

**LETSHEGO HOLDINGS LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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DIRECTORS' REPORT
For the year ended 31 December 2018

The Board of Directors is pleased to present their report to Shareholders together with the reviewed condensed consolidated financial statements for the year ended 31 December 2018.

1 Financial results

The annexed condensed consolidated financial statements adequately disclose the results of the group's operations for year ended 31 December 2018.

2 Dividends

An interim dividend of 8.7 thebe per share (Prior year: 8.5 thebe per share) was declared on 29 August 2018.

A second and final dividend of 3.3 thebe per share (prior year: 9.0 thebe per share) was declared on 1 March 2019 and will be paid on or about 2 April 2019.

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

Directors name		Dates
Runa Alam	Non - Executive Director	Appointed 19 January 2018
Robert Thornton	Non - Executive Director	Resigned 02 August 2018
Chris Low	Group Chief Executive Officer	Resigned 02 August 2018
Smit Crouse	Group Chief Executive Officer	Appointed 24 September 2018

4 Independent auditors

PricewaterhouseCoopers
Plot 50371
Fairgrounds Office Park
Gaborone

5 Company secretary and Registered Office

Lawrence Khupe (Appointed 1 January 2018)
Letshego Place
Second Floor
Plot 22 Khama Crescent
Gaborone

6 Transfer secretaries

PricewaterhouseCoopers (Pty) Ltd
Plot 50371
Fairgrounds Office Park
Gaborone

7 Attorneys and legal advisors

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

8 Company registration

Registration Number: CO98/442

STATEMENT OF DIRECTORS' RESPONSIBILITY
For the year ended 31 December 2018

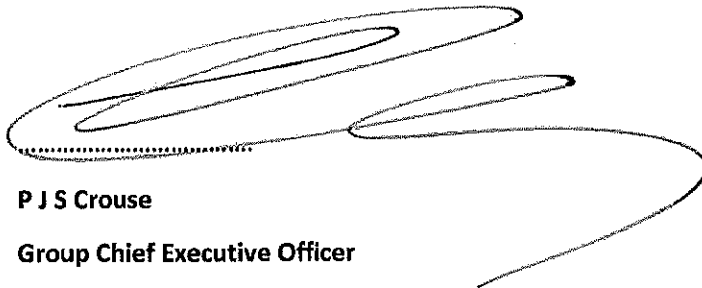
The directors of Letshego Holdings Limited are responsible for the condensed consolidated financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of these condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim financial reporting.

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

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


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

The Board of Directors have reviewed and approved the accompanying condensed consolidated financial statements, set out on pages 5 to 18, for issue on 1 March 2019 and signed on their behalf by:



.....

P J S Crouse
Group Chief Executive Officer



.....

C W Patterson
Group Chief Financial Officer



Report on review of condensed consolidated financial information

To the shareholders of Letshego Holdings Limited

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Letshego Holdings Limited and its subsidiaries (the "Group") as at 31 December 2018 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes ("condensed consolidated financial information") set out on pages 5 to 18. Management is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting'.

PricewaterhouseCoopers

Individual practicing member: Lalithkumar Mahesan

Membership number: 20030046

**05 March 2019
Gaborone**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Note	At 31 December 2018 (Reviewed) P'000	At 31 December 2017 (Audited) P'000
ASSETS			
Cash and cash equivalents	2	1,188,402	492,367
Advances to customers	3	8,698,831	7,768,904
Other receivables	4	252,491	201,605
Available-for-sale financial asset		53,591	53,591
Income tax receivable		19,074	17,967
Property, plant and equipment	5	80,532	92,061
Intangible assets	6	45,488	55,340
Goodwill	7	106,229	122,280
Deferred tax assets	8	211,651	156,655
Total assets		10,656,289	8,960,770
LIABILITIES AND EQUITY			
Liabilities			
Customer deposits	9	497,718	228,432
Cash collateral	10	27,028	27,319
Trade and other payables	11	492,225	261,751
Income tax payable		232,132	182,879
Deferred tax liabilities	8	3,205	5,290
Borrowings	12	5,329,319	3,984,607
Total liabilities		6,581,627	4,690,278
Shareholders' equity			
Stated capital	13	862,621	849,845
Foreign currency translation reserve		(696,276)	(680,417)
Legal reserve		73,519	39,607
Share based payment reserve		18,089	38,840
Retained earnings		3,500,317	3,709,308
Total equity attributable to equity holders of the parent company		3,758,270	3,957,183
Non-controlling interests		316,392	313,309
Total shareholders' equity		4,074,662	4,270,492
Total liabilities and equity		10,656,289	8,960,770

