Letshego Holdings Limited

Annual Financial Statements

For the year ended 31 December 2019

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Details

CORPORATE INFORMATION

Letshego Holdings Limited is incorporated in the Republic of Botswana
Registration number: UIN BW00000877524 and previously 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
Lawrence Khupe (appointed 1 January 2018 and resigned 26 February 2019)
Dumisani Ndebele (appointed 26 February 2019 and resigned 27 March 2019)
Matshidiso Kimwaga (appointed 27 March 2019)
Second Floor
Letshego Place
Plot 22 Khama Crescent
Gaborone, Botswana

Independent External Auditors
Ernst and Young
2nd Floor, Plot 22
Khama Crescent
Gaborone, Botswana

Transfer Secretaries
PricewaterhouseCoopers (Pty) Limited
Plot 50371
Fairground Office Park
Gaborone, Botswana

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

Bankers
Standard Chartered Bank Botswana Limited
ABSA Bank Botswana Limited
First National Bank Botswana Limited
First National Bank of South Africa Limited

DIRECTORS' REPORT

The Directors have pleasure in submitting to the Shareholders their report and the audited financial statements of Letshego Holdings Limited (the Company) for the year ended 31 December 2019.

Nature of business
The Company is engaged in investment in foreign and local operations involved in financial services.

Stated capital
Stated capital of the Company at 31 December 2019 amounted to P862, 621,720 (31 December 2018: P862, 621,720).

There were no ordinary shares issued in terms of the Company`s Long Term Incentive Plan during the current year. Treasury shares of 19, 054,190 (2018: 19, 054,190) remained unchanged.

In the prior year on 28 March 2018, 5,345,810 ordinary shares were issued in terms of the Company`s Long Term Incentive Plan. These were issued from shares held as treasury shares and the remaining treasury shares at the end of the year were 19, 054,190. This resulted in an increase in stated capital of P12, 776,486.

Dividends

An interim dividend of 4.3 thebe per share (prior year: 8.7 thebe per share) was declared on 28 August 2019.

A second and final dividend of 7.7 thebe per share (prior year: 3.3 thebe) was declared on 26 February 2020 and will be paid on or about 11 May 2020.

Directors
The following persons were directors of the Company:

Non-executive

Name	**Details**	**Nationality**
E.N Banda	Chairman	South Africa
S. Price		UK
H. Karuhanga		Uganda
J.de Kock	Resigned and appointed as Acting Group Chief Financial Officer on 5 March 2019 till 31 March 2020	South Africa
Dr G.Somolekae		Botswana
C. G. Van Schalkwyk	Resigned 2 May 2019	South Africa
R. N. Alam		USA
C. Lesetedi		Botswana
G. Van Heerde		South Africa
P. Odera	Appointed 12 December 2019	Kenya
A. Odubola	Appointed 12 December 2019	Nigeria
R. Hoekman	Appointed 22 January 2020	Holland

Directors (continued)

Executive

P.J.S Crouse	Group Chief Executive Officer - appointed 24 September 2018 and resigned 27 March 2019	South Africa
C. W. Patterson	Group Chief Financial Officer – resigned 2 March 2019	Ireland
D. Ndebele	Interim Group Chief Executive Officer – appointed 27 March 2019 and resigned 30 January 2020	Botswana
A.F. Okai	Group Chief Executive Officer - appointed 01 February 2020	Ghana

Directors' shareholdings

The aggregate number of shares held directly by Directors at 31 December 2019 were 4, 014,987 (31 December 2018: 6, 276,026). 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 Company operates an equity-settled conditional Long-Term Incentive Plan (LTIP), which was approved by Shareholders at an Extraordinary General Meeting held on 20 December 2005. Under the plan, conditional share awards are granted to management and key employees. The estimation of shares to vest for a year is based on internal projections as to the specified non-market conditions being achieved. Shares are awarded in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange.

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 December 2019

The Directors are responsible for the preparation of the annual financial statements of Letshego Holdings Limited the "Company" that give a true and fair view, comprising the statement of financial position at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Botswana Companies Act.

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

The Directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The external auditor is responsible for reporting on whether the annual financial statements give a true and fair view in accordance with International Financial Reporting Standards and the manner required by the Botswana Companies Act.

Approval of the annual financial statements:

The annual financial statements of Letshego Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 24 April 2020 and are signed on its behalf by:

E.N. BANDA
CHAIRMAN

A.F. OKAI
GROUP CHIEF EXECUTIVE

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Plot 22, Khama Crescent
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Gaborone, Botswana

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Independent Auditor's Report

To the Shareholders of Letshego Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Letshego Holdings Limited ("the company") set out on pages 12 to 58, which comprise the statement of financial position at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Botswana Companies Act.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (IESBA Code)* and other independence requirements applicable to performing the audit of the company. We have fulfilled our ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

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Key Audit Matter	
Impairment of investment in subsidiaries and intercompany loans	**How the matter was addressed in the audit**
The company recognised investments in subsidiary companies, including loans to subsidiary companies, of BWP2,882 billion (2018: BWP3,238 billion). Certain subsidiary companies have been realising losses for more than 12 months. This has resulted in an indication of impairment for both the investment in the subsidiary and the loans in these subsidiaries. The impairment considerations take into account the future expected cashflows and profitability of these subsidiaries. The estimation of the subsidiary companies' future expected cash flows and profitability is inherently uncertain and is subject to significant judgements and estimates considering the discounting of future cash flows. Management's impairment assessment of the investments and loans with subsidiaries included the following: • Calculating the value-in-use amount for each separate cash generating unit and comparing this to the net asset value of the investment. The value-in-use amounts were calculated using discounted cash flow models; and • Performing a sensitivity analysis over the value-in-use calculations, by varying key assumptions used in the value-in-use calculations including revenue growth rates, expense and fixed cost increases and the weighted average cost of capital used as discount rates.	Our audit procedures included amongst others the following: • We discussed with management their impairment assessment of the company's investments and loans in subsidiaries and challenged their assessment considering the most recent budgeted forecasts and discounted cash flow models prepared for these subsidiary companies. • We assessed the subsidiary companies' budgeted forecasts and discounted cash flows for reasonableness by comparing these to the most recent financial results. • We recalculated the weighted average cost of capital percentage applied in the discounted cash flow models. • We compared the cash flow forecasts to approved budgets and other publicly available market and economic information including the inflation rates and gross domestic product (GDP) applicable in the respective geographical sectors. • We tested the arithmetic accuracy of the discounted cash flows. • We performed a sensitivity analysis on the key assumptions used in the discounted cash flow models.

Management's assumptions also involved the use of significant assumptions such as: • Estimated future cash flows based on estimated revenue growth rates, • Profitability levels and; • Weighted Average Cost of Capital (WACC) This estimation uncertainty is further increased by the ongoing volatility in geographical sectors in which the subsidiary companies operate. Given the judgements and estimates involved in determining the amount and timing of the expected cash flows and profitability of these subsidiary companies, the valuation of the company's investments in subsidiary companies was considered to be a key audit matter in our audit of the company's financial statements. Refer to notes 6(c) and 6(d) Investment in subsidiary companies.	• We considered historic loss data and future economic outlook in the respective geographical areas in which the subsidiary companies operate to determine whether the company should recognise expected credit losses on the amounts due from subsidiary companies at the reporting date. • We evaluated the impairment disclosures for compliance with IAS 36, *Impairment of Assets*.

Other Information

The directors are responsible for the other information. The other information comprises the Corporate Information, the Directors' Report and the Directors' Responsibility Statement. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Botswana Companies Act**,** and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The financial statements of the company for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those statements on 30 April 2019.

Ernst + Young

Ernst & Young
Practising Member: Francois J Roos
Membership number: 20010078
Partner
24 April 2020

LETSHEGO HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	Note	2019 December P'000	2018 December P'000
ASSETS			
Cash and cash equivalents	3	33,412	58,721
Other receivables	4	13,376	18,758
Investment in subsidiary companies	6 (a)	1,938,996	2,199,443
Loans to subsidiary companies	6 (d)	943,308	1,038,703
Financial assets at fair value through OCI	7	53,591	53,591
Plant and equipment	8	3,953	4,148
Right of use assets	9	6,604	-
Intangible assets	10	24,712	29,714
Deferred tax asset	21.1	16,856	62,260
Total assets		**3,034,808**	**3,465,338**
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	11	238,625	313,592
Lease liabilities	12	7,359	-
Financial instruments held at fair value	5	15,390	12,726
Income tax payable	21.3	118,288	118,288
Borrowings	13	1,808,471	2,167,986
Total liabilities		**2,188,133**	**2,612,592**
Shareholders' equity			
Stated capital	14	862,621	862,621
Share based payment reserve	15	19,312	15,069
Accumulated deficit		(35,258)	(24,944)
Total shareholders' equity		**846,675**	**852,746**
Total liabilities and equity		**3,034,808**	**3,465,338**

LETSHEGO HOLDINGS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 P'000	31 December 2018 P'000
Interest income	16	209,375	320,878
Interest expense	17	(222,532)	(250,466)
Net interest (expense) / income		**(13,157)**	**70,412**
Other operating income	18	538,764	744,296
Operating income		**525,607**	**814,708**
Employee benefits	19	(127,130)	(126,459)
Other operating expenses	20	(129,847)	(195,150)
Profit before taxation		**268,630**	**493,099**
Taxation	21	(117,445)	(154,741)
Profit after taxation		**151,185**	**338,358**
Other comprehensive income		-	-
Total comprehensive income		**151,185**	**338,358**

LETSHEGO HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Stated Capital P'000	Accumulated Deficit P'000	Share Based Payment Reserve P'000	Total P'000
Balance at 1 January 2019		862,621	(24,944)	15,069	852,746
Total comprehensive income for the year					
Profit for the year		-	151,185	-	151,185
Transactions with owners, recorded directly in equity					
Allocation to share based payment reserve	15	-	-	4,243	4,243
Dividends to equity holders	22	-	(161,499)	-	(161,499)
Balance at 31 December 2019		**862,621**	**(35,258)**	**19,312**	**846,675**
Balance at 1 January 2018		849,845	99,987	27,966	977,798
Total comprehensive income for the year					
Profit for the year		-	338,358	-	338,358
Transactions with owners, recorded directly in equity					
New shares issued from long term incentive scheme	15	12,776	-	(12,776)	-
Allocation to share based payment reserve	15	-	-	(121)	(121)
Dividends to equity holders	22	-	(463,289)	-	(463,289)
Balance at 31 December 2018		**862,621**	**(24,944)**	**15,069**	**852,746**

