

Letshego



Annual Report 2006

MICRO PROVIDENT BOTSWANA LIMITED

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GROUP CORPORATE INFORMATION

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
Plot 50371
Fairground Office Park
Gaborone

Attorneys/Legal Advisors

Armstrongs
5th Floor, Barclays House
Khama Crescent
Gaborone

Independent External Auditors

KPMG Certified Public Accountants
Bagakolodi House, Plot 50364B
Fairground Office Park
Gaborone

Transfer Secretaries

PricewaterhouseCoopers (Proprietary) Limited
Plot 50371
Fairground Office Park
Gaborone

Independent Internal Auditors

Ernst & Young
UN Place
Khama Crescent
Gaborone

Bankers

Barclays Bank of Botswana Limited
First National Bank of Botswana Limited
Standard Chartered Bank Botswana Limited

BRANCH NETWORK

Botswana

Administration

Shri Ram House
First Floor, South Wing
169 Queens Road
The Mall
Gaborone

Gaborone

Barclays House
Ground Floor
Khama Crescent
Gaborone

Palapye

Modern Auto Motors Building
Lot 82, Shop 1(a) & 1(b)
Palapye

Maun

Tribal Lots 711 and 712
S K Cho Building
Maun Mall Extension
Maun

Francistown

Shop 29
Galo Centre
Francistown

Selebi Phikwe

Plot 2537
Unit 6
Selebi Phikwe

Lobatse

Lot 311/12
Lobatse Town Centre
Lobatse

Gantsi

Plot 73
Unit B
Gantsi

Lethakane

Lethakane Rainbow Complex
Lethakane

Swaziland

Manzini

City Centre
Shop No. 5
Mancishane Street
Manzini

Mbabane

Commercial Centre
Shop No. 79
Dzeliwe Street
Mbabane

Tanzania

Dar Es Salaam

PPF Tower
1st Floor, South Wing
20 & 21 Ohio Street
Dar Es Salaam

Uganda

Kampala

Shop No.1
Social Security House
Plot 4
Jinja Road
Kampala

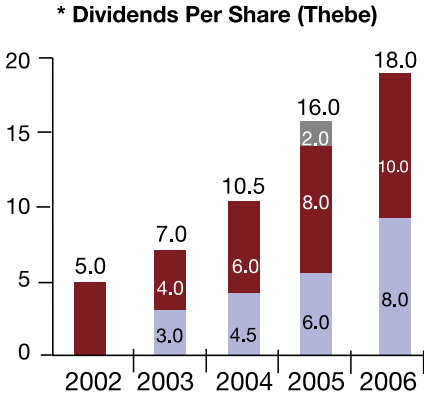
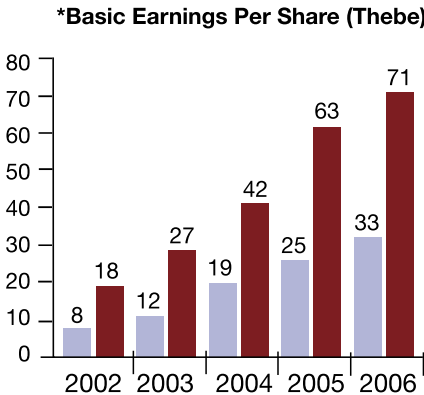
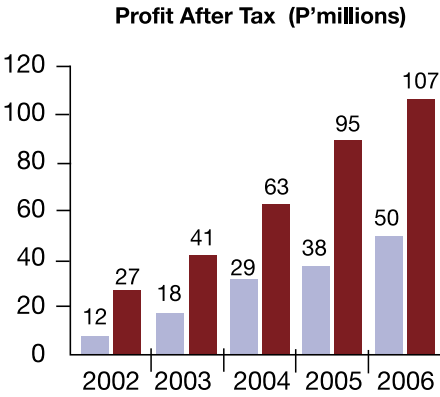
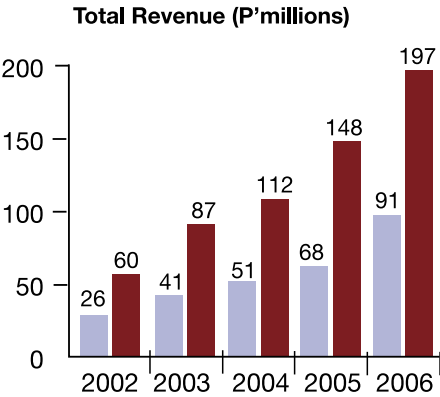
Jinja

Plot 2
Iganga Road
Jinja

Mbarara

Plot 36/38
Mbarara High Street
Mbarara

GROUP FINANCIAL HIGHLIGHTS



Interim Annual Special

*(Assuming 150 million shares were in issue since 2002)

CHAIRMAN'S REPORT

I have great pleasure in presenting my report to the various stakeholders of the Micro Provident Botswana Limited group for the financial year to 31 October 2006.

Results

In a year marked by extraordinary challenges and demands, the group has achieved good growth in trading income.

During the past few months, four experimental satellite branches were opened in Botswana. These are located in Gantsi, Lobatse, Selebi Phikwe and Letlhakane. The resultant extension of the group's local distribution network has proven to be extremely successful and further investment initiatives are anticipated to provide even greater geographical representation. Moreover, Letshego Guard was relocated to its own premises in Gaborone from where it will henceforth operate on a more autonomous and efficient basis.

After diligent investigation, the first phase of the group's regional expansion plans were implemented. In addition to Swaziland and Uganda, a trading operation was effectively established in Tanzania towards the end of the financial year and it is confidently expected that Zambia will come on stream during the early part of 2007. Much management attention has been taken up by the need to focus on the alignment of policies, products, procedures and systems in the above countries with those of the Botswana operations.

Profit after taxation for the year under review amounted to P106.7 million, which reflected an improvement of 12% over that recorded for the corresponding period last year. Whilst this increment might appear lower than that which has been achieved in the past, shareholders will recall that at 31 October 2005 the group's impairment provision was substantially revised and as a consequence thereof, an amount of P9,9 million was written back to income. A more equitable comparison of profit after taxation would therefore be exemplified as follows:

	2006	Change %	2005
	P'000		P'000
Profit after taxation	106,661		95,234
Less: Impairment decrease	(1,236)		(9,909)
Profit after taxation excluding impairment provisions	<u>105,425</u>	<u>24</u>	<u>85,325</u>

On this basis, profit after taxation excluding impairment provisions showed a meaningful improvement of 24% over 2005. In addition to the foregoing, earnings growth was tempered by:

- a loss of P2.2 million recorded by the African operations. However, shareholders have previously been advised about anticipated losses during the start-up phases in external countries.
- an additional 1% collection fee and VAT on 2.5% on monthly collections charged by the central register over and above that previously imputed by Government. These cost increases have been internally absorbed.
- substantial under-recoveries of loan repayments during the early operations of the central register. This negatively impacted cash flows resulting in a concomitant increase in funding requirements and a loss of interest revenue. This under recovery had normalised by year end.

CHAIRMAN'S REPORT (Continued)

Results (Continued)

The contribution of P7.8 million from Letshego Guard reflected an improvement of 192% over last year.

Key financial highlights for the year were:

- earnings per share of 71 thebe..... up by 13%
- ordinary dividends per share of 18 thebe..... up by 13%
- operating income of P185.4 million..... up by 32%

Balance sheet

Advances to customers of P430.5 million recorded growth of 35% to which the African subsidiaries, and in particular Swaziland, made a positive contribution. There was a modest turnaround in consumer sentiment in Botswana following the 8% wage increase awarded to civil servants this year.

The overall group gearing ratio increased from 28.6% to 30.3% due to additional funding requirements for the African subsidiaries.

Human resources

The most important competitive advantage of the group rests in its people who need to be motivated and incentivised to excel. To this end ongoing internal and external training and development are considered priorities in order to facilitate personal involvement and stimulate a more refined interface with the group's client base and other stakeholders. Continual re-modelling of human resource management skills will be essential to ensure the group's unceasing ability to attract and retain talented people.

The group's HIV/AIDS policy is constantly under revision and amendments thereto are implemented on a needs be and best practice basis.

Botswana economic and business environment

In response to Government's budgeted 15% annual increase in expenditure, an 8% rise in civil service salaries and progressive income tax reforms, it would appear that there was a moderate resurgence of domestic demand in the latter part of 2006. However, a relatively restrictive monetary policy aimed at containing inflation, which is running at significantly higher levels than Government's target of 4 to 7%, combined with increased household debt servicing levels and a stagnant non-mining private sector, GDP growth is likely to constrain aggregate demand pressures going forward.

Albeit that inflation is on a declining trend, the combination of the re-introduction of fees for secondary school education, higher energy costs, the expense of imported tradeables following the second devaluation of the Pula in May 2005, administered price hikes and a further rise in the bank rate impacted negatively on inflationary pressures.

In the coming year, continuing constraints on net disposable incomes should ensure reasonable growth in demand for household credit.

Social responsibility

The group continues to support the principle of social responsibility, believing it to be one of the core pillars of good corporate citizenship. Beneficiaries of our broad-based corporate social investments included, amongst others, Masiela Trust Fund, Botswana Society for the Deaf, St. Vincent de Paul, SOS and the Maun Counselling Centre.