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 (Reviewed) P'000	Year ended 31 December 2017 (Audited) P'000
Interest income	14	2,718,257	2,252,636
Interest expense	15	(654,079)	(470,630)
Net interest income		2,064,178	1,782,006
Fee and commission income		30,735	38,596
Other operating income	16	267,421	234,169
Operating income		2,362,334	2,054,771
Employee costs	17	(390,177)	(367,057)
Other operating expenses	18	(590,158)	(446,952)
Net income before impairment and taxation		1,381,999	1,240,762
Impairment on advances	19	(361,491)	(237,149)
Profit before taxation		1,020,508	1,003,613
Taxation		(510,026)	(322,367)
Profit for the year		510,482	681,246
Attributable to :			
Equity holders of the parent company		438,639	637,663
Non-controlling interests		71,843	43,583
Profit for the year		510,482	681,246
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences arising from foreign operations		(48,688)	(39,163)
Total comprehensive income for the year		461,794	642,083
Attributable to :			
Equity holders of the parent company		422,780	591,539
Non-controlling interests		39,014	50,544
Total comprehensive income for the year		461,794	642,083
Weighted average number of shares in issue during the year (millions)		2,124	2,137
Dilution effect - number of shares (millions)		42	46
Number of shares in issue at the end of the year (millions)		2,144	2,144
Basic earnings per share (thebe)		20.7	29.8
Fully diluted earnings per share (thebe)		20.3	29.2

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Stated capital	Retained earnings	Shared based payments reserve	Foreign currency translation reserve	Legal reserve	Non- controlling interest	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Balance at 31 December 2016	875,639	3,383,983	35,835	(634,293)	32,189	192,799	3,886,152
Total comprehensive income for the year							
Profit for the year	-	637,663	-	-	-	43,583	681,246
Other comprehensive income, net of income tax							
Foreign currency translation reserve	-	-	-	(46,124)	-	6,961	(39,163)
Transactions with owners, recorded directly in equity							
Sale of non-controlling interest in Letshego Holdings Namibia Limited	-	16,687	-	-	-	70,791	87,478
Allocation to legal reserve	-	(7,418)	-	-	7,418	-	-
Allocation to share based payment reserve	-	-	25,279	-	-	-	25,279
New shares issued from long term incentive scheme	22,274	-	(22,274)	-	-	-	-
Share buy back - held as treasury shares	(48,068)	-	-	-	-	-	(48,068)
Dividends paid by subsidiary to minority interests	-	-	-	-	-	(825)	(825)
Dividends paid to equity holders	-	(321,607)	-	-	-	-	(321,607)
Balance at 31 December 2017 - Audited	849,845	3,709,308	38,840	(680,417)	39,607	313,309	4,270,492
Impact of adopting IFRS 9	-	(178,951)	-	-	-	(12,923)	(191,874)
Recognition of deferred tax on IFRS 9 adjustment	-	38,133	-	-	-	1,880	40,013
Adjusted balance 1 January 2018	849,845	3,568,490	38,840	(680,417)	39,607	302,266	4,118,631
Total comprehensive income for the year							
Profit for the year	-	438,639	-	-	-	71,843	510,482
Other comprehensive income, net of income tax							
Foreign currency translation reserve	-	-	-	(15,859)	-	(32,829)	(48,688)
Transactions with owners, recorded directly in equity							
Acquisition of Non-controlling interest - Tanzania Bank	-	(9,611)	-	-	-	(5,936)	(15,547)
Allocation to legal reserve	-	(33,912)	-	-	33,912	-	-
Allocation to share based payment reserve	-	-	(7,975)	-	-	-	(7,975)
New shares issued from long term incentive scheme	12,776	-	(12,776)	-	-	-	-
Dividends paid by subsidiary to minority interests	-	-	-	-	-	(18,952)	(18,952)
Dividends paid to equity holders	-	(463,289)	-	-	-	-	(463,289)
Balance at 31 December 2018 - Reviewed	862,621	3,500,317	18,089	(696,276)	73,519	316,392	4,074,662