LETSHEGO HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 P'000	31 December 2018 P'000
OPERATING ACTIVITIES			
Profit before taxation		268,630	493,099
Adjustments for :			
- Net interest expense / (income)		13,157	(70,412)
- Amortisation of intangible assets	10	5,526	5,401
- Depreciation - plant and equipment	8	6,583	3,031
- Depreciation - right of use assets	9	3,536	-
- Disposal and write off of plant and equipment and intangible assets		-	3,407
- Impairment on investment	6 (c)	18,287	61,394
- Impairment of loan to subsidiary	6 (d)	6,224	-
- Long term incentive plan allocation	15	4,243	(121)
- Unrealised losses on financial instruments held at fair value	5	2,664	8,613
- Dividends received from subsidiaries	18	(335,810)	(599,231)
Changes in working capital :			
Movement in other receivables	4	5,382	(1,447)
Movement in trade and other payables		(10,242)	18,639
Cash used in operations		**(11,820)**	**(77,627)**
Income tax paid	21	(72,041)	(107,110)
Interest received	16	209,375	320,878
Interest paid	17	(221,741)	(250,466)
Net cash flows used in operating activities		**(96,227)**	**(114,325)**
INVESTING ACTIVITIES			
Conditional subsequent payment relating to the investment in Letshego Ghana	6 (b)	(2,577)	(15,483)
Investment in subsidiaries	6	-	(61,679)
Amounts repaid to subsidiaries	11.3	(66,721)	(54,510)
Amounts advanced by subsidiaries	11.3	1,996	-
Loans to subsidiaries	6 (d)	(191,496)	(114,864)
Loan repayment by subsidiaries	6 (d)	277,460	148,843
Redemption of preference shares by subsidiaries	6 (a)	247,944	142,946
Purchase of plant and equipment	8	(6,388)	(1,734)
Purchase of intangible assets	10	(524)	(558)
Dividends received from subsidiaries	18	335,810	599,231
Net cash flows from investing activities		**595,504**	**642,192**
FINANCING ACTIVITIES			
Dividends paid	22	(161,499)	(463,289)
Payment of lease liabilities	12	(3,572)	-
Finance repaid to third parties	13	(528,916)	(441,723)
Finance obtained from third parties	13	169,401	376,098
Net cash flows used in financing activities		**(524,586)**	**(528,914)**
Net movement in cash and cash equivalents		**(25,309)**	**(1,047)**
Movement in cash and cash equivalents			
At the beginning of the year		58,721	59,768
Movement during the year		(25,309)	(1,047)
At the end of the year	**3**	**33,412**	**58,721**

Reporting entity
Letshego Holdings Limited (the "Company") is a company incorporated in Botswana. The address of the Company, which is a limited liability company, is Letshego Place, Plot 22 Khama Crescent, Gaborone, Botswana. The Company is primarily engaged in the provision of financial and administrative services to subsidiaries and third parties.

The Company financial statements for the year ended 31 December 2019 have been approved for issue by the Board of Directors on 25 March 2020.

The following principal accounting policies, which are consistent with prior years except for the adoption of new / amended accounting standards, have been adopted in the preparation of these annual financial statements.

Separate financial statements
The following are the holding company "Letshego Holdings Limited" stand alone annual financial statements. The consolidated financial statements have been prepared and presented separately. These financial statements represents the Company's statutory financial statements.

Statement of compliance
The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Botswana Companies Act.

Basis of preparation
The financial statements are presented in Botswana Pula, which is the Company's functional currency. Except where indicated, financial information presented in Pula has been rounded to the nearest thousand.

The financial statements have been prepared on the historical cost basis except where otherwise stated.

Adoption of new accounting standards
The Company has adopted IFRS 16 – Leases for the first time in the current reporting period (previously IAS 17 – Leases: recognition and measurement was applied). As a result, accounting policies applicable to leases have been amended accordingly (page 26). The other standards and interpretations that became effective during the current year did not have any material impact, on the Company's financial results or position.

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

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

Significant judgements made by management in the application of International Financial Reporting Standards are covered in note 2 of the financial statements.

Plant and equipment
Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment / losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the plant and equipment items. The estimated useful lives for the current and prior period are as follows:

Computer equipment	3 years
Office furniture	4 years
Office equipment	5 years
Leasehold improvements	5 years

Plant and equipment (continued)

Motor vehicles	4 years

The residual value and useful life of each part of plant and equipment, if not insignificant, is reassessed annually and adjusted prospectively if appropriate. Depreciation costs are recognised on a prorate basis in profit and loss from the date the asset is available for use.

Subsequent expenditure is capitalised when it is probable that the future economic benefits will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of plant and equipment items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

Foreign currency transactions
Transactions conducted in foreign currencies are translated to Pula at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula using the closing exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss.

Operating leases (prior to 1 January 2019 and applicable to the comparative balances)
The Company classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Leases (applicable with effect from 01 January 2019)
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Property	2 to 5 years

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Leases (applicable with effect from 01 January 2019) (continued)

Lease liabilities (continued)
Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Intangible assets – computer software
Software acquired by the Company is measured at cost less accumulated amortisation and accumulated impairment losses.

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

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is measured at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed in profit or loss as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software for the current and prior period is three to ten years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

An intangible asset – computer software is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of these intangible assets items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

Provisions
Provisions are recognised when the Company 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.

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

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

Deferred tax
Deferred tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

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

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

Revenue recognition
Interest income is recognised in profit or loss 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 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 Company 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.

Management fees
The Company charges its subsidiaries management fees under its long term service level agreements. Management fees are based on the agreed support services provided by the Company to its subsidiaries and are apportioned based on identified cost drivers. These fees are recognised in profit or loss as the agreed support services are provided by the Company to its subsidiaries on a monthly basis (over a period of time). These contracts are reviewed on an annual basis.

Guarantee fees
A guarantee occurs when the Company accepts responsibility for an obligation when its subsidiaries source an external loan facility. The Company charges the subsidiary a guarantee fee calculated as a percentage of the loan amount or the outstanding loan balance at each reporting period. This is recognised and charged biannually over the life of the facility.

Arrangement fees
These relate to fees charged to subsidiaries for facilitating inter group funding. These fees are recognised as part of the inter group funding arrangement and are recognised over the period of the loan. The remaining balance of these fees are recognised immediately on early settlement of inter group funding.

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

Dividend income
The Company recognises dividends when the Company'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. Dividend income is presented in profit or loss.

Finance costs
Finance costs are recognised in profit or loss using the effective interest method as describe under the interest income policy above. Foreign currency gains and losses on interest earning financial liabilities are recognised in profit or loss, as part of interest expense, as they are incurred.

Stated capital
Stated capital is recognised at the fair value of the consideration received. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instrument.

Treasury shares is where the Company purchases its own stated capital. The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are re-issued or sold. Where the shares are subsequently sold or re-issued, any consideration received net of any directly attributable incremental costs, is included in shareholders' equity.

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

Employee benefits
Short term employee benefits are expensed as the related services are provided. Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is recognised for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. The Company operates a defined contribution retirement benefit fund. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in profit or loss as an expense when they are due in respect of service rendered before the end of the reporting period. Under the defined contribution plans in which the Company and its employees participate, the Company and the employees contribute fixed percentages of gross basic salary on a monthly basis.

The Company also operates a staff incentive bonus scheme. The provision for employee bonus incentive is based on a predetermined Company policy and is recognised in trade and other payables. The accrual for employee bonus incentives is expected to be settled within 12 months to 36 months.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Share-based payment transactions
The Company operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. The number of vesting awards is subject to achievement of specific performance metrics. The grant date fair value of awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest.
The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Company revises its estimate of the number of options expected to vest.

The Company recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through profit or loss. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share based payment reserve and credited against retained earnings.

Share-based payment transactions (continued)

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

Determination of fair value of equity instruments granted
The share price of Letshego Holdings Limited's equity instruments (as quoted on the Botswana Stock Exchange) at grant date is the estimated fair value of the share options granted. No adjustments are made for non-market vesting conditions as there are none. Therefore, no valuation techniques are therefore used (Monte Carlo / Black Scholes etc.) as the quoted price at grant date is the fair value.

Contingent liabilities
The Company 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 Company, 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 Company and companies with common ownership and/or Directors.

Investment in subsidiaries
The Company accounts for investments in subsidiaries at cost, which includes transaction costs, less accumulated impairment losses. A listing of the Company's subsidiaries are reflected in note 6 of the annual financial statements.

Investments in subsidiaries are assessed for impairment when indicators of impairment are identified. Such impairment indicators include, but are not limited to, for example:

• Sustained deterioration in financial results of operations and / or financial position of a subsidiary
• Changes in the operating environment of a subsidiary, including regulatory and economic changes, market entry by new competitors, etc. and
• Inability of a subsidiary to obtain finance required to sustain or expand operations.

Where impairment indicators are identified, the recoverable value of the subsidiary is measured at the lower of realisable value through sale less costs to sell, and value in use. Value in use is the present value of future cash flows expected to be derived from the subsidiary.

Where the recoverable value of a subsidiary is below the carrying amount, the carrying amount is reduced to the recoverable value through profit and loss.

Once an impairment loss has been recognised, the Company assesses at each year-end date whether there is an indication that the impairment loss previously recognised no longer exists or has decreased. If this is the case, the recoverable value of the subsidiary is remeasured and the impairment loss reversed or partially reversed through profit and loss as may be the case.

Financial assets and liabilities

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the

Financial assets and liabilities (continued)
Financial assets (continued)

Initial recognition and measurement (continued)
Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Company's financial assets and liabilities consist of the following significant items.

Other receivables
Other receivables comprise deposits and other recoverables which arise during the normal course of business. These are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their amortised cost using the effective interest method.

Loans to subsidiary companies
Loans to subsidiary companies are measured at amortised cost less any impairment losses. The contractual cash flows arising from loans to subsidiary companies are solely payments of interest and principal.

Cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with financial institutions. Bank overdrafts, which are repayable on demand and form an integral part of the Company's cash management, are included as a component of cash and cash equivalents. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Financial assets at fair value through OCI
Financial assets at fair value through OCI are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Financial assets at fair value through OCI are subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Dividends received from financial assets at fair value through OCI equity instruments are recognised in profit or loss when the Company's right to receive payment is established.

Financial assets and liabilities (continued)

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities measured at fair value through profit or loss, or financial liabilities measured at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and financial instruments held at fair value.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
• Financial liabilities at fair value through profit or loss
• Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings including trade and other payables are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included as finance costs in profit or loss.

Financial liabilities at amortised cost
Financial liabilities at amortised cost includes borrowings and trade and other payables.