CHAIRMAN'S REPORT (Continued)

Social responsibility (Continued)

In support of the board's long-held belief that patronage of educational initiatives is fundamental to the long-term wellness of Botswana, an increasing percentage of the group's social investment was directed to this sector. Beneficiaries included, inter alia, University of Botswana, Mater Spei College, Botswana Accountancy College and several junior and senior secondary schools.

Group restructuring

Shareholders approved the restructuring of the group at the Annual General Meeting which was held on 27 March 2006 in order to effectively benefit from the tax incentives that are available under the International Financial Services Centre (IFSC). To this end, the group has been accredited with the IFSC status subject to Bank of Botswana clearances. Furthermore, tax clearances are being sought from various countries regarding the acceptability of the group revenues recovery methodology prior to implementation of the proposed group structure.

Prospects

Whilst the group will continue to scale up its operations both within Botswana and particularly in other African countries it remains resolute in its intention to stay headquartered in Gaborone. This expansion will require significant investment in management, staff and infrastructure in order to extract the optimal growth and shareholder value that the group perceives to exist in mass markets.

Improved earnings are anticipated from the Botswana operations where a stronger focus on service levels and operational efficiencies will be initiated.

With regard to the African operations, Swaziland, which has performed beyond expectation and having broken even in its maiden year, is expected to make a positive contribution to group profitability in the forthcoming year. Initially business in Uganda was slower than originally anticipated although this has improved significantly. This operation together with the new Tanzanian business, is expected to be profitable in the new financial year. The board, however, remains committed to the group's pan-African aspirations where innumerable opportunities exist which, if efficiently identified and effectively managed, should produce exceptional earnings growth over time.

Notwithstanding the anticipated marginal contributions from the African subsidiaries, the costs associated with the group's expansion plans will dictate that profits should grow at a modest rate in 2007 before returning to normal growth patterns.

Acknowledgements

The combined support of all stakeholders is fundamental to the welfare of the constituent parts that make up the Micro Provident Botswana Limited group. In conclusion, therefore, I wish to thank our shareholders, board of directors, management and staff, customers and those Government Departments and Staff Associations who have assisted us for their advice and contributions to the continuing success of the group over the past year.

During the latter part of the year Botswana Civil Servants Association reassigned their representative in the board and subsequently appointed Mr J.M.C. Rammipi in place of Mrs O.E. Moarabi. Kingdom Zephyr Africa Management replaced Dr. M.C. Jennings with Mrs R.N. Alam on his resignation. I thank them for their significant efforts in the past. Mr M. Law retired after serving the company since its inception in 1998. As one of the founding directors of the company, I particularly thank him for his immeasurable effort and contribution in the establishment and direction of the company and wish him well.



C.M. LEKAUKAU

CHAIRMAN

16 January 2007

GROUP DIRECTORS' REPORT AND RESPONSIBILITY STATEMENT

The directors have pleasure in submitting to the shareholders their report and the audited financial statements of the group for the year ended 31 October 2006.

Nature of business

The group is engaged in the provision of short to medium-term unsecured loans and marketing and administration of insurance products to employees of the public, quasi-public and private sectors.

Share capital

There were no changes to the share capital during the period under review.

Subsidiary companies

Three foreign subsidiaries, namely Micro Provident Swaziland (Proprietary) Limited, Micro Provident Tanzania Limited and Micro Provident Uganda Limited commenced trading operations during the reporting period.

The profits for the year are disclosed in the income statement on page 13. These reflect the following changes over 2005:

- Profit before taxation of P138.7 million.....up by 16%
- Profit for the year of P106.7 million.....up by 12%

Dividends

Current year

An interim dividend amounting to P12.0 million (8 thebe per share) for the half year ended 30 April 2006 was paid to shareholders on 4 August 2006.

A final dividend of P15.0 million (10 thebe per share) has been proposed and will be paid to shareholders on 9 February 2007.

Prior year

An interim dividend amounting to P9.0 million (6 thebe per share) for the half year ended 30 April 2005 was paid to shareholders on 22 July 2005.

A final dividend of P12.0 million (8 thebe per share) was paid to shareholders on 27 January 2006.

A special dividend of P3.0 million (2 thebe per share) was also paid to shareholders on 27 January 2006.

Directors

The following persons were directors of the group during the period under review.

* C.M. Lekaukau ¹	(Chairman)	* M. Law ³	(Resigned 20 September 2006)
* P.S. Abrahams ³		* M.C. Letshwiti ¹	
* J.K. Bucknor ⁴		* O.E. Moarabi ¹	(Resigned 28 August 2006)
* J.A. Burbidge ²		D. Ndebele ¹	(Financial Director)
J.A. Claassen ³	(Managing Director)	* J.M.C. Rammipi ¹	(Alternate to O.E. Moarabi)
* M.C. Jennings ³	(Resigned 28 September 2006)	* J.van den Berg ³	(Alternate to J.K.Bucknor)

* Non-executive ¹ Motswana ² British ³ South African ⁴ Ghanaian

GROUP DIRECTORS' REPORT AND RESPONSIBILITY STATEMENT (Continued)

Directors' shareholding

The aggregate number of shares held directly by directors is 499,000 (2005 : 741,000). 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 the Extraordinary General Meeting held on 20 December 2005. Under the plan, conditional share awards are granted to management and key employees. The number of vesting share awards is subject to achievement of certain market and non-market conditions. The grant date fair value of share awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become conditionally entitled to the share awards. The amount recognised as an expense is adjusted to reflect the actual number of share awards that vest.

Statement of responsibility

The directors of Micro Provident Botswana Limited are responsible for the annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Companies Act (Cap 42:01).

The group maintains 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 annual 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 financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. 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.

The financial statements set out on pages 13 to 40 were authorised for issue by the board of directors on 16 January 2007 and are signed on its behalf by:



C.M. LEKAUKAU
CHAIRMAN



J.A. CLAASSEN
MANAGING DIRECTOR

GROUP CORPORATE GOVERNANCE

The ongoing maintenance of high standards of corporate governance is considered by the group to be of utmost importance. The Board of Directors is committed to attaining the highest standards of integrity, accountability and transparency in order to retain the support of all stakeholders.

Board of directors

The formal maintenance of high standards of corporate ethics in the conduct of the company's affairs is the responsibility of the board. To this end, the group endorses the King II code of corporate governance and strives to operate in broad compliance with its recommendations. Both the board and senior management are required to constantly assess the control and risk management procedures and to ensure that implementation and regular reviews of such procedures take place.

The board comprises five non-executive and two executive directors. It is chaired by an independent non-executive. All board members are suitably experienced and have a clear understanding of their role in corporate governance. The non-executive directors are considered to be independent of management and their role is to bring objectivity and independent judgement to board deliberations and decisions. They are also responsible for chairing key board sub-committees and have unrestricted access to management and all company records.

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

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

Meetings of the board take place on a quarterly basis to monitor performance against budget, to formulate and review strategies and policies and to consider those issues on which they will be requested to make decisions. Management is responsible for the provision to the board of appropriate and timely information.

All directors are subject to retirement by rotation and re-election by shareholders at least every three years and their contributions are subject to regular review.

Executive committee

The executive committee is responsible for the implementation of strategy and managing the group's affairs. The committee comprises the two executive directors and two non-executive directors and meets on a monthly basis. The process of risk management design and implementation, after board approval, forms a significant part of this committee's function.

Audit committee

The membership of the audit committee is as follows:

J.A. Burbidge (Chairman)
J.K. Bucknor
P.S. Abrahams
M.C. Letshwiti

The duties and responsibilities of the audit committee include but are not limited to the following:

- the monitoring of the adequacy and effectiveness of internal controls
- the review of accounting policies
- the review of interim and annual financial reports and accounts
- the review of the external auditors' audit plan and the scope and cost of the annual audit
- the review of the internal auditors' plan, scope and costs as well as review of their completed work and findings raised.

GROUP CORPORATE GOVERNANCE (Continued)

Audit committee (Continued)

An independent firm of auditors, Ernst and Young, fills the position of internal auditor. The internal auditor's duties include but are not limited to the following:

- evaluation of the adequacy of internal controls and procedures to manage risks
- providing on-going assurance on the effectiveness of the procedures employed by management and the board to manage risks
- reviewing the integrity of financial and operating information systems
- safeguarding of the company's assets.

Representatives of the internal and external auditors are expected to attend audit committee meetings. On an ad hoc basis the Chairman has the right to call in any other employee of the group. Members of the executive committee, the internal auditor, the external auditors and non-executive directors have unrestricted access to the Chairman of the audit committee. The committee meets at least two times a year.

Because of group's expansion initiative, the board saw it fit to establish a risk and compliance division which is to be headed by an executive director. The compliance division shall perform the following functions:

- assist management in discharging its responsibility to comply with statutory, regulatory and supervisory requirements by facilitating the development, establishment and maintenance of a compliance risk management process
- assisting management in identifying and prioritising all applicable regulatory requirements
- providing awareness training to enable management to manage applicable compliance risks effectively
- conducting monitoring programmes to identify and report non-compliance to the Managing Director, the audit committee and the board.

