to equity holders	26	-	(55,242)	-	-	-	(55,242)
Balance at 31 January 2011		**412,814**	**1,334,016**	**12,545**	**(9,774)**	**38,155**	**1,787,756**

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2012

	Note	Stated Capital P'000	Retained Earnings P'000	Share Based Payment Reserve	Foreign Exchange Translation Reserve P'000	Non Controlling Interest P'000	Total P'000
COMPANY							
Balance at 1 February 2011		412,814	706,937	8,626	-	-	1,128,377
Total comprehensive income for the period							
Profit for the year		-	370,928	-	-	-	370,928
Other comprehensive income, net of income tax							
Transactions with owners, recorded directly in equity							
New shares issued from long term incentive scheme	14	19,744	-	(19,744)	-	-	-
Allocation to share based payment reserve	14	-	-	21,384	-	-	21,383
Dividends to equity holders	26	237,318	(273,647)	-	-	-	(36,329)
Balance at 31 January 2012		**669,876**	**804,218**	**10,266**	**-**	**-**	**1,484,360**
COMPANY							
Balance at 1 February 2010		396,019	680,271	13,747	-	-	1,090,037
Total comprehensive income for the period							
Profit for the year		-	81,908	-	-	-	81,908
Other comprehensive income, net of income tax							
Transactions with owners, recorded directly in equity							
New shares issued from long term incentive scheme	14	16,795	-	(16,795)	-	-	-
Allocation to share based payment reserve	14	-	-	11,674	-	-	11,674
Dividends to equity holders	26	-	(55,242)	-	-	-	(55,242)
Balance at 31 January 2011		**412,814**	**706,937**	**8,626**	**-**	**-**	**1,128,377**

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY 2012

		GROUP		COMPANY	
	Note	2012	2011	2012	2011
OPERATING ACTIVITIES		P'000	P'000	P'000	P'000
Cash (used in) / generated from operations	16	(76,330)	56,883	59,800	137,163
Taxation paid		(178,775)	(169,501)	(64,284)	(20,184)
Net cashflows (to) / from operating activities		**(255,105)**	**(112,618)**	**(4,484)**	**116,979**
INVESTING ACTIVITIES					
Investment in subsidiaries		-	(2,175)	(485,129)	(248,436)
Investment in short term instruments		(11,594)	(12,593)	-	-
Dividends received from subsidiaries		-	-	352,339	-
Proceeds from sale of plant and equipment		95	84	3	8
Purchase of plant and equipment	8	(5,949)	(3,632)	(450)	(1,632)
Purchase of intangible assets	9	(3,373)	(86)	(2,792)	(30)
Net cash used in investing activities		**(20,821)**	**(18,402)**	**(136,029)**	**(250,090)**
FINANCING ACTIVITIES					
Dividends paid (net of withholding tax)		-	(49,130)	-	(49,130)
Net receipts / (repayments) of borrowings		297,690	127,536	151,503	132,752
Net cash generated from financing activities		**297,690**	**78,406**	**151,503**	**83,622**
Net movement in cash and cash equivalents		**21,764**	**(52,614)**	**10,990**	**(49,489)**
Movement in cash and cash equivalents					
At the beginning of the year		51,848	104,462	986	50,475
Movement during the year		21,764	(52,614)	10,990	(49,489)
At the end of the year	3	**73,612**	**51,848**	**11,976**	**986**

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 JANUARY 2012

Reporting entity

Letshego Holdings Limited (the "Company") is a company incorporated in Botswana. The consolidated financial statements of the Company as at and for the year ended 31 January 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is involved in the provision of short to medium-term unsecured loans to employees in the public, quasi-public and private sectors.

The following principal accounting policies, which are consistent with prior years, have been adopted in the preparation of these financial statements:

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and in the manner required by the Companies Act, 2003 (No. 32 of 2004).

Basis of preparation

The financial statements are presented in Botswana Pula, which is the Group's reporting currency. Except where indicated, financial information presented in Pula has been rounded to the nearest thousand.

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

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 of 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 on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Significant judgements made by management in the application of International Financial Reporting Standards consist mainly of the assessment of impairment relating to loans and advances and share based payment calculations as disclosed in note 2. Judgement is also applied to the valuation of goodwill recognised (note 10) and the probability of having sufficient taxable profits against which deferred tax assets may be utilised (note 24.2), and the calculation of taxation (note 24).

Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

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

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Details of the subsidiary companies are set out in note 7 to the financial statements.

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

Recognition and de-recognition of assets and liabilities
The Group recognises an asset when it obtains control of a resource as a result of past events and future economic benefits are expected to flow to the Group. The Group derecognises a financial asset when it loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. A financial liability is derecognised when it is legally extinguished.

Plant and equipment
Plant and equipment are stated at cost less accumulated depreciation and impairment in value.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the plant and equipment. The estimated useful lives are as follows:

Computer equipment	3 years
Furniture and fittings	4 years
Office equipment	5 years
Motor vehicles	4 years

The residual value and useful life of each part of plant and equipment, if not insignificant, is reassessed annually.

Gains and losses on disposal of plant and equipment items are determined by comparing proceeds with the carrying amounts and included in the statement of comprehensive income.

Foreign currency transactions
Transactions conducted in foreign currencies are translated to Pula at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Pula at foreign exchange rates at the dates these values were determined.

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

Foreign operations' financial statements

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Botswana Pula at the rates ruling at the reporting date. The income and expenses of foreign operations are translated to Botswana Pula at rates approximating those ruling at the dates of the transactions. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve. When a foreign operation is disposed of, either in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the statement of comprehensive income.

Foreign exchange translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in foreign operations.

Operating leases

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

Computer software development costs and intangible assets

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

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

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is 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 the statement of comprehensive income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is three years.

Other receivables

Other receivables comprise prepayments, deposits and other recoverables which arise during the normal course of business.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdraft facilities subject to sweeping arrangements.

Provisions

Provisions are recognised when the Group has a present legal obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

Taxation

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

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

Deferred tax

Deferred tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

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

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

Revenue recognition

Interest income is recognised in the statement of comprehensive income at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and administration charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and fees arising from group credit life insurance schemes are recognised on a time-apportionate basis over the period the service is provided.

Interest from bank deposits

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

Other income

Other income comprises profit share and once-off joining fees. Profit share is recognised as profits are declared by the insurer on a notification basis. Once off joining fees are recognised in the statement of comprehensive income in the month a member takes insurance cover on a cash basis.

Dividend income

The Group recognises dividends when the Group's right to receive payment is established. This is on the 'last day to trade' for listed shares, and on the 'date of declaration' for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares.

Stated capital

Ordinary share capital is recognised at the fair value of the consideration received.

Dividends paid

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

Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Employee benefits

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 reporting date. The Company operates a defined contribution retirement benefit fund.

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

Payroll administration costs

Administration costs are charged by employers for payroll deduction facilities. These costs are set-off against recoveries made from clients. Where the Company is not able to recover in full such administration costs, they are recognised in the statement of comprehensive income as incurred.

Share-based payment transactions

The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. The number of vesting awards is subject to achievement of non-market conditions.

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

Share-based payment transactions (continued)

The Group expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to a share-based payment reserve in the statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

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

The Group recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

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

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

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments.

Earnings per share

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

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

Contingent liabilities

The Group 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 Group, 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.

Related party transactions

Related parties comprise Directors and key management personnel of the Group and Companies with common ownership and/or Directors.

Financial assets and liabilities

Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains rights to service a transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing rights, depending on whether the servicing fee is more than adequate to cover servicing expenses (asset) or is less than adequate for performing the servicing (liability).

Offsetting

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

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

Amortised cost measurement

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

Fair value measurement

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

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

For more complex instruments, the Group would use proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions.

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

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

Identification and measurement of impairment

At each financial position date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

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

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through statement of comprehensive income.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to statement of comprehensive income.

When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through the statement of comprehensive income.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in the statement of changes in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Designation at fair value through profit or loss
The Group has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Cell captive insurance
The Group operates a captive cell which provides underwriting services to the Group on all Namibia and Swaziland domiciled customer loan balances on which premiums are fully paid. Loss events that qualify as life risks, such as death and disability, are insured through this cell. Monthly premiums are collected from customers by the Company and are paid into the insurance cell.

Premium reserves are recognised as income against which the following are appropriated:
- Claims paid;
- Claims admitted, but not yet paid;
- Claims incurred but not yet reported;
- Expenses incurred in connection with the underwriting and investments relating to the company;
- Underwriting regulatory and administration fees.

SIGNIFICANT ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

Cell captive insurance (continued)

Premium income is recognised on a gross basis in the month to which the premium relates. Single premiums are accounted for when the collection of the premium in terms of the policy is reasonably assured. Actual and admitted claims are recognised against premiums in the month the loss events occur.

Outstanding claims incurred but not yet reported are estimated and included in the statement of comprehensive income. This includes provisions for claims in the event that a present or constructive obligation exists due to a past loss event, and which can be reliably estimated. Any surplus resulting out of gross premiums after allocation of investment income, claims and fees may be paid out to the company bi-annually as a dividend. Dividends are recognised in the Company's statement of comprehensive income in the reporting period that these are approved by the Directors. Risk of credit loss is not substantially transferred. Further, the recognition, measurement and administration of the cell are conducted or significantly influenced by the Company. The results of the cell are therefore consolidated into those of the Company and the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT

Introduction and overview

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

- credit risk
- interest rate risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk.

1.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board has established the Group Audit and Risk Committee ("GARC"), Remuneration Committee ("Remco"), Investment Committee, Group Executive Committee ("Exco") Group Operations Committee and Subsidiary Companies' Advisory Committees 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 Group Exco which comprises of executive directors and senior management, who report 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 analyse 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.

1.2 Credit risk

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

The provision of unsecured loans to formally employed individuals is the main aspect of the Group's business. As such, exposure to credit risk and the management of this risk is a key consideration for the Board.

The model that the Group uses to mitigate this risk is arrangements with the respective employers of Letshego customers to allow the employer to deduct the monthly loan repayment directly from the employee's (the Letshego customer) salary. This salary deduction code model is used throughout the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.2 Credit risk (continued)

Management of credit risk

As set out above, the main activity of the Group is the provision of unsecured loans to formally employed individuals. The Board of Directors has delegated responsibility for the oversight of credit risk to its respective CEO's and credit departments of each subsidiary. 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 each CEO to ensure that the Group's policies regarding credit risk, affordability levels, minimum take home pay is complied with at all times.

Each subsidiary ensures these procedures are performed as part of the loan application and disbursement process. Thereafter, the performance of the loan book is monitored by the in-country credit department which is assisted by head office via the finance department. Each credit department, reporting to the local CEO and supported by the finance department, is responsible for management of the Group's credit risk.

Loan application process

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

All loans / services provided are repayable in equal monthly installments that are collected through a salary deduction authorisation (Salary Deduction Code) granted by the participating employer, i.e. deduction at source. The participating employer does not guarantee loans advanced to employees, and is only obliged to deduct the monthly installments payable, from the employee's salary prior to the salary being paid into the employee's bank account. The deductions are subsequently paid directly to Letshego on a monthly basis, by the participating employer. Loan proceeds are electronically transferred to the employee's bank accounts to eliminate the risk of carrying cash.

Loans are only granted to employees who are able to present their last two months original salary advice (this differs by country) and have an active bank account. This is a prerequisite as loans are not disbursed in cash. The main criteria considered by the Group is the loan applicant's ability to meet his/her financial commitments and to remain with sufficient funds to fund household needs. The Group applies this criteria for all customers and this is complimentary to any regulatory requirements.

Letshego offers life insurance products to all its clients in Botswana, Namibia and more recently Swaziland, which cover the repayment of the outstanding capital balances on the loan to Letshego in the event of death or permanent disability of the customer. This saves Letshego having to pursue the deceased's estate to recover any outstanding balance or having any claim against the loan holder's employment benefits. In addition to the life cover offered in Namibia, Letshego Namibia invested in Hollard Life Namibia Life Limited (HLNL). Through this vehicle Letshego Namibia's advances book is insured for risk of default and as such minimises the risk of loss to the Group. In the countries where no such cover is in place, then this risk is addressed through pricing and provisioning policies.

Monitoring of monthly collections

In the event that a customer does not have sufficient funds from their net salary to meet their monthly loan installment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.2 Credit risk (continued)

Monitoring of monthly collections (continued)
If the customer has changed employment, to an employer with which the Group does not have a 'deduction code', then pre-authorised direct debit mandates are utilised to recover loan repayments from the bank account of the customer.

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 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 judgements.

Approval of new employers
All new employers are subject to a set assessment criteria prior to entering into deduction code agreements. The approval is made by the Group Exco.

No cash transactions
Loan disbursements are performed electronically and funds are directly deposited into a customer's bank account. This reduces cash holding risk. Due to this methodology only customers with bank accounts can be assisted.

Regular audits of business units and credit processes are undertaken by the Risk and Compliance Department.

Impaired loans
Impaired loans and securities are loans and advances on which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans
Past due but not impaired loans are those for which contractual repayments are past due but the Group believes that impairment is not appropriate on the basis of the specific case, for example where the customer may be on a reduced salary due to taking study leave.

Loans with renegotiated terms
This applies in cases where the employer does not make a loan deduction and this was not the fault of the customer. In such cases these loans are rescheduled so as not to penalise the customer. The number and value of these loans was not significant during the financial period.

Allowances for impairment
The Group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.2 Credit risk (continued)

Write-off policy

The Group / Company writes off a loan balance, and any related allowances for impairment losses, when Group and in-country Credit 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.

Maximum exposure to credit risk

The table below presents the maximum exposure to credit risk of financial instruments recognised in the statement of financial position and exposures not recognised in the statement of financial position.

Maximum exposure to credit risk at 31 January 2012	Gross Advances P'000	Specific Provision P'000	Portfolio Provision P'000	Net Advances P'000
Botswana	1,826,372	(2,104)	(7,890)	1,816,378
Swaziland	148,091	(165)	(97)	147,829
Tanzania	239,265	(614)	(1,710)	236,941
Uganda	130,459	(1,453)	(586)	128,420
Zambia	9,355	(89)	(301)	8,965
Namibia	537,037	-	(48)	536,989
Mozambique	159,486	-	(369)	159,117
Total at 31 January 2012	**3,050,065**	**(4,425)**	**(11,001)**	**3,034,639**
Maximum exposure to credit risk at 31 January 2011				
Botswana	1,551,298	(10,164)	(6,582)	1,534,552
Swaziland	172,269	(527)	(922)	170,820
Tanzania	149,691	(570)	(1,047)	148,074
Uganda	98,922	(666)	(647)	97,609
Zambia	11,587	(1,301)	(457)	9,829
Namibia	339,231	-	(1,314)	337,917
Mozambique	79	-	-	79
Total at 31 January 2011	**2,323,077**	**(13,228)**	**(10,969)**	**2,298,880**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.2 Credit risk (continued)

Credit quality

Through the Group's deduction code model, the Group is exposed to two main identifiable economic sectors namely government and private (including parastatals).

The table below presents an analysis of the Group's net advances based on the sectors to which the Group is exposed:

Analysis of sector risk at 31 January 2012 (P'000)

	Government	Private (including parastatals)	Total net advances
Botswana	1,707,396	108,982	1,816,378
Swaziland	146,351	1,478	147,829
Tanzania	236,941	-	236,941
Uganda	128,420	-	128,420
Zambia	8,516	449	8,965
Namibia	520,879	16,110	536,989
Mozambique	159,117	-	159,117
	2,907,620	**127,019**	**3,034,639**

Analysis of sector risk at 31 January 2011 (P'000)

	Government	Private (including parastatals)	Total net advances
Botswana	1,457,824	76,728	1,534,552
Swaziland	170,820	-	170,820
Tanzania	148,074	-	148,074
Uganda	97,609	-	97,609
Zambia	9,829	-	9,829
Namibia	327,780	10,137	337,917
Mozambique	79	-	79
	2,212,015	**86,865**	**2,298,880**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.2 Credit risk (continued)

Credit quality (continued)

The table below presents an analysis by geographic location of the credit quality of advances based on the Group's internal credit rating processes.

Advances to customers - 31 January 2012	**Botswana P'000**	**Swaziland P'000**	**Tanzania P'000**	**Uganda P'000**	**Zambia P'000**	**Namibia P'000**	**Mozambique P'000**	**Total P'000**
Neither past due nor impaired	1,728,779	145,467	223,952	109,644	7,332	528,865	144,426	2,888,465
Past due but not impaired	97,593	2,624	15,313	20,815	2,023	8,172	15,060	161,600
Total gross advances to customers	1,826,372	148,091	239,265	130,459	9,355	537,037	159,486	3,050,065
Less: impairment provision	(9,994)	(262)	(2,324)	(2,039)	(390)	(48)	(369)	(15,426)
Net advances to customers at 31 January 2012	**1,816,378**	**147,829**	**236,941**	**128,420**	**8,965**	**536,989**	**159,117**	**3,034,639**

Advances to customers - 31 January 2011	**Botswana P'000**	**Swaziland P'000**	**Tanzania P'000**	**Uganda P'000**	**Zambia P'000**	**Namibia P'000**	**Mozambique P'000**	**Total P'000**
Neither past due nor impaired	1,532,058	171,538	146,848	96,054	9,395	333,923	79	2,289,895
Past due but not impaired	19,240	731	2,843	2,868	2,192	5,308	-	33,182
Total gross advances to customers	1,551,298	172,269	149,691	98,922	11,587	339,231	79	2,323,077
Less: impairment provision	(16,746)	(1,449)	(1,617)	(1,313)	(1,758)	(1,314)	-	(24,197)
Net advances to customers at 31 January 2011	**1,534,552**	**170,820**	**148,074**	**97,609**	**9,829**	**337,917**	**79**	**2,298,880**

Refer also to note 2, Significant Accounting Estimates and Judgements and the related sensitivity analysis.

Other exposures to credit risk

Cash and Cash Equivalents	All cash at banks is held with reputable institutions with good credit history and are regulated by the relevant national regulatory authority. As a result, the probability of loss due to credit risk is assessed as low.
Short term investments	Short term investments represent bank investment accounts with reputable financial institutions. The risk of loss due to credit risk is assessed as low.
Investment in subsidiaries	All subsidiaries are under the control of the parent company, which includes overall management and control of cash flows. All subsidiary companies are assessed for impairment and general credit risk at regular intervals, and no assessment of increased levels of credit risk were noted at the financial year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.2 Credit risk (continued)

Other exposures to credit risk (continued)

	Group 2012 P'000	Group 2011 P'000	Company 2012 P'000	Company 2011 P'000
Cash and cash equivalents	73,612	51,848	11,976	986
Short term investments	24,187	12,593	-	-
Other receivables (including long term receivables)	29,850	19,159	25,343	14,498
Investment in subsidiaries	-	-	1,447,344	1,181,287
	127,649	**83,600**	**1,484,663**	**1,196,771**

1.3 Interest rate risk

The Group is exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Generally, interest on advances to customers is fixed, whereas interest on borrowings is floating. The table below summarises the exposure to interest rate risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of repricing or maturity dates.

GROUP

31 January 2012	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Non-interest bearing P'000	Total P'000
ASSETS						
Cash and cash equivalents	73,612	-	-	-	-	73,612
Short term investments	24,187	-	-	-	-	24,187
Advances to customers	16,226	211,701	882,488	1,895,098	29,126	3,034,639
Other receivables (including long term receivables)	-	-	-	11,120	18,730	29,850
Plant and equipment	-	-	-	-	9,513	9,513
Intangible assets	-	-	-	-	3,291	3,291
Goodwill	-	-	-	-	27,824	27,824
Deferred taxation	-	-	-	-	9,809	9,809
	114,026	**211,701**	**882,488**	**1,906,218**	**98,293**	**3,212,725**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Interest rate risk (continued)

31 January 2012	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Non-interest bearing P'000	Total P'000
EQUITY AND LIABILITIES						
Trade and other payables	-	-	-	-	70,732	70,732
Borrowings	150,172	227,930	352,403	72,359	-	802,864
Taxation payable	-	-	-	-	14,275	14,275
Shareholders' equity	-	-	-	-	2,324,854	2,324,854
	150,172	227,930	352,403	72,359	2,409,861	3,212,725
Net interest sensitivity gap	**(36,147)**	**(16,229)**	**530,085**	**1,833,859**	**(2,311,568)**	**-**

31 January 2011	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Non-interest bearing P'000	Total P'000
ASSETS						
Cash and cash equivalents	51,848	-	-	-	-	51,848
Short term investments	12,593	-	-	-	-	12,593
Advances to customers	9,187	166,615	497,289	1,625,789	-	2,298,880
Other receivables (including long term receivables)	-	-	-	10,007	9,152	19,159
Plant and equipment	-	-	-	-	7,045	7,045
Intangible assets	-	-	-	-	306	306
Goodwill	-	-	-	-	27,824	27,824
Deferred taxation	-	-	-	-	12,575	12,575
	73,628	166,615	497,289	1,635,796	56,902	2,430,230
EQUITY AND LIABILITIES						
Trade and other payables	-	-	-	-	109,200	109,200
Borrowings	31,650	151,449	18,621	303,454	-	505,174
Taxation payable	-	-	-	-	28,100	28,100
Shareholders' equity	-	-	-	-	1,787,756	1,787,756
	31,650	151,449	18,621	303,454	1,925,056	2,430,230
Net interest sensitivity gap	**41,978**	**15,166**	**478,668**	**1,332,342**	**(1,868,154)**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Interest rate risk (continued)

COMPANY

31 January 2012	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Non-interest bearing P'000	Total P'000
ASSETS						
Cash and cash equivalents	11,976	-	-	-	-	11,976
Other receivables	-	-	-	11,120	14,223	25,343
Taxation refundable	-	-	-	-	2,476	2,476
Investment in subsidiaries	201,130	-	-	1,246,214	446,021	1,893,365
Plant and equipment	-	-	-	-	1,534	1,534
Intangible assets	-	-	-	-	2,848	2,848
Deferred taxation	-	-	-	-	4,793	4,793
	213,106	-	-	1,257,334	471,895	1,942,335
EQUITY AND LIABILITIES						
Trade and other payables	-	-	-	-	23,466	23,466
Borrowings	28,053	55,000	279,097	72,359	-	434,509
Shareholders' equity	-	-	-	-	1,484,360	1,484,360
	28,053	55,000	279,097	72,359	1,507,826	1,942,355
Net interest sensitivity gap	**185,053**	**(55,000)**	**(279,097)**	**1,184,975**	**(1,035,931)**	**-**

31 January 2011	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Non-interest bearing P'000	Total P'000
ASSETS						
Cash and cash equivalents	986	-	-	-	-	986
Other receivables	-	-	-	10,007	4,491	14,498
Investment in subsidiaries	45,870	-	-	1,135,417	226,949	1,408,236
Plant and equipment	-	-	-	-	2,182	2,182
Intangible assets	-	-	-	-	250	250
Deferred taxation	-	-	-	-	5,547	5,547
	46,856	-	-	1,145,424	239,419	1,431,699
EQUITY AND LIABILITIES						
Trade and other payables	-	-	-	-	17,789	17,789
Taxation payable	-	-	-	-	2,527	2,527
Borrowings	13,692	25,000	-	244,314	-	283,006
Shareholders' equity					1,128,377	1,128,377
	13,692	25,000	-	244,314	1,148,693	1,431,699
Net interest sensitivity gap	**33,164**	**(25,000)**	**-**	**901,110**	**(909,274)**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Interest rate risk (continued)

The majority of the group's borrowings are linked to variable interest rates.

	Group 2012 P'000	Group 2011 P'000	Company 2012 P'000	Company 2011 P'000
The average cost of borrowing in percentage terms was (including the impact of foreign exchange gains or losses) (%)	10.00	9.73	11.20	6.72
The impact of a 1% increase in lending rates on interest expense would be adverse (P'000)	6,540	4,404	3,588	2,169
Change in profit before tax (%)	0.9	0.7	0.9	2.5

The effect of a 1% decrease in interest rate would result in an equal and opposite decrease in interest expense.

1.4 Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the statement of financial position, the funding requirements of the Group and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Group and also from available financial institution facilities.

The following table shows the undiscounted cash flows on the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments may vary from this analysis. For example, regular meetings and updates are provided to the Group's financiers so as to ensure that facilities and lines of credit remain open and unrecognised loan commitments are not all expected to be drawn down immediately.

GROUP

31 January 2012	Up to 1 month P'000	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Non-sensitive P'000	Total P'000
Total assets	114,025	211,701	882,488	1,906,218	98,293	3,212,725
Total liabilities and equity	(192,676)	(270,433)	(352,403)	(72,359)	(2,324,854)	(3,212,725)
Net liquidity gap	(78,651)	(58,732)	530,085	1,833,859	(2,226,561)	-
31 January 2011						
Total assets	73,628	175,767	497,289	1,635,796	47,750	2,430,230
Total liabilities and equity	(100,300)	(220,099)	(18,621)	(303,454)	(1,787,756)	(2,430,230)
Net liquidity gap	(26,672)	(44,332)	478,668	1,332,342	(1,740,006)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.4 Liquidity risk (continued)

COMPANY

31 January 2012	**Up to 1 month P'000**	**From 1 to 12 months P'000**	**From 1 year to 3 years P'000**	**From 3 years and above P'000**	**Non-sensitive P'000**	**Total P'000**
Total assets	213,106	-	-	1,257,334	471,895	1,942,335
Total liabilities and equity	(39,786)	(66,733)	(279,097)	(72,359)	(1,484,360)	(1,942,335)
Net liquidity gap	173,320	(66,733)	(279,097)	1,184,975	(1,012,465)	-
31 January 2011						
Total assets	46,856	4,491	-	1,145,424	234,928	1,431,699
Total liabilities and equity	(23,850)	(35,158)	-	(244,314)	(1,128,377)	(1,431,699)
Net liquidity gap	23,006	(30,667)	-	901,110	(893,449)	-

1.5 Market risk

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 optimising the return on risk.

Management of market risks

Overall responsibility for managing market risk rests with the Group Audit and Risk Committee. Management is responsible for the development of detailed risk management policies (subject to review by the Group Audit and Risk Committee) and for the day to day implementation of those policies.

Currency risk

The result of foreign exchange positions on the Group's net investments in foreign subsidiaries is recognised in the statement of comprehensive income. Foreign currency risk arises as a result of fluctuations in exchange rates and the resultant impact on the Group's position.

The Group does not have any exposure to US Dollar, Sterling or Euro denominated liabilities. Assets and liabilities in each local currency are matched to a large extent. The Group has borrowings in Rand, but these are matched with assets in Swaziland and Namibia, which are part of the common currency area with South Africa.

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Market risk (continued)

The Group had the following currency exposures (Pula equivalent) at the reporting date (monetary assets and liabilities only).

31 January 2012	SA Rand P'000	Swaziland Emalangeni P'000	Tanzanian Shilling P'000	Ugandan Shilling P'000	Zambian Kwacha P'000	Namibian Dollar P'000	Mozambican Meticais P'000	Lesotho Loti P'000	Botswana Pula P'000	Total P'000
Cash and cash equivalents (including short term investments)	-	18,657	11,772	301	23,468	21,227	651	-	21,723	97,799
Advances to customers	-	147,829	236,941	128,420	8,965	536,989	159,117	-	1,816,378	3,034,639
Other receivables	-	562	729	621	69	6,080	1,707	-	20,082	29,850
Total assets	-	167,048	249,442	129,342	32,502	564,296	161,475	-	1,858,183	3,162,288
Borrowings	32,859	24,476	59,717	62,925	7,043	-	12,073	-	603,771	802,864
Trade and other payable	-	4,293	4,204	5,409	425	7,807	2,365	-	46,229	70,732
Total liabilities	32,859	28,769	63,921	68,334	7,468	7,807	14,438	-	650,000	873,596
Net exposure	(32,859)	138,279	185,521	61,008	25,034	556,489	147,037	-	1,208,183	2,288,692
Exchange rates at 31 January 2012 - assets: BWP 1.00 =	1.10	1.10	217.89	320.33	705.61	1.10	3.64	1.10	1.00	
Exchange rates at 31 January 2012 - liabilities: BWP 1.00 =	1.04	1.04	213.07	318.29	697.43	1.04	3.58	1.04	1.00	
31 January 2011										
Cash and cash equivalents	-	4,204	3,478	4,130	22,135	22,614	3,643	2,948	1,289	64,441
Advances to customers	-	170,820	148,074	97,609	9,829	337,916	79	-	1,534,553	2,298,880
Other receivables	-	497	679	1,105	122	11,013	908	-	4,835	19,159
Total assets	-	175,521	152,231	102,844	32,086	371,543	4,630	2,948	1,540,677	2,382,480
Borrowings	46,216	36,494	30,170	43,156	9,451	-	-	-	339,687	505,174
Trade and other payable	-	5,205	3,123	1,547	503	10,683	55	-	88,084	109,200
Total liabilities	46,216	41,699	33,293	44,703	9,954	10,683	55	-	427,771	614,374
Net exposure	(46,216)	133,822	118,938	58,141	22,132	360,860	4,575	2,948	1,112,906	1,768,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Market risk (continued)

Exchange rates at 31 January 2011 - assets: BWP 1.00 =	1.09	1.09	224.14	345.26	727.02	1.09	5.12	1.09	1.00
Exchange rates at 31 January 2011 - liabilities: BWP 1-00 =	1.03	1.03	218.19	341.40	714.67	1.03	5.09	1.03	1.00

Set out below is the impact of a 10% appreciation of the BW Pula

31 January 2012	SA Rand	Swaziland Emalangeni	Tanzanian Shilling	Ugandan Shilling	Zambian Kwacha	Namibian Dollar	Mozambican Meticais	Lesotho Loti	Botswana Pula	Total if Pula Appreciated by 10%	Actual at the year end
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Cash and cash equivalents	-	16,961	10,702	273	21,334	19,297	592	-	21,723	90,882	97,799
Advances to customers	-	134,390	215,401	116,745	8,150	488,172	144,652	-	1,816,378	2,923,888	3,034,639
Other receivables	-	511	663	564	63	5,527	1,552	-	20,082	28,962	29,850
Total assets	-	151,862	226,766	117,582	29,547	512,996	146,796	-	1,858,183	3,043,732	3,162,288
Borrowings	29,872	22,251	54,289	57,204	6,402	-	10,975	-	603,771	784,764	802,864
Trade and other payable	-	3,903	3,822	4,917	386	7,097	2,150	-	46,229	68,504	70,732
Total liabilities	29,872	26,154	58,111	62,121	6,788	7,097	13,125	-	650,000	853,268	873,596
Net exposure - if 10% appreciation of BWP	(29,872)	125,708	168,655	55,461	22,759	505,899	133,671	-	1,208,183	2,190,464	2,288,692
Net exposure - at actual year end rates	(32,859)	138,279	185,521	61,008	25,034	556,489	147,037	-	1,208,183	2,288,692	
Impact of 10% appreciation of BWP	2,987	(12,571)	(16,866)	(5,547)	(2,275)	(50,590)	(13,366)	-	-	(98,228)	

A 10% depreciation would result in the inverse of the above.

Note: Cash and cash equivalents includes short-term investments of P24.187 million.

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Market risk (continued)

31 January 2011	SA Rand P'000	Swaziland Emalangeni P'000	Tanzanian Shilling P'000	Ugandan Shilling P'000	Zambian Kwacha P'000	Namibian Dollar P'000	Mozambican Meticais P'000	Lesotho Loti P'000	Botswana Pula P'000	Total if Pula Appreciated by 10% P'000	Actual at the year end P'000
Cash and cash equivalents	-	3,822	3,162	3,755	20,123	20,558	3,312	2,680	1,289	58,701	64,441
Advances to customers	-	155,291	134,613	88,735	8,935	307,196	72	-	1,534,553	2,229,395	2,298,880
Other receivables	-	452	617	1,005	111	10,012	825	-	4,835	17,857	19,159
Total assets	-	159,565	138,392	93,495	29,169	337,766	4,209	2,680	1,540,677	2,305,953	2,382,480
Borrowings	42,015	33,176	27,427	39,233	8,592	-	-	-	339,687	490,130	505,174
Trade and other payable	-	4,732	2,839	1,406	457	9,712	50	-	88,084	107,280	109,200
Total liabilities	42,015	37,908	30,266	40,639	9,049	9,712	50	-	427,771	597,410	614,374
Net exposure - if 10% appreciation of BWP	(42,015)	121,657	108,126	52,856	20,120	328,054	4,159	2,680	1,112,906	1,708,543	1,755,513
Net exposure - at year end rates	(46,216)	133,822	118,938	58,141	22,132	348,267	4,575	2,948	1,112,906	1,755,513	
Impact of 10% appreciation of BWP	4,201	(12,165)	(10,812)	(5,285)	(2,012)	(20,213)	(416)	(268)	-	(46,970)	

Note: Cash and cash equivalents includes short-term investments of P12.593 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks exposure and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by the Risk and Compliance Department. The results of reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Group Audit and Risk Committee and senior management of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.7 Financial assets and liabilities not measured at fair value

The table below sets out the fair values of the Group's financial assets and financial liabilities not carried at fair value on the statement of financial position:

	Loans and receivables P'000	Amortised cost P'000	Total carrying amount P'000	Fair value P'000
31 January 2012				
Cash and cash equivalents	73,612	-	73,612	73,612
Short term investments	24,187	-	24,187	24,187
Advances to customers	3,034,639	-	3,034,639	3,034,639
Other receivables	18,730	-	18,730	18,730
Long term receivables	11,120	-	11,120	11,120
	3,162,288	-	3,162,288	3,162,288
Trade and other payables	-	70,732	70,732	70,732
Taxation payable	-	14,275	14,275	14,275
Borrowings	-	802,864	802,864	802,864
	-	887,871	887,871	887,871

	Loans and receivables P'000	Amortised cost P'000	Total carrying amount P'000	Fair value P'000
31 January 2011				
Cash and cash equivalents	51,848	-	51,848	51,848
Short term investments	12,593	-	12,593	12,593
Advances to customers	2,298,880	-	2,298,880	2,298,880
Other receivables	9,152	-	9,152	9,152
Long term receivables	10,007	-	10,007	10,007
	2,382,480	-	2,382,480	2,382,480
Trade and other payables	-	109,200	109,200	109,200
Taxation payable	-	28,100	28,100	28,100
Borrowings	-	505,174	505,174	505,174
	-	642,474	642,474	642,474

Due to the short term nature of the financial assets and liabilities, the fair values approximate the carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

1 FINANCIAL RISK MANAGEMENT (continued)

1.8 Summary of all financial risks and potential impact

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

	GROUP		COMPANY	
	2012	2011	2012	2011
	P'000	P'000	P'000	P'000
Credit risk				
Effect of increase in emergence period by 1 month				
- increase in portfolio provision	3,894	4,234	-	-
Effect of increase in loss ratio by 1 %				
- increase in portfolio provision	7,520	5,902	-	-
	11,414	10,136	-	-
Effect on profit before tax	(2%)	(2%)	-	-
Interest rate risk				
Effect of increase in average borrowing cost by 1 %				
- increase in interest expense	6,540	4,404	3,588	2,169
Effect on profit before tax	(1%)	(1%)	(1%)	(2%)
Currency risk				
Effect of BWP appreciation by 10%				
- decrease in net foreign currency assets	98,228	58,417	-	-
Effect on profit before tax	(14%)	(9%)	0%	0%
Summary				
Impact of all above risks on profit before tax	(16%)	(12%)	(1%)	(2%)

The impact of changes in variables in the opposing direction would be equal and opposite to the values shown above.

The Group constantly evaluates these key risks and through the process of governance, devises responses to risks as they arise, that are approved by the Executive Committee and Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

2. USE OF ESTIMATES AND JUDGEMENTS

2.1 Impairment

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

Sensitivity analysis of impairment charges is shown as follows:

	2012 Portfolio Provision P'000	2011 Portfolio Provision P'000
Botswana		
Impact on change to emergence period - from 3 months to 4 months - increase in provision	2,630	2,198
Impact on change to loss ratio - from 1.7% to 2.7% (2011: 1.7% - 2.7%) - increase in provision	4,641	3,889
Swaziland		
Impact on change to emergence period - from 3 months to 4 months - increase in provision	295	1,167
Impact on change to loss ratio - 2.04% to 3.04.% (2011: 2.04% to 3.04%) - increase in provision	1,545	1,303
Tanzania		
Impact on change to emergence period - from 3 months to 4 months (2011: from 5 months to 6 months) - increase in provision	563	344
Impact on change to loss ratio - 1.6% to 2.6% (2011: 2.9% to 3.9%) - increase in provision	591	379
Uganda		
Impact on change to emergence period - from 3 months to 4 months - increase in provision	176	216
Impact on change to loss ratio - 1.6% to 2.6% (2011: 2.7% to 3.7%) - increase in provision	329	248
Zambia		
Impact on change to emergence period - from 3 months to 4 months (2011: from 5 months to 6 months) - increase in provision	112	309
Impact on change to loss ratio - 12.89% to 13.89% (2011: 2.92% to 3.91%) - increase in provision	26	83

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

2. USE OF ESTIMATES AND JUDGEMENTS (continued)

2.1 Impairment (continued)

	2012 Portfolio Provision P'000	2011 Portfolio Provision P'000
Namibia		
Impact on change to emergence period - from 5 months to 6 months - increase in provision	-	-
Impact on change to expected loss from 1.55% of impaired assets to 2.55% - increase in provision	-	-
Mozambique		
Impact on change to emergence period - from 3 months to 4 months - increase in provision	119	-
Impact on change to loss ratio - 0.92% to 1.92% (2011: nil) - increase in provision	387	-
Overall total	11,414	10,136

2.2 Share-based payment transactions

The Group operates an equity settled conditional Long Term Incentive Plan (LTIP). The plan is now only based on non market conditions. These non market performance conditions are determined by the Remuneration Committee. The number of awards to vest are assessed and adjusted for the attrition in participants as well as the extent of achievement of those conditions at the reporting dates. The assumptions are that there will be a 50% vesting probability. Although based on historical experience, the estimated achievement of conditions is considered accurate.

Sensitivity analysis

The table below details the impact on the profit following a deviation from the 50% vesting probability.

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
Impact of a 10% deviation (60% vesting)	2,285	1,105	2,138	1,167
Impact of a 25% deviation (75% vesting)	5,713	2,763	5,346	2,918
Impact of a 50% deviation	11,426	5,526	10,691	5,836

In the event that more than 50% of the shares vest the impact would be adverse to profit. In the event that less then 50% of the shares vest, the impact would be favourable to profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

2. USE OF ESTIMATES AND JUDGEMENTS (continued)

2.3 Goodwill

As required by IAS 36, the goodwill values in respect of Letshego Financial Services Namibia (Pty) Limited and Letshego Tanzania Limited were evaluated for impairment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and the suitable discount rate in order to calculate the present value.

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
3 CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	**73,612**	**51,848**	**11,976**	**986**
4 ADVANCES TO CUSTOMERS				
Gross advances to customers	3,050,065	2,323,077	-	-
Less : impairment provisions	(15,426)	(24,197)	-	-
Net advances to customers	**3,034,639**	**2,298,880**	**-**	**-**
Certain advances to customers are pledged as security to borrowings as set out in note 12.				
Maturity analysis of advances to customers				
Maturity within 1 year	227,927	175,802	-	-
Maturity after 1 year but within 2 years	485,424	277,344	-	-
Maturity after 2 years but before 5 years	2,321,288	1,845,734	-	-
	3,034,639	**2,298,880**	**-**	**-**
Impairment of advances				
Balance at the beginning of the year	24,197	30,646	-	-
Impairment adjustment	(8,771)	(6,449)	-	-
Balance at the end of the year	**15,426**	**24,197**	**-**	**-**
Charges to the statement of comprehensive income				
Amounts written off	105,263	94,334	-	-
Recoveries during the year	(52,383)	(48,928)	-	-
Impairment adjustment	(8,771)	(6,449)	-	-
	44,109	**38,957**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
5 OTHER RECEIVABLES				
Deposits and prepayments	3,327	2,874	855	758
Dividend receivable cell captive	-	-	9,412	-
Credit life claims receivable	-	482	-	-
Withholding tax and value added tax receivable	7,086	3,728	-	-
Other receivables	8,317	2,068	3,956	3,733
	18,730	**9,152**	**14,223**	**4,491**
Maturity analysis of other receivables				
Non- current portion				
Deposits and prepayments	3,327	2,874	855	758
Current portion				
Dividend receivable cell captive	-	-	9,412	-
Credit life claims receivable	-	482	-	-
Withholding tax and value added tax receivable	7,086	3,728	-	-
Other receivables	8,317	2,068	3,956	3,733
	15,403	6,278	13,368	3,733
	18,730	**9,152**	**14,223**	**4,491**
6 LONG TERM RECEIVABLES				
Kumwe Investments (Pty) Ltd				
The loan is denominated in Namibian Dollars and bears interest at Namibian prime interest rate. Kumwe Investment Holdings Limited have ceded their shares in Letshego Financial Services (Namibia) (Pty) Limited as security for the loan from Letshego Holdings Limited. Kumwe Investment Holdings Limited owns 15% of Letshego Financial Services (Namibia) Pty Limited. The loan is repayable by way of dividends due to Kumwe as and when dividends are declared and / or monies accrued to Kumwe as a result of services rendered by Kumwe to the Company. The balance of the purchase price and interest thereon outstanding, if any, shall be repaid by Kumwe to the Company in cash by no later than 31 July 2014.	**10,962**	**10,007**	**10,962**	**10,007**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

6 LONG TERM RECEIVABLES (continued)

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
Letshego Financial Services Mozambique - Timbila, Dai, Mataruca				
The loans are denominated in Mozambique Meticais (MZN) and bear interest at Mozambique prime interest rate. The three shareholders have ceded their shares in Letshego Financial Services (Mozambique) SA as security for the loan from Letshego Holdings Limited. The three shareholders together hold 3.75% of the ordinary share capital of Letshego Financial Services (Mozambique) SA. The loans are repayable by way of dividends due as and when dividends are declared and or monies accrued to them as a result of services rendered to the company. The balance of the purchase price and interest outstanding, if any, shall be repaid to the company in cash no later than 30 September 2014.	**158**	-	**158**	-
	11,120	**10,007**	**11,120**	**10,007**

7 INVESTMENT IN SUBSIDIARY COMPANIES

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
Shareholding				
Letshego Financial Services Botswana (Proprietary) Limited - ordinary shares at cost	-	-	30,000	30,000
Letshego Financial Services Zambia (Proprietary) Limited - ordinary and preference shares at cost	-	-	18,960	18,960
Letshego Tanzania Limited (formerly Micro Provident Tanzania Ltd) - ordinary and preference shares at cost	-	-	71,086	71,086
Letshego Financial Services Namibia (Proprietary) Limited - shares at cost	-	-	275,795	68,384
Letshego Financial Services Swaziland (Proprietary) Limited - shares at cost	-	-	1	1
Letshego Uganda Limited (formerly Micro Provident Uganda Limited) - ordinary and preference shares at cost	-	-	30,850	31,000
Letshego Financial Services Mozambique, SA- ordinary shares and preference shares at cost	-	-	16,408	4,597
Letshego Financial Services Lesotho (Proprietary) Limited - ordinary shares at cost	-	-	2,921	2,921
Micro Provident Ghana Limited	-	-	-	-
Micro Provident Malawi Limited	-	-	-	-
	-	**-**	**446,021**	**226,949**
Other balances				
Letshego Financial Services Swaziland (Proprietary) Limited - term loan	-	-	29,079	59,986
Letshego Uganda Limited (formerly Micro Provident Uganda Limited) - current & dividend account	-	-	26,021	16,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

7 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
Letshego Financial Services Botswana (Proprietary) Limited - term loan	-	-	1,043,601	875,426
Letshego Financial Services Namibia (Proprietary) Limited - term loan	-	-	154,608	200,005
Letshego Tanzania Limited (formerly Micro Provident Tanzania Limited) - current account	-	-	59,140	21,151
Letshego Financial Services (Proprietary) Limited - current account (Zambia)	-	-	-	211
Letshego Financial Services Mozambique, SA - current account	-	-	134,895	7,548
Letshego Financial Services Lesotho - current account	-	-	-	27
	-	-	1,447,344	1,181,287
	-	**-**	**1,893,365**	**1,408,236**

Letshego Holdings Limited acquired 100 "Class B" shares, of par value N$0.01 each, in Hollard Life Namibia Limited, a cell captive which provides insurance cover for qualifying credit loss events on the Letshego Financial Services Swaziland customer advances portfolio. The related balances to this investment are disclosed in note 27 under the insurance business segment and the Swaziland geographic segment information. While the investment entitles Letshego Financial Services Swaziland to use of the Hollard Life Namibia Limited life insurance licence, risk of loss lies substantially with Letshego Holdings Limited, and consequently the results of the cell are consolidated into the results of the Letshego Holdings Limited Group.
The nature of the businesses of the subsidiary companies and the ownership details are provided below:

Subsidiary company	Country of incorporation	Nature of business	% holding
Letshego Financial Services (Namibia) (Proprietary) Limited	Namibia	Unsecured consumer lending	85
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100
Letshego Financial Services Zambia Limited	Zambia	Unsecured consumer lending	100
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85
Letshego Financial Services Swaziland (Proprietary) Limited	Swaziland	Unsecured consumer lending	85
Letshego Tanzania Limited	Tanzania	Unsecured consumer lending	87
Micro Provident Ghana Limited	Ghana	Dormant	100
Micro Provident Malawi Limited	Malawi	Dormant	100
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending	96.25
Hollard Life Namibia Limited	Namibia	Cell captive insurance	85
Letshego Financial Services (Lesotho)	Lesotho	Unsecured consumer lending	95

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

7 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Letshego Financial Services Swaziland (Proprietary) Limited - term loan

The loan is denominated in South African Rand (ZAR), bears interest at Swaziland prime plus 4% per annum, is unsecured and has a term of 10 years.

The Swazi Emalangeni (SEL) and the ZAR are both members of the Common Currency Area and have the same effective exchange rate and interest rates.

Letshego Financial Services Botswana (Proprietary) Limited ("LFSB") - term loan

The loan is denominated in Botswana Pula, bears interest at Botswana prime per annum, is unsecured and has a term of 10 years.

The loan arose from the transfer of the lending business of the holding company to LFSB in January 2007.

The loan to LFSB is held as security for borrowings as set out in note 12.

Letshego Financial Services Namibia (Proprietary) Limited - term loan

The loan is denominated in Namibian Dollars, bears interest at Namibian prime plus 2% per annum, is unsecured and has a term of 10 years. The Namibian Dollar is also a member of the Common Currency Area.

Current accounts

The current accounts are denominated in Pula, interest free and settled on a periodic basis.

7.1 SHORT TERM INVESTMENTS

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
Investments	**24,187**	**12,593**	**-**	**-**

In January 2010, Letshego Financial Services Namibia and Letshego Holdings Limited invested in a Life Insurance company, Hollard Life Namibia Limited (HLNL). HLNL has been established to provide life insurance cover to Letshego Namibia and Letshego Financial Services Swaziland clients. The short term investments are in respect of funds placed in an investment account. The funds are in a call account and interest rates vary from 4.76% to 5.51% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

8 PLANT AND EQUIPMENT

GROUP Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Total P'000
Balance at 1 February 2011	1,003	7,503	7,163	15,669
Additions	670	2,114	3,165	5,949
Disposals	(99)	(78)	(16)	(193)
Balance at 31 January 2012	1,574	9,539	10,312	21,425
Accumulated Depreciation				
Balance at 1 February 2011	572	4,436	3,616	8,624
Depreciation charge for the year	299	1,866	1,219	3,384
Disposals	(15)	(69)	(12)	(96)
Balance at 31 January 2012	856	6,233	4,823	11,912
Net Book Value at 31 January 2012	**718**	**3,306**	**5,489**	**9,513**
31 January 2011	**431**	**3,067**	**3,547**	**7,045**

COMPANY Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Total P'000
Balance at 1 February 2011	-	2,852	1,253	4,105
Additions	144	156	150	450
Disposals	-	(22)	-	(22)
Balance at 31 January 2012	144	2,986	1,403	4,533
Accumulated Depreciation				
Balance at 1 February 2011	-	1,381	542	1,923
Depreciation charge for the year	18	856	224	1,098
Disposals	-	(22)	-	(22)
Balance at 31 January 2012	18	2,215	766	2,999
Net Book Value at 31 January 2012	**126**	**771**	**637**	**1,534**
31 January 2011	**-**	**1,471**	**711**	**2,182**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
9 INTANGIBLE ASSETS				
Computer software	3,380	3,294	3,324	3,294
Additions	3,373	86	2,792	30
Amortisation	(3,462)	(3,074)	(3,268)	(3,074)
Net Book Value at 31 January	**3,291**	**306**	**2,848**	**250**
10 GOODWILL				
Goodwill arose on the acquisition of:				
Letshego Financial Services Namibia (Pty) Limited (formerly Eduloan)	25,760	25,760	-	-
Letshego Tanzania Limited	2,064	2,064	-	-
	27,824	**27,824**	**-**	**-**

Letshego Financial Services (Namibia) (Pty) Ltd

100% of the issued share capital of Letshego Financial Services (Namibia) (Pty) Ltd (formerly Eduloan (Pty) Ltd), a private company incorporated and operating in Namibia since 2002, was acquired on 1 August 2008. This gave rise to goodwill of P25,760,000 (2011: 25,760,000). In 2009,15% of the issued share capital was sold to a non-controlling shareholder, Kumwe Investments (Pty) Limited. Refer to note 6.

Letshego Tanzania Limited

2% of the issued share capital of Letshego Tanzania was acquired from Dr Hassy H B Kitine, the current Chairman of Letshego Tanzania and former Director of Letshego Holdings Limited. The purchase consideration amounted to USD 300,000 (P2,174,670) and the net asset value at the date of sale was established at P110,669. The resultant goodwill of P2,064,001, based on the fair value of the assets acquired was recognised during the year ended 31 January 2011.

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that it was not impaired in respect of both units noted above. The recoverable amount of the cash generating units was determined in reference to the value in use. The assumptions used are that the free cash flows will grow by no less than 100% on 2012 (2011:100%). The discount rate used is local prime lending rate (2011:Namibian prime lending rate in respect of Letshego Financial Services Namibia) and the period is five years. A gradually increasing growth in cash flows estimated for the next four years results in a recoverable amount in excess of carrying amount. Therefore, no impairment has been recognised (2011: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

	GROUP 2012 P'000	GROUP 2011 P'000	COMPANY 2012 P'000	COMPANY 2011 P'000
11 TRADE AND OTHER PAYABLES				
Trade and other payables	40,395	39,022	11,791	6,048
Staff incentive provision (note 11.2)	20,905	19,880	11,675	11,741
Deferred income (note 11.3)	5,858	47,533	-	-
Claims mitigation reserve	3,574	2,765	-	-
	70,732	109,200	23,466	17,789

The deferred income arises on the issue of credit life insurance to the customers of Letshego Financial Services Botswana. This covers the repayment of the outstanding capital balances on the loans to Letshego in the event of death or permanent disability of the customer. The underwriting was moved to Botswana Life Insurance Limited during 2009. Botswana Life Insurance Limited is a shareholder in Letshego Holdings Limited. The terms and conditions of the insurance contract are on normal commercial terms. Refer to note 28 for details on related parties.

The claims mitigation reserve arising in 2012 of P3.574 million (2011: P2.765 million) relates to the actuarially evaluated reserve for credit losses incurred but not yet reported arising from the customer portfolio of Letshego Namibia and Letshego Financial Services Swaziland which have been insured through Hollard Life Namibia Limited. Neither insurance nor financial risk are substantially transferred to Hollard; this reserve is consolidated into the results of Letshego Namibia and Letshego Holdings Limited Group. The reserve is estimated based on historically observed credit loss history that is projected over the life the customer portfolio including consideration of discounted cash flows to cover loss events after discounted premiums are taken into account.

	GROUP 2012 P'000	GROUP 2011 P'000	COMPANY 2012 P'000	COMPANY 2011 P'000
11.1 Maturity analysis of trade and other payables				
Non-current portion				
Deferred income	5,528	36,316	-	-
	5,528	**36,316**	**-**	**-**
Current portion				
Deferred income	330	11,217	-	-
Staff incentive provision	20,905	19,880	11,675	11,741
Trade and other payables	40,395	39,022	11,791	6,048
Claims mitigation reserve	3,574	2,765	-	-
	65,204	**72,884**	**23,466**	**17,789**
Total trade and other payables	**70,732**	**109,200**	**23,466**	**17,789**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

11 TRADE AND OTHER PAYABLES (continued)

	GROUP 2012 P'000	GROUP 2011 P'000	COMPANY 2012 P'000	COMPANY 2011 P'000
11.2 Movement in staff incentive provision				
Balance at the beginning of the year	19,880	19,591	11,741	13,939
Current period charge (note 22)	14,288	8,930	7,336	499
Paid during the period	(13,263)	(8,641)	(7,402)	(2,697)
Balance at the end of the year	**20,905**	**19,880**	**11,675**	**11,741**
11.3 Movement in deferred income				
Balance at the beginning of the year	47,533	33,783	-	-
Raised / (transferred) during the year	(36,187)	24,966	-	-
Credit life insurance commission (note 20)	(2,927)	(5,982)	-	-
Credit life administration fees (note 20)	(2,561)	(5,234)	-	-
Balance at the end of the year	**5,858**	**47,533**	**-**	**-**

12 BORROWINGS

	GROUP 2012 P'000	GROUP 2011 P'000	COMPANY 2012 P'000	COMPANY 2011 P'000
Long term borrowings				
African Alliance Botswana Liquidity Fund	55,000	25,000	55,000	25,000
International Finance Cooperation	64,377	92,161	32,859	46,216
Investec Asset Management Botswana (Proprietary) Limited	55,000	55,000	-	-
Netherlands Development Finance Company (FMO)	-	13,472	-	-
ADP I Holdings 2	246,238	198,098	246,238	198,098
ZAR Private Placement- Investec	72,359	-	72,359	-
	492,974	383,731	406,456	269,314
Short term borrowings				
Bank ABC (Botswana) Limited	62,413	45,000	-	-
Barclays Bank of Botswana Limited	28,053	16,416	28,053	13,692
BIFM Capital Investment Fund Two (Proprietary) Limited	100,000	-	-	-
First National Bank of Botswana	2,580	-	-	-
First National Bank of Mozambique	12,073	-	-	-
Standard Chartered Bank of Botswana Limited	351	173	-	-
Standard Chartered Bank Tanzania Limited	23,347	16,698	-	-
Standard Chartered Bank Uganda Limited	62,925	43,156	-	-
UBA Tanzania	18,148	-	-	-
	309,890	121,443	28,053	13,692
Total borrowings	**802,864**	**505,174**	**434,509**	**283,006**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

12 BORROWINGS (continued)

Long term borrowings

African Alliance Botswana Liquidity Fund
The promissory note facilities of P25 000 000 and P30 000 000 have terms of 12 months and 6 months respectively with a fixed interest rate of 9% per annum. The promissory notes are unsecured and are denominated in Botswana Pula. The notes are rolled over on maturity and as a result are revolving and long term in nature.

Netherlands Development Finance Company ("FMO")
The term loan from FMO is used exclusively for Letshego Tanzania Limited and is denominated in Tanzanian Shillings.

The loan bears interest at the 12 month average 182 day Tanzanian treasury bill rate plus 1.65% per annum.

The loan is repayable in six equal semi annual installments, commencing 1 April 2009. Interest is paid semi annually in April and September each year.

The loan is secured by a corporate guarantee by Letshego Holdings Limited. The loan was repaid during the year.

ADP I Holdings 2
The convertible loan is denominated in Botswana Pula and bears interest at a fixed rate of 10% per annum. Interest is serviced semi annually. ADP I Holdings 2 has the option to convert the debt to equity within three years of the issue of the Loan Note (15 February 2014) at an exercise price of P1.60 per share.

International Finance Corporation ("IFC")
The term loan from IFC has been allocated to Letshego Holdings Limited, Letshego Financial Services Swaziland (Proprietary) Limited, and Letshego Financial Services Limited (Zambia). The loans to Letshego Holdings Limited and Letshego Financial Services Swaziland (Proprietary) Limited are denominated in South African Rand ("ZAR") and the loan to Letshego Financial Services Limited (Zambia) is denominated in Zambian Kwacha("ZMK").

These loans are secured by:
- an unlimited pari passu cession of the loan and advances book of Letshego Financial Services (Botswana) (Proprietary) Limited

- an unlimited pari passu cession of the loan between Letshego Holdings Limited and Letshego Financial Services (Botswana) (Proprietary) Limited

Investec Asset Management Botswana (Proprietary) Limited
The term loan from Investec Asset Management Botswana (Proprietary) Limited bears interest at 13.25% per annum which is fixed for the duration of the loan. The loan is repayable in one payment in June 2014. The loan is denominated in Botswana Pula and is secured by a corporate guarantee from Letshego Holdings Limited.

ZAR Private Placement - Investec
The paper attracts interest at 3 months Jibar plus 650 basis points per annum and matures on July 2016. Interest is paid quarterly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

12 BORROWINGS (continued)

Short term borrowings

Barclays Bank of Botswana Limited

The BWP 70 million overdraft facility attracts interest at Botswana prime less 1.25% per annum and is repayable on demand.

The overdraft facility is secured by a pari passu cession of the loan to Letshego Financial Services (Pty) Limited (Botswana), a pari passu cession of the loan book of Letshego Financial Services (Pty) Limited (Botswana) and a guarantee by Letshego Holdings Limited.

First National Bank of Botswana Limited

The overdraft facilities are secured by a pari passu cession of the loan to Letshego Financial Services (Pty) Limited (Botswana) and by a pari passu cession of the loan book of Letshego Financial Services (Pty) Limited (Botswana).

The Group overdraft facilities with First National Bank Limited have been allocated as follows;

Company	Amount	Interest Rate	Bank
Letshego Financial Services (Botswana)	BWP 31 million	Prime less 1.25%	First National Bank of Botswana
Letshego Financial Services (Mozambique)	BWP 26 million	Prime less 1.25%	First National Bank of Mozambique

Standard Chartered Bank - term loan

The Group has term loans with Standard Chartered Bank which have been allocated and bear interest as follows:

Company	Amount	Interest Rate	Bank
Letshego Uganda Limited	BWP 50 million	Ugandan Base Rate less 0.50%	Standard Chartered Bank of Uganda

The term loan was repaid during the year and was denominated in the respective local currency.

Standard Chartered Bank - overdraft facilities

The Group has overdraft facilities with Standard Chartered Bank Botswana which have been allocated and bear interest as follows:

Company	Amount	Interest Rate	Bank
Letshego Tanzania Limited	BWP 25 million	Prime less 1.50%	Standard Chartered Bank of Tanzania
Letshego Uganda Limited	BWP 75 million	Ugandan base rate less 1.0%	Standard Chartered Bank of Uganda
	BWP 100 million		

Each of the facilities is denominated in the respective local currency and is repayable on demand.

The term loan and the overdraft facilities are secured by:

- an unlimited pari passu cession of the loan and advances book of Letshego Financial Services (Proprietary) Limited (Botswana)
- an unlimited pari passu cession of the loan between Letshego Holdings Limited and Letshego Financial Services (Proprietary) Limited (Botswana)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

12 BORROWINGS (continued)

Banc ABC Limited

The Group has overdraft facilities with Banc ABC which have been allocated to bear interest as follows;

Company	Amount	Interest Rate	Bank
Letshego Financial Services (Botswana)	BWP 45 million	Prime less 2%	Banc ABC (Botswana) Limited
Letshego Tanzania Limited	BWP 20 million	Prime plus 1%	Banc ABC (Tanzania) Limited

The facilities are secured by corporate guarantees from Letshego Holdings Limited and cession of Letshego Tanzania Limited's loan book covering 200% of the facility.

UBA Tanzania Ltd

The overdraft facility of BWP 19 million attracts interest at prime less 2% and is repayable on demand. It is secured by ZMK cash reserves fixed at 6% per annum.

BIFM Limited

The facility of BWP 100 million attracts interest at 10% and is repayable on demand. Interest is paid monthly and the facility is secured by corporate guarantees from Letshego Holdings Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
13 STATED CAPITAL				
Issued: 1,984,997,966 ordinary shares of no par value (2011: 1,841,422,950)	669,876	412,814	669,876	412,814
Number of shares at the beginning of the period	1,841,423	1,824,628	1,841,423	1,824,628
Shares issued during the year	143,575	16,795	143,575	16,795
Number of shares at the end of the period	1,984,998	1,841,423	1,984,998	1,841,423

In terms of the Group LTIP (note 14), shares with a value of P19.744 million (2011: P16.795 million) vested at Group level. This increased the number of shares in issue by 14.675 million shares. In addition, there was a scrip dividend issued during the year of 128.9 million shares to existing shareholders.

Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

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

The Group monitors the adequacy of its capital using internally measured benchmarks such as gearing, return on equity and forecasts of asset and profitability performance. These measures are broadly in line with, or more stringent than, industry norm. A risk based approach is also adopted whereby balances with counterparties are required to be supported by capital to a greater extent than other internally held assets.

There were no changes in the Group's approach to capital management during the year. The Group's subsidiaries in Mozambique and Zambia are subject to externally imposed capital adequacy requirements by the Central Banks in each respective country.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

14 SHARE INCENTIVE SCHEME

The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP), which was approved by shareholders of the holding company at an Extraordinary General Meeting which was held on 20 December 2005. Under the plan, conditional share awards are granted to management and key employees. With effect from 1 February 2008, the number of vesting share awards is subject to achievement of certain non-market conditions. Prior to this date, vesting of share awards was subject to the achievement of certain market and non market conditions, which required a fair valuation element. With the removal of market conditions, the estimation of shares to vest for a year is based on internal projections as to the specified conditions being achieved. Shares are awarded in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange.

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 share awards outstanding at 31 January 2012 have exercise prices of BWP 14.80*, BWP 10.45* and BWP 16.50* and weighted average vesting periods of 3 months, 15 months and 27 months respectively.

The cost of services received using internally available information on achievement of performance conditions is P22.853 million (2011: P11.053 million) at Group level, and P21.384 million (2011: P11.674 million) at Company level.

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
The fair value of services received are as follows:				
Outstanding at the beginning of the year	12,545	18,287	8,626	13,747
Granted during the year	22,853	11,053	21,384	11,674
Exercised during the year	(19,744)	(16,795)	(19,744)	(16,795)
	15,654	**12,545**	**10,266**	**8,626**

15 NON-CONTROLLING INTERESTS

	GROUP 2012 P'000	GROUP 2011 P'000	COMPANY 2012 P'000	COMPANY 2011 P'000
Opening balance	38,155	21,818	-	-
Share of current year profit after tax	21,855	16,444	-	-
Share of foreign currency translation reserve	(4,413)	(107)	-	-
Sale of non-controlling interests	1,619	-	-	-
Dividend paid by subsidiary	(3,340)	-	-	-
	53,876	**38,155**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
16 CASH (USED IN) / GENERATED FROM OPERATIONS				
Profit before taxation	711,232	626,716	396,680	88,308
Adjustments for :				
- Amortisation of intangible assets (note 9)	388	332	194	332
- Depreciation (note 8)	3,384	2,878	1,098	813
- Impairment of advances movement (note 4)	(8,771)	(6,449)	-	-
- Deferred income - credit life commission (note 11.3)	(2,927)	(5,982)	-	-
- Deferred income - credit life administration fees (note 11.3)	(2,561)	(5,234)	-	-
- Loss / (profit) on disposal of plant and equipment	2	235	(3)	209
- Profit on sale of subsidiaries	-	-	(2,440)	-
- Long term incentive plan provision (note 22)	22,343	11,053	21,384	11,674
- Unrealised foreign currency translation losses / (gains)	(14,338)	258	394	(367)
- Dividend from subsidiaries	-	-	(352,339)	-
Changes in working capital :				
Movement in advances to customers	(726,988)	(610,174)	-	-
Movement in other receivables	(10,691)	63,748	(10,845)	53,331
Movement in trade and other payables	(47,403)	(20,498)	5,677	(17,137)
Cash (used in) / generated from operations	**(76,330)**	**56,883**	**59,800**	**137,163**
17 CAPITAL COMMITMENTS				
Authorised by the directors:-				
- Not contracted for	36,799	20,906	32,151	20,171

The capital expenditure will be financed from the Group existing resources, and ongoing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

	GROUP 2012 P'000	GROUP 2011 P'000	COMPANY 2012 P'000	COMPANY 2011 P'000
18 INTEREST INCOME				
Advances to customers	899,480	716,577	-	-
Other - deposits with banks	1,034	5,323	2,322	4,476
- related party (note 28.1)	-	-	126,506	114,593
	900,514	**721,900**	**128,828**	**119,069**
19 INTEREST EXPENSE				
Overdraft facilities and term loans	61,527	23,159	37,031	14,234
Related party (note 28.2)	21,967	22,144	3,163	4,578
Foreign exchange gains	(18,099)	(2,344)	(1,825)	(4,257)
	65,395	**42,959**	**38,369**	**14,555**
20 FEE AND COMMISSION INCOME				
Administration fees - lending	77,133	85,636	-	-
Credit life insurance commission (note 11.3)	2,927	5,982	-	-
Credit Life settlement profit share	4,577	10,309	-	-
Credit life administration fees (note 11.3)	2,561	5,234	-	-
	87,198	**107,161**	**-**	**-**

Included in credit life insurance commission is an amount of P2,806,935 (2011: P4,698,000) earned from a related party (refer note 28.1). Included in credit life administration fees is an amount of P2,456,070 (2011: P4,111,000) earned from a related party (refer note 28.1).

21 OTHER OPERATING INCOME

	GROUP 2012 P'000	GROUP 2011 P'000	COMPANY 2012 P'000	COMPANY 2011 P'000
Profit on disposal of plant and equipment	-	-	3	-
Management fees from related parties (note 28.1)	694	1,901	16,238	24,093
Guarantee fees from related parties (note 28.1)	-	-	3,959	4,699
Dividend from related party (note 28.1)	-	-	352,339	-
Investment income	-	442	-	-
Profit on disposal of subsidiary	-	-	2,440	-
Sundry income	9,413	6,373	18	-
	10,107	**8,716**	**374,997**	**28,792**

Included in sundry income is an amount relating to finance charges that was earned from a related party amounting to P293,000 (2011: P188,000). Refer to note 28.1.

Reclassification in 2011 (Group)

Included in other operating income at Group level in 2011 is processing fee income amounting to P2.48 million (2012: P3.012 million) that was classified under fees and commission income in the preceding financial year. This was done for consistent presentation with the rest of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
22 EMPLOYEE BENEFITS				
Salaries and wages	55,529	41,525	12,482	6,498
Staff incentive (note 11.2)	10,838	8,930	3,886	499
Staff pension fund contribution	3,691	3,957	829	892
Directors' remuneration – for management services (executive)	7,896	7,586	7,896	7,586
Long term incentive plan	22,343	11,053	21,384	11,674
	100,297	**73,051**	**46,477**	**27,149**
23 OPERATING EXPENSES				
Accounting and secretarial fees	683	377	309	121
Advertising	10,114	9,404	206	127
Audit fees - current year	1,125	1,494	567	666
- prior year under / (over) provision	25	260	(451)	267
Bank charges	3,055	1,883	1,197	487
Computer expenses	3,590	4,031	3,049	3,260
Consultancy fees	3,810	583	1,318	(477)
Depreciation - Computer equipment (note 8)	1,866	1,717	856	674
- Office furniture and equipment (note 8)	1,220	915	224	139
- Motor vehicles (note 8)	300	246	18	-
Amortisation of intangible assets (note 9)	388	332	194	332
Directors' fees – non executive	2,549	1,646	1,811	1,697
Loss on disposal of plant and equipment	2	235	-	209
Operating lease rentals - property	10,272	7,858	1,881	1,412
Other operating expenses	53,572	29,716	3,047	5,618
Payroll administration costs	1,717	1,276	-	-
Professional fees	5,582	1,709	3,976	-
Telephone and postage	4,293	4,045	395	359
Cell captive: minority appropriation	1,412	-	1,412	-
Travel	7,792	5,811	2,290	2,958
	113,367	**73,538**	**22,299**	**17,849**

Included in directors' fees are amounts paid to related parties amounting to P194,000 (2011: P743,000). Refer note 28.2.

Reclassification in 2011 (Group)

Included in other operating expenses at Group level in 2011 is direct cost of sales amounting to P11.52 million (2012: P23.18 million) that was classified under payroll administration costs in the preceding financial year. This was done for consistent presentation with the rest of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
24 TAXATION				
Company taxation				
- Basic taxation	163,130	153,895	9,013	11,529
- Additional company taxation	-	4,089	-	4,089
- (Over) / Under provision from prior year	(806)	848	(959)	371
- Withholding tax on dividends paid	(36,329)	(6,112)	(36,329)	(6,112)
- Withholding tax paid on dividends paid	2,046	-	2,046	-
- Withholding tax on interest received	(213)	-	(213)	-
- Withholding tax on dividends received	2,839	-	51,439	-
	130,667	152,720	24,997	9,877
- Deferred taxation movement	2,766	297	754	(3,839)
- Other taxes	-	362	-	362
	133,433	**153,379**	**25,751**	**6,400**

24.1 Additional company taxation (Botswana) available to be offset against withholding tax on dividends

Balance at the beginning of the year			37,509	39,532
Arising in the current year			-	4,089
Withholding tax on dividends paid			(36,329)	(6,112)
Additional company tax forfeited			(1,180)	-
Balance at the end of the year			-	37,509

Unutilised additional company tax fell away on 30 June 2011.

24.2 Deferred taxation				
Balance at the beginning of the year	12,575	12,872	5,547	1,708
Current year movement	(2,766)	(297)	(754)	3,839
Balance at the end of the year	**9,809**	**12,575**	**4,793**	**5,547**

Deferred taxation arises from temporary differences on the following items:				
Plant and equipment	(1,232)	(399)	422	(71)
Share based payment provision	3,653	3,107	2,258	2,156
Staff incentive provision	4,322	4,320	2,568	3,436
Portfolio impairment provision	2,772	2,912	-	-
Deferred rent provision	78	52	24	26
Leave pay provision	134	82	-	-
Deferred income	82	2,501	(479)	-
	9,809	**12,575**	**4,793**	**5,547**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

24 TAXATION (continued)

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
24.3 Reconciliation of current taxation				
Income before taxation	711,232	626,716	396,680	88,308
Tax calculated at relevant tax rates	170,607	169,412	87,270	22,077
Under provision from prior period	(1,043)	371	(959)	371
Foreign income taxed at 15%	(2,802)	(3,845)	(2,802)	(3,845)
Expenses and revenues not deductible for tax purposes	954	(6,447)	1,189	(6,091)
Withholding tax on dividends paid	(34,283)	(6,112)	(34,283)	(6,112)
Withholding tax on dividends received taxed at 15%	-	-	(24,664)	-
	133,433	**153,379**	**25,751**	**6,400**

25 EARNINGS PER SHARE

The calculation of basic earnings per share is based on after taxation earnings of P577,797,000 (2011: P473,337,000) and the weighted average number of shares in issue during the period of 1.953 billion (2011: 1.837 million*).

The number of dilutive potential ordinary shares at the end of the period arising from unvested long term incentive share awards is 36.3 million (2011: 38.8 million) and from the convertible loan note is 153.2 million (2011: 153.2 million). The total potential ordinary shares are 189.5 million (2011: 192 million). The calculation of diluted earnings per share is based on profit for the period of P577,799,000 (2011:473,337,000) and shares amounting to 2.142 billion (2011: 2.034 billion*).
* adjusted for 10 to 1 share split approved by shareholders on 12 April 2010.

26 DIVIDEND PER SHARE

During February 2011, the Board of Directors resolved to issue a scrip dividend in order to utilise the Company's Additional Company Tax (ACT) reserves. The scrip issue was effected on the basis of approximately 7 new shares for every 100 shares. The gross dividend value was BWP 273,647,364. The full details regarding this were sent to shareholders in a circular dated 18 March 2011 and the scrip dividend was approved by shareholders at an EGM on 11 April 2011.

In the prior year dividend of P55.2 million or 30 thebe per share (pre share split or 3 thebe per share post share split) gross of withholding tax was proposed and was paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

27 SEGMENT INFORMATION

SEGMENTAL ANALYSIS

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

The Group operates in seven geographical regions, namely Botswana, Mozambique , Namibia, Swaziland, Tanzania, Uganda, and Zambia. The geographical segments represent the Group's primary segments.

The Group has two main business segments which represent the Group's secondary segments:

i) Lending - Provision of short to medium term unsecured loans to employees of the public, quasi-public and private sectors.

ii) Credit life / credit risk insurance - provision of Insurance cover to clients of Letshego Financial Services Namibia (Pty) Limited and Letshego Financial Services Swaziland (Pty) Limited.

In January 2010, Letshego Financial Services Namibia (Pty) Limited invested in a credit life insurance entity, Hollard Life Namibia Limited (HLNL). HLNL has been established to provide insurance cover on credit exposure to Letshego Namibia clients.

In the current financial year, Letshego Holdings Limited also invested in a cell captive administered by Hollard Namibia Life Insurance Limited, to provide similar comprehensive credit default risk cover to the rest of Letshego Group customers. At 31 January 2012, the only subsidiary participating in this was Letshego Financial Services Swaziland Limited. Results of this cell are consolidated directly into the Letshego Holdings Limited Group as it is controlled by Letshego Holdings Limited.

The key balances arising from these insurance agreements are gross premium income, insurance licence fees, regulatory and agency fees, claims expense, investment income and related taxes.

Transactions between the business segments are carried out at arms' length.

The Group's management reporting is based on a measure of operating profit comprising interest income, interest expense, (including inter segment interest), fees and commission income, other operating income, impairment of advances and operating expenditure, all before intra-group management and guarantee charges.

The information provided about each segment is based on the internal reports about segment performance, assets and liabilities, which are regularly reviewed by the Group Managing Director.

Segment assets and liabilities comprise mainly borrowings and advances to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

27 SEGMENT INFORMATION (continued)

GEOGRAPHICAL SEGMENTS

	Botswana Holding Company		Botswana Operations		Swaziland		Tanzania	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000	2012 P'000	2011 P'000	2012 P'000	2011 P'000
Net income from lending	90,458	104,833	498,387	421,233	44,973	52,394	92,619	64,899
Income from insurance	16,475	-	-	-	-	-	-	-
Other operating income	716	1,615	5,047	2,482	212	700	341	5
Total segment revenue	107,649	106,448	503,434	423,715	45,185	53,094	92,960	64,904
Employee benefits	(46,476)	(28,108)	(17,026)	(15,844)	(2,917)	(2,453)	(11,832)	(9,252)
Other operating expenses	(32,741)	(21,365)	(26,154)	(10,243)	(3,327)	(4,227)	(17,872)	(10,977)
Impairment of advances	-	-	(30,358)	(23,389)	2,213	(3,399)	(6,935)	(6,678)
Segment result	**28,432**	**56,975**	**429,896**	**374,239**	**41,154**	**43,015**	**56,321**	**37,997**
Taxation								
Profit for the year								
Gross advances to customers	-	-	1,826,372	1,551,298	148,091	172,269	239,265	149,691
Impairment provisions	-	-	(9,994)	(16,746)	(262)	(1,449)	(2,324)	(1,617)
Net advances	**-**	**-**	**1,816,378**	**1,534,552**	**147,829**	**170,820**	**236,941**	**148,074**
Total segment assets	**1,938,141**	**1,431,700**	**1,822,298**	**1,537,406**	**158,828**	**176,087**	**252,568**	**154,487**
Borrowings	434,509	283,006	202,121	102,897	24,476	36,494	59,717	30,170
Total segment liabilities	**453,632**	**303,322**	**1,317,980**	**1,094,796**	**58,274**	**102,402**	**189,989**	**122,801**

BUSINESS SEGMENTS

	Holding Company		Lending		Insurance		Consolidated	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000	2012 P'000	2011 P'000	2012 P'000	2011 P'000
Net income from lending	90,458	104,833	831,859	681,268	-	-	922,317	786,101
Income from insurance	-	-	16,475	-	42,060	28,338	58,535	28,338
Other operating income	716	1,615	9,391	6,660	-	442	10,107	8,717
Total segment revenue	**91,174**	**106,448**	**857,725**	**687,928**	**42,060**	**28,780**	**990,959**	**823,156**
Employee benefits	(46,476)	(28,108)	(53,821)	(44,943)	-	-	(100,297)	(73,051)
Other operating expenses	(32,740)	(21,365)	(102,581)	(52,173)	-	(10,894)	(135,321)	(84,432)
Impairment of advances	-	-	(44,109)	(38,957)	-	-	(44,109)	(38,957)
Profit before tax	**11,958**	**56,975**	**657,214**	**551,855**	**42,060**	**17,886**	**711,232**	**626,716**
Gross advances to customers	-	-	3,050,065	2,323,077	-	-	3,050,065	2,323,077
Impairment provisions	-	-	(15,426)	(24,197)	-	-	(15,426)	(24,197)
Net advances to customers	**-**	**-**	**3,034,639**	**2,298,880**	**-**	**-**	**3,034,639**	**2,298,880**
Segment assets	1,938,141	1,431,700	1,274,584	984,030	-	14,500	3,212,725	2,430,230
Borrowings	434,509	283,006	368,355	222,168	-	-	802,864	505,174
Segment liabilities	453,632	303,322	434,239	325,327	-	13,825	887,871	642,474

RATIO ANALYSIS ON GEOGRAPHIC SEGMENTS

Impairment charge to advances (%)	-	-	1.8%	1.7%	(1.4%)	2.1%	3.6%	4.5%
Advances to total assets (%)	-	-	99.7%	99.8%	93.1%	97.0%	93.8%	95.8%
Collection rates (%)	-	-	96.2%	98.0%	98.7%	99.0%	119.3%	100.0%
% of book on deduction code model	-	-	99.0%	99.0%	100.0%	100.0%	100.0%	100.0%
Customers employed by government (%)	-	-	95.0%	95.0%	100.0%	100.0%	100.0%	100.0%
Customers employed by parastatal or private sector (%)	-	-	5.0%	5.0%	-	-	-	-
Debt to equity (%) (Includes intercompany borrowings)	29.5%	25.1%	233.1%	23.2%	53.3%	49.5%	90.3%	96.1%
Cost to income ratio (%)	73.6%	46.5%	8.6%	6.2%	13.8%	12.6%	32.0%	31.2%

FOR THE YEAR ENDED 31 JANUARY 2012

Uganda 2012 P'000	Uganda 2011 P'000	Zambia 2012 P'000	Zambia 2011 P'000	Namibia 2012 P'000	Namibia 2011 P'000	Mozambique 2012 P'000	Mozambique 2011 P'000	Eliminations 2012	Eliminations 2011	Consolidated 2012 P'000	Consolidated 2011 P'000
40,734	28,917	3,632	11,757	129,044	102,069	22,470	-	-	-	922,317	786,102
-	-	-	-	42,060	28,338	-	-	-	-	58,535	28,338
1,915	2,517	1,156	158	688	442	32	797	-	-	10,107	8,716
42,649	31,434	4,788	11,915	171,792	130,849	22,502	797	-	-	990,959	823,156
(7,093)	(6,729)	(1,675)	(1,885)	(7,943)	(8,706)	(5,336)	(76)	-	-	(100,297)	(73,053)
(7,134)	(5,757)	(1,761)	(2,465)	(39,565)	(27,078)	(6,767)	(2,319)	-	-	(135,321)	(84,430)
(4,991)	(3,342)	2,041	(4,177)	(5,879)	2,028	(200)	-	-	-	(44,109)	(38,957)
23,431	**15,606**	**3,394**	**3,388**	**118,405**	**97,093**	**10,200**	**(1,598)**	**-**	**-**	**711,232**	**626,716**
										(133,433)	(153,379)
										577,799	**473,337**
130,459	98,922	9,355	11,587	537,037	339,231	159,486	79	-	-	3,050,065	2,323,077
(2,039)	(1,313)	(390)	(1,758)	(48)	(1,314)	(369)	-	-	-	(15,426)	(24,197)
128,420	**97,609**	**8,965**	**9,829**	**536,989**	**337,917**	**159,117**	**79**	**-**	**-**	**3,034,639**	**2,298,880**
130,847	**103,979**	**32,789**	**32,200**	**566,152**	**365,903**	**164,261**	**7,058**	**(1,853,159)**	**(1,378,590)**	**3,212,725**	**2,430,230**
62,925	43,156	7,043	9,451	-	-	12,073	-	-	-	802,864	505,174
125,440	**96,950**	**26,525**	**28,543**	**413,109**	**258,922**	**156,079**	**12,200**	**(1,853,159)**	**(1,377,462)**	**887,871**	**642,474**
4.4%	4.1%	(19.5%)	17.2%	1.3%	0.8%	(9.5%)	-			1.1%	1.9%
98.1%	93.9%	27.3%	30.5%	94.8%	92.4%	96.9%	1.1%			94.5%	94.6%
94.8%	98.0%	96.2%	94.0%	98.1%	100.0%	118.3%	-			103.1%	98.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-			99.0%	99.0%
100.0%	100.0%	100.0%	100.0%	97.0%	97.0%	-	-			96.0%	96.0%
-	-	-	-	3.0%	3.0%	-	-			4.0%	4.0%
118.5%	431.5%	27.9%	263.3%	38.0%	-	574.7%	-			35.4%	11.9%
33.4%	39.7%	55.3%	36.5%	27.7%	27.3%	59.2%	300.5%			23.9%	19.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

28 RELATED PARTY TRANSACTIONS

The Group identifies a related party if an entity or individual:

- directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the entity (this includes parent companies and subsidiaries);
- has an interest in the entity whether it gives it significant control or not;
- has control over the entity;
- is an associate company, joint venture or is jointly controlled; or
- is a member of key management personnel of the Group. Key management personnel comprise the Group Managing Director, the Group Risk and Compliance Director, the Group Chief Financial Officer, the Group Head Corporate Strategy and Communication, the Group Chief Information Officer and the Group Human Resources Manager.

The Company is listed on the Botswana Stock Exchange. Botswana Insurance Holdings Limited, Investec Asset Management (Proprietary) Limited, International Finance Corporation (IFC) and PAIP-PCAP-FMO Letshego Limited (PPFLL) (of which Netherlands Development Finance Company (FMO) is a shareholder) are shareholders of Letshego Holdings Limited and have transacted with Letshego Holdings Limited during the year. BIFM Capital Investment Fund (Proprietary) Limited and Botswana Life Insurance Limited are subsidiaries of Botswana Insurance Holdings Limited. Refer to the end of this report for details of their shareholding.

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
28.1 Income received from related parties				
- Botswana Insurance Holdings Limited - Commission fees (note 20)	2,807	4,698	-	-
- Botswana Insurance Holdings Limited - Administration fees (note 20)	2,456	4,111	-	-
- Botswana Insurance Holdings Limited - Finance charges (note 21)	293	188	-	-
- Interest income from subsidiaries (note 18)	-	-	126,506	114,593
- Management fees from subsidiaries (note 21)	-	-	15,544	22,192
- Management fees from Legal Guard (note 21)	694	1,901	694	1,901
- Guarantee fees from subsidiaries (note 21)	-	-	3,959	4,699
- Dividend from subsidiaries(note 21)	-	-	352,339	-
	6,250	**10,898**	**499,042**	**143,385**

On 1 May 2009, the underwriting arrangement for the insurance products offered by the Letshego Financial Services Botswana in respect of its customer loans and advances was moved to Botswana Life Insurance Limited. Botswana Life Insurance Limited is a shareholder in Letshego Holdings Limited. The terms and conditions of the insurance contract are on normal commercial terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

28 RELATED PARTY TRANSACTIONS (continued)

	GROUP		COMPANY	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
28.2 Expenses paid to related parties				
Interest paid to subsidiaries	-	-	-	1,532
Investec Asset Management (Proprietary) Limited				
- Interest (note 19)	7,287	7,289	-	-
BIFM Capital Investment Fund Two (Proprietary) Limited				
- Interest (note 19)	7,206	1,335	-	-
International Finance Corporation				
- Interest (note 19)	7,007	10,966	3,163	4,578
Netherlands Development Finance Company				
- Interest (note 19)	467	2,554	-	-
Interest expenses paid to related parties	21,967	22,144	3,163	4,578
Kingdom Zephyr Africa Management (Proprietary) Limited				
- Directors fees (note 23)	-	503	-	503
Botswana Insurance Holdings Limited				
- Directors fees (note 23)	194	240	-	-
Other operating expenses	**194**	**743**	**-**	**503**
28.3 Compensation paid to key management personnel (including executive directors)				
Paid during the period				
- For management services	8,426	7,678	8,426	7,678
- As performance incentive bonuses	5,950	5,590	5,950	5,590
- Pension fund contribution	289	264	289	264
- Long term incentive plan	15,590	9,850	15,590	6,324
	30,255	**23,382**	**30,255**	**19,856**
Advances to key management personnel				
Advances	**59**	**87**	**59**	**87**

No impairments have been recognised in respect of the above advances (2011: nil). Interest rates are in line with market interest rates. For all the above, normal credit checks are performed. The loans are unsecured.

28.4 Balances due from related parties				
Botswana Insurance Holdings Limited	-	-	-	56,668
Legal Guard	56	6	56	6
	56	**6**	**56**	**56,674**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

28 RELATED PARTY TRANSACTIONS (continued)

	GROUP		COMPANY	
	2012 P'000	**2011 P'000**	**2012 P'000**	**2011 P'000**
28.5 Balances due to related parties				
Letshego Guard (Proprietary) Limited and LGICL	-	-	-	13,668
Botswana Insurance Holdings Limited	10,517	13,202	-	-
	10,517	**13,202**	**-**	**13,668**

Letshego Guard (Proprietary) Limited and Letshego Guard Insurance Limited (dormant company) were sold to Botswana Insurance Holdings Limited as at 31 January 2010.

28.6 Borrowings from related parties - Refer note 12

28.7 Loans to subsidiary companies - Refer note 7

28.8 Credit Life Insurance

During the financial year under review Letshego Financial Services (Proprietary) Limited, transferred its credit life insurance policy from Regent Botswana Limited to Botswana Life Insurance Limited, a subsidiary of Botswana Insurance Holdings Limited under commercial terms and at arms length.

29 OPERATING LEASE COMMITMENTS

Where a group company is the lessee, the future minimum lease payments under non-cancellable building operating leases are as follows:

No later than 1 year	7,450	5,190	1,678	1,548
Later than 1 year and no later than 5 years	8,740	11,679	4,610	6,288
	16,190	**16,869**	**6,288**	**7,836**

30 SUBSEQUENT EVENTS

Botswana

The Non-Bank Financial Institutions' Regulatory Authority ("NBFIRA") was formulated by an Act of Parliament in 2008. NBFIRA fee regulations were approved by Cabinet on 15 December 2011 and published in the Government Gazette on 17 February 2012. These include semi-annually payable supervisory levies, with a first payment date of 30 April 2012. The levy will be calculated monthly based on the company's total loan book outstanding at the end of each month in a financial year at 0.5% per annum. Regulations for the micro-lending industry were published in the Government Gazette taking effect on 9 March 2012. These are not expected to have a material effect on the Company.

Micro Africa Limited acquisition

The sale agreement for the acquisition of Micro Africa Limited was signed during February 2012 and regulatory clearance from the Kenya Compettition Authority is awaited. This is the final condition precedent to concluding the transaction.

There were no significant subsequent events requiring disclosure in, or adjustment of, these financial statements, other than the above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

31 IFRS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of the financial statements of the entity for the year ended 31 January 2012, the following Standards and Interpretations were in issue but not yet effective:

Standard/ Interpretation	Short title	Effective date
IFRS 7 (revised)	Financial Instruments : Disclosures	Annual periods beginning on or after 1 July 2011.
IAS 12 (revised)	Income Tax	Annual periods beginning on or after 1 January 2012.
IAS 1 (revised)	Presentation of Financial Statements	Annual periods beginning on or after 1 July 2012.
IFRS 13	Fair Value Measurement	Annual periods beginning on or after 1 January 2013.
IFRS 9	Financial instruments	Annual periods beginning on or after 1 January 2015.
IFRS 10	Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013.
IFRS 12	Disclosure of Interests in Other Entities	Annual periods beginning on or after 1 January 2013.
IFRS 11	Joint Arrangements	Annual periods beginning on or after 1 January 2013.
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine:	Annual periods beginning on or after 1 January 2013.
IAS 28 (revised)	Investments in Associates and Joint Ventures	Annual periods beginning on or after 1 January 2013.
IAS 27 (revised)	Separate Financial Statements	Annual periods beginning on or after 1 January 2013.
IAS 19 (revised)	Employee Benefits	Annual periods beginning on or after 1 January 2013.

The following of the above Standards and Interpretations are not applicable to the business of the entity and will therefore have no impact on future financial statements.

- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine.
- IAS 28 (revised) – Investments in Associates and Joint Ventures.
- IAS 19 (revised) – Employee Benefits

The directors are of the opinion that the application of the remaining Standards and Interpretations will significantly impact the Group as follows:

IFRS 7 (revised): Financial Instruments: Disclosures

IFRS 7 (revised) will be adopted by the entity for the first time for its financial reporting period ending 31 January 2013. The standard will be applied retrospectively. IFRS 7(revised) requires a reporting entity to additionally disclose the transfer of financial assets that are not derecognised entirely or derecognised entirely but for which the entity retains continuing involvement. This amendment will be applied retrospectively and the comparative information will be restated.

IAS 1 (revised): Presentation of Financial Statements

IAS 1 (revised) will be adopted by the entity for the first time for its financial reporting period ending 31 January 2014. The standard will be applied retrospectively. IAS 1 (revised) amendment requires an entity to present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related taxation effects for the two sub-categories have to be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. This amendment will be applied retrospectively and the comparative information will be restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2012

31 IFRS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE (continued)

IFRS 13: Fair Value Measurement

IFRS 13 will be adopted by the entity for the first time for its financial reporting period ending 31 January 2014. The standard will be applied prospectively and comparatives will not be restated. The standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in the standard are as follows:

- Fair value is an exit price;
- Measurement considers characteristics of the asset or liability and not entity-specific characteristics;
- Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;
- Price is not adjusted for transaction costs; and
- Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs.
- The three-level fair value hierarchy is extended to all fair value measurements.

IFRS 9: Financial instruments

IFRS 9 will be adopted by the entity for the first time for its financial reporting period ending 31 January 2016. The standard will be applied retrospectively, subject to transitional provisions. IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The impact on the financial statements for the entity is not estimated to be significant as its most material financial instruments are loans and advances to customers and term borrowings, both of which are currently recognised and measured on the amortised cost basis.

FIVE YEAR FINANCIAL HISTORY

FOR THE YEAR ENDED 31 JANUARY 2012

GROUP	2012 P'000	2011 P'000	2010 P'000	2009 P'000	2008 P'000
STATEMENTS OF FINANCIAL POSITION					
Assets					
Cash and cash equivalents	73,612	51,848	104,462	5,165	9,201
Advances to customers	3,034,639	2,298,880	1,682,257	1,342,557	787,926
Short term investments	24,187	12,593	-	-	-
Other receivables (including long term receivables)	29,850	19,159	82,907	8,453	3,050
Plant and equipment	9,513	7,045	6,610	7,152	4,384
Intangible assets	3,291	306	553	596	991
Goodwill	27,824	27,824	25,760	25,760	-
Deferred taxation	9,809	12,575	12,872	11,338	6,367
Total assets	**3,212,725**	**2,430,230**	**1,915,421**	**1,401,021**	**811,919**
Liabilities					
Trade and other payables	70,732	109,200	129,698	80,114	31,109
Taxation payable	14,275	28,100	38,769	5,042	12,818
Borrowings	802,864	505,174	377,638	644,385	306,725
Total liabilities	**887,871**	**642,474**	**546,105**	**729,541**	**350,652**
Shareholders' equity					
Stated capital	669,876	412,814	396,019	35,092	35,092
Foreign currency translation reserve	(32,521)	(9,774)	827	4,439	(1,449)
Share based payment reserve	15,654	12,545	18,287	10,588	3,923
Retained earnings	1,617,969	1,334,016	932,365	616,948	422,107
Total equity attributable to equity holders of the Group	2,270,978	1,749,601	1,347,498	667,067	459,673
Non-controlling interest	53,876	38,155	21,818	4,413	1,594
Total equity	**3,212,725**	**2,430,230**	**1,915,421**	**1,401,021**	**811,919**

FIVE YEAR FINANCIAL HISTORY

FOR THE YEAR ENDED 31 JANUARY 2012

GROUP	2012 P'000	2011 P'000	2010 P'000	2009 P'000	2008 P'000
STATEMENTS OF COMPREHENSIVE INCOME					
Interest income	900,514	721,900	588,836	398,311	278,357
Interest expense	(65,395)	(42,959)	(50,935)	(72,196)	(34,485)
Net interest income	**835,119**	**678,941**	**537,901**	**326,115**	**243,872**
Premium income	64,243	30,696	-	-	-
Insurance fees	(5,708)	(2,358)	-	-	-
Net interest and insurance income	**893,654**	**707,279**	**537,901**	**326,115**	**243,872**
Fee and commission income	87,198	107,161	118,444	87,827	64,788
Other operating income	10,107	8,716	46,835	4,621	5,655
Total income	**990,959**	**823,156**	**703,180**	**418,563**	**314,315**
Operating expenses					
Employee benefits	(100,297)	(73,051)	(80,266)	(54,522)	(44,037)
Other operating costs	(113,367)	(73,538)	(67,517)	(45,930)	(37,170)
Claims expense	(21,268)	(8,069)	-	-	-
Insurance claim mitigation reserve	(686)	(2,825)	-	-	-
Operating income before impairment	**755,341**	**665,673**	**555,397**	**318,111**	**233,108**
Impairment loss	(44,109)	(38,957)	(50,191)	(29,421)	(15,666)
Operating income before taxation	711,232	626,716	505,206	288,690	217,442
Taxation	(133,433)	(153,379)	(125,206)	(69,626)	(48,481)
Net income for the period	**577,799**	**473,337**	**380,000**	**219,064**	**168,961**
Appropriations					
Dividends	(273,647)	(55,242)	(54,743)	(21,216)	(36,291)
Retained income	**304,152**	**418,095**	**325,257**	**197,848**	**132,670**
Attributable to :					
Equity holders of the parent company	555,944	456,893	370,160	216,057	167,229
Non-controlling interests	21,855	16,444	9,840	3,007	1,732
	577,799	**473,337**	**380,000**	**219,064**	**168,961**

In 2007, the Group changed its financial year end from October to January. As a consequence 2008 was a 15 month period. All other periods are 12 months.

GROUP VALUE ADDED STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012

		GROUP		COMPANY
	2012	**2011**	**2012**	**2011**
	P'000	**P'000**	**P'000**	**P'000**
Value added				
Value added is the wealth the company has created by providing loans to clients				
Interest income	964,757	752,596	128,827	119,069
Cost of services	(71,103)	(45,317)	(38,369)	(14,555)
Value added services	893,654	707,279	90,458	104,514
Fee and commission income	87,198	107,161	-	-
Other operating income	10,107	8,716	374,997	28,792
Other operating costs	(131,547)	(81,222)	(21,007)	(16,704)
Impairment provision increase	(44,109)	(38,957)	-	-
	815,303	**702,977**	**444,448**	**116,602**
Value allocated				
To employees				
Staff costs	100,297	73,051	46,477	27,149
To expansion and growth				
Retained income	304,151	418,095	97,280	26,666
Depreciation	3,386	2,878	1,098	813
Amortisation	389	332	195	332
Deferred tax	2,766	297	754	(3,839)
Other taxes	-	362	-	362
	310,692	421,964	99,327	24,334
To Government				
Taxation	130,667	152,720	24,997	9,877
To providers of capital				
Dividends to shareholders	273,647	55,242	273,647	55,242
	815,303	**702,977**	**444,448**	**116,602**
Summary	%	%	%	%
Employees	12.3	10.4	10.5	23.3
Expansion and growth	38.1	60.0	22.1	20.9
Government	16.1	21.7	5.7	8.5
Providers of capital	33.5	7.9	61.7	47.3
	100.0	**100.0**	**100.0**	**100.0**

ANALYSIS OF SHAREHOLDING

FOR THE YEAR ENDED 31 JANUARY 2012

Top ten shareholders	2012 Shares held ('000) Number	%	2011 Shares held ('000) Number	%
• Botswana Life Insurance Ltd	506,347	25.5	303,333	16.5
• PAIP-PCAP-FMO Letshego Limited	77,419	3.9	241,284	13.1
• Stanbic Nominees Botswana (Pty) Ltd - Botswana Public Officers Pension Fund (Bifm)	155,370	7.8	170,307	9.2
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd - Fleming Asset Management - 3582376	150,274	7.6	131,223	7.1
• Stanbic Nominees Botswana (Pty) Ltd - Botswana Insurance Fund Management Limited	128,840	6.5	126,705	6.9
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd - Investec Asset Management - 030/14	116,411	5.9	108,795	5.9
• International Finance Corporation	81,889	4.1	105,492	5.7
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd - SSB 001/1	76,271	3.8	71,138	3.9
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd - SQM Frontier Africa Master Fund - SSB 001/224	63,939	3.2	45,089	2.4
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd - State Street Bank (USA) - 001/111	47,220	2.4	45,192	2.5
	1,403,980	70.7	1,348,558	73.2
Other corporate entities, nominees and trusts and individuals	581,018	29.3	492,865	26.8
Total	**1,984,998**	**100.0**	**1,841,423**	**100.0**

Directors' shareholdings	2012 Shares held ('000) Number Total	%	2011 Shares held ('000) Number Total	%
• C M Lekaukau	1,070	0.1	1,000	0.1
• J A Claassen	8,510	0.4	4,779	0.3
• D Ndebele	6,122	0.3	4,600	0.2
	15,702	**0.8**	**10,379**	**0.6**

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 13 Annual General Meeting of the shareholders of Letshego Holdings Limited will be held at Gaborone Sun Hotel on Tuesday 31 July 2012 at 4.30 p.m, with registration to commence at 4.00.p.m, for the following purposes:

Ordinary business
To consider and adopt the following ordinary resolutions :

1. Resolution 1
To receive, consider and adopt the annual financial statements for the year ended 31 January 2012 together with the directors' and auditor's reports thereon.

2. Resolution 2
To ratify the dividends declared and paid during the period being a first and final dividend of two and a half thebe per share paid to shareholders on or around 25 May 2012.

3. Resolution 3
To confirm the following appointments of directors:

Messrs JA Claassen, D Ndebele and C M Lekaukau who retire in accordance with Article 19.9 of the Constitution and, being eligible, offer themselves for re-election

4. Resolution 4
To approve the remuneration of the directors for the past financial period.

5. Resolution 5
To approve the remuneration of the auditors for the past financial period.

6. Resolution 6
To appoint KPMG as auditors for the ensuing year.

7.To transact other business which may be transacted at an Annual General Meeting.

Proxies
A shareholder entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a shareholder. Proxy forms should be deposited at Letshego Holdings Limited, 1st Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P.O. Box 381, Gaborone, not less than 48 hours before the meeting.

By order of the board

D Ndebele
Secretary

29 June 2012

NOTES

LETSHEGO HOLDINGS LIMITED

Republic of Botswana
Registration number : Co. 98/442
Date of incorporation : 4 March 1998

FORM OF PROXY

For completion by holders of ordinary shares
(PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

For use at the Annual General Meeting of ordinary shareholders of the Company to be held at The Gaborone Sun Hotel on Tuesday 31 July 2012 at 4.30 p.m. Registration commences at 4.00 p.m.

I/We____
(name/s in block letters)
of_(address)____
being a member of Letshego Holdings Limited hereby appoint (see note 2)

Appoint (see note 2):
1.____or failing him/her,
2.____or failing him/her,
3. The Chairman of the meeting,
as my/our proxy to act for me/us at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instructions (see note 2):

	Number of Ordinary Shares		
	For	**Against**	**Abstain**
Ordinary resolution number 1 Ordinary resolution number 2			
Ordinary resolution number 3			
Ordinary resolution number 4			
Ordinary resolution number 5			
Ordinary resolution number 6			

Signed at ______________________on______________________2012

Signature
Assisted by (where applicable)____
Each Shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that Shareholder at the Annual General Meeting.

Please read the notes on the reverse side hereof.

NOTES

1. A shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting ". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to The Secretary, Letshego Holdings Limited, 1st Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, PO Box 381, Gaborone to be received not less than 48 hours before the Annual General Meeting (i.e. not later than 5.00 p.m. Friday 28 July 2012).

4. The completion and lodging of this form will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.

5. The Chairman of the Annual General Meeting may -reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.

6. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

8. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

9. Where ordinary shares are held jointly, all joint shareholders must sign.

10. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

GROUP CORPORATE INFORMATION

Letshego Holdings Limited is incorporated in the Republic of Botswana

Registration number: Co. 98/442
Date of incorporation: 4 March 1998
A publicly listed commercial entity whose liability is limited by shares

Company Secretary and Registered Office
D. Ndebele
Letshego Place
First floor
22 Khama Crescent
Gaborone

Independent External Auditors
KPMG
Plot 67977
Fairground Office Park
Gaborone

Transfer Secretaries
PricewaterhouseCoopers (Proprietary) Limited
Plot 50371
Fairground Office Park
Gaborone

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

Bankers
African Banking Corporation Tanzania Limited
Banc ABC Botswana Limited
Barclays Bank of Botswana Limited
First National Bank of Botswana Limited
First National Bank of Namibia Limited
First National Bank of Mozambique Limited
First National Bank of Swaziland
First National Bank of Zambia
National Microfinance Bank Tanzania Limited
Millenium BIM
Stanbic Bank Botswana
Stanbic Bank Uganda
Standard Chartered Bank Botswana Limited
Standard Chartered Bank Tanzania Limited
Standard Chartered Bank Uganda Limited
Standard Chartered Bank Zambia Limited
United Bank of Africa Tanzania
United Bank of Africa Uganda
United Bank of Africa Zambia

Letshego

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