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 (Reviewed) P'000	Year ended 31 December 2017 (Audited) P'000
Operating activities			
Profit before taxation		1,020,508	1,003,613
Add : Amortisation, depreciation and others		51,505	32,800
: Impairment and write off		508,211	376,909
Movement in working capital and other changes		(1,171,911)	(1,192,553)
Cash generated from operations		408,313	220,769
Tax paid		(478,948)	(290,590)
Net cash utilized in operating activities		(70,635)	(69,821)
Investing activities			
Payment for acquisition of subsidiary		-	(90,719)
Net cash acquired from acquisition		-	25,864
Other investing activities		(29,891)	(40,385)
Net cash flows used in investing activities		(29,891)	(105,240)
Financing activities			
Dividends paid to equity holders and non-controlling interest		(482,241)	(322,432)
Share buy back		-	(48,068)
(Acquisition)/ sale of interest in a subsidiary		(15,547)	87,478
Net receipts on borrowings		1,299,384	432,036
Net cash generated from financing activities		801,596	149,014
Net movement in cash and cash equivalents		701,070	(26,047)
Cash and cash equivalents at the beginning of the year		492,367	529,476
Effect of exchange rate changes on cash and cash equivalents		(5,035)	(11,062)
Cash and cash equivalents at the end of the year	1	1,188,402	492,367

SEGMENTAL REPORTING

For the year ended 31 December 2018

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

The Group operates in 11 countries, namely Botswana, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda.

The Group's reportable segments are as follows: Botswana, Namibia, Mozambique, Other Southern Africa, Tanzania, Other East Africa, Mobile loans, West Africa and Holding company.

- Other Southern Africa includes: Lesotho and Swaziland

- Other East Africa includes: Kenya, Rwanda and Uganda

- West Africa includes: Nigeria and Ghana

Reportable segments December 2018	Botswana	Namibia	Mozambique	Other Southern Africa	Tanzania	Other East Africa	West Africa	Holding company or eliminations	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	655,835	577,985	226,515	154,663	203,902	285,255	297,695	(39,516)	2,362,334
Profit before taxation	457,854	447,740	109,225	89,583	95,358	14,404	57,468	(251,124)	1,020,508
Taxation - consolidated									(510,026)
Profit - consolidated									510,482
Gross advances to customers	2,702,359	1,920,415	1,291,433	792,784	552,020	1,136,362	1,146,593	-	9,541,966
Impairment provisions	(239,776)	(18,489)	(26,726)	(26,533)	(154,588)	(186,666)	(190,357)	-	(843,135)
Net advances	2,462,583	1,901,926	1,264,707	766,251	397,432	949,696	956,236	-	8,698,831
Borrowings	1,010,044	362,793	370,122	532,462	43,597	765,279	563,109	1,681,913	5,329,319