Borrowings
Borrowings are the Company's source of funding. Borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Trade and other payables
Liabilities for trade and other amounts payable, which are normally settled on 30 to 90 day terms, are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Financial instruments held at fair value
These financial liabilities are measured at fair value and changes in the fair value are recognised through profit or loss.

Financial assets and liabilities (continued)

Recognition
The Company initially recognises financial assets and liabilities on the date that they are originated or on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Derecognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

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

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

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

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

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

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

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

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

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

Financial assets and liabilities (continued)

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

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

Identification and measurement of impairment for financial assets
At each reporting date the Company assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired.

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

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

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

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Designation at fair value through profit or loss
The Company may designate financial assets and liabilities on a fair value basis through profit or loss when either:
- the assets or liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Impairment for non-financial assets
At each reporting date, the Company reviews the carrying value for its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses in respect of goodwill are not reversed. For assets excluding goodwill, if there is an indication of impairment, the Company estimates the assets recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

New standards or amendments to standards which became effective for the first time during the year

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other new standards, amendments to standards and interpretations applied for the first time in 2019, including IFRIC23. These standards, amendments to standards and interpretations did not have a material impact on the Company's financial statements. The Company has not early adopted any new standards, amendments to standards or interpretations that have been issued but are not yet effective

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Company has lease obligations for the rental of premises and operating equipment. These leases were previously measured in accordance with IAS 17. The Company adopted IFRS 16 using the modified retrospective approach, with the date of initial application of 1 January 2019. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

Nature of the effect of adoption of IFRS 16 to the Company

The Company did not early adopt IFRS 16 and as such the effective date of adoption is 1 January 2019 and noted below is the detailed approach:

Overall impact
The Company has lease obligations for the rental of premises and operating equipment. These leases were previously measured in accordance with IAS 17. The Company has opted not to reassess if these leases meets the definition of a lease on initial adoption of IFRS 16 and as such the leases were considered to have met the definition of a lease.

In addition an assessment was done to review the composition of the lease payments to determine if there are any non-lease components. In some cases the lease payments include an additional amount for services charges and these were considered to be non-lease components as they relate to utilities, garbage collection etc. The Company has taken the option to separate lease and non-lease components.

Statement of financial position
IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. Furthermore, the present value of the future lease payments is recognised as a financial liability if lease payments are made over time.

Statement of profit or loss and other comprehensive income
IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). This change aligns the lease expense treatment for all leases. Although the depreciation charge is typically even, the interest expense reduces over the life of the lease as lease payments are made. This results in a reducing total expense as an individual lease matures.

Nature of the effect of adoption of IFRS 16 to the Company (continued)

Approach adopted by the Company
The standard allows for two approaches in the adoption being the full retrospective approach and the modified retrospective approach. The full retrospective approach requires the restatement of the prior year reported numbers whilst in the latter the adjustment as a result of the adoption of the standard are effected in the current year.

The Company has opted for the modified retrospective approach and as such the effect of the new standard has been accounted for in the current year.

Discount factor
Under IFRS 16 'Leases', discount rates are used to determine the present value of the lease payments used to measure a lessee's lease liability. Discount rates are also used to determine lease classification for a lessor and to measure a lessor's net investment in a lease. For lessees, the lease payments are required to be discounted using:

• the interest rate implicit in the lease if readily determinable, or
• the lessee's incremental borrowing rate.

Right of use asset
This is the lessee's right to use an asset over the life of the lease. The right of use asset were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised and is depreciated over the lease term.

Lessee's incremental borrowing rate
Where the lessee is unable to readily determine the interest rate implicit in the lease, the discount rate will be the lessee's incremental borrowing rate. The incremental borrowing rate is an interest rate specific to the lessee that reflects:

- the credit risk of the lessee
- the term of the lease
- the nature and quality of the security
- the amount 'borrowed' by the lessee, and
- the economic environment (the country, the currency and the date that the lease is entered into) in which the transaction occurs.

The Company has adopted the incremental borrowing rate as the discount factor. The discount factors take into account the interest rates on the existing facilities where applicable and commercial rates the Company could be offered by their lenders if they were to source funding.

The Company adopted the practical expedient that allows entities to apply the same discount rate to a portfolio of leases that have similar characteristics. The effect is reasonably expected to be materially the same as the assessment of the discount rate on a lease-by-lease approach.

The Company used an incremental borrowing rate of 9% in recognising the lease liabilities at the date of initial application.

The Company applied the available practical expedients as follows:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics
- relied on its assessment of whether leases are onerous immediately before the date of initial application
- excluded the direct cost from the measurement of the right of use asset at the date of initial application

Nature of the effect of adoption of IFRS 16 to the Company (continued)

Short term leases

The Company does not have leases with lease terms of up to 12 months. This election only applies where the total portfolio of similar leases are of that tenor.

Low value leases
The Company has also opted not to recognise assets and liabilities for low value leases for operating equipment.

Adjustments recognised on adoption of IFRS 16:	**P'000**
New lease as at 01 January 2019	11,824
Discounted using the lessee's incremental borrowing rate at the date of initial application	(1,684)
Lease liability recognised as at 01 January 2019 (note 9)	**10,140**

The Company had no operating lease commitments at 31 December 2018.

Standards issued but not yet effective at the reporting date

A number of new standards and amendments to standards are issued but not yet effective for year ended 31 December 2019. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards or amendments to standards early. These will be adopted in the period that they become mandatory.

Other standards/amendments to standards
The following new or amended standards are not expected to have a significant impact on the Company's financial statements:

- Presentation of financial statements Amendments to IAS 1 – effective 1 January 2020
- Definition of Material – Amendments to IAS 1 and IAS 8 - effective 1 January 2020
- The Conceptual Framework of Financial Reporting - effective 1 January 2020
- Amendments to IFRS 3 – Business combinations – effective 1 January 2020

1 FINANCIAL RISK MANAGEMENT

1.1 Introduction and overview

Letshego Holdings Limited (''the Company'') continued to maintain a risk management culture in response to the changing operating environment in order to deliver the Company's objectives.

The Board of Directors has the ultimate responsibility for ensuring that an adequate risk management system is established and maintained. The Board delegated its responsibilities to the following Board Committees and the terms of reference are outlined in the Board Charter:

- Group Audit Committee
- Group Risk Committee
- Group Governance, Nominations and Social Ethics Committee
- Group Remuneration Committee
- Group Investment Committee

In addition to the above board committees, the Group established the following Management Committees to assist the Board in the effective management of risk:

- Group Executive Committee
- Group Risk Management Committee
- Group Innovation Management Committee
- Group Business Growth Committee
- Group Asset and Liability Management Committee
- Group Technical and Operations Committee
- Group Sustainability Committee
- Group Tax Committee

The above Group committees incorporate controls and supervision over Letshego Holdings Limited Group and Company. In addition they provide oversight on the overall activities and governance structures of Letshego Holdings Limited.

The primary risks to which the Company is exposed and which it continues to effectively manage are detailed below.

1.2 Strategic risk

Strategic risk refers to the current and/or prospective impact on the Company’s earnings, capital or business viability arising from adverse business decisions and implementation of strategies which are inconsistent with internal factors and the external environment.

In line with the Company’s Enterprise Risk Management framework, strategic risk management enables the mitigation of risks and protects the stability of the Company. It also acts as a tool for planning systematically about the future and identifying opportunities.

1 FINANCIAL RISK MANAGEMENT (continued)

1.2 Strategic risk (continued)

In order to effectively manage strategic risk, the Board of Directors and the Group Executive Committee have established appropriate internal structures for implementation of strategic plans. The Company's strategic plans are supported by appropriate organisational and functional structures, skilled and experienced personnel, as well as risk monitoring and controlling systems.

According to the Company’s reporting structures, reputational risk is a primary risk categorized under strategic risk. Reputational risk arises when a situation, occurrence, business practice or event has the potential to materially influence the public and stakeholder’s perceived trust and confidence in the Group or its subsidiaries. This risk may also result from the Company’s failure to effectively manage any or all of the other risk types.

1.3 Financial risk

According to the Company’s enhanced ERM framework, financial risk includes credit risk, interest rate risk, liquidity risk and market risk.

1.3.1 Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet obligations in accordance with agreed terms. The Company is exposed to credit risk from a number of financial instruments such as loans to subsidiaries, right-of-use assets, investment in preference shares in subsidiaries, placing with banks and other receivables.

Approach to managing credit risk
The Board of Directors is ultimately responsible for the management of credit risk and has delegated responsibility for the oversight of credit risk to the CEO. It is the responsibility of the CEO to ensure that the Company’s policies regarding credit risk are complied with at all times.

Impairment methodology
The Company's accounting policy for losses arising from the impairment of loans to subsidiaries represents management’s best estimate of expected credit losses at the reporting date. In assessing this, the Company considers the probability of default based on historical performance, extended payment terms and the overall financial well being of each subsidiary in terms of future payments.

If at the reporting date, the subsidiary has the capacity to repay the loan if demanded by the Company (i.e. the subsidiary has sufficient cash resources without restrictions to repay on demand), the expected credit loss allowance will be negligible and therefore the expected credit loss would be minimal. On contrary if the subsidiary would be incapable of repaying the loan in full if demanded by the Company, with no notice, the probability of default and the expected credit loss would be high.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Write-off policy

The Company writes off loan balances, and any related allowances for impairment losses, when there is determination that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Maximum exposure to credit risk

The table below presents the maximum exposure to credit risk of financial instruments recognised on the statement of financial position, after taking account of any collateral held.

Maximum exposure to credit risk at 31 December 2019	Loans to subsidiary companies	Provision	Net	Security held
	P'000	P'000	P'000	P'000
Southern Africa	796,373	-	796,373	-
East & West Africa	146,935	-	146,935	-
Total at 31 December 2019	**943,308**	-	**943,308**	**-**

Maximum exposure to credit risk at 31 December 2018	Loans to subsidiary companies	Provision	Net	Security held
	P'000	P'000	P'000	P'000
Southern Africa	868,746	-	868,746	-
East & West Africa	169,957	-	169,957	-
Total at 31 December 2018	**1,038,703**	-	**1,038,703**	**-**

Investment in subsidiaries

All subsidiaries are under the control of the Company, which includes overall management and control of cash flows. All investments in subsidiary companies are assessed for impairment and general credit risk at regular intervals, and no assessment of increased levels of credit risk was noted at the financial year end.

