

INTERIM REPORT

The Directors have pleasure in announcing the unaudited financial results of the group for the nine months ended 31 July 2007

INTERIM REPORT

FINANCIAL HIGHLIGHTS

• **Advanced up 58%** • **Operating income up 27%** • **Earnings per share up 15%** • **Dividend per share up 76%**

CONDENSED INCOME STATEMENT

	9 months ended 31 July 2007 (reviewed) P'000	9 months ended 31 July 2006 (reviewed) P'000	Change %	Year ended 31 October 2006 (audited) P'000
Interest income	149,795	122,549		170,352
Interest expense	(15,720)	(6,516)		(12,530)
Net interest income	134,075	116,033		157,822
Fee and commission income	32,979	15,736		22,725
Other operating income	2,831	2,143		4,300
Operating income	169,885	133,912	27	184,847
Operating expenses				
Staff costs	(25,848)	(15,297)	69	(21,024)
Other operating costs	(21,477)	(13,837)	55	(21,828)
Operating income before impairment	122,560	104,778		141,995
Impairment of loans and advances to customers	(7,215)	(2,693)	17	(3,262)
Profit before tax	115,345	102,085		138,733
Income tax expense	(27,310)	(25,731)		(32,072)
Profit for the period	88,035	76,354	15	106,661
Attributable to:				
Equity holders of the parent company	87,033	76,354		106,580
Minority interest	1,002	-		81
Profit for the period	88,035	76,354	15	106,661
Appropriations				
Dividends (P'000) - interim	21,150	12,000	***	12,000
Dividends (P'000) - final	-	-		15,121
	21,150	12,000		27,121

*** the comparative dividend of P12,000 is for the six month period to 30 Apr 2006
Weighted average number of shares in issue during the period (millions) 150.8 150.0 150.0
Dilution effect - number of shares (millions) 2.2 3.1 3.1
Number of shares in issue at the end of the period (millions) 151.2 150.0 150.0

Ratios	2007	2006	2006
Basic earnings per share (thebe)	58.4	50.9	71.1
Diluted earnings per share (thebe)	57.5	49.9	69.7
Dividend per share (thebe)	14.0	8.0	18.1
Dividend cover (times)	4.2	6.4	3.9
Cost to income ratio (%)	27.8	21.7	23.2

CONDENSED CASH FLOW STATEMENT

	9 months ended 31 July 2007 (reviewed) P'000	9 months ended 31 July 2006 (reviewed) P'000	Year ended 31 October 2006 (audited) P'000
Operating Activities			
Profit before tax	115,345	102,085	138,733
Add: Amortization and depreciation	1,937	1,104	2,209
: Impairment of advances	2,539	668	(1,236)
: Profit on disposal of property, plant and equipment	-	-	(6)
Movement in working capital and other adjustments	(185,111)	(76,206)	(108,045)
Cash (used in) / generated from operations	(65,290)	27,651	31,655
Tax paid	(34,822)	(27,746)	(32,788)
Net cash used in operating activities	(100,112)	(95)	(11,133)
Investing Activities			
Net cash used in investing activities - capital expenditure	(1,615)	(3,906)	(5,308)
Financing Activities			
Dividends paid (net off withholding tax)	(13,270)	(13,167)	(23,701)
Net cash raised from borrowings	114,485	14,073	28,972
Net movement in cash and cash equivalents	(512)	(3,095)	(1,220)
Cash and cash equivalent at the beginning of the period	4,276	5,496	4,276
Cash and cash equivalent at the end of the period	3,764	2,401	4,276

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 also operates in five geographical regions, namely Botswana, Swaziland, Tanzania, Uganda and Zambia.

Geographical segments

	Botswana		Swaziland		Tanzania		Uganda		Zambia		Elimination		Consolidated	
	2007 P'000	2006 P'000	2007 P'000	2006 P'000	2007 P'000	2006 P'000	2007 P'000	2006 P'000	2007 P'000	2006 P'000	2007 P'000	2006 P'000	2007 P'000	2006 P'000
Operating Income	146,700	132,646	19,193	1,110	2,745	76	1,247	80	-	-	-	-	169,885	133,912
Profit / (loss) before tax	109,648	104,025	9,423	(271)	(2,019)	(711)	(1,301)	(958)	(406)	-	-	-	115,345	102,085
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(27,310)	(25,731)
Profit for the period													88,035	76,354
Segment assets	980,052	393,970	78,909	37,460	31,958	405	16,841	1,108	1,368	-	(468,632)	(26,180)	640,496	406,763
Segment liabilities	581,013	86,036	76,018	37,551	34,511	1,116	18,920	1,851	-	(466,858)	(26,180)	243,604	100,374	
Depreciation	992	727	85	39	133	44	88	32	-	-	-	-	1,298	842
Amortisation of intangible assets	639	262	-	-	-	-	-	-	-	-	-	-	639	262
Capital expenditure	1,056	2,901	47	302	450	359	62	344	-	-	-	-	1,615	3,706

Business segments

	Lending		Insurance Agency		Elimination		Consolidated	
	2007 P'000	2006 P'000	2007 P'000	2006 P'000	2007 P'000	2006 P'000	2007 P'000	2006 P'000
Profit before tax	108,617	94,745	6,728	7,340	-	-	115,345	102,085
Segment assets	625,866	396,656	14,841	10,107	(211)	-	640,496	406,763
Segment liabilities	239,342	98,237	4,473	2,137	(211)	-	243,604	100,374
Depreciation	1,098	782	200	60	-	-	1,298	842
Amortisation of intangible assets	557	186	82	76	-	-	639	262
Capital expenditure	1,163	3,628	452	278	-	-	1,615	3,906

CONDENSED BALANCE SHEET

	31 July 2007 (reviewed) P'000	31 July 2006 (reviewed) P'000	Change %	31 October 2006 (audited) P'000
ASSETS				
Cash and cash equivalents	3,764	2,401		4,276
Advances to customers	625,460	394,630	58	430,543
Other receivables	2,713	2,096		2,965
Income tax	1,054	-		-
Property, plant and equipment	4,141	3,303	25	3,874
Intangible assets	1,020	2,195		1,611
Deferred tax	2,344	2,138		1,730
Total assets	640,496	406,763	57	444,999

LIABILITIES AND SHAREHOLDERS' EQUITY

	31 July 2007 (reviewed) P'000	31 July 2006 (reviewed) P'000	Change %	31 October 2006 (audited) P'000
Liabilities				
Trade and other payables	31,190	15,490		19,345
Income tax	-	1,803		4,161
Borrowings	212,414	83,081	156	97,929
Share capital and reserves	396,892	306,389		323,564
Total liabilities and shareholders' equity	640,496	406,763	57	444,999

CONDENSED STATEMENT OF CHANGES IN EQUITY

	9 months ended 31 July 2007 (reviewed) P'000	9 months ended 31 July 2006 (reviewed) P'000	Year ended 31 October 2006 (audited) P'000
Balance at the beginning of the period	323,564	241,659	241,659
Income after tax	88,035	76,354	106,661
Share based payment reserve	2,250	3,376	4,900
Foreign currency translation reserve	(1,836)	-	(2,656)
Dividends paid	(15,121)	(15,000)	(27,000)
Balance at the end of the period	396,892	306,389	323,564

BASIS OF PREPARATION

There have been no changes to the group's accounting or provisioning policies during the period and the accounting and provisioning policies, as set out in the groups annual report for the year ended 31 October 2006, have been consistently applied.

The group has adopted all new IFRS and IFRIC interpretations that were effective for the period. These new accounting pronouncements did not have any material impact on the group or its existing accounting policies.



COMMENTARY

Results
The profit for the nine month period of P88,0m reflects an improvement of 15% over the corresponding period. The advances book has increased by 58% with associated revenue growth of 27%. The impairment provision against advances to customers remains at 1.5% of gross advances.

The group expanded its branch network during the period and invested in human resources at head office and the subsidiaries. This has and will, in the short term, continue to have an impact on costs. The cost to income ratio has increased to 28% as opposed to 22% for the corresponding period. We expect this ratio to increase before normalising when the associated revenue from the expansion and the growth of the advances book comes on line.

The growing advances book has necessitated increasing the group's borrowings, resulting in the debt to equity ratio changing from 27% at 31 July 2006 to 54% at 31 July 2007.

A US\$7.5m facility was secured during the period and further facilities are currently being negotiated. The US Dollar facility will be drawn down and fixed in local currency so the group will not have any exposure to foreign currency risk.

The group has in place the necessary financial facilities to fund the ongoing expansion at present and further funding options are being evaluated.

Change of financial year end
As previously communicated to shareholders, the group changed its financial year end to 31 January. These interim results are therefore for the nine month period ended 31 July 2007. The full trading period results will be for a fifteen month period to 31 January 2008. Comparatives for the corresponding nine month period have been appropriately disclosed along with the last full year audited results to 31 October 2006.

International Financial Services Centre
In May 2007 the final part of the IFSC accreditation was received. All of the advantages and privileges afforded to IFSC Companies can now be utilised.

Operations
The group has made progress in its African expansion program during the period under review. Operations in Swaziland, Tanzania and Uganda are now fully operational with the required staff complement (119 full time employees) and branch infrastructure (14 branches) in place. The aggregate advances books for these subsidiaries total P130,9m at 31 July 2007 as compared to P37,8m at 31 July 2006.

Botswana lending operations continue to be the major contributor to revenue and profitability with the advances book exceeding P500m for the first time during the period under review. The introduction of the central registers, initially Botswana, and later Lesaka, gives consumers a guaranteed take home pay which Letshego welcomes and is in line with our business model and existing practices.

Our Botswana insurance agency, Letshego Guard continues to grow and contribute towards the overall group profitability.

Prospects
The Botswana lending operation continues to perform to expectations and is consolidating its position as the market leader in consumer finance. While competition is very active, with the commercial banks now aggressively entering this market, we believe that our marketing, established brand, different product offerings and quality of service gives Letshego a competitive advantage.

Our operations in Swaziland continue to perform above expectations and it is expected that the advances book will soon reach the P100m level.

A local management and sales team have been put in place to capitalise on the potential in the Tanzania and Uganda markets. The culture of borrowing is still in its development stage in these territories and we are building a trusted brand name to position and differentiate our local products, practices and services. With continued focus on marketing, product innovation and pricing coupled with quality service, we will remain competitive and will continue to grow our asset base in these locations. A positive contribution to group profitability is only expected in the next financial period.

The infrastructure and core staffing for the proposed Zambian operations have been completed. On receipt of the licence from the Bank of Zambia, a marketing campaign will be launched to enter the competitive Zambian market. Initially an office will be opened in Lusaka where premises have already been secured.

The group is pursuing other potential expansion targets, and these will be progressed as and when opportune.

Cautionary announcement
Shareholders are referred to the updated cautionary announcement, dated 4 October 2007. Further updates will be provided to shareholders in due course.

Auditor's review
The financial information set out in this announcement has been reviewed but not audited by KPMG. Their unqualified review report is available for inspection at the holding company's registered office.

Dividend declaration
Notice is hereby given that the board has declared an interim dividend of 14.0 (fourteen) thebe per share. In terms of the Botswana Income Tax Act (Cap:42:01) as amended, withholding tax at the rate of 15% or any other currently enacted tax rate will be deducted from the gross dividend.

Important dates pertaining to this dividend are:

Declaration date	4 October 2007
Last date to register	26 October 2007
Dividend payment date	on or about 2 November 2007

For and on behalf of the Board of Directors

C M Lekaukau Chairman GABORONE, 4 October 2007	JA Claassen Managing Director
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Transfer Secretaries

PricewaterhouseCoopers (Pty) Limited
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DIRECTORS
C M Lekaukau (Chairman), R N Alam (USA), J M C Rammpiri, M C Letshwiti, J A Burbidge (British), J A Claassen (Managing Director) (RSA), D Ndebele, J F van den Berg (RSA), Dr Hassy H B Kite (Tanzania)
ALTERNATE DIRECTORS: J K Bucknor (Ghana) (Alternate to J F van den Berg)
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