SEGMENTAL REPORTING (CONTD)
For the year ended 31 December 2018

Reportable segments December 2017	Botswana	Namibia	Mozambique	Other Southern Africa	Tanzania	Other East Africa	West Africa	Holding company or eliminations	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	598,626	526,329	166,536	141,547	214,443	257,255	154,648	(4,613)	2,054,771
Profit before taxation	461,435	435,894	74,963	99,584	48,382	12,259	38,494	(167,398)	1,003,613
Taxation - consolidated (Audited)									(322,367)
Profit - consolidated (Audited)									681,246
Gross advances to customers	2,466,433	1,940,065	1,026,944	782,485	573,252	947,884	434,241	-	8,171,304
Impairment provisions	(147,875)	(10,400)	(13,571)	(8,914)	(99,807)	(87,560)	(34,273)	-	(402,400)
Net advances	2,318,557	1,929,665	1,013,373	773,571	473,445	860,325	399,968	-	7,768,904
Borrowings	546,878	791,365	338,074	512,109	33,781	509,158	218,779	1,034,463	3,984,607

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December 2018

Reporting entity

Letshego Holdings Limited (the Company) is a limited liability company incorporated in Botswana. The address of the company is Letshego Place, Plot 22 Khama Crescent, Gaborone, Botswana. The condensed consolidated financial statements as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the provision of short to medium-term unsecured loans to employees of the public, quasi-public and private sectors as well as provision of loans to MSE entities.

The condensed consolidated financial statements for the year ended 31 December 2018 have been approved for issue by the Board of Directors on 1 March 2019.

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

Basis of preparation

These condensed consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS.

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

Use of judgements and estimates

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

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated annual financial statements of the Group for the year ended 31 December 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

1 Impact of adopting IFRS 9

1.1 Financial Instruments

Impairment: IFRS 9

The introduction of the impairment requirements of IFRS 9 Financial Instruments, implemented on 1 January 2018, require impairment loss allowances to be considered on a more forward looking basis and on a broader scope of financial instruments than is the case under IAS 39 and as a result will have a material impact on the Group's financial condition. Measurement involves increased complex judgement and risk review.

Transition

As permitted by the transitional provisions of IFRS 9, Letshego Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition have been recognised in the opening retained earnings and other reserves at 1 January 2018. The following table illustrates the impact on opening reserves on transition to IFRS 9.

Impact of opening reserves on transition to IFRS 9

	Balance at 31 December 2017 (Audited)	IFRS 9 transitional adjustments (Reviewed)	Adjusted balance at 1 January 2018 (Reviewed)
P'000			
Shareholder's equity			
Stated Capital	849,845	-	849,845
Foreign currency translation reserve	(680,417)	-	(680,417)
Legal reserve	39,607	-	39,607
Share based payment reserve	38,840	-	38,840
Retained earnings	3,709,308	(140,818)	3,568,490
Total equity attributable to equity holders of the parent company	3,957,183	(140,818)	3,816,365
Non-controlling interests	313,309	(11,043)	302,266
Total equity	4,270,492	(151,861)	4,118,631

Impairment

Impairments in terms of IFRS 9 are determined based on an Expected Credit Loss (ECL) model, as opposed to an incurred loss model used in IAS 39.

The ECL model applies to financial assets measured at amortised cost and debt instruments at Fair Value Through Other comprehensive Income (FVOCI), lease receivables and certain loan commitments as well as financial guarantee contracts.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12 month ECLs: these are a portion of the lifetime expected credit losses and represent the amount of expected credit losses that result from default within 12 months after the reporting date.
 - Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.
- The Group recognises an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk recognition. Indicators of a SICR include any of the following:
- 30 days past due rebuttable presumption
 - Considering historical delinquency behavior of accounts that are currently up to date and bucket 1 (1-30 days)
 - Technical/operational arrears with proof that an account remains in arrears after the technical/operational error is fixed
 - Significant adverse changes in business, financial and/or economic conditions in which the client operates

Measurement of ECLs

The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The abovementioned probability-weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss occurring is low. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cashflows due to the entity in accordance with the contract and the cashflows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The assessment of the ECL of a financial asset or portfolio of financial assets entails estimations of the likelihood of defaults occurring and of default correlations between counterparties. The group measures ECL using **probability of default (PD)**, **exposure at default (EAD)** and **loss given default (LGD)**. These three components are multiplied together and adjusted for the likelihood of default.

The calculation of ECL incorporates forward-looking information. The Group has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio at subsidiary level. These economic variables and their associated impact on the PD, EAD and LGD do not vary by financial instrument. The Group uses BMI Research/Fitch Solutions to assist in the forecast of economic variables and an overview of the economy quarterly or more often if necessary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the year ended 31 December 2018

1 Impact of adopting IFRS 9 (continued)

1.1 Financial Instruments (continued)

Segment wise reconciliation of the closing IAS 39 Impairment Provision to the opening IFRS 9 Provision is given below.

Operating Segments 31 December 2018 P'000	IAS 39 Impairment Provisions at 31 December 2017 (Audited)			IFRS 9 ECL Provisions at 1 January 2018 - (Reviewed)				
	Portfolio impairment	Specific impairment	Total IAS 39 provision	Stage 1: 12- month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit- impaired	Total ECL on 1 January 2018	ECL impact
Financial assets								
Bolswana	14,992	132,883	147,875	26,982	18,945	179,047	224,974	(77,099)
Namibia	2,351	8,049	10,400	2,943	549	3,761	7,253	3,147
Mozambique	3,122	10,449	13,571	3,755	678	11,066	15,499	(1,928)
Other Southern Africa	1,675	7,238	8,914	5,876	924	12,369	19,169	(10,255)
Tanzania	31,670	68,137	99,807	33,395	21,239	106,435	161,069	(61,262)
Other East Africa	54,383	33,177	87,560	19,808	14,380	87,441	121,629	(34,069)
West Africa	28,793	5,480	34,273	13,390	3,598	27,693	44,681	(10,408)
Total	136,986	265,414	402,400	106,149	60,313	427,812	594,274	(191,874)

Maximum exposure to credit risk

	At 31 December 2018 (IFRS 9) P'000	At 1st January 2018 (IFRS 9) P'000
Gross advances to customers	9,541,966	8,171,304
Of which stage 1 and 2	8,808,593	7,617,262
Of which stage 3	733,373	554,042
Expected credit loss provisions	(843,135)	(594,274)
Of which stage 1 and 2	(268,641)	(166,462)
Of which stage 3	(574,494)	(427,812)
Net advances to customers	8,698,831	7,577,030
Of which stage 1 and 2	8,539,952	7,450,800
Of which stage 3	158,879	126,230
Impairment (ECL) Coverage Ratio	9%	7%
NPL (Stage 3) Coverage Ratio	115%	107%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the year ended 31 December 2018

	At 31 December 2018 (Reviewed) P'000	At 31 December 2017 (Audited) P'000
2 Cash and cash equivalents		
Cash at bank and in hand	910,957	466,963
Short term deposits	277,445	25,404
	1,188,402	492,367
3 Advances to customers		
Gross advances to customers	9,541,986	8,171,304
Less : Impairment provisions - specific	(554,072)	(265,414)
: Impairment provisions - portfolio	(289,063)	(136,986)
	8,698,831	7,768,904
4 Other receivables		
Deposits and prepayments	38,909	33,073
Receivable from insurance arrangements	147,331	141,722
Withholding tax and value added tax	881	188
Other receivables	65,370	26,622
	252,491	201,605

	Carrying amount at 01 January 2018	Additions	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 December 2018
5 Property, plant and equipment							
Motor vehicles	3,477	3,325	-	(275)	(1,812)	116	4,831
Computer equipment	19,280	11,408	9,241	(5,638)	(10,199)	109	24,201
Office furniture and equipment	33,660	7,056	1,296	(1,891)	(12,433)	(174)	27,514
Land and building	18,376	-	-	-	-	142	18,518
Work in progress	17,268	4,454	(10,424)	(5,487)	-	(343)	5,468
	92,061	26,243	113	(13,291)	(24,444)	(150)	80,532