Other exposures to credit risk

	31 December 2019	31 December 2018
	P'000	P'000
Cash and cash equivalents	33,412	58,721
Other receivables	9,900	15,405
Right of use assets	6,604	-
	49,916	**74,126**

Cash and cash equivalents	All cash at banks is held with reputable institutions with good credit history and are regulated by the relevant national regulatory authority. As a result, the probability of loss due to credit risk is assessed as low.
Other receivables	Other receivables includes insurance and deposits with reputable institutions. The risk of loss due to credit risk is assessed as low.
Right of use assets	This is the Company's right to use an asset over the life of the lease. The right of use asset was recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised and is depreciated over the lease term. The risk of loss due to credit risk is assessed as low.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.2 Interest rate risk

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

31 December 2019	**From 1 to 12 months**	**From 1 year to 3 years**	**From 3 years and above**	**Non interest bearing**	**Total**
	P'000	**P'000**	**P'000**	**P'000**	**P'000**
ASSETS					
Cash and cash equivalents	33,412	-	-	-	33,412
Loans to subsidiaries	714,601	-	-	-	714,601
Current accounts with subsidiaries	-	-	-	228,707	228,707
Right of use assets	-	-	-	6,604	6,604
Financial assets at fair value through OCI	-	-	-	53,591	53,591
Other receivables	-	-	-	9,900	9,900
	748,013	-	-	298,802	1,046,815
LIABILITIES					
Trade and other payables	-		-	202,338	202,338
Financial Instrument held at fair value	-	-	-	15,390	15,390
Borrowings	1,102,296	216,751	489,424	-	1,808,471
Lease liability	3,697	3,662	-	-	7,359
	1,105,993	220,413	489,424	217,728	2,033,558
Net interest sensitivity gap	**(357,980)**	**(220,413)**	**(489,424)**	**81,074**	**(986,743)**

31 December 2018	**From 1 to 12 months**	**From 1 year to 3 years**	**From 3 years and above**	**Non interest bearing**	**Total**
	P'000	**P'000**	**P'000**	**P'000**	**P'000**
ASSETS					
Cash and cash equivalents	58,721	-	-	-	58,721
Loans to subsidiaries	819,391	-	-	-	819,391
Current accounts with subsidiaries	-	-	-	219,312	219,312
Financial assets at fair value through OCI	-	-	-	53,591	53,591
Other receivables	-	-	-	15,405	15,405
	878,112	-	-	288,308	1,166,420
LIABILITIES					
Trade and other payables	-		-	262,781	262,781
Financial Instrument held at fair value	-	-	-	12,726	12,726
Borrowings	772,881	894,650	500,455	-	2,167,986
	772,881	894,650	500,455	275,507	2,443,493
Net interest sensitivity gap	**105,231**	**(894,650)**	**(500,455)**	**12,801**	**(1,277,073)**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.2 Interest rate risk (continued)

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

	31 December 2019	31 December 2018
The average cost of borrowing in percentage terms was (excluding the impact of foreign exchange gains or losses)	11.2%	13.4%
The impact of a 1% increase in variable lending rates on interest expense would be adverse (P'000)	11,423	19,894
% change in profit before tax	4%	4%

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

1.4 Liquidity risk

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

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

31 December 2019	**From 1 to 12 months P'000**	**From 1 year to 3 years P'000**	**From 3 years and above P'000**	**Total P'000**
Contractual maturities of financial liabilities:				
Trade and other payables	202,338	-	-	202,338
Lease liability	3,697	3,662	-	7,359
Financial instruments held at fair value	-	15,390	-	15,390
Borrowings	1,282,599	310,485	657,377	2,250,461
	1,488,634	**329,537**	**657,377**	**2,475,548**

31 December 2018	**From 1 to 12 months P'000**	**From 1 year to 3 years P'000**	**From 3 years and above P'000**	**Total P'000**
Contractual maturities of financial liabilities:				
Trade and other payables	262,781	-	-	262,781
Financial instruments held at fair value	-	12,726	-	12,726
Borrowings	946,615	1,175,521	538,403	2,660,539
	1,209,396	**1,188,247**	**538,403**	**2,936,046**

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

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

Currency risk

Currency risk is the current or prospective risk to the Company's earnings and capital arising from adverse movements in currency exchange rates. Foreign exchange differences arising from the conversion of foreign denominated financial assets and liabilities are recognised in profit and loss in line with the company's accounting policy per page 17.

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Market risks (continued)

The following table shows the financial assets and financial liabilities of the Company in the respective currencies (Pula equivalent) at the reporting date.

31 December 2019	**SA Rand P'000**	**Swaziland Emalangeni P'000**	**Namibian Dollar P'000**	**Lesotho Loti P'000**	**Tanzanian Shillings P'000**	**Nigeria Naira P'000**	**Mozambican Meticais P'000**	**Kenya Shillings P'000**	**Great Britain Pound P'000**	**United States Dollars P'000**	**Botswana Pula P'000**	**Ghana Cedi P'000**	**Eurozone Euro P'000**	**Total Pula P'000**
Cash and cash equivalents	10,259	-	-	-	-	-	-	-	978	15,818	4,939	-	1,418	33,412
Other receivables	-	-	-	-	-	-	-	-	-	-	9,900	-	-	9,900
Financial assets at fair value through OCI	-	-	-	-	-	-	-	-	-	-	53,591	-	-	53,591
Right of use assets	-	-	-	-	-	-	-	936	-	-	5,668	-	-	6,604
Loans to subsidiaries	-	74,444	122,158	214,935	14,146	850	44,826	3,568	-	18,226	400,959	49,196	-	943,308
Total financial assets	**10,259**	**74,444**	**122,158**	**214,935**	**14,146**	**850**	**44,826**	**4,504**	**978**	**34,044**	**475,057**	**49,196**	**1,418**	**1,046,815**
Borrowings	511,170	-	-	-	-	-	-	-	-	100,456	1,110,771	-	86,074	1,808,471
Lease liability	-	-	-	-	-	-	-	-	879	-	6,480	-	-	7,359
Financial instruments held at fair value	-	-	-	-	-	-	-	-	-	-	15,390	-	-	15,390
Trade and other payables	2,313	-	-	-	-	-	-	-	-	-	200,025	-	-	202,338
Total financial liabilities	**513,483**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**879**	**100,456**	**1,332,666**	**-**	**86,074**	**2,033,558**
Net exposure	**(503,224)**	**74,444**	**122,158**	**214,935**	**14,146**	**850**	**44,826**	**4,504**	**99**	**(66,412)**	**(857,609)**	**49,196**	**(84,656)**	**(986,743)**

**Note that ordinary shares and preference shares have not been included in this, as they are not subject to exchange movements*

Exchange rates at 31 December 2019 - mid rates: BWP 1.00 =	1.32	1.32	1.32	1.32	216.30	34.11	5.79	9.53	0.07	0.09	1.00	0.54	0.08

31 December 2018	**SA Rand P'000**	**Swaziland Emalangeni P'000**	**Namibian Dollar P'000**	**Lesotho Loti P'000**	**Tanzanian Shillings P'000**	**Nigeria Naira P'000**	**Mozambican Meticais P'000**	**Kenya Shillings P'000**	**Great Britain Pound P'000**	**United States Dollars P'000**	**Botswana Pula P'000**	**Ghana Cedi P'000**	**Eurozone Euro P'000**	**Total Pula P'000**
Cash and cash equivalents	7,060	-	-	-	-	-	-	-	188	43,496	7,929	-	48	58,721
Other receivables	-	-	-	-	-	-	-	-	-	-	15,405	-	-	15,405
Financial assets at fair value through OCI	-	-	-	-	-	-	-	-	-	-	53,591	-	-	53,591
Loans to subsidiaries	-	197,166	110,907	162,196	6,326	-	96,743	-	-	41,733	415,180	8,452	-	1,038,703
Total financial assets	**7,060**	**197,166**	**110,907**	**162,196**	**6,326**	**-**	**96,743**	**-**	**188**	**85,229**	**492,105**	**8,452**	**48**	**1,166,420**
Borrowings	573,963	-	-	-	-	-	-	-	-	100,414	1,403,687	-	89,922	2,167,986
Financial instruments held at fair value	-	-	-	-	-	-	-	-	-	-	12,726	-	-	12,726
Trade and other payables	317	-	-	-	-	-	-	-	-	-	262,464	-	-	262,781
Total financial liabilities	**574,280**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100,414**	**1,678,877**	**-**	**89,922**	**2,443,493**
Net exposure	**(567,220)**	**197,166**	**110,907**	**162,196**	**6,326**	**-**	**96,743**	**-**	**188**	**(15,185)**	**(1,186,772)**	**8,452**	**(89,874)**	**(1,277,073)**

**Note that ordinary shares and preference shares have not been included in this, as they are not subject to exchange movements*

Exchange rates at 31 December 2018 - mid rates: BWP 1.00 =	1.34	1.34	1.34	1.34	214.30	33.97	5.72	9.50	0.07	0.09	1.00	0.45	0.08

1 FINANCIAL RISK MANAGEMENT (continued)

1.6 Operational risks

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

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

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

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

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

1.7 Financial assets and liabilities measured at fair value disclosed by category

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

1 FINANCIAL RISK MANAGEMENT (continued)

1.7 Financial assets and liabilities measured at fair value disclosed by category (continued)

31 December 2019	Carrying amount					Fair value			
	Financial assets at fair value through OCI	Fair value - through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial assets measured at fair value									
Financial assets at fair value through OCI	53,591	-	-	-	53,591	-	-	53,591	53,591
Financial assets not measured at fair value									
Loans to subsidiaries	-	-	943,308	-	943,308				
Cash and cash equivalents	-	-	33,412	-	33,412				
Right of use assets	-	-	6,604	-	6,604				
Other receivables	-	-	9,900	-	9,900				
	-	-	993,224	-	993,224				
Financial liabilities measured at fair value									
Currency rate swap	-	15,390	-	-	15,390	-	15,390	-	15,390
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	202,338	202,338				
Lease liabilities	-	-	-	7,359	7,359				
Borrowings	-	-	-	1,808,471	1,808,471				
	-	-	-	2,018,168	2,018,168				

31 December 2018	Carrying amount					Fair value			
	Financial assets at fair value through OCI	Fair value - through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial assets not measured at fair value									
Financial assets at fair value through OCI	53,591	-	-	-	53,591	-	-	53,591	53,591
Financial assets not measured at fair value									
Loans to subsidiaries	-	-	1,038,703		1,038,703				
Cash and cash equivalents	-	-	58,721	-	58,721				
Other receivables	-	-	15,405	-	15,405				
	-	-	1,112,829	-	1,112,829				
Financial liabilities measured at fair value									
Interest and currency rate swaps	-	12,726	-	-	12,726	-	12,726	-	12,726
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	262,781	262,781				
Borrowings	-	-	-	2,167,986	2,167,986				
	-	-	-	2,430,767	2,430,767				

The carrying amount of items measured at amortised cost approximate their fair values, due to the short-term nature of these products, and the market related interest rates and repayment terms associated with these items.

1 FINANCIAL RISK MANAGEMENT (continued)

1.7 Financial assets and liabilities measured at fair value and disclosed by category (continued)

Measurement of fair values

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

● Level 1	- Quoted (unadjusted) market prices in active markets for identifiable assets or liabilities
● Level 2	- Valuation techniques for which the lowest level input that is significant to the fair value is observable
● Level 3	- Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable

Reconciliation of fair value measurement categorises within level 3 of the fair value hierarchy

Financial assets - Level 3	**31 December 2019 P'000**	**31 December 2018 P'000**
Opening balance	53,591	53,591
Total gain / loss in comprehensive income	-	-
	53,591	**53,591**

The following tables show the valuation techniques used in measuring fair value levels, as well as significant unobservable inputs used.

Type	Valuation technique		Significant unobservable inputs
Interest rate swap	Fair value cash flow	Level 2	Discount factor used to derive present value of cash flow (12.5%)
Currency swap	Fair value cash flow	Level 2	Based on BWP, EUR and USD risk free rates
Financial assets at fair value through OCI	Since market values are not available from an observable market, as this is an investment in private equity, the recent transaction price has been considered as an approximate to fair value	Level 3	Based on recent sales price per share

2 USE OF ESTIMATES AND JUDGMENTS

2.1 Share-based payment transactions

The Company operates an equity settled conditional Long Term Incentive Plan (LTIP). The plan is based on non market conditions such as performance against budgets and achievement of other key performance indicators. These non market performance conditions are determined by the Group Remuneration Committee. The number of awards to vest are assessed and adjusted for the attrition in participants as well as the extent of achievement of those conditions at the reporting dates. The assumption is that there will be a 55% (2018: 60%) vesting probability. Based on historical experience, the estimated achievement of conditions is considered accurate.

Sensitivity analysis

The table below details the impact on the profit following a deviation from the 55% (2018: 60%) vesting probability.

	31 December 2019 P'000	31 December 2018 P'000
Impact of a 10% deviation	3,511	2,511
Impact of a 25% deviation	8,778	6,278
Impact of a 50% deviation	17,556	12,556

In the event that more than 55% of the shares vest the impact would be adverse to profit. In the event that less then 55% of the shares vest, the impact would be favorable to profit.

2.2 Deferred tax asset

The Company has recognised a deferred tax asset of P16.9 million (2018: P62.3 million) in its statement of financial position. Deferred tax assets arise from recoverable tax losses and temporary differences such as provisions. The ultimate realisation of such deferred tax assets depend largely on the ability of the Company to generate taxable income in order to utilise these losses and differences. A recoverability assessment of the carrying amount is done at each reporting period to validate the extent to which these can be realised.

Of the above deferred tax asset, P6.1 million (2018: P50 million) relates to tax losses in respect of the Company. Tax losses in Botswana have to be utilised within five years from the year of origination. In the current year tax planning strategies of the Group which include appropriate transfer pricing policies driven by the Group Tax Committee, show that Company should generate adequate taxable income in the future to utilise these accumulated tax losses. The Company took a conservative approach by writing off a portion of the asset held until all the processes have been embedded and there is a turnaround in the Company's profitability levels. Refer to the analysis below:

Deferred tax asset movement on tax losses	31 December 2019 P'000	31 December 2018 P'000
Opening balance	49,926	95,079
Recognised during the year	-	5,300
Utilised during the year	(3,789)	(1,414)
Tax losses not recognised - (note 21.2)	(40,035)	(30,636)
Tax losses fallen away	-	(18,403)
Balance at the end of year	**6,102**	**49,926**

Summary of recognised tax losses

Arising from financial year	**Year of expiry**		
December 2015	2020	-	17,149
December 2016	2021	27,736	27,809
December 2017	2022	-	96,440
December 2018	2023	-	170,459
		27,736	**311,857**

2 USE OF ESTIMATES AND JUDGMENTS (continued)

2.3 Income tax expense

The Company applies significant judgement in identifying uncertainties over income tax treatments in line with IFRIC 23 which came into effect in 2019. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. The interpretation did not have an impact on the financial statements of the Company.

2.4 Estimating the incremental borrowing rate used in lease liabilities

The Company applied judgement in determining the interest rate implicit in its lease liabilities. The Company uses its incremental borrowing rate, which reflects what the it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the incremental borrowing rate using observable inputs, such as comparable market interest rates for similar financed transactions (where and when available).

2.5 Evaluation of investment in subsidiaries for impairment

The Company evaluates its investments in subsidiaries, including loans to subsidiary companies, for impairment at least on a bi-annual basis. The Company recognises an impairment loss through profit and loss when the carrying amounts of these assets exceed their recoverable amounts. The impairment evaluation includes judgements with regards to the subsidiaries' ability to settle outstanding obligations due to the Company as well as providing positive cash flows on the Company's investments in its subsidiaries.

	31 December 2019 P'000	31 December 2018 P'000
3 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	33,412	58,721

This is cash at bank held with reputable financial institutions with good credit standing.

	31 December 2019 P'000	31 December 2018 P'000
4 OTHER RECEIVABLES		
Deposits and prepayments	3,476	3,353
Receivable from other related parties	7,614	7,634
MTN programme deferred expenses	1,597	5,098
Other receivables	689	2,673
	13,376	**18,758**

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

	31 December 2019 P'000	31 December 2018 P'000
5 FINANCIAL INSTRUMENTS HELD AT FAIR VALUE		
Interest rate swap liability	-	1,654
Currency swap liability	15,390	11,072
	15,390	**12,726**

The company entered into an interest rate swap agreement which was valid from June 2016 to June 2019 with a Botswana financial institution under which it made periodic payments on its behalf over an agreed period of time based on a nominal amount of ZAR 335 million. This swap allowed for conversion of ZAR floating rate liability into a ZAR fixed rate liability. The interest rate swap hedged the variable factor of the interest coupons payable on the medium term note programme listed on the Johannesburg Stock Exchange.

Letshego Holdings Limited paid the coupon interest on these bonds every quarter and the counter party for the swap settled the difference on the fixed rate per swap and the variable coupon payment. Management evaluated the effective cash flow and applicable payments on the bond coupon and discounted these to calculate the fair value of the interest rate swap. The fair value at 31 December 2018 was P1.654 million and any movements were recognised in profit or loss.

Currency swap liability
In October 2018, the Company entered into currency swap agreements with a local financial institution in respect of foreign currency denominated funding listed below. The currency swap hedges the variable factor of the capital and interest coupons payable on these. Management evaluates the effective cash flow and applicable payments on the capital and coupon payments and discounts these to calculate the fair value of the currency swap.

Entity	Currency	P'000
Letshego Holdings Limited	Euro	7,000
Letshego Holdings Limited	USD	9,000

The fair value as at 31 December 2019 is P15.4 million (2018: P11.1 million) and movements in fair value are P2.7 million (2018: P8.6 million).

6 INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES

6 (a) Investment in subsidiary companies

	31 December 2019 P'000	31 December 2018 P'000
Letshego Financial Services (Proprietary) Limited Botswana - ordinary shares	30,000	30,000
Letshego Kenya Limited - ordinary shares	196,834	196,834
Letshego Financial Services Lesotho (Proprietary) Limited - ordinary shares	3,061	3,061
Letshego Financial Services Mozambique - ordinary shares	274,885	115,565
Letshego Financial Services Mozambique - preference shares	432,372	591,692
Letshego Holdings (Namibia) Limited - ordinary shares	63,123	63,123
Letshego Holdings (Namibia) Limited - preference shares	607,351	855,295
Letshego Tanzania Limited - ordinary shares	55,506	55,506
Letshego Uganda Limited - ordinary shares	850	850
Letshego Uganda Limited - preference shares	95,906	95,906
ERF 8585 (Proprietary) Limited - ordinary shares	1	1
Letshego Bank Tanzania Limited - ordinary shares	18,374	33,454
Letshego Bank Tanzania Limited - preference shares	41,110	41,110
Letshego Mauritius Limited - ordinary shares	26,326	26,326
Letshego South Africa Limited - Investment account	1	1
Letshego Ghana Plc - ordinary shares	93,296	90,719
	1,938,996	**2,199,443**
Comprises of the following:		
Investment in subsidiary - Ordinary shares	762,257	615,440
Investment in subsidiary - Preference shares	1,176,739	1,584,003
Closing balance	**1,938,996**	**2,199,443**
Movement in investment in subsidiary companies		
Ordinary shares		
Balance at the beginning of the year	615,440	465,784
Investment in a subsidiary	162,527	195,567
Conditional subsequent payment relating to the investment in Letshego Ghana	2,577	-
Acquisition of interest in subsidiary	-	15,483
Impairment of investment in subsidiary	(18,287)	(61,394)
Balance at the end of the year	**762,257**	**615,440**
Preference shares		
Balance at the beginning of the year	1,584,003	1,212,951
Preference shares converted to ordinary shares	(159,320)	(144,198)
New preference shares issued during the year	-	658,196
Preference shares paid during the year	(247,944)	(142,946)
Balance at the end of the year	**1,176,739**	**1,584,003**

Conversion of preference shares to ordinary shares

In March 2019, P159 million preference shares were converted into ordinary shares in Letshego Financial services Mozambique.

6 (b) Conditional subsequent payment relating to the investment in Letshego Ghana

In January 2017 Letshego acquired 100% shareholding in Letshego Ghana Plc, a deduction at source business lending to Government employees with a deposit taking license. The financial results of AFB Ghana were incorporated in the Group results for the year ended 31 December 2017 for the first time. The purchase consideration was P91 million.

At the date of acquisition there was a pending petition with the tax authorities on the assessment of a tax asset. This contingent asset was not included in the purchase price allocation of the Company. In terms of IFRS 3, an estimate should have been made in the 2017 financial year of the potential further consideration and capitalised in 2017 to the investment, while also creating a contingent consideration. The omission of the contingent consideration in 2017 did not have an impact on profit or loss or the statement of changes in equity. The purchase agreement included a provision stating that if the subject matter was resolved within three years and in the favour of AFB Ghana the tax asset will be shared equally between the seller and buyer. Refer to the details below:

6 INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES (continued)

6 (b) Conditional subsequent payment relating to the investment in Letshego Ghana (continued)

	31 December 2019 P'000
Total tax asset	**5,155**
50% conditional subsequent payment	**2,577**

6 (c) Impairment of investment in subsidiary companies

At each reporting date the Company performs an impairment assessment of its investments in subsidiaries. Any impairment loss would be charged to profit and loss. The investment in Letshego Bank Tanzania was considered to be impaired. Refer to the details below:

	31 December 2019 P'000	31 December 2018 P'000
Carrying amount of investment in subsidiary	145,919	146,789
Impairment loss recognised in the prior year	(61,394)	-
Recoverable value of subsidiary at the reporting date	(66,238)	(85,395)
Impairment loss	**18,287**	**61,394**

6 (d) Loans and current accounts to subsidiary companies

	31 December 2019 P'000	31 December 2018 P'000
Loans to subsidiary companies		
Letshego Kenya Limited	-	86,939
Letshego Rwanda Limited	11,472	19,996
Letshego Financial Services Lesotho (Proprietary) Limited	214,935	162,196
Letshego Financial Services Swaziland (Proprietary) Limited	74,444	197,166
ERF 8585 (Proprietary) Limited	17,790	21,171
Letshego Bank Tanzania Limited	6,754	10,831
Letshego Mauritius Limited	340,010	301,734
Letshego Microfinance Bank Nigeria Limited	-	10,906
Letshego Ghana Plc	49,196	8,452
	714,601	**819,391**
Current accounts to subsidiary companies		
Letshego Financial Services Mozambique	44,826	96,743
Letshego Kenya Limited	3,568	-
Letshego Microfinance Bank Nigeria Limited	850	-
Letshego Micro Financial Services (Namibia) (Proprietary) Limited	103,538	88,918
Letshego Bank (Namibia) Limited	830	818
Letshego Tanzania Limited	14,146	6,326
Letshego Uganda Limited	60,949	26,507
	228,707	**219,312**
Total	**943,308**	**1,038,703**

Movement in loans and current accounts to subsidiary companies

	2019	2018
Balance at the beginning of the year	1,038,703	1,720,565
Additions during the year	191,496	114,865
Conversion to preference shares / ordinary shares	(3,207)	(647,884)
Repayments during the year	(277,460)	(148,843)
Impairment of loan to subsidiary	(6,224)	-
Balance at the end of the year	**943,308**	**1,038,703**

6 INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES (continued)

6 (d) Loans and current accounts to subsidiary companies (continued)

The maturity profile on loans and current accounts are as follows:	31 December 2019 P'000	31 December 2018 P'000
Maturing within 1 year	228,707	219,312
Maturing within 1 - 3 years	357,800	213,976
Maturing within 3 - 5 years	141,866	432,313
Maturing after 5 years	214,935	173,102
	943,308	**1,038,703**

Conversion of loan to ordinary shares
In December 2019, P3.2 million of the loan to Letshego Bank Tanzania was converted to ordinary shares.

Impairment of loan to subsidiary
At each reporting date the Company performs an impairment assessment of its loans to subsidiaries. Any impairment loss would be charged to profit and loss. The loan due from ERF 8585 was considered to be partially impaired. Refer to the details below:

	31 December 2019 P'000	31 December 2018 P'000
Carrying amount of loan in subsidiary	24,014	-
Recoverable value of subsidiary at the reporting date	(17,790)	-
Impairment loss	**6,224**	**-**

Loans to subsidiaries with Letshego Holdings Limited are detailed below:

Letshego Kenya Limited
This amount comprised a number of unsecured loans all bearing interest at the Libor rate plus 4% per annum. These loans were repayable over a period of 5 years. The repayments of these loans commenced at various intervals. These loans were repaid in full in the current year.

Letshego Rwanda Limited
This unsecured loan is denominated in USD and bears interest at the 1 month Libor rate plus 6% per annum. The loan matures in 2023 and the loan principle plus any accrued interest is repayable at the maturity date.

Letshego Financial Services Lesotho (Proprietary) Limited
This unsecured loan denominated in Maloti (M) bears interest at the 3 month Libor rate plus 8% per annum. The loan matures and is repayable in 2027. The Maloti and South African Rand are both currencies of countries which form part of the Common Currency Area and therefore have the same effective currency exchange rate.

Letshego Financial Services Swaziland (Proprietary) Limited
This unsecured loan denominated in Swazi Emalangeni bears interest at the Swaziland prime lending rate plus 2% per annum. The loan matures and is repayable in 2022. The Swazi Emalangeni and South African Rand are both currencies of countries which form part of the Common Currency Area and therefore have the same effective currency exchange rate.

6 INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES (continued)

6 (d) Loans to subsidiary companies (continued)

Loans to subsidiaries with Letshego Holdings Limited are detailed below (continued):

ERF 8585 (Proprietary) Limited
The unsecured loan is denominated in Namibian Dollars and bears interest at the Namibian prime lending rate plus 2% per annum. The loan matures and is repayable in December 2020. The Namibian Dollar and South African Rand are both currencies of countries which form part of the Common Currency Area and therefore have the same effective currency exchange rate.

Letshego Bank Tanzania Limited
This unsecured loan is denominated in USD and bears interest at the 3 month Libor rate plus 4% per annum. The loan matures in 2023 and the loan principle plus any accrued interest is repayable at the maturity date.

Letshego Mauritius Limited
This unsecured loan is denominated in Botswana Pula and bears interest at the Botswana prime lending rate plus 2% per annum. The loan matures in 2020 and the loan principle plus any accrued interest is repayable at the maturity date. At 31 December 2019, a loan facility of P10 million previously due from Letshego Micro Finance Bank Nigeria Limited was transferred to Letshego Mauritius Limited.

Letshego Micro Finance Bank Nigeria Limited
This unsecured loan is denominated in USD and bears interest at 3 month Libor plus 5% per annum. The loan was maturing in 2023 and was fully transferred to Letshego Mauritius Limited on 31 December 2019.

Letshego Ghana Plc
This unsecured loan is denominated in Ghana Cedi and bears interest at a fixed rate of 20% per annum. The loan matures in 2020 and the loan principle plus any accrued interest is repayable at the maturity date.

Preference shares details are as follows:

Letshego Financial Services Mozambique, SA
The preference shares are denominated in Mozambican Meticals. The preference shares are redeemable at the option of Letshego Holdings Limited and bear non-cumulative interest at the Mozambique Central Bank lending rate plus 4% per annum.

Letshego Uganda Limited
The preference shares are denominated in Botswana Pula. The preference shares are redeemable at the option of Letshego Holdings Limited and bear interest at 19% per annum, which can be waived at the option of the issuer.

Letshego Holdings (Namibia) Limited
The preference shares are denominated in Namibian Dollars. The preference shares are redeemable at the option of Letshego Holdings Limited and bear interest at 19% per annum, which can be waived at the option of the issuer.

Letshego Bank Tanzania Limited
The preference shares are denominated in Tanzanian Shillings. The preference shares are perpetual non-cumulative at the option of Letshego Holdings Limited and bear interest at Tanzania Government 10 year treasury bond rate plus 6% of the capital amount at maturity, which can be waived at the option of the issuer.

Current accounts
The current accounts include unpaid invoices for the recovery of costs incurred on behalf of subsidiaries, preference shares coupon, management fees and guarantee fees. These accounts are short-term in nature, payable on demand, bear no interest and are unsecured.

6 INVESTMENT IN SUBSIDIARY COMPANIES AND LOANS TO SUBSIDIARY COMPANIES (continued)

6 (d) Loans to subsidiary companies (continued)

The nature of the businesses of the subsidiary companies and the ownership details are provided below:

Subsidiary company	Country of incorporation	Nature of business	31 December 2019 % holding	31 December 2018 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100	100
Letshego Ghana (Plc)	Ghana	Unsecured consumer lending and deposit taking	100	100
Letshego Kenya Limited	Kenya	Group lending, MSE and unsecured consumer lending	100	100
Letshego Financial Services Lesotho (Pty) Limited	Lesotho	Unsecured consumer lending	95	95
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending and deposit taking	98	98
Letshego Holdings (Namibia) Limited	Namibia	Unsecured consumer lending and deposit taking	78	78
ERF 8585 (Pty) Limited	Namibia	Property Investment	100	100
Letshego Microfinance Bank Nigeria Limited	Nigeria	Unsecured consumer lending and deposit taking	100	100
Letshego Financial Services Swaziland (Pty) Limited	Swaziland	Unsecured consumer lending	85	85
Letshego Tanzania Limited	Tanzania	Unsecured consumer lending	100	100
Letshego Bank (T) Limited	Tanzania	Unsecured consumer lending and deposit taking	100	100
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85	85
Letshego South Africa Limited	South Africa	Support services	100	100
Letshego Mauritius Limited	Mauritius	Intermediary Holding Company	100	100

The Company has an intermediate holding company structure in Mauritius and will continue to explore a more efficient ownership structure in the future. This does not result in any change in the ultimate ownership of the subsidiaries. It may however allow for a more tax efficient movement of dividends within the Group.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

	31 December 2019 P'000	31 December 2018 P'000
Financial assets at fair value through OCI	**53,591**	**53,591**
% shareholding	**2.3%**	**3.1%**

The Company's shareholding in a financial services organisation is as noted above and the year on year reduction was as a result of rights issues in which the Company did not participate in. The fair value of this investment at year end does not materially vary to its carrying value, hence no fair value gains or losses were recognised in the current or previous year. Refer to note 1.7 for the valuation technique applied.

8 PLANT AND EQUIPMENT

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Leasehold improvements P'000	Total P'000
Balance at 1 January 2018	144	16,460	3,379	4,129	24,112
Additions	684	678	372	-	1,734
Disposals	-	(4,689)	-	-	(4,689)
Balance at 31 December 2018	828	12,449	3,751	4,129	21,157
Accumulated depreciation					
Balance at 1 January 2018	144	11,927	2,520	2,009	16,600
Depreciation charge for the year	29	1,703	520	779	3,031
Disposals	-	(2,622)	-	-	(2,622)
Balance at 31 December 2018	173	11,008	3,040	2,788	17,009
Net book value at 31 December 2018	**655**	**1,441**	**711**	**1,341**	**4,148**

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Leasehold improvements P'000	Total P'000
Balance at 1 January 2019	828	12,449	3,751	4,129	21,157
Additions	-	6,108	34	246	6,388
Balance at 31 December 2019	**828**	**18,557**	**3,785**	**4,375**	**27,545**
Accumulated depreciation					
Balance at 1 January 2019	173	11,008	3,040	2,788	17,009
Depreciation charge for the year	171	5,606	38	768	6,583
Balance at 31 December 2019	**344**	**16,614**	**3,078**	**3,556**	**23,592**
Net book value at 31 December 2019	**484**	**1,943**	**707**	**819**	**3,953**

9 RIGHT OF USE ASSETS

Cost	Property P'000	Total P'000
Balance at 1 January 2019	-	-
Implementation of IFRS 16	10,140	10,140
Balance at 31 December 2019	**10,140**	**10,140**
Accumulated depreciation		
Balance at 1 January 2019	-	-
Charge for the year	(3,536)	(3,536)
Balance at 31 December 2019	**(3,536)**	**(3,536)**
Net book value at 31 December 2019	**6,604**	**6,604**

10 INTANGIBLE ASSETS

	31 December 2019 P'000	31 December 2018 P'000
Computer software		
Cost		
Opening balance	56,220	57,674
Additions	524	558
Retired	(2,666)	(2,012)
Closing balance	**54,078**	**56,220**
Amortisation		
Opening balance	26,506	21,777
Charge for the year	5,526	5,401
Retired	(2,666)	(672)
Closing balance	**29,366**	**26,506**
Net book value	**24,712**	**29,714**

Computer software relates to existing lending and financial reporting software acquired by the Company.