Remuneration committee

The membership of the remuneration committee is as follows:

M.C. Letshwiti	(Chairman)
M. Law	(Resigned 20 September 2006)
M.C. Jennings	(Resigned 28 September 2006)

Executive directors attend the meeting by invitation. The responsibilities and objectives of the committee are the following:

- monitor and review the remuneration policies of the group
- ensure that executive directors and senior management are appropriately and fairly rewarded
- ensure that market related reward strategies are adhered to
- establish performance targets for the group's bonus scheme.

The executive directors play no part in decisions regarding their own remuneration.

GROUP CORPORATE GOVERNANCE (Continued)

Closed period

The closed periods for trading in the holding company's shares by directors and employees is from the beginning of the months of both the interim and the year end (i.e. 1 April and 1 October) up to the date of publication of the interim and final results in the print media.

Directors and employees are prohibited from dealing in the holding company's shares during such periods in which they are privy to unpublished price-sensitive information.

Succession planning

The group is committed to ensuring that a sufficient number of talented people are employed from which senior management can be replenished if and when required.



C.M. LEKAUKAU
CHAIRMAN



J.A. CLAASSEN
MANAGING DIRECTOR



KPMG, Certified Public Accountants
Audit
Bagakolodi House
Plot 50364B, Fairground Office Park
P.O. Box 1519, Gaborone, Botswana

Telephone +267 391 2400
Telefax +267 397 5281
Internet <http://www.kpmg.com/>

INDEPENDENT AUDITOR'S REPORT

To the members of Micro Provident Botswana Limited and its subsidiaries

Report on the financial statements

We have audited the accompanying financial statements of Micro Provident Botswana Limited and its subsidiaries, set out on pages 13 to 40 which comprise the balance sheet as at October 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 compliance with the Companies Act in Botswana (Cap 42:01).

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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'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'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 financial position of Micro Provident Botswana Limited and its subsidiaries as of October 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In accordance with Section 129 of the Companies Act in Botswana (Cap 42:01), we confirm that:

- we have satisfied ourselves as to the existence of securities; and
- in our opinion, the company has kept proper books of account with which the financial statements are in agreement.

KPMG

16 January 2007

Gaborone

KPMG, a partnership domiciled in Botswana and a member firm of
the KPMG network of independent member firms affiliated with
KPMG International, a Swiss cooperative

AG Devlin* NP Dixon-Warren
* British
VAT Number: PO3623901112

GROUP INCOME STATEMENTS

For The Year Ended 31 October 2006

	Note	GROUP		COMPANY	
		2006 P'000	2005 P'000	2006 P'000	2005 P'000
Interest income	1	170,352	135,001	169,592	134,942
Interest expense	2	(11,986)	(7,306)	(11,182)	(7,306)
Net interest income		158,366	127,695	158,410	127,636
Fee and commission income	3	22,725	10,981	5,310	3,403
Other operating income	4	4,300	2,047	6,220	1,016
Operating income		185,391	140,723	169,940	132,055
Operating expenses					
Staff costs	5	(21,024)	(14,437)	(18,112)	(12,229)
Other operating costs	6	(22,372)	(11,401)	(14,333)	(8,332)
Net income before impairment and taxation		141,995	114,885	137,495	111,494
Impairment (charge)/write-back	11	(3,262)	5,155	(2,123)	5,155
Profit before taxation		138,733	120,040	135,372	116,649
Taxation	7	(32,072)	(24,806)	(30,055)	(24,075)
Profit for the year		106,661	95,234	105,317	92,574
Attributable to:					
Equity holders of the parent company		106,581	95,234	105,317	92,574
Minority interest		80	-	-	-
Profit for the year		106,661	95,234	105,317	92,574
Earnings per share – basic (thebe)	8	71	63	70	62
Earnings per share – diluted (thebe)	8	70	-	-	-
Dividends per share : interim (thebe) - paid	9	8.0	6.0	8.0	6.0
: final (thebe) - proposed		10.0	8.0	10.0	8.0
: special (thebe) - paid		-	2.0	-	2.0
		18.0	16.0	18.0	16.0
Weighted average number of shares in issue during the year (millions)	8	150	150	150	150
Dilution effect - number of shares (millions)		3	-	3	-
Number of shares in issue at the end of the year (millions)	18	150	150	150	150

GROUP BALANCE SHEETS

At 31 October 2006

	Note	GROUP		COMPANY	
		2006 P'000	2005 P'000	2006 P'000	2005 P'000
ASSETS					
Cash and cash equivalents	10	4,276	5,496	115	959
Advances to customers	11	430,543	317,951	382,231	317,951
Other receivables	12	2,965	1,693	2,428	568
Investment in subsidiary companies	13	-	-	26,848	1
Property, plant and equipment	14	3,874	2,196	2,219	2,081
Intangible assets	15	1,611	184	1,487	-
Deferred taxation	7	1,730	503	929	491
Total assets		444,999	328,023	416,257	322,051
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Trade and other payables	16	19,345	17,006	17,482	13,503
Taxation		4,161	351	3,473	442
Borrowings	17	97,929	69,007	72,986	69,007
Total liabilities		121,435	86,364	93,941	82,952
Shareholders' equity					
Share capital	18	1,500	1,500	1,500	1,500
Share premium	19	28,571	28,571	28,571	28,571
Foreign currency translation reserve		(2,576)	-	-	-
Share based payment reserve		4,900	-	4,900	-
Retained earnings		291,169	211,588	287,345	209,028
Total equity attributable to equity holders of the parent company		323,564	241,659	322,316	239,099
Minority interest	23	-	-	-	-
Total shareholders' equity		323,564	241,659	322,316	239,099
Total liabilities and equity		444,999	328,023	416,257	322,051

GROUP STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 October 2006

GROUP	Note	Share	Share	Retained	Share	Foreign	Minority	Dividends	Total
		Capital	Premium	Earnings	Based	Exchange			
		P'000	P'000	P'000	Payment	Reserve	Interest	P'000	P'000
					Reserve	Reserve	P'000		
Balance at 1 November 2005		1,500	28,571	211,588	-	-	-	-	241,659
Profit for the year		-	-	106,581	-	-	80	-	106,661
Foreign currency translation reserve		-	-	-	-	(2,348)	(308)	-	(2,656)
Write-back to equity holders of the parent company		-	-	-	-	(228)	228	-	-
Allocation to long term incentive plan		-	-	-	4,900	-	-	-	4,900
Dividends declared : final (2005)	9	-	-	(15,000)	-	-	-	15,000	-
Dividends paid : final (2005)	9	-	-	-	-	-	-	(15,000)	(15,000)
Dividends declared : interim (2006)	9	-	-	(12,000)	-	-	-	12,000	-
Dividends paid : interim (2006)	9	-	-	-	-	-	-	(12,000)	(12,000)
Balance at 31 October 2006		1,500	28,571	291,169	4,900	(2,576)	-	-	323,564

GROUP

Balance at 1 November 2004		1,500	28,571	134,354	-	-	-	-	164,425
Profit for the year		-	-	95,234	-	-	-	-	95,234
Dividends declared : final (2004)		-	-	(9,000)	-	-	-	9,000	-
Dividends paid : final (2004)		-	-	-	-	-	-	(9,000)	(9,000)
Dividends declared : interim (2005)	9	-	-	(9,000)	-	-	-	9,000	-
Dividends paid : interim (2005)	9	-	-	-	-	-	-	(9,000)	(9,000)
Balance at 31 October 2005		1,500	28,571	211,588	-	-	-	-	241,659

COMPANY

Balance at 1 November 2005		1,500	28,571	209,028	-	-	-	-	239,099
Profit for the year		-	-	105,317	-	-	-	-	105,317
Allocation to long term incentive plan		-	-	-	4,900	-	-	-	4,900
Dividends declared : final (2005)		-	-	(15,000)	-	-	-	15,000	-
Dividends paid : final (2005)		-	-	-	-	-	-	(15,000)	(15,000)
Dividends declared : interim (2006)		-	-	(12,000)	-	-	-	12,000	-
Dividends paid : interim (2006)		-	-	-	-	-	-	(12,000)	(12,000)
Balance at 31 October 2006		1,500	28,571	287,345	4,900	-	-	-	322,316

COMPANY

Balance at 1 November 2004		1,500	28,571	134,454	-	-	-	-	164,525
Profit for the year		-	-	92,574	-	-	-	-	92,574
Dividends declared : final (2004)		-	-	(9,000)	-	-	-	9,000	-
Dividends paid : final (2004)		-	-	-	-	-	-	(9,000)	(9,000)
Dividends declared : interim (2005)		-	-	(9,000)	-	-	-	9,000	-
Dividends paid : interim (2005)		-	-	-	-	-	-	(9,000)	(9,000)
Balance at 31 October 2005		1,500	28,571	209,028	-	-	-	-	239,099

GROUP CASH FLOW STATEMENTS

For The Year Ended 31 October 2006

	Note	GROUP		COMPANY	
		2006 P'000	2005 P'000	2006 P'000	2005 P'000
OPERATING ACTIVITIES					
Cash generated from operations	21	31,655	14,010	74,904	10,266
Taxation paid		(32,788)	(27,850)	(30,761)	(27,100)
Net cash utilised in operating activities		(1,133)	(13,840)	44,143	(16,834)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in subsidiary companies		-	-	(26,847)	-
Proceeds from sale of property, plant and equipment		13	23	7	23
Purchase of intangible assets		(2,272)	(276)	(2,230)	-
Purchase of property, plant and equipment	14	(3,049)	(2,544)	(1,195)	(2,480)
Dividends from subsidiary company		-	-	5,000	-
Net cash utilised in investing activities		(5,308)	(2,797)	(25,265)	(2,457)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net movement in short and long term borrowings		28,922	33,855	3,979	33,855
Dividends paid		(23,701)	(15,801)	(23,701)	(15,801)
Net used in financing activities		5,221	18,054	(19,722)	18,054
Net (decrease)/increase in cash and cash equivalents		(1,220)	1,417	(844)	(1,237)
Movement in cash and cash equivalents					
At the beginning of the year		5,496	4,079	959	2,196
(Decrease)/increase during the year		(1,220)	1,417	(844)	(1,237)
At the end of the year		4,276	5,496	115	959

GROUP ACCOUNTING POLICIES

For The Year Ended 31 October 2006

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

The financial statements are prepared under the historical cost convention modified by the revaluation of financial instruments to fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the 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 judgements about carrying values of assets and liabilities that are not 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 period in which the estimates are revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 29.

The financial statements are presented in Botswana Pula, which is the company's functional currency.

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 minority interest.

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 income statement. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

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 on note 13 of 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.

GROUP ACCOUNTING POLICIES (Continued)

For The Year Ended 31 October 2006

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is recognised in the income statement on a straight-line method over the estimated useful life of each item of property, plant and equipment.

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

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the operating profit.

Foreign currencies transactions

Transactions in foreign currencies are translated to Botswana Pula at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Botswana Pula at the foreign exchange rate ruling at that date. The foreign currency gain or loss on the monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period and the amortised cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Botswana Pula at the foreign exchange rate ruling at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Botswana Pula at foreign exchange rates ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the income statement.

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 financial period end. 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 profit or loss.

Operating leases

Leases, which merely confer the right to the use of an asset, are treated as an operating lease. Payments made under such operating leases are recognised in the income statement on a straight line basis over the term of the lease.

Computer software development costs

Costs associated with developing computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product that has a probable benefit exceeding one year, are shown as intangible assets and are amortised on a straight-line basis at a rate applicable to the expected useful life of the asset, but not exceeding 3 years. Any impairment to the carrying value is recognised in the income statement when incurred.

Advances to customers

Loans originated by the company by providing money directly to the borrower are categorised as advances to customers and are carried at amortised cost, which is defined as fair value of the cash consideration given to originate those loans as is determinable by reference to market prices at origination date. All loans and advances are recognised when cash is advanced to borrowers.

GROUP ACCOUNTING POLICIES (Continued)

For The Year Ended 31 October 2006

Advances to customers (Continued)

An allowance for loan impairment is established if there is objective evidence that the group will not be able to collect all amounts due, according to the original contractual terms of loans. The amount of the impairment is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the original effective interest rate of loans.

The loss impairment provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These are estimated based upon historical patterns of losses in each component, the credit ratings allocated to borrowers and reflecting the current economic climate in which the borrowers operate.

When a loan is uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited to the provision for loan loss impairment in the income statement. If the amount of the impairment subsequently decreases due to an event occurring after write-down, the release of the impairment provision is credited as a reduction of the impairment provision for loan losses.

Impairment

The carrying amount of the group's assets are reviewed at each balance sheet date to determine whether there are any indications of impairment. If any such indications exist, the assets' recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate, i.e. the effective interest rate computed at the initial recognition of these assets.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generated unit to which the asset belongs.

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets' carrying amounts do not exceed the carrying amounts that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised.

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 cash flow statement, 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.

GROUP ACCOUNTING POLICIES (Continued)

For The Year Ended 31 October 2006

Taxation

Taxation is provided for at current rates on the taxable income for the period after taking into account income and expenditure which is not subject to taxation and the tax effects of charges and credits, including depreciation, attributable to periods other than the current period.

Withholding tax, which is payable on the gross value of dividends at 15% or any other currently enacted tax rate, is set off against additional company taxation in the year in which the dividends are paid. Dividends are disclosed gross of withholding tax.

Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and 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 income statement 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 life insurance agency are recognised on a time-apportionate basis over the period the service is provided.

Interest from bank deposits

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

Other operating income

Other income comprises profit share from the group life and short term insurance agencies as well as once-off joining fees from the short term insurance agency.

Profit share from the group life and short term insurance agencies is recognised as profits are declared by the insurers on a notification basis.

Once-off joining fees from the short term insurance agency are recognised in the income statement 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.

Share capital

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

GROUP ACCOUNTING POLICIES (Continued)

For The Year Ended 31 October 2006

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 balance sheet date are not recognised as a liability in the balance sheet.

Borrowings

Borrowings are recognised initially as the proceeds are received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between the proceeds and the redemption value is recognised in the income statement 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 balance sheet date. The company does not operate any retirement benefit fund. However severance pay is provided for in accordance with Botswana statute.

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 incentive 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 income statement as incurred.

Share-based payment transactions

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

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 or loss 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.

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS

For The Year Ended 31 October 2006

	GROUP		COMPANY	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
1. INTEREST INCOME				
Advances to customers	169,199	134,735	165,790	134,735
Other - third party	1,153	266	972	207
- related party (note 25.1)	-	-	2,830	-
	170,352	135,001	169,592	134,942
2. INTEREST EXPENSE				
Overdraft facilities	11,986	7,306	10,822	7,306
Related party (note 25.2)	-	-	360	-
	11,986	7,306	11,182	7,306
3. FEE AND COMMISSION INCOME				
Administration fees	19,537	8,780	2,122	1,202
Credit life insurance commission (note 16.3)	1,700	1,172	1,700	1,172
Credit life administration fees (note 16.3)	1,488	1,029	1,488	1,029
	22,725	10,981	5,310	3,403
4. OTHER OPERATING INCOME				
Profit on disposal of property, plant and equipment	6	-	4	-
Profit share	3,903	561	711	252
Management fees from related party (note 25.1)	-	-	434	384
Dividend from related party (note 25.1)	-	-	5,000	-
Sundry income	391	1,486	71	380
	4,300	2,047	6,220	1,016
5. STAFF COSTS				
Salaries and wages	9,991	8,884	7,842	7,193
Staff incentive (note 16.2)	4,276	4,277	3,513	4,144
Directors' remuneration – for management services (executive)	1,857	1,276	1,857	892
Long term incentive plan	4,900	-	4,900	-
	21,024	14,437	18,112	12,229
Average number of full time employees during the year	136	92	89	71

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

	GROUP		COMPANY	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
6. OTHER OPERATING EXPENSES				
Audit fees - current year	428	186	360	186
- prior year under provision	98	-	-	-
Depreciation - computer equipment (note 14)	485	303	326	261
- office furniture and equipment (note 14)	879	603	728	578
Amortisation of intangible assets	845	92	743	-
Directors' fees – non executive	314	323	314	323
Loss on disposal of property, plant and equipment	-	23	-	23
Management fees paid to related party (note 25.2)	480	119	480	119
Operating lease rentals - property	2,178	979	1,226	658
Other operating expenses	14,394	8,271	8,312	5,692
Payroll administration costs	2,020	244	1,593	244
Professional fees	251	258	251	248
	22,372	11,401	14,333	8,332
7. TAXATION				
Botswana company taxation				
Basic taxation	21,685	16,396	19,724	16,001
Additional company taxation	14,171	10,930	13,149	10,667
Over provision from prior year	311	-	169	-
Withholding tax on dividends paid	(2,869)	(2,199)	(2,549)	(2,199)
	33,298	25,127	30,493	24,469
Deferred taxation credit	(1,226)	(321)	(438)	(394)
	32,072	24,806	30,055	24,075
7.1 Additional company taxation available to be offset against withholding tax on dividends				
Balance at the beginning of the year	28,388	19,599	28,067	19,599
Current year	13,890	10,930	13,022	10,667
Under provision from prior year	125	-	68	-
Withholding tax on dividends paid	(3,619)	(2,199)	(3,299)	(2,199)
Balance at the end of the year	38,784	28,330	37,858	28,067
Additional company tax falls away after a period of five years if not utilised.				
7.2 Deferred taxation				
Balance at the beginning of the year	(504)	(182)	(491)	(97)
Current year credit	(1,226)	(321)	(438)	(394)
Balance at the end of the year	(1,730)	(503)	(929)	(491)

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

7. TAXATION (Continued)

7.2 Deferred taxation (Continued)

Deferred taxation arises from temporary differences on the following items:

	GROUP		COMPANY	
	2006	2005	2006	2005
	P'000	P'000	P'000	P'000
Property, plant and equipment	(368)	159	(334)	147
Share-based payment provision	1,225	-	1,225	-
Staff incentive provision	-	344	-	344
Taxation losses	827	-	-	-
Deferred rent provision	46	-	38	-
	1,730	503	929	491

7.3 Reconciliation of current taxation

Income before taxation	138,733	120,040	135,372	116,649
Tax calculated at relevant tax rates	36,766	30,010	33,842	29,162
Under provision from prior year	311	-	169	-
Capital and other allowances	(215)	(374)	(170)	(144)
Depreciation	521	250	449	210
Expenses and revenues not deductible for tax purposes	(1,216)	(2,560)	(1,248)	(2,560)
Withholding tax on dividends	(2,869)	(2,199)	(2,549)	(2,199)
	33,298	25,127	30,493	24,469

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit for the year of P106,661,000 (2005 : P95,234,000) and the number of shares in issue during the year of 150 million (2005 : 150 million).

The number of dilutive potential ordinary shares at the end of the period arising from the unvested long term incentive share awards is 2,645,023. The calculation of diluted earnings per share is based on profit for the year of P106,661,000 and shares amounting to 152,645,023.

9. DIVIDENDS PER SHARE

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At a board of directors meeting held on 16 January 2007, a final dividend in respect of 2006 of P0.10 per share (2005 : actual final dividend of P0.08 per share and a special dividend of P0.02 per share) amounting to a total of P15 million (2005 : actual dividend of P12 million and a special dividend of P3 million) was proposed. The financial statements for the year ended 31 October 2006 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 October 2007.

The interim dividend which was paid in respect of 2006 was P0.08 per share (2005 : actual interim dividend of P0.06 per share) amounting to a total of P12 million (2005 : actual interim dividend amounting to P9 million).

10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2006	2005	2006	2005
	P'000	P'000	P'000	P'000
Cash at bank and in hand	155	1,280	23	178
Short term bank deposits	4,560	4,963	122	850
Bank overdrafts	(439)	(747)	(30)	(69)
	4,276	5,496	115	959

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

	GROUP		COMPANY	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
11. ADVANCES TO CUSTOMERS				
Gross advances to customers	437,460	326,104	388,565	326,104
Less : impairment provisions	(6,917)	(8,153)	(6,334)	(8,153)
Net advances to customers	430,543	317,951	382,231	317,951
Certain advances to customers are pledged as security to borrowings as set out in note 17.				
Maturity analysis of advances to customers				
Maturity within 1 year	23,975	18,546	19,846	18,546
Maturity after 1 year but within 2 years	124,028	63,143	87,305	63,143
Maturity after 2 years but before 5 years	282,540	236,262	275,080	236,262
	430,543	317,951	382,231	317,951
Provision for impairment				
Balance at the beginning of the year	8,153	18,062	8,153	18,062
Impairment adjustment	(1,236)	(9,909)	(1,819)	(9,909)
Balance at the end of the year	6,917	8,153	6,334	8,153
Charges /(reversals) to the income statement				
Amounts written off	11,629	6,530	10,777	6,530
Recoveries during the year	(7,132)	(1,776)	(6,835)	(1,776)
Impairment adjustment	(1,235)	(9,909)	(1,819)	(9,909)
	3,262	(5,155)	2,123	(5,155)
Group and company				
Non-performing advances				
Included in advances to customers are accounts with a value of P440,000 (2005 : P600,000) which are not earning interest and insurance claims are being processed.				
12. OTHER RECEIVABLES				
Accounts receivables from related party (note 25.4)	-	-	1,406	9
Profit share	782	287	782	287
Deposits and prepayments	197	122	149	122
Administration fees receivable	1,464	1,114	-	-
Other receivables	522	170	91	150
	2,965	1,693	2,428	568

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

	GROUP		COMPANY	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
12. OTHER RECEIVABLES (Continued)				
Maturity analysis of other receivables				
Non-current portion				
Deposits and prepayments	197	122	149	122
Current portion				
Accounts receivable from related party (note 25.4)	-	-	1,406	9
Profit share	782	287	782	287
Administration fees receivable	1,464	1,114	-	-
Other receivables	522	170	91	150
	2,768	1,571	2,279	446
	2,965	1,693	2,428	568
13. INVESTMENT IN SUBSIDIARY COMPANIES				
Company				
Investment in shares				
Letshego Guard (Proprietary) Limited - shares at cost	-	-	1	1
Micro Provident Swaziland (Proprietary) Limited - shares at cost	-	-	1	-
Micro Provident Tanzania Limited - shares at cost	-	-	2	-
Micro Provident Uganda Limited - shares at cost	-	-	1,000	-
	-	-	1,004	1
Other				
Micro Provident Swaziland (Proprietary) Limited term loan	-	-	25,844	-
	-	-	26,848	1

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 Guard (Proprietary) Limited	Botswana	Marketing and administration of short-term insurance products	100
Micro Provident Uganda Limited	Uganda	Unsecured consumer lending	100
Micro Provident Swaziland (Proprietary) Limited	Swaziland	Unsecured consumer lending	85
Micro Provident Tanzania Limited	Tanzania	Unsecured consumer lending	85

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

14. PROPERTY, PLANT AND EQUIPMENT

GROUP	Motor	Computer	Office	Total
	vehicles	equipment	furniture & equipment	
Cost	P'000	P'000	P'000	P'000
Balance at 1 November 2005	59	1,394	2,818	4,271
Additions	-	924	2,125	3,049
Disposals	-	(53)	(39)	(92)
Balance at 31 October 2006	59	2,265	4,904	7,228
Accumulated Depreciation				
Balance at 1 November 2005	59	962	1,054	2,075
Depreciation charge for the year	-	485	879	1,364
Disposals	-	(49)	(36)	(85)
Balance at 31 October 2006	59	1,398	1,897	3,354
Net Book Value at 31 October 2006	-	867	3,007	3,874

GROUP	Motor	Computer	Office	Total
	vehicles	equipment	furniture & equipment	
Cost	P'000	P'000	P'000	P'000
Balance at 1 November 2004	59	887	938	1,884
Additions	-	566	1,978	2,544
Disposals	-	(59)	(98)	(157)
Balance at 31 October 2005	59	1,394	2,818	4,271
Accumulated Depreciation				
Balance at 1 November 2004	59	683	538	1,281
Depreciation charge for the year	-	303	603	906
Disposals	-	(24)	(87)	(111)
Balance at 31 October 2005	59	962	1,054	2,075
Net Book Value at 31 October 2005	-	432	1,764	2,196

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY	Motor vehicles P'000	Computer equipment P'000	Office	Total P'000
			furniture & equipment P'000	
Cost				
Balance at 1 November 2005	59	1,267	2,715	4,041
Additions	-	346	849	1,195
Disposals	-	(47)	(38)	(85)
Balance at 31 October 2006	59	1,566	3,526	5,151
Accumulated Depreciation				
Balance at 1 November 2005	59	890	1,011	1,960
Depreciation charge for the year	-	326	728	1,054
Disposals	-	(47)	(35)	(82)
Balance at 31 October 2006	59	1,169	1,704	2,932
Net Book Value at 31 October 2006	-	397	1,822	2,219

COMPANY	Motor vehicles P'000	Computer equipment P'000	Office	Total P'000
			furniture & equipment P'000	
Cost				
Balance at 1 November 2004	59	798	861	1,718
Additions	-	528	1,952	2,480
Disposals	-	(59)	(98)	(157)
Balance at 31 October 2005	59	1,267	2,715	4,041
Accumulated Depreciation				
Balance at 1 November 2004	59	653	520	1,232
Depreciation charge for the year	-	261	578	839
Disposals	-	(24)	(87)	(111)
Balance at 31 October 2005	59	890	1,011	1,960
Net Book Value at 31 October 2005	-	377	1,704	2,081

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

	GROUP		COMPANY	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
15. INTANGIBLE ASSETS				
Computer software	2,548	276	2,230	-
Amortisation	(937)	(92)	(743)	-
Net Book Value at 31 October 2006	1,611	184	1,487	-
16. TRADE AND OTHER PAYABLES				
Trade and other payables	7,610	5,838	5,109	2,468
Staff incentive provision (note 16.2)	4,557	5,485	3,736	5,352
Deferred income (note 16.3)	7,178	5,683	7,178	5,683
Related party payables (note 25.5)	-	-	1,459	-
	19,345	17,006	17,482	13,503
16.1 Maturity analysis of trade and other payables				
Non-current portion				
Deferred income	4,307	5,351	4,307	5,351
Staff incentive provision	-	1,502	-	1,502
	4,307	6,853	4,307	6,853
Current portion				
Deferred income	2,871	332	2,871	332
Staff incentive provision	4,557	3,983	3,736	3,850
Trade and other payables	7,610	5,838	5,109	2,468
Related party payables	-	-	1,459	-
	15,038	10,153	13,175	6,650
Total trade and other payables	19,345	17,006	17,482	13,503
16.2 Movement in staff incentive provision				
Balance at the beginning of the year	5,485	3,994	5,352	3,994
Current year charge (note 5)	4,276	4,277	3,513	4,144
Paid during the year	(5,204)	(2,786)	(5,129)	(2,786)
Balance at the end of the year	4,557	5,485	3,736	5,352
Included in the paid staff incentive provision is payment to executive directors amounting to P2,359,000 (2005 : P1,523,000) (note 25.3).				
16.3 Movement in deferred income				
Balance at the beginning of the year	5,683	3,790	5,683	3,790
Raised during the year	4,683	4,094	4,683	4,094
Credit life insurance commission (note 3)	(1,700)	(1,172)	(1,700)	(1,172)
Credit life administration fees (note 3)	(1,488)	(1,029)	(1,488)	(1,029)
Balance at the end of the year	7,178	5,683	7,178	5,683

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

17. BORROWINGS	GROUP		COMPANY	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
Long term borrowings				
Bank facilities				
First National Bank of Botswana Ltd	15,000	-	15,000	-
	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Short term borrowings				
Bank facilities				
Barclays Bank of Botswana Ltd	36,583	28,627	36,583	28,627
First National Bank of Botswana Ltd	13,827	10,701	1,384	10,701
Standard Chartered Bank Botswana Ltd	23,891	29,679	20,019	29,679
BIFM Capital Investment Fund Two (Pty) Ltd	8,628	-	-	-
	<u>82,929</u>	<u>69,007</u>	<u>57,986</u>	<u>69,007</u>
Total borrowings	<u>97,929</u>	<u>69,007</u>	<u>72,986</u>	<u>69,007</u>

Details of security

Bank facilities

Barclays Bank of Botswana Ltd

The facilities comprise a BWP40 million and ZAR45 million overdraft facilities.

The BWP40 million overdraft facility may be converted into a 12 month loan facility and attracts interest at prime less 1.5% per annum.

The ZAR45 million overdraft facility attracts interest at the South African prime rate per annum.

The overdraft facilities are convertible into a 12 month term loan facilities and they are repayable on demand.

The overdraft facilities are secured by a parri passu cession of the advances book of the company.

First National Bank of Botswana Ltd

The facilities comprise a BWP15 million, 3 year term loan and overdraft facilities of BWP20 million.

The BWP20 million overdraft facility attracts interest at prime less 1% per annum and is repayable on demand.

The 3 year term loan attracts interest at a fixed interest of 12.75% per annum and is convertible to an overdraft facility at the end of its term.

The facilities are secured by a parri passu cession of the advances book of the company.

Standard Chartered Bank Botswana Ltd

The facility of P65 million attracts interest at prime less 1.35% per annum, is repayable on demand and is secured by a parri pasu cession of the advances book.

Other borrowings

BIFM Capital Investment Fund Two (Pty) Ltd promissory notes

The promissory notes have a maximum face value of ZAR20 million, attract interest at the Johannesburg Inter Bank Acceptance Rate (JIBAR) plus 3% and are secured by a corporate guarantee from the company.

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

	GROUP		COMPANY	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
18. SHARE CAPITAL				
Authorised:				
200 000 000 ordinary shares of P0.01 each	2,000	2,000	2,000	2,000
Issued and fully paid:				
150 000 000 ordinary shares of P0.01 each	1,500	1,500	1,500	1,500
19. SHARE PREMIUM				
Balance at the end of the year	28,571	28,571	28,571	28,571

The share premium can be used for the following:

- paying up unissued shares of the company to be issued to shareholders of the company as fully paid bonus shares,
- writing off preliminary expenses and expenses or commission paid on any issue of shares or debentures of the company, and
- in providing for the premium payable, if any, on redemption of any redeemable preference shares or of any debentures of the company.

20. SHARE INCENTIVE SCHEME

The group operates an equity-settled conditional Long Term Incentive Plan (LTIP), which was approved by shareholders 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. The number of vesting share awards is subject to achievement of certain market and non-market conditions.

Shares granted in terms of the plan may not exceed 10% of the issued ordinary shares of the 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 company.

The first allocation of share awards under the plan was made on 21 December 2005. The vesting period of the share awards is generally three years.

	GROUP AND COMPANY	
	Share awards '000	2006 Weighted average exercise price (P)
Granted during the year	3,391	3.54
Outstanding at the end of the year	3,391	3.54
Exercisable at the end of the period	-	-

The share awards outstanding at 31 October 2006 have an exercise price in the range of P3.25 and P4.25 and a weighted average vesting period of 22.1 months.

The fair value of services received using the Monte Carlo valuation model is P4,900,000.

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

	GROUP		COMPANY	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
21. CASH GENERATED FROM OPERATIONS				
Profit before taxation	138,733	120,040	135,372	116,649
Adjustments for:				
- Amortisation of intangible assets	845	92	743	-
- Depreciation	1,364	906	1,054	839
- Impairment provision reduction (note 11)	(1,236)	(9,909)	(1,819)	(9,909)
- Deferred income - credit life commission (note 16.3)	(1,700)	(1,172)	(1,700)	(1,172)
- Deferred income - credit life administration fees (note 16.3)	(1,488)	(1,029)	(1,488)	(1,029)
- (Profit)/loss on disposal of property plant and equipment	(6)	23	(4)	23
- Long term incentive plan provision	4,900	-	4,900	-
- Unrealised foreign currency translation gains	(2,656)	-	-	-
- Dividend from subsidiary company	-	-	(5,000)	-
Changes in working capital:				
Increase in advances to customers	(111,356)	(100,335)	(62,461)	(100,335)
Increase in other receivables	(1,272)	(329)	(1,860)	1,683
Increase in trade and other payables	5,527	5,723	7,167	3,517
Cash generated from operations	31,655	14,010	74,904	10,266
22. CAPITAL COMMITMENTS				
Authorised by the directors:				
- Not contracted for	3,162	1,390	600	1,055
The capital expenditure will be financed from the group's existing facilities.				
23. MINORITY INTEREST				
Share of profit for the year	80	-	-	-
Share of foreign currency translation reserve	(308)	-	-	-
Write-back to equity holders of parent company	228	-	-	-
	-	-	-	-

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

24. FINANCIAL RISK

24.1 Interest rate risk

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

GROUP	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year and above	Non interest bearing	Total
31 October 2006	P'000	P'000	P'000	P'000	P'000	P'000
ASSETS						
Cash and cash equivalents	4,276	-	-	-	-	4,276
Advances to customers - net of provision for impairment	1,010	2,550	33,882	393,101	-	430,543
Other receivables	-	-	-	-	2,965	2,965
Motor vehicle and equipment	-	-	-	-	3,874	3,874
Intangible assets	-	-	-	-	1,611	1,611
Deferred taxation	-	-	-	-	1,730	1,730
	5,286	2,550	33,882	393,101	10,180	444,999
LIABILITIES AND EQUITY						
Trade and other payables	-	-	-	-	19,345	19,345
Borrowings	82,929	-	-	15,000	-	97,929
Taxation	-	-	-	-	4,161	4,161
Shareholders' equity	-	-	-	-	323,564	323,564
	82,929	-	-	15,000	347,070	444,999
Net (liabilities and equity) /assets	(77,643)	2,550	33,882	378,101	(336,890)	-

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

24. FINANCIAL RISK (Continued)

24.1 Interest rate risk (Continued)

GROUP	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year and above	Non interest bearing	Total
31 October 2005	P'000	P'000	P'000	P'000	P'000	P'000
ASSETS						
Cash and cash equivalents	5,496	-	-	-	-	5,496
Advances to customers - net of provision for impairment	680	1,720	16,146	299,405	-	317,951
Other receivables	-	-	-	-	1,693	1,693
Motor vehicle and equipment	-	-	-	-	2,196	2,196
Intangible assets	-	-	-	-	184	184
Deferred taxation	-	-	-	-	503	503
	6,176	1,720	16,146	299,405	4,576	328,023
LIABILITIES AND EQUITY						
Trade and other payables	-	-	-	-	17,006	17,006
Borrowings	69,007	-	-	-	-	69,007
Taxation	-	-	-	-	351	351
Shareholders' equity	-	-	-	-	241,659	241,659
	69,007	-	-	-	259,016	328,023
Net (liabilities and equity) /assets	(62,831)	1,720	16,146	299,405	(254,440)	-
COMPANY						
31 October 2006						
ASSETS						
Cash and cash equivalents	115	-	-	-	-	115
Advances to customers - net of provision for impairment	1,000	2,531	31,834	346,866	-	382,231
Other receivables	-	-	-	-	2,428	2,428
Investment in subsidiaries	-	-	-	-	26,848	26,848
Motor vehicle and equipment	-	-	-	-	2,219	2,219
Intangible assets	-	-	-	-	1,487	1,487
Deferred taxation	-	-	-	-	929	929
	1,115	2,531	31,834	346,866	33,911	416,257
LIABILITIES AND EQUITY						
Trade and other payables	-	-	-	-	17,482	17,482
Borrowings	57,986	-	-	15,000	-	72,986
Taxation	-	-	-	-	3,473	3,473
Shareholders' equity	-	-	-	-	322,316	322,316
	57,986	-	-	15,000	343,271	416,257
Net (liabilities and equity) /assets	(56,871)	2,531	31,834	331,866	(309,360)	-

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

24. FINANCIAL RISK (Continued)

24.1 Interest rate risk (Continued)

COMPANY	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year and above	Non interest bearing	Total
31 October 2005	P'000	P'000	P'000	P'000	P'000	P'000
ASSETS						
Cash and cash equivalents	959	-	-	-	-	959
Advances to customers - net of provision for impairment	680	1,720	16,146	299,405	-	317,951
Other receivables	-	-	-	-	568	568
Investment in subsidiaries	-	-	-	-	1	1
Motor vehicle and equipment	-	-	-	-	2,081	2,081
Intangible assets	-	-	-	-	-	-
Deferred taxation	-	-	-	-	491	491
	1,639	1,720	16,146	299,405	3,141	322,051
LIABILITIES AND EQUITY						
Trade and other payables	-	-	-	-	13,503	13,503
Taxation	-	-	-	-	442	442
Borrowings	69,007	-	-	-	-	69,007
Shareholders' equity	-	-	-	-	239,099	239,099
	69,007	-	-	-	253,044	322,051
Net (liabilities and equity) /assets	(67,368)	1,720	16,146	299,405	(249,903)	-

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)

For The Year Ended 31 October 2006

24. FINANCIAL RISK (Continued)

24.2 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 balance sheet, the funding requirements of the group and cash flows. In quantifying the liquidity risk, the 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 institutional facilities.

24.3 Currency risk

At year end the unhedged balance was a SZL30 million, (equivalent to BWP26 million), long term loan extended to Micro Provident Swaziland (Pty) Ltd by the company. The loan attracts interest at Botswana prime plus 4%, is unsecured and is repayable after 10 years.

The group does not maintain significant open currency positions. The group had the following currency exposures at the balance sheet date.

	Swaziland SZL'000	Tanzanian TSH'000	Ugandan UGS'000
Total assets	55,934	339,488	749,349
Total liabilities	55,409	529,784	844,213

24.4 Credit risk

All loans granted by the group are in the various countries of incorporation of group companies. The maximum loan limits to employees of individual employers are dependent on the perceived risk of the employer. All loans given to customers are within their affordability levels. The directors are satisfied that all known bad and doubtful debts that may exist in the current portfolio of advances have been written off.

24.5 Early settlement risk

Early settlement risk is the risk that loans will be settled before the end of their term. An increase in early settlements may result in depletion in loans to customers. At the end of the period, the loans under early settlement notice were insignificant.

24.6 Market risk

Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The group's exposure to market risk during the period under review was insignificant.

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

25. RELATED PARTY TRANSACTIONS

Botswana Civil Servants Association (BCSA) owns 0.8% (2005 : 0.8%), PAIP-PCAP-FMO Letshego Limited (PPFLL) (incorporated in Mauritius) owns 27.8% (2005 : 27.8%) with the remainder being held by other investors.

BCSA has one director representation in the company's board of directors. PPFLL has two directors nominated by Kingdom Zephyr Africa Management (Proprietary) Limited (KZAMPL). KZAMPL is the fund manager of pan-African Investment Partners (PAIP) and pan-Commonwealth African Partners (PCAP) private equity funds.

The following transactions were carried out with related parties:

	GROUP		COMPANY	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
25.1 Income received from related parties				
Subsidiary company				
Letshego Guard (Proprietary) Limited				
- Interest on facility	-	-	-	96
- Management fees (note 4)	-	-	434	384
- Dividend (note 4)	-	-	5,000	-
Micro Provident Swaziland (Proprietary) Limited				
- Interest on facility (note 1)	-	-	2,830	-
			8,264	480
Transactions were carried out on commercial terms and conditions and at market rates.				
25.2 Expenses paid to related parties				
BCSA				
- Directors fees	29	33	29	33
- Marketing expenses	413	389	413	389
Kingdom Zephyr Africa Management (Proprietary) Limited				
- Directors' fees	109	75	109	75
Letshego Guard (Proprietary) Limited				
- Interest on facility (note 2)	-	-	360	-
Non-executive directors				
Management fees (note 6)	480	119	480	119
	1,031	616	1,391	616
Transactions were carried out on commercial terms and conditions and at market rates.				

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

25. RELATED PARTY TRANSACTIONS (Continued)

	GROUP		COMPANY	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
25.3 Directors' remuneration				
Directors' remuneration paid during the year				
- For management services (note 5)	1,857	1,276	1,857	892
- As performance incentive bonuses (note 16.2)	2,359	1,523	2,359	1,523
	4,216	2,799	4,216	2,415
25.4 Year end balances from transaction with related parties				
Receivable from subsidiary companies (note 12)				
Letshego Guard (Proprietary) Limited	-	-	-	9
Micro Provident Tanzania Limited	-	-	1,166	-
Micro Provident Uganda Limited	-	-	240	-
	-	-	1,406	9
25.5 Year end balances from transaction with related parties				
Payable to subsidiary companies (note 16)				
Letshego Guard (Proprietary) Limited	-	-	1,459	-
24. 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	1,765	878	1,214	554
Later than 1 year and no later than 5 years	4,283	3,044	2,898	2,065
	6,048	3,922	4,112	2,619

26. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events other than the proposed final dividend as set out in the directors' report on page 7.

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)
For The Year Ended 31 October 2006

28. SEGMENT INFORMATION

The main business segments of the group are as follows:

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

Insurance agency - Marketing and administration of insurance products.

The group operates in four geographical regions, namely Botswana, Swaziland, Tanzania and Uganda.

Geographical segments

	Botswana		Swaziland		Tanzania		Uganda		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
External revenue										
Net interest income /(expenses)	158,954	127,695	(514)	-	(37)	-	(37)	-	158,366	127,695
Fee and commission income	17,962	10,981	4,642	-	36	-	85	-	22,725	10,981
Other operating income	4,300	2,047	-	-	-	-	-	-	4,300	2,047
Total segment revenue	181,216	140,723	4,128	-	(1)	-	48	-	185,391	140,723
Segment result	140,940	120,040	532	-	(1,067)	-	(1,672)	-	138,733	120,040
Taxation									(32,072)	(24,806)
Profit for the year									106,661	95,234
Segment assets	394,823	328,023	45,961	-	1,685	-	2,530	-	444,999	328,023
Segment liabilities	68,190	86,364	47,479	-	2,703	-	3,063	-	121,435	86,364
Depreciation	1,162	906	65	-	64	-	73	-	1,364	906
Amortisation of intangible assets	845	92	-	-	-	-	-	-	845	92
Capital expenditure	1,750	1,390	300	-	556	-	556	-	3,162	1,390

Business segments

	Lending		Insurance agency		Consolidated	
	2006	2005	2006	2005	2006	2005
	P'000	P'000	P'000	P'000	P'000	P'000
External revenue						
Segment result	128,597	116,649	10,136	3,391	138,733	120,040
Segment assets	436,714	321,950	8,285	6,073	444,999	328,023
Segment liabilities	118,471	82,852	2,964	3,512	121,435	86,364
Depreciation	1,256	840	108	66	1,364	906
Amortisation of intangible assets	742	-	103	92	845	92
Capital expenditure	2,912	1,055	250	335	3,162	1,390

NOTES TO THE GROUP FINANCIAL STATEMENTS (Continued)

For The Year Ended 31 October 2006

29. USE OF ESTIMATES AND JUDGEMENTS

29.1 Impairment

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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 judgements 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 any differences between loss estimates and actual loss experience.

29.2 Share-based payment transactions

The group operates an equity-settled conditional Long Term Incentive Plan (LTIP). The market and non-market based performance conditions are determined by the Remuneration Committee. For market related performance conditions, the estimated grant fair value of share awards to vest are determined using the Monte Carlo pricing model. For non-market related performance conditions, the number of share 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.

30. IFRS and IFRIC Interpretations not yet effective:

The group has not applied the following IFRS and IFRIC interpretations that have been issued but are not yet effective:

IFRS7 Financial Instruments : Disclosures

This interpretation is required to be applied for annual periods beginning on or after 1 January 2007 which will require additional disclosures.

IFRIC4 Determining whether an arrangement contains a lease

This interpretation is required to be applied for annual periods beginning on or after 1 January 2006, the impact of which, will be considered in the future.

IFRIC5 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

This interpretation is required to be applied for annual periods beginning on or after 1 January 2006, but is not expected to be relevant for activities of the group.

IFRIC7 Applying the restatement approach under IAS29 financial reporting in hyperinflationary economies

This interpretation is required to be applied for annual periods beginning on or after 1 March 2006, but is not expected to be relevant for activities of the group.

IFRIC8 Scope of IFRS2

This interpretation is required to be applied for annual periods beginning on or after 1 May 2006, but is not expected to have a significant impact on the activities of the group.

IFRIC9 Reassessment of embedded derivatives

This interpretation is required to be applied for annual periods beginning on or after 1 June 2006, but is not expected to be relevant for activities of the group.

IFRIC10 Interim financial reporting and impairment

This interpretation is required to be applied for annual periods beginning on or after 1 November 2006, but is not expected to have a significant impact on the activities of the group.

GROUP VALUE ADDED STATEMENTS

For The Year Ended 31 October 2006

	GROUP		COMPANY	
	2006 P'000	2005 P'000	2006 P'000	2005 P'000
Value added				
Value added is the wealth the company has created by providing loans to clients				
Interest income	170,352	135,001	169,592	134,942
Cost of services	(11,986)	(7,306)	(11,182)	(7,306)
Value added services	158,366	127,695	158,410	127,636
Fee and commission income	22,725	10,981	5,310	3,403
Other operating income	4,300	2,047	6,220	1,016
Other operating costs	(20,163)	(10,403)	(12,536)	(7,493)
Impairment provision (increase)/reduction	(3,262)	5,155	(2,123)	5,155
	161,966	135,475	155,281	129,717
Value allocated				
To employees				
Staff costs	21,024	14,437	18,112	12,229
To expansion and growth				
Retained income	79,661	77,234	78,317	74,574
Depreciation	1,364	906	1,054	839
Amortisation	845	92	743	-
Deferred tax	(1,226)	(321)	(438)	(394)
	80,644	77,911	79,676	75,019
To Government				
Taxation	33,298	25,127	30,493	24,469
To providers of capital				
Dividends to shareholders	27,000	18,000	27,000	18,000
	161,966	135,475	155,281	129,717
Summary	%	%	%	%
Employees	13.0	10.7	11.7	9.4
Expansion and growth	49.8	57.5	51.3	57.8
Government	20.6	18.5	19.6	18.9
Providers of capital	16.6	13.3	17.4	13.9
	100.0	100.0	100.0	100.0

ANALYSIS OF SHAREHOLDING

For The Year Ended 31 October 2006

Top ten shareholders

	2006		2005	
	Shares held Number ('000)	%	Shares held Number ('000)	%
• PAIP-PCAP-FMO Letshego Ltd	41,741	27.8	41,741	27.8
• Barclays Botswana Nominees (Pty) Ltd - Investec Asset Management - 030/14	20,817	13.9	14,208	9.5
• Botswana Life Insurance Ltd	19,833	13.2	19,833	13.2
• Barclays Botswana Nominees (Pty) Ltd - Investec Asset Management - SSB 001/1	12,332	8.2	12,332	8.2
• International Finance Corporation	10,609	7.1	10,609	7.1
• Stanbic Nominees Botswana (Pty) Ltd - Botswana Public Officers Pension Fund (BIFM)	6,593	4.4	5,922	3.9
• Stanbic Nominees Botswana (Pty) Ltd - Botswana Insurance Fund Management Ltd	5,782	3.9	5,782	3.9
• Global Production Services Ltd	3,250	2.2	-	-
• Barclays Botswana Nominees (Pty) Ltd - Investec Asset Management - 203/001	1,964	1.3	-	-
• Botswana Insurance Company Ltd	1,760	1.2	-	-
	124,681	83.2	110,427	73.6
Other corporate entities, nominees and trusts and individuals	25,319	16.8	39,573	26.4
Total	150,000	100.0	150,000	100.0

Directors' shareholding

	2006		2005	
	Shares held Number ('000)	%	Shares held Number ('000)	%
• C.M. Lekaukau	483	0.3	483	0.32
• M. Law (Resigned 20 September 2006)	-	-	100	0.07
• D. Ndebele	16	-	158	0.11
	499	0.3	741	0.50

Subsidiary companies

Subsidiary company	Country of incorporation	Nature of business	% holding
• Letshego Guard (Proprietary) Ltd	Botswana	Marketing and administration of short-term insurance products (Operating)	100
• Letshego Guard Insurance Company Ltd	Botswana	Short-term insurance (Dormant)	100
• Letshego Financial Services (Pty) Ltd	Botswana	Unsecured consumer lending (Dormant)	100
• Letshego Life Insurance Ltd	Botswana	Long-term insurance (Dormant)	100
• Micro Provident Uganda Ltd	Uganda	Unsecured consumer lending (Operating)	100
• Micro Provident Swaziland (Pty) Ltd	Swaziland	Unsecured consumer lending (Operating)	85
• Micro Provident Tanzania Ltd	Tanzania	Unsecured consumer lending (Operating)	85
• Micro provident Zambia Ltd	Zambia	Unsecured consumer lending (Dormant)	100
• Micro Provident Malawi Ltd	Malawi	Unsecured consumer lending (Dormant)	100

FIVE YEAR FINANCIAL HISTORY

Balance Sheets

	2006	2005	2004	2003	2002
	P'000	P'000	P'000	P'000	P'000
Assets					
Cash and cash equivalents	4,276	5,496	4,079	2,795	995
Advances to customers - gross	430,543	317,951	207,707	170,970	146,418
Other receivables	2,965	1,693	1,362	391	540
Property, plant and equipment	3,874	2,196	604	372	465
Intangible assets	1,611	184	-	-	-
Deferred taxation	1,730	503	182	62	11
Total assets	444,999	328,023	213,934	174,590	148,429
Liabilities					
Trade and other payables	19,345	17,006	11,282	7,206	5,826
Taxation	4,161	351	3,075	16,872	7,592
Borrowings	97,929	69,007	35,152	36,712	57,732
Total liabilities	121,435	86,364	49,509	60,790	71,150
Shareholders' equity					
Share capital	1,500	1,500	1,500	1,500	1,500
Share premium	28,571	28,571	28,571	28,571	28,571
Foreign currency translation reserve	(2,576)	-	-	-	-
Share based payment reserve	4,900	-	-	-	-
Retained earnings	291,169	211,588	134,354	83,729	47,208
Total equity attributable to equity holders of the parent company	323,564	241,659	164,425	113,800	77,279
Minority interest	-	-	-	-	-
Total shareholders' equity	323,564	241,659	164,425	113,800	77,279
Total liabilities and shareholders' equity	444,999	328,023	213,934	174,590	148,429

FIVE YEAR HISTORY

Income Statements

	2006	2005	2004	2003	2002
	P'000	P'000	P'000	P'000	P'000
Interest income	170,352	135,001	107,236	85,950	58,994
Interest expense	(11,986)	(7,306)	(5,835)	(10,124)	(9,503)
Net interest income	158,366	127,695	101,401	75,826	49,491
Fee and commission income	22,725	10,981	3,425	1,233	477
Other operating income	4,300	2,047	1,147	292	232
Operating income	185,391	140,723	105,973	77,351	50,200
Operating expenses					
Staff costs	(21,024)	(14,437)	(8,232)	(4,815)	(3,890)
Other operating costs	(22,372)	(11,401)	(8,377)	(9,143)	(7,773)
Operating income before impairment	141,995	114,885	89,364	63,393	38,537
Impairment (loss)/write-back	(3,262)	5,155	(6,368)	(7,161)	(3,309)
Profit before taxation	138,733	120,040	82,996	56,232	35,228
Taxation	(32,072)	(24,806)	(19,621)	(15,211)	(7,745)
Profit for the year	106,661	95,234	63,375	41,021	27,483
Appropriations					
Bonus issue	-	-	-	-	(1,197)
Dividends	(27,000)	(18,000)	(12,750)	(4,500)	(7,700)
Retained income	79,661	77,234	50,625	36,521	18,586
Attributable to:					
Equity holders of the parent company	106,581	95,234	63,375	41,021	27,483
Minority interest	80	-	-	-	-
106,661	95,234	63,375	41,021	27,483	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 8th Annual General Meeting of the shareholders of Micro Provident Botswana Limited will be held at Walmart Ambassador at the Grand Palm Hotel Casino and Convention Resort in the Serondela Conference Room of the Gaborone International Convention Centre on 19 March 2007 at 2.30 p.m, with registration to commence at 2.00.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 October 2006 together with the directors' and auditor's reports thereon.

2. Resolution 2

To ratify the dividends declared and/or paid during the year:

2.1 An interim dividend amounting to P12 million (8 thebe per share) for the half year ended 30 April 2006 was paid to shareholders on 4 August 2006.

2.2 A proposed final dividend of P15 million (10 thebe per share) to be paid to shareholders on 9 February 2007.

3. Resolution 3

To confirm the following appointments of directors:

3.1 Messrs C.M. Lekaukau, J.A. Burbidge and D. Ndebele who retire in accordance with Article 63 of the Articles of Association and, being eligible, offer themselves for re-election.

4. Resolution 4

To approve the remuneration of the directors for the past financial year.

5. Resolution 5

To approve the remuneration of the auditors for the past financial year.

6. Resolution 6

To appoint KPMG as auditors for the ensuing year.

7. To transact other business which may be transacted 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 Micro Provident Botswana Limited, Plot 169, Queens Road, Shri Ram House, First Floor, South Wing, The Mall, P.O. Box 381, Gaborone, not less than 48 hours before the meeting.



By order of the board

D. Ndebele
Secretary

16 January 2007

MICRO PROVIDENT BOTSWANA LIMITED

trading as



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 Walmont Ambassador at The Grand Palm Hotel Casino and Convention Resort in the Serondela Conference Room of the Gaborone International Convention Centre on Monday 19 March 2007 at 2.30 p.m. Registration commences at 2.00 p.m.

I/We (name/s in block letters)

of (address)

being a member of Micro Provident Botswana Limited hereby 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 _____ 2007

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.

FORM OF PROXY (Continued) 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, Micro Provident Botswana Limited, Shri Ram House, First Floor, South Wing, Plot 169, Queens Road, The Mall, P.O. 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 16 March 2007).
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.