	Carrying amount at 01 January 2018	Additions	Transfers	Disposal	Amortization charge	Forex translation	Carrying amount at 31 December 2018
6 Intangible assets							
Computer software	48,619	3,648	(113)	(1,923)	(10,632)	50	39,649
Brand value	2,830	-	-	-	(458)	(9)	2,363
Core deposit	3,891	-	-	-	(757)	342	3,476
	55,340	3,648	(113)	(1,923)	(11,847)	383	45,488

	At 30 December 2018 (Reviewed) P'000	At 31 December 2017 (Audited) P'000
7 Goodwill		
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	22,774	24,336
Letshego Tanzania Limited	1,891	1,781
Letshego Kenya Limited	33,367	30,245
Letshego Bank (T) Limited	15,130	14,250
Letshego Microfinance Bank Nigeria Limited	23,942	42,684
AFB Ghana Plc	9,125	8,984
	106,229	122,280

Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies. The Group assesses the recoverable amount of goodwill in respect of all cash generating units noted above to determine indications of impairment. In the current year an impairment provision of P22 million was recognised for goodwill arising from acquisition of Letshego Microfinance Bank Nigeria Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 December 2018

	At 31 December 2018 (Reviewed) P'000	At 31 December 2017 (Audited) P'000
8 Deferred taxation		
Balance at the beginning of the year	151,365	106,153
Business combination-acquisition		903
Current year movement	57,081	44,309
Balance at the end of the year	208,446	151,365
Deferred tax assets	211,651	156,655
Deferred tax liabilities	(3,205)	(5,290)
	208,446	151,365
9 Customer deposits		
Deposits from customers	497,718	228,432
10 Cash collateral		
Cash collateral on loans and advances	27,028	27,319

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

	At 31 December 2018 (Reviewed) P'000	At 31 December 2017 (Audited) P'000
11 Trade and other payables		
Insurance premium payable	65,547	60,473
Payroll related accruals	91,437	72,967
Other provisions	60,866	32,015
Trade and other payables	260,005	84,635
Value added tax / withholding tax payable	14,370	11,661
	492,225	261,752

Trade and other payable include P 168 Mn (2017: Nil) deposit received from Jumo to fund part of the loans given by the Group using the Jumo platform

	At 31 December 2018 (Reviewed) P'000	At 31 December 2017 (Audited) P'000
12 Borrowings		
Commercial banks	2,504,294	1,684,654
Note programmes	1,787,303	1,910,428
Development Financial Institutions	887,855	253,703
Pension funds	150,067	135,822
	5,329,319	3,984,607
13 Stated capital		
Issued: 2,144,045,175 ordinary shares of no par value (2017: 2,144,045,175) of which 19,054,190 shares (2017: 24,400,000) are held as treasury shares	862,621	849,845

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 December 2018

	Year ended 31 December 2018 (Reviewed) P'000	Year ended 31 December 2017 (Audited) P'000
14 Interest income		
Advances to customers	2,690,423	2,235,902
Deposits with banks	27,834	16,734
	<u>2,718,257</u>	<u>2,252,636</u>
15 Interest expense		
Overdraft facilities and term loans	650,332	474,798
Market to market adjustment on hedge contracts	11,586	-
Foreign exchange gain	(7,839)	(4,168)
	<u>654,079</u>	<u>470,630</u>
16 Other operating income		
Early settlement fees	41,241	34,390
Income from insurance arrangements	213,483	182,379
Sundry income	12,697	17,400
	<u>267,421</u>	<u>234,169</u>
17 Employee costs		
Salaries and wages	316,048	268,326
Staff incentive	54,466	51,174
Staff pension fund contribution	17,913	13,961
Directors' remuneration – for management services (executive)	9,725	8,317
Long term incentive plan	(7,975)	25,279
	<u>390,177</u>	<u>367,057</u>
18 Other operating expenses		
Accounting and secretarial fees	1,084	2,197
Advertising	17,421	18,755
Audit fees	4,675	4,148
Bank charges	7,305	7,599
Computer expenses	18,599	19,948
Consultancy fees	46,116	40,747
Corporate social responsibility	4,138	5,895
Data centre decommissioning	5,000	-
Depreciation and amortization	36,291	32,800
Directors' fees – non executive	7,105	6,887
Collection commission	62,517	58,909
Direct costs	27,561	10,795
Government levies	22,876	14,693
Insurance	10,136	11,919
Impairment of goodwill	22,000	-
Office expenses	24,301	19,649
Operating lease rentals - property	48,115	48,864
Other operating expenses	96,377	59,735
Payroll administration costs	2,066	2,161
Professional fees	42,643	23,980
Telephone and postage	26,471	22,253
Travel	37,361	35,018
	<u>590,158</u>	<u>446,952</u>
19 Impairment on advances		
Amounts written off	298,297	274,669
Recoveries during the year	(146,720)	(139,760)
Impairment adjustment	209,914	102,240
	<u>361,491</u>	<u>237,149</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the year ended 31 December 2018

20 Contingent liabilities

There are no significant contingent liabilities as at 31 December 2018.

21 Capital commitments

At 31 December 2018 the commitments for capital expenditure under contract amounted to NIL (2017: P Nil).

22 Related party transactions

There has been no significant change in the nature and quantum of related party transactions from those reported in the annual financial statements for the year ended 31 December 2017.

23 Events occurring after reporting date

A second and final dividend of 3.3 thebe per share was declared on 1 March 2019.

There were no material changes in the affairs of the Group between the 31 December 2018 year end and the date of the approval of these condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the year ended 31 December 2018

24 FINANCIAL RISK MANAGEMENT

Introduction and overview

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

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

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

24.1 Risk management framework

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

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

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

24.2 Financial assets and liabilities measured at fair value

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

	Available-for-sale financial asset	Fair value - through profit and loss	Carrying amount		Total	Fair value			Total
			Loans and receivables	Financial Liability @ amortized cost		Level 1	Level 2	Level 3	
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
31 December 2018									
Financial assets measured at fair value									
Available-for-sale financial asset	53,591	-	-	-	53,591	-	-	53,591	53,591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1,188,402	-	1,188,402	-	-	-	-
Advances to customers	-	-	8,698,831	-	8,698,831	-	-	-	-
Other receivables	-	-	212,701	-	212,701	-	-	-	-
	-	-	10,099,934	-	10,099,934	-	-	-	-
Financial liabilities measured at fair value									
Borrowings - interest rate and currency swap	-	13,240	-	-	13,240	-	1,654	-	1,654
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	398,759	398,759	-	-	-	-
Customer deposits	-	-	-	497,718	497,718	-	-	-	-
Cash collateral	-	-	-	27,028	27,028	-	-	-	-
Borrowings	-	-	-	5,316,079	5,316,079	-	-	-	-
	-	-	-	6,239,584	6,239,584	-	-	-	-
31 December 2017									
Financial assets measured at fair value									
Available-for-sale financial asset	53,591	-	-	-	53,591	-	-	53,591	53,591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	492,367	-	492,367	-	-	-	-
Advances to customers	-	-	7,768,904	-	7,768,904	-	-	-	-
Other receivables	-	-	168,344	-	168,344	-	-	-	-
	-	-	8,429,615	-	8,429,615	-	-	-	-
Financial liabilities measured at fair value									
Borrowings - interest rate swap	-	4,113	-	-	4,113	-	4,113	-	4,113
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	189,379	189,379	-	-	-	-
Customer deposits	-	-	-	228,432	228,432	-	-	-	-
Cash collateral	-	-	-	27,319	27,319	-	-	-	-
Borrowings	-	-	-	3,980,494	3,980,494	-	-	-	-
	-	-	-	4,425,623	4,425,623	-	-	-	-

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