11 TRADE AND OTHER PAYABLES

	2019	2018
Trade and other payables	40,878	38,746
Amount due to subsidiary companies		
- Letshego Financial Services (Pty) Ltd Botswana	163,628	230,349
- Letshego South Africa Limited	2,313	317
Staff incentive provision (note 11.1)	25,990	39,115
Deferred income (note 11.2)	875	976
Payroll related provisions	4,941	4,089
	238,625	**313,592**

Trade and other payables, and amounts due to related companies are short term in nature and expected to be settled within the next 12 months.

11.1 Movement in staff incentive provision

	2019	2018
Balance at the beginning of the year	39,115	25,955
Current period charge (note 19)	3,185	25,465
Paid during the year	(16,310)	(12,305)
Balance at the end of the year	**25,990**	**39,115**

11.2 Movement in deferred income

	2019	2018
Balance at the beginning of the year	976	1,952
Realised during the year	(101)	(976)
Balance at the end of the year	**875**	**976**

11.3 Movement in amounts due to subsidiaries

	2019	2018
Balance at the beginning of the year	230,666	285,176
Amounts advanced from subsidiaries	(64,725)	(54,510)
Balance at the end of the year	**165,941**	**230,666**

12 LEASE LIABILITIES

	Carrying amount at 01 January 2019	Implementation of IFRS 16	Interest expense	Cash payments	Carrying amount at 31 December 2019
Lease liabilities	-	10,140	791	(3,572)	7,359

The following are the amounts recognised in profit or loss:	31 December 2019 P'000	31 December 2018 P'000
Depreciation expense of right of use asset	3,536	-
Interest expense on lease liabilities	791	-
Expense relating to low value assets	558	-
	4,885	**-**

The Company has entered into commercial leases for premises and operating equipment. The leases are for a period of three years. The Company elected not to recognise assets and liabilities for low value operating equipment. There are no restrictions placed upon the lessee by entering into these. The Company's leases are mainly non-cancellable and refer to the ageing of future lease payments as at 31 December 2019:

	31 December 2019 P'000	31 December 2018 P'000
Within one year	3,697	-
After one year but not more than three years	3,662	-
	7,359	**-**

13 BORROWINGS

Commercial banks	7,104	455,244
African Alliance Botswana Liquidity Fund	213,621	150,057
Medium Term Note - BSE Listed Bond BWP	329,499	351,515
Medium Term Note - JSE Listed Bond	511,170	560,920
Medium Term Note - Bond BWP	303,004	312,014
Development Financial Institutions	444,073	338,236
Total borrowings	**1,808,471**	**2,167,986**
Movement in borrowings		
Balance at the beginning of the year	2,167,986	2,233,611
Finance obtained from third parties	169,401	376,098
Finance repaid to third parties	(528,916)	(441,723)
Balance at the end of the year	**1,808,471**	**2,167,986**
Contractual maturity analysis		
Maturing within one year	1,083,844	785,607
Maturing after one year within five years	216,751	1,276,925
Maturing after five years	507,876	105,454
Total borrowings	**1,808,471**	**2,167,986**
Contractual interest on borrowings to maturity at reporting date	441,990	492,553
Total contractual cash flows on interest bearing loans and borrowings	**2,250,461**	**2,660,539**

African Alliance Botswana

Promissory note facilities amounting to P214 million (2018: P150 million) having terms ranging from 5 months to 60 months with fixed interest rates ranging from 5.82% to 10.40% per annum. The promissory notes are unsecured and are denominated in Botswana Pula. The notes are rolled over on maturity and as a result are revolving and long term in nature.

13 BORROWINGS (continued)

Commercial banks

An overdraft facility of P70 million was obtained from Standard Chartered Bank which bears interest at the Botswana prime lending rate plus 1% per annum. The facility will mature in September 2020 with an option to roll-over. The overdraft facilities are secured by the terms of the security sharing agreement which includes:

- an unlimited pari passu cession of the loan and advances book of Letshego Financial Services (Proprietary) Limited (Botswana), Letshego Micro Finance Services Namibia (Proprietary) Limited and Letshego Financial Services Swaziland (Proprietary) Limited.

- an unlimited pari passo cession of balances due to Letshego Holdings Limited by Letshego Financial Services (Proprietary) Limited (Botswana), Letshego Holdings (Namibia) Limited and Letshego Financial Services Swaziland (Proprietary) Limited.

Medium Term Note - JSE Listed Bond

The Company has listed Medium Term Note programmes with a combination of fixed and floating rates on the Johannesburg Stock Exchange.

Floating Rate bond - " LHL 26, LHL27 and LHL28" 3 - month JIBAR rate plus interest of 600, 450 and 590 basis points respectively, compounded quarterly and maturing in September 2020, February 2021 and February 2022 respectively.

Fixed Rate bond - "LHL029" Interest of 3 months Jibor safex rate maturing on 5th December 2020.

All the above bonds are denominated in ZAR. They are secured by a cession of the loan and advances book of Letshego Financial Services (Proprietary) Limited (Botswana), Letshego Micro Financial Services (Namibia) (Proprietary) Limited and Letshego Financial Services Swaziland (Proprietary) Limited.

Medium Term Note - BSE Listed Bond

The Company completed the listing of a Medium Term Note programme with a combination of fixed and floating senior secured bonds on the Botswana Stock Exchange. This was issued on 8 November 2013 under the first tranche as follows:

Fixed Rate bond - "LHL04"	Fixed coupon of 10.50% compounded semi-annually and maturing November 2021
Fixed Rate bond - "LHL06"	Fixed coupon of 10.50% compounded semi-annually and maturing November 2023
Fixed Rate bond - "LHL07"	Fixed coupon of 10.50% compounded semi-annually and maturing November 2025
Fixed Rate bond - "LHL08"	Fixed coupon of 11.00% compounded semi-annually and maturing November 2027

The LHL 04,06,07 and 08 bonds are denominated in BWP. They are secured by a cession of the loan and advances book of Letshego Financial Services (Proprietary) Limited (Botswana) Limited and Letshego Micro Financial Services (Namibia) (Proprietary) Limited.

Development Financial Institutions (DFI's)

The Company received senior unsecured funding from development financial institutions, denominated in different currencies and have variable interest rate and tenures as follows:

DFI 1 - P143 million - fixed rate of 11.35% per annum and maturing on March 2021
DFI 2 - USD 9 million - fixed rate of 11.58% per annum and maturing on January 2022
DFI 3 - EUR 7 million - fixed rate of 10.96% per annum and maturing on September 2021
DFI 4 - P 99 million - fixed rate of 11.00% per annum and maturing on August 2022
DFI 5 - P 52.8 million - fixed rate of 11.00% per annum and maturing on April 2022

The Company entered into a currency and interest rate swap for the above foreign denominated facilities against periodic capital and coupon payments (note 5).

	31 December 2019 P'000	31 December 2018 P'000
14 STATED CAPITAL		
Issued:		
2,144,045,175 ordinary shares of no par value (2018: 2,144,045,175) of which 19,054,190 shares (2018: 19,054,190) are held as treasury shares	**862,621**	**862,621**

31 December 2019	**Number of shares in issue**	**Shares held as treasury shares**	**Total number of shares**
Number of shares at the beginning of the year ('000)	2,124,991	19,054	2,144,045
Shares issued during the year ('000)	-	-	-
Number of shares at the end of the year (P'000)	**2,124,991**	**19,054**	**2,144,045**

31 December 2018	**Number of shares in issue**	**Shares held as treasury shares**	**Total number of shares**
Number of shares at the beginning of the year ('000)	2,119,645	24,400	2,144,045
Shares issued during the year ('000)	5,346	(5,346)	-
Number of shares at the end of the year (P'000)	**2,124,991**	**19,054**	**2,144,045**

In terms of the Group LTIP (note 15), no shares (2018: P12.78 million) vested during the current year. Therefore the number of shares in issue remained at 2,125 million (2018: 2,125 million) and shares held as treasury shares were 19.054 million (2018: 19.054 million).

Every shareholder shall have one vote for every ordinary share held subject to the rights of the holders of any shares entitled to any priority, preference or special privileges. All dividends shall be declared and paid to the members in proportion to the shares held by them respectively.

CAPITAL MANAGEMENT

The Company considers both debt and equity to be capital. In managing its capital, the Company monitors its debt to equity ratio as a key metric.

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

• To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and,

• To maintain a strong capital base to support the development of its business.

The Company's capital consists of shareholders' funds (stated capital and reserves) and long term borrowings. The Company monitors the adequacy of its capital using internally measured benchmarks such as capital adequacy, return on equity, debt to equity and forecasts of asset and profitability performance. These measures are broadly in line with, or more stringent than, industry norm. A risk based approach is also adopted whereby balances with counterparties are required to be supported by capital to a greater extent than other internally held assets.

	31 December 2019 P'000	31 December 2018 P'000
Debt to equity	214%	306%
Return on equity	18%	37%

15 SHARE BASED PAYMENT RESERVE

Shares granted in terms of the Long Term Incentive Plan (LTIP) 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.

As at 31 December 2019, 29,312,600 total awards were outstanding (31 December 2018: 34,572,300) at grant date share prices of P2.13, P1.88 and P1.65 for 2017, 2018 and 2019 awards respectively (31 December 2018: P2.50, P2.13 and P1.88 for 2016, 2017 and 2018 awards respectively).

	31 December 2019		31 December 2018	
Reconciliation of outstanding awards	**Fair values**	**No. of awards**	**Fair values**	**No. of awards**
Outstanding at the beginning of the period	P2.50/P2.13/P1.88	34,572,300	P2.39/P2.50/P2.13	34,187,800
Granted during the year	P1.65	21,099,200	P1.88	12,365,700
Exercised during the year	P2.50	-	P2.39	(3,760,781)
Transfers during the year	P2.50/P2.13/P1.88	1,761,900	P2.50/P2.13/P1.88	6,097,900
Forfeited due to not meeting performance	P2.50	(9,635,300)	P2.39	(4,006,219)
Forfeited due to resignations	P2.13/P1.88/P1.65	(18,485,500)	P2.50/P2.13/P1.88	(10,312,100)
Outstanding at the end of the year	**P2.13/P1.88/P1.65**	**29,312,600**	**P2.50/P2.13/P1.88**	**34,572,300**

The share awards outstanding at 31 December 2019 have average vesting periods of 3,15 and 27 months.

The outstanding share based incentive scheme as at 13 December 2019 was P19.3 million (2018: P15.1 million).

Movement in share based payment	**31 December 2019 P'000**	**31 December 2018 P'000**
Opening balance	15,069	27,966
Charge / release during the year (note 19)	3,968	(6,003)
New shares issue during the year	-	(12,776)
Intercompany transfers	275	5,882
Closing balance	**19,312**	**15,069**

The vesting conditions for the Group's Long Term Incentive Plan is premised on non-market performance conditions. No specific market conditions are applied. Accordingly the share price of Letshego Holdings Limited shares (as quoted on the Botswana Stock Exchange) is used as the fair value of the share options granted.

The fair value of the services received in return for the share options granted is based on the fair value of the share options granted, measured using the Botswana Stock Exchange closing price of Letshego Holdings Limited shares at the grant date.

		31 December 2019 P'000	31 December 2018 P'000
16	**INTEREST INCOME**		
	Other - deposits with banks	821	702
	- related party (note 23.1)	208,554	320,176
		209,375	**320,878**
17	**INTEREST EXPENSE**		
	Overdraft facilities and term loans	219,495	257,524
	Market to market adjustment on currency and interest rate swap contracts	2,664	8,613
	Interest expense on leases	791	-
	Foreign exchange gain	(418)	(15,671)
		222,532	**250,466**
18	**OTHER OPERATING INCOME**		
	Management fees from related parties (note 23.1)	150,105	102,360
	Guarantee fees from related parties (note 23.1)	52,610	40,226
	Arrangement fees from related parties (note 23.1)	205	1,999
	Other income	-	480
	Dividends received from subsidiaries (note 23.1)	335,810	599,231
	Gain on disposal of computer equipment and software	34	-
		538,764	**744,296**
19	**EMPLOYEE BENEFITS**		
	Salaries and wages	104,226	92,289
	Staff incentive (note 11.1)	3,185	25,465
	Staff pension fund contribution	7,627	4,983
	Directors' remuneration – for management services (executive)	8,124	9,725
	Long term incentive plan	3,968	(6,003)
		127,130	**126,459**
20	**OTHER OPERATING EXPENSES**		
	Accounting and secretarial fees	134	445
	Advertising	806	2,862
	Audit fees - audit services	1,278	670
	- other fees paid to auditors	220	90
	Bank charges	650	195
	Computer expenses	3,436	1,636
	Consultancy fees	36,480	53,156
	Depreciation - plant and equipment (note 8)	6,583	3,031
	Depreciation - right of use asset (note 9)	3,536	-
	Amortisation of intangible assets (note 10)	5,526	5,401
	Directors' fees – non executive	6,474	7,105
	Insurance	6,306	3,468
	Impairment on investment and loan to subsidiary (note 6c and 6d)	24,511	61,394
	Loss on disposal of computer equipment and software	-	3,387
	Office expenses	117	532
	Operating lease rentals - equipment	558	3,733
	Other operating expenses	14,911	20,024
	Subscriptions and publications	487	714
	Printing and stationery	243	447
	Professional fees	4,677	10,301
	Telephone and postage	1,293	2,054
	Travel	9,822	13,880
	Utilities	1,799	625
		129,847	**195,150**

		31 December 2019 P'000	31 December 2018 P'000
21	**TAXATION**		
	Company taxation		
	- Basic taxation	-	-
	- Withholding tax paid in other jurisdictions not claimed	36,031	57,810
	- Withholding tax on dividend / interest	36,010	49,300
		72,041	107,110
	- Deferred taxation movement	45,404	47,631
		117,445	**154,741**

The Company has the following tax losses that are available to be utilised in the future before they expire and these are summarised below:

Arising from financial year	Year of expiry	Tax loss 31 December 2019 P'000	Tax loss 31 December 2018 P'000
December 2015	2020	105,982	123,131
December 2016	2021	125,996	126,069
December 2017	2022	96,440	96,440
December 2018	2023	170,459	170,459
December 2019	2024	147,508	-
		646,385	**516,099**

		31 December 2019 P'000	31 December 2018 P'000
21.1	**Deferred tax asset**		
	Balance at the beginning of the year	62,260	109,892
	Current year movement	(45,404)	(47,632)
	Balance at the end of the year	**16,856**	**62,260**

The company expects to generate sufficient taxable profits to utilise the deferred tax asset based on historical profitability trends and management judgement on future business prospects.

	31 December 2019 P'000	31 December 2018 P'000
Deferred taxation arises from temporary differences on the following		
Plant and equipment	(5,955)	(6,890)
Right of use asset	(1,453)	-
Leave provision	1,087	900
Share based payment provision	4,249	3,315
Staff incentive provision	5,718	8,605
Lease liability	1,619	-
Deferred expenditure / income	(158)	(907)
Prepayments	(765)	(738)
Sundry provisions	6,412	8,049
Tax losses	6,102	49,926
	16,856	**62,260**

		31 December 2019 P'000	31 December 2018 P'000
21.2	**Reconciliation of current taxation**		
	Profit before taxation	**268,630**	**493,099**
	Tax calculated at relevant tax rates	59,099	108,482
	Under provision / write off in respect of prior periods	-	24,710
	Effect of foreign income taxed at 15%	9,760	12,795
	WHT tax credit adjustments	36,031	57,810
	Withholding tax on dividend income	36,010	49,300
	Tax losses not recognised	40,035	49,039
	Expenses and revenues not deductible for tax purposes	(63,490)	(147,395)
		117,445	**154,741**
21.3	**Income taxation payable**		
	Opening taxation payable	118,288	118,288
	Movement in the year	-	-
		118,288	**118,288**

22 DIVIDEND PAID

		31 December 2019 P'000	31 December 2018 P'000
Previous year final dividend paid during the year		70,125	278,373
Interim dividend paid		91,374	184,916
Total dividend paid to equity holders		**161,499**	**463,289**
Dividends per share : Interim (thebe)	- paid	4.3	8.7
: Final (thebe)	- proposed	7.7	3.3

23 RELATED PARTY TRANSACTIONS

The Company identifies a related party if an entity or individual:
- directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the entity (this includes parent companies and subsidiaries);
- has an interest in the entity whether it gives it significant control or not;
- has control over the entity;
- is an associate company, joint venture or is jointly controlled; or
- is a member of key management personnel of the Group. Key management personnel comprise the Group Chief Executive Officer, the Group Risk and Compliance Director, the Group Chief Financial Officer, the Group Head Corporate Affairs, the Group Head Strategy and Transformation, the Group Chief Information Officer and the Group Head Human Resources, the Group Head Consumer Solutions, the Group Head Micro Finance, the Group Head Customer Experience.

The Company is listed on the Botswana Stock Exchange. Botswana Insurance Holdings Limited ("BIHL") is a significant shareholder of Letshego Holdings Limited.

	Transactions with related parties	31 December 2019 P'000	31 December 2018 P'000
23.1	**Income received from subsidiaries**		
	Interest income from subsidiaries (note 16)	208,554	320,176
	Management fees from subsidiaries (note 18)	150,105	102,360
	Guarantee fees from subsidiaries (note 18)	52,610	40,226
	Arrangement fees from subsidiaries (note 18)	205	1,999
	Dividend from subsidiaries (note 18)	335,810	599,231
		747,284	**1,063,992**
23.2	**Dividends paid to related parties**		
	Gross dividend paid to BIHL	**42,639**	**122,306**
23.3	**Compensation paid to key management personnel (executive Directors)**		
	Paid during the period		
	- Short-term employee benefits	**8,124**	**9,725**

In terms of the Long Term Incentive Scheme there were no awards granted to executive directors relating to the 31 December 2019 and 2018 financial years.

Balances with related parties

23.4 Loans and current account balances with subsidiary companies - Refer note 6 and 11.

	31 December 2019 P'000	31 December 2018 P'000
24 CAPITAL COMMITMENTS		
Authorised by the Directors:		
- Not contracted for	**14,200**	**11,692**

The above commitments are wholly in respect of capital expenditure and funds to meet these will be provided from the Company's internal resources.

25 CONTINGENCIES

The Company has provided guarantees to various banks and financial institutions in respect of loan facilities of its subsidiaries which are denominated in various currencies. The amount guaranteed as of year end approximates to P3.0 billion (31 December 2018: P2.6 billion).

26 SUBSEQUENT EVENTS

Dividend declaration
A second and final dividend of 7.7 thebe per share (prior year 3.3. thebe per share) was declared on 26 February 2020 and will be paid on or about 11 May 2020.

Appointment of Group CEO
Andrew Okai was appointed as the Group CEO with effect from 01 February 2020.

Initial assessment on the impact of Covid-19
The Covid-19 (coronavirus) outbreak occurred at a time close to the Company's reporting date and the condition has continued to evolve throughout the time line crossing 31 December 2019. In late 2019, a cluster of cases displaying the symptoms of a "pneumonia of unknown cause" were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". Since then, more cases have been diagnosed, also in other countries. Measures were taken, and policies imposed by China and other countries. Gradually more information became available.

Letshego Holdings Limited has been impacted by the outbreak or by the measures taken in preventing the spread of the disease. The critical judgement and evaluation that management made is whether and, if so, what event in this series of events provides evidence of the condition that existed at the end of the reporting period for the Company's activities or its assets and liabilities. When making this judgement, the Company took into consideration all available information about the nature and the timeline of the outbreak and measures taken.

Management has assessed whether the event is adjusting or non-adjusting and has concluded that the cause of the shut down in the series of events that led to the shutdown is not the outbreak itself, but rather the measures taken by the respective governments in the various jurisdictions that the subsidiaries of the Company operate in after the reporting date. As a result the event is considered a non-adjusting event and cannot be reflected in the Company's assets and liabilities as at 31 December 2019.

Albeit the fