

LETSHEGO HOLDINGS (NAMIBIA) LIMITED

Incorporated in the Republic of Namibia
Registration Number 2016/0145
ISIN: NA000A2DVV41
SHARE CODE (NSX): LHN



UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Board of Directors of Letshego Holdings (Namibia) Limited ("LHN/the Group") is pleased to present an extract of the unaudited consolidated results for the half year ended 30 June 2020.

OVERVIEW OF FINANCIAL PERFORMANCE

Against the backdrop of a challenging and increasingly competitive environment, Letshego realised negative growth in both revenue and profits. These declines were mainly driven by yield compression as overall interest rates on advances declined. At the same time, revenues from cell captive arrangements declined due to higher loan write-offs as well as reduced insurance default cover premiums. Although growth in operational expenses was minimal at 3%, this was out-weighted by the significant drop in revenue.

FINANCIAL HIGHLIGHTS (HALF YEAR 2020 AGAINST HALF YEAR 2019)

- Total revenue decreased by 23% (2019: 4% increase), and Advances to customers grew by 18% (2019: 7%).
- Staff and operational expenses increased by 3% (2019: 7%), due to cost containment initiatives.
- Cost to income ratio increased to 33% from 24% in 2019, as a result of the decline in total revenue.
- Impairment charge for the period was NAD11.4m (2019: NAD9.9m), translating to a loan loss ratio (against average gross advances) of 0.4% (2019: 0.4%).
- Profit after tax was NAD148m (2019: NAD235m), a decrease of 37% (2019: 2% increase).
- Return on average equity was 11% (2019: 17%) and Return on average assets was 9% (2019: 15%).
- Earnings and headline earnings per share of 30 cents (2019: 47 cents) were achieved, a decrease of 36% (2019: 2% increase).
- As per existing dividend practice, no interim dividend is being declared.

NON-FINANCIAL HIGHLIGHTS

- Transactional LetsGo accounts increased by 59% from 12,590 as at 31 December 2019 to 19,973 as at 30 June 2020. This mirrors the growth in retail deposits from N\$43 million at 31 December 2019 to N\$65 million at 30 June 2020.
- Contributions to Covid-19 assistance amounted to N\$700,000 to the Government Relief Fund, N\$100,000 earmarked for staff assistance and N\$300,000 promised for further Covid'19 relief during the 2020 financial year.
- Letshego Namibia embarked on formal agreements with our four Strategic Social Investment partners with expected annual contributions from Letshego being N\$627,500 in 2020 and N\$878,000 during 2021.

BOARD AND EXECUTIVE CHANGES

Ms Mythri Sambasivan-George stepped down as a Director on 24 April 2020. A suitable replacement has been identified and their appointment will be announced after the relevant regulatory approvals have been obtained. Mr Gregory Madhimba who served as the Chief Financial Officer resigned effective 15 August 2020. We would like to thank him for his immense contribution to the Letshego Group and we wish him the best of success in his future endeavours.

PROSPECTS

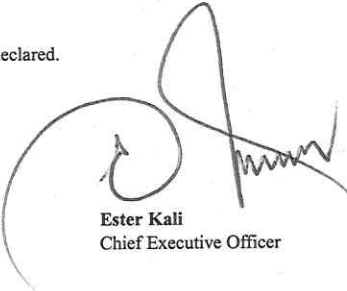
As the COVID-19 pandemic continues to unravel, economic conditions are anticipated to remain depressed over the medium term. In the existing low interest rate environment, margins are expected to be under pressure. During this period, Letshego will focus on accelerating its digitisation agenda in order to harness operational efficiencies as well as extend its reach to its customer base while enhancing the customer experience. To ensure sustainability during these turbulent times, Letshego is focusing on strengthening its competencies in the existing core business, improving organisational agility, cost discipline and refreshing its organisational design and approach to innovation. Deposit mobilisation initiatives will continue as Letshego grows its deposit base. While the Group remains committed to delivering shareholder returns, the existing business environment calls for a more prudent approach in the preservation of capital. As such, Letshego's approach to the road ahead will be underpinned by ensuring that the Group's capital is adequate to absorb potential shocks from the operating environment.

DIVIDEND

As per existing dividend practice, no interim ordinary dividend is being declared.

For and on behalf of the Board of Directors:


Maryvonne Palanduz
Chairperson


Ester Kali
Chief Executive Officer

Windhoek, 01 September 2020

LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED INTERIM RESULTS
for the six months ended 30 June 2020

COMPANY INFORMATION

Registration number: 2016/0145

Registered address: 18 Schwerinsburg Street
PO Box 11600
Windhoek, Namibia

Auditor: PricewaterhouseCoopers
PO Box 1571
Windhoek, Namibia

Sponsoring Broker: IJG Securities (Pty) Ltd
PO Box 186
Windhoek, Namibia

Transfer Secretary: Transfer Secretaries (Pty) Ltd
PO Box 2401
Windhoek, Namibia

LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	% change	30 Jun 2020 (Unaudited) NAD'000	30 Jun 2019 (Unaudited) NAD'000	31 Dec 2019 (Audited) NAD'000
ASSETS					
Cash and cash equivalents	1		139,406	213,107	147,586
Financial assets at amortised cost	2		14,518	-	13,979
Other receivables	3		103,779	126,590	202,409
Advances to customers	4	18%	3,141,168	2,662,740	2,935,341
Current taxation			13,838	22,638	23,826
Property, equipment and right-of-use assets	5		24,942	29,601	31,672
Deferred tax assets **	6		17,668	15,104	17,826
Total assets			3,455,319	3,069,780	3,372,639
LIABILITIES AND EQUITY					
Liabilities					
Deposits due to customers	7		66,033	14,150	43,361
Trade and other payables	8		95,747	54,877	50,288
Lease liabilities	9		10,729	12,280	14,207
Borrowings	10		286,630	233,574	290,772
Intercompany payables	11		155,480	110,022	140,952
Deferred tax liabilities **	6		17,485	19,303	18,959
Total liabilities			632,104	444,206	558,539
Shareholders' equity					
Share capital	12		100	100	100
Retained earnings			1,439,928	1,243,324	1,430,489
Capital reorganisation reserve			701,024	701,024	701,024
Equity settled share based payment reserve			1,820	1,599	2,144
Total equity attributable to equity holders of the parent company			2,142,872	1,946,047	2,133,757
Non-controlling interest			680,343	679,527	680,343
Total equity			2,823,215	2,625,574	2,814,100
Total liabilities and equity			3,455,319	3,069,780	3,372,639

** The net of the Group's deferred tax assets and liabilities was previously presented under a single line item. During 2019, the Group has disclosed the deferred tax assets and the deferred tax liabilities separately.

LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 30 JUNE 2020

	Note	% change	Six months ended		Year ended
			30 Jun 2020 (Unaudited) NAD'000	30 Jun 2019 (Unaudited) NAD'000	31 Dec 2019 (Audited) NAD'000
Interest income calculated using the effective interest income method	13	-2%	310,629	316,421	625,198
Interest expense	14		(22,135)	(21,077)	(36,618)
Net interest income			288,494	295,344	588,580
Credit impairment release / (charge)	18		(11,371)	(9,867)	(9,236)
Net interest income after impairment		-3%	277,123	285,477	579,344
Fee income			2,070	850	2,102
Other operating income	15		33,429	130,458	229,999
Employee benefits	16		(36,267)	(29,925)	(63,889)
Other operating expenses	17		(69,306)	(72,756)	(149,954)
Operating profit before taxation		-34%	207,049	314,104	597,602
Taxation			(59,454)	(79,026)	(146,497)
Profit for the period		-37%	147,595	235,078	451,105
Other comprehensive income, net of tax			-	-	-
Total comprehensive income for the period			147,595	235,078	451,105
Weighted average number of shares in issue during the period (millions)			500	500	500
Basic earnings per share (cents)			30	47	90
Basic earnings per share - diluted (cents)			30	47	90
Headline earnings per share (cents)			30	47	90
Headline earnings per share - diluted (cents)			30	47	90
Net Asset Value per share (cents)			565	525	563

RATIOS

	30 Jun 2020 (Unaudited)	30 Jun 2019 (Unaudited)	31 Dec 2019 (Audited)
Return on average assets (%)	9.0%	15.4%	13.2%
Return on average equity (%)	10.8%	17.4%	15.9%
Cost to income (%)	32.6%	24.1%	26.1%
Debt to equity (%)	15.7%	13.1%	15.3%

CAPITAL ADEQUACY

Consolidated group capital adequacy

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Tier 1	76.2%	75.0%	95.9%
Tier 2	4.8%	20.1%	19.9%
Total	81.0%	95.1%	115.8%
Tier 1 leverage ratio	77.0%	67.8%	69.1%

LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020

	Share capital NAD'000	Equity settled share based payment reserve NAD'000	Retained earnings NAD'000	Capital reorganisation reserve NAD'000	Ordinary shareholders' reserve NAD'000	Non-controlling interest * NAD'000	Total equity NAD'000
Balance as at 1st January 2019	100	1,072	1,162,815	701,024	1,865,011	1,010,343	2,875,354
Total comprehensive income for the period							
Profit and total comprehensive income for the period	-	-	235,078	-	235,078	-	235,078
Ordinary share dividend paid	-	-	(117,500)	-	(117,500)	-	(117,500)
Preference share dividend paid	-	-	(37,069)	-	(37,069)	-	(37,069)
Preference shares issued	-	-	-	-	-	-	-
Preference shares redeemed	-	-	-	-	-	(330,816)	(330,816)
Transactions with equity holders, recorded directly in equity							
Share based payment transactions	-	527	-	-	527	-	527
Balance as at 30 June 2019	100	1,599	1,243,324	701,024	1,946,047	679,527	2,625,574
Total comprehensive income for the period							
Profit and total comprehensive income for the period	-	-	216,027	-	216,027	-	216,027
Transactions with equity holders, recorded directly in equity							
Ordinary share dividend paid	-	-	-	-	-	-	-
Preference share dividend paid	-	-	(28,862)	-	(28,862)	-	(28,862)
Preference shares redeemed	-	-	-	-	-	816	816
Transactions with equity holders, recorded directly in equity							
Share based payment transactions	-	545	-	-	545	-	545
Balance as at 31 December 2019	100	2,144	1,430,489	701,024	2,133,757	680,343	2,814,100
Total comprehensive income for the period							
Profit and total comprehensive income for the period	-	-	147,595	-	147,595	-	147,595
Ordinary share dividend paid	-	-	(112,500)	-	(112,500)	-	(112,500)
Preference share dividend paid	-	-	(25,656)	-	(25,656)	-	(25,656)
Preference shares redeemed	-	-	-	-	-	-	-
Transactions with equity holders, recorded directly in equity							
Share based payment transactions	-	(324)	-	-	(324)	-	(324)
Balance as at 30 June 2020	100	1,820	1,439,928	701,024	2,142,872	680,343	2,823,215

* The Non-controlling interest relates to the preference share holders who do not share in the profit. As at 30 June 2020, the balance is made up of N\$215,084,843 irredeemable, non cumulative preference shares (2018: N\$215,084,843) and N\$465,258,163 redeemable non-cumulative preference shares (2018: N\$465,258,163). The non-cumulative preference shares were originally created by converting a loan from Letshego Holdings Limited into non-cumulative preference shares. This transaction was ratified by the minority shareholders of LHN and is pending approval by the High Court.

LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE PERIOD ENDED 30 JUNE 2020

	Note	Six months ended		Year ended
		30 Jun 2020 (Unaudited) NAD'000	30 Jun 2019 (Unaudited) NAD'000	31 Dec 2019 (Audited) NAD'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit before taxation		207,049	314,104	597,602
Adjusting items of a non-cash nature:				
Net interest income		(288,494)	(295,344)	(588,580)
Depreciation		7,152	5,742	12,856
Impairment allowance on advances		-	18,959	5,945
Equity settled share based payment transactions		(324)	527	1,072
Movement in working capital and other changes		(39,671)	(174,681)	(502,772)
Interest received		310,090	316,421	625,198
Interest paid - customer deposits		(6,443)	(2,259)	(5,794)
Tax paid		(50,782)	(79,419)	(151,144)
Net cash generated from operating activities		138,577	104,050	(5,617)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment (excluding right-of-use assets)		(1,447)	(11,778)	(17,116)
Net cash used in investing activities		(1,447)	(11,778)	(17,116)
CASH FLOWS FROM FINANCING ACTIVITIES				
Preference shares redeemed		-	(330,816)	(330,000)
Ordinary share dividend paid		(112,500)	(117,500)	(117,500)
Preference share dividend paid		(25,656)	(37,069)	(65,932)
Preference shares issued				
Net receipts / (payments) on borrowings		(4,142)	(109,736)	(50,279)
Interest paid - borrowings and lease liabilities		(14,062)	(18,818)	(30,823)
Net receipts / (payments) on intercompany loans		14,528	(13,377)	17,553
Principal element of lease payments		(3,478)	(2,709)	(3,560)
Net cash utilised in financing activities		(145,310)	(630,025)	(580,541)
Net movement in cash and cash equivalents		(8,180)	(537,753)	(603,274)
Cash and cash equivalents at the beginning of the period		147,586	750,860	750,860
Cash and cash equivalents at the end of the period	1	139,406	213,107	147,586

LETSHEGO HOLDINGS (NAMIBIA) LIMITED GROUP
UNAUDITED CONSOLIDATED INTERIM RESULTS
CONDENSED NOTES TO THE CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	30 Jun 2020 (Unaudited) NAD'000	30 Jun 2019 (Unaudited) NAD'000	31 Dec 2019 (Audited) NAD'000				
1. Cash and cash equivalents							
Cash and balances with banks	137,774	150,307	126,062				
Money market placements	1,632	62,800	21,524				
	<u>139,406</u>	<u>213,107</u>	<u>147,586</u>				
2. Financial assets at amortised cost							
Treasury bills	14,518	-	13,979				
- Net financial assets at amortised cost	<u>14,518</u>	<u>-</u>	<u>13,979</u>				
3. Other receivables							
Financial	87,318	118,898	188,180				
Non-financial	16,461	7,692	14,229				
	<u>103,779</u>	<u>126,590</u>	<u>202,409</u>				
4. Advances to customers							
Gross advances to customers	3,180,549	2,694,763	2,963,419				
Less: Expected credit loss allowance	(39,381)	(32,023)	(28,078)				
	<u>3,141,168</u>	<u>2,662,740</u>	<u>2,935,341</u>				
5. Property, plant and equipment							
	Furniture and fittings NAD'000	Office equipment NAD'000	Computer equipment NAD'000	Motor vehicles NAD'000	Leasehold improvements NAD'000	Right-of-use assets NAD'000	Total NAD'000
Carrying amount at 01 January 2019	747	1,775	5,690	270	1,162	-	9,644
Additions	71	191	11,281	-	235	-	11,778
IFRS 16 initial adoption adjustment	-	-	-	-	-	13,921	13,921
Depreciation charge	(251)	(504)	(2,470)	(61)	(329)	(2,127)	(5,742)
Carrying amount at 30 June 2019	<u>567</u>	<u>1,462</u>	<u>14,501</u>	<u>209</u>	<u>1,068</u>	<u>11,794</u>	<u>29,601</u>
Additions	855	731	2,913	-	839	3,847	9,185
Depreciation charge	(219)	(581)	(3,405)	(60)	(373)	(2,476)	(7,114)
Carrying amount at 31 December 2019	<u>1,203</u>	<u>1,612</u>	<u>14,009</u>	<u>149</u>	<u>1,534</u>	<u>13,165</u>	<u>31,672</u>
Additions	21	395	250	-	781	(1,025)	422
Depreciation charge	(207)	(498)	(3,367)	(46)	(385)	(2,649)	(7,152)
Carrying amount at 30 June 2020	<u>1,017</u>	<u>1,509</u>	<u>10,892</u>	<u>103</u>	<u>1,930</u>	<u>9,491</u>	<u>24,942</u>
					30 Jun 2020 (Unaudited) NAD'000	30 Jun 2019 (Unaudited) NAD'000	31 Dec 2019 (Audited) NAD'000
6. Deferred taxation							
Deferred tax assets							
<i>The balance comprises:</i>							
- Provisions					16,286	13,862	15,290
- Share based payments					641	570	686
- Income received in advance					741	672	1,850
					<u>17,668</u>	<u>15,104</u>	<u>17,826</u>
Deferred tax liabilities							
<i>The balance comprises:</i>							
- Property, equipment and right-of-use assets					(4,539)	(5,675)	(6,192)
- Prepayments and deferred expenses					(4,081)	(2,544)	(3,243)
- EIR adjustment					(8,865)	(11,084)	(9,524)
					<u>(17,485)</u>	<u>(19,303)</u>	<u>(18,959)</u>
7. Deposits due to customers							
Current accounts					36,055	3,126	32,824
Term deposits					29,978	11,024	10,537
					<u>66,033</u>	<u>14,150</u>	<u>43,361</u>
8. Trade and other payables							
Trade and other payables					79,665	42,414	25,377
Other provisions					1,609	662	8,390
Payroll related accruals					11,609	7,728	12,371
Value added tax / withholding tax payable					2,864	4,073	4,150
					<u>95,747</u>	<u>54,877</u>	<u>50,288</u>

LETSHEGO HOLDINGS (NAMIBIA) LIMITED GROUP
UNAUDITED CONSOLIDATED INTERIM RESULTS
CONDENSED NOTES TO THE CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	30 Jun 2020 (Unaudited) NAD'000	30 Jun 2019 (Unaudited) NAD'000	31 Dec 2019 (Audited) NAD'000
9. Lease liabilities			
Current	4,236	6,023	4,679
Non-current	6,493	6,257	9,528
	<u>10,729</u>	<u>12,280</u>	<u>14,207</u>
10. Borrowings			
Commercial banks	286,630	233,574	290,772
	<u>286,630</u>	<u>233,574</u>	<u>290,772</u>
11. Intercompany payables			
Letshego Holdings Limited	153,223	106,844	138,695
Erf 8585 (Pty) Ltd	2,257	3,178	2,257
	<u>155,480</u>	<u>110,022</u>	<u>140,952</u>
12. Share capital			
Issued: 500,000,000 ordinary shares of 0.02 cents each (2018: 500,000,000 ordinary shares of 0.02 cents each)	<u>100</u>	<u>100</u>	<u>100</u>
13. Interest income calculated using the effective interest income method			
Advances to customers	302,480	300,714	599,896
Deposits with banks	8,149	15,707	25,302
	<u>310,629</u>	<u>316,421</u>	<u>625,198</u>
14. Interest expense			
Intercompany payables and term loans	22,135	21,077	36,618
	<u>22,135</u>	<u>21,077</u>	<u>36,618</u>
15. Other operating income			
Dividend income - cell captive	33,429	130,458	229,999
	<u>33,429</u>	<u>130,458</u>	<u>229,999</u>
16. Employee benefits			
Salaries and wages	26,758	21,803	46,970
Pension fund and medical aid contributions	3,981	3,125	6,848
Staff incentive	5,528	4,997	10,071
	<u>36,267</u>	<u>29,925</u>	<u>63,889</u>
17. Other operating expenses			
Sales related expense	5,115	5,298	10,048
Auditors remuneration	517	1,284	2,369
Collection fees	12,828	18,324	37,177
Consulting and secretarial	3,366	4,403	7,569
Management fees	16,357	15,258	34,739
Depreciation (note 4)	7,086	5,742	12,882
Directors' remuneration - for services as directors	909	885	1,822
Computer related expenses	1,618	1,517	2,295
Office rental	1,467	765	2,358
Travel and accommodation	926	905	2,519
Social responsibility projects	1,131	515	1,164
Guarantee fees	2,238	2,401	4,670
Telephone & Fax	1,686	1,388	2,918
Subscriptions and licences	4,522	3,748	7,865
VAT expense	4,288	6,127	9,652
Other operational expenses	5,252	4,196	9,907
	<u>69,306</u>	<u>72,756</u>	<u>149,954</u>

LETSHEGO HOLDINGS (NAMIBIA) LIMITED GROUP
UNAUDITED CONSOLIDATED INTERIM RESULTS
CONDENSED NOTES TO THE CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	30 Jun 2020 (Unaudited) NAD'000	30 Jun 2019 (Unaudited) NAD'000	31 Dec 2019 (Audited) NAD'000
18. Credit impairment (release) / charge			
Amounts written off	85,058	44,501	105,673
Recoveries during the period	(84,990)	(53,593)	(102,382)
Impairment adjustment	11,303	18,959	5,945
	<u>11,371</u>	<u>9,867</u>	<u>9,236</u>

19. Significant changes in the current reporting period

Although the local economic conditions and the effects of the COVID-19 pandemic have affected market confidence and consumer spending patterns, the group will continue to focus on its digitisation agenda in order to expand its customer reach and improve efficiencies. There were no new activities, events or transactions that are significant to an understanding of the changes in the financial position and performance of the entity since the last annual reporting date.

20. Segment information

The group considers its banking and other financial services operations as one operating segment. There are no other components. This is in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the Chief Executive Officer of the group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

21. Events occurring after the reporting period

There are no significant reportable events that have occurred since the end of the reporting period.

22. Related party transactions

Interest paid to related parties	-	-	9
Guarantee fees paid to related parties	2,238	2,401	4,670
Rent paid to related parties	1,036	788	1,388
Management fees paid to related parties	16,357	15,258	34,739

23. Dividends

A dividend of N\$112.5 million on ordinary shares (22.5c per share) was paid by the Letshego Holdings (Namibia) Ltd during the period under review (2019: N\$117.5 million - 23.5c per share). A dividend of N\$26 million (2019: N\$29 million) was recognised in respect of the preference shares of Letshego Micro Financial Services (Namibia) (Pty) Limited.

24. Basis of preparation

The condensed consolidated financial report for the period ended 30 June 2020 has been prepared in accordance with Accounting Standard IAS 34 'Interim Financial Reporting'.

The condensed consolidated financial report for the period ended 30 June 2020 does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any announcements made by Letshego Holdings (Namibia) Ltd during the reporting period.

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

Directors:

M. Palanduz (Chairperson) (Namibian), S. von Blotnitz (German), R. Martins-Hausiku (Namibian), R. Mbetjiha (Namibian), E. Kali (Namibian)

Registered office:

18 Schwerinsburg Street, P O Box 11600, Windhoek, Namibia

Transfer secretary:

Transfer Secretaries (Pty) Ltd, 4 Robert Mugabe Avenue, P O Box 2401, Windhoek, Namibia, Registration No. 93/713.

Sponsor:

IJG Securities (Pty) Ltd, Corner of Grove & Chasie Streets, 4th Floor 1@Steps, Kleine Kuppe; P O Box 186, Windhoek, Namibia, Registration No 95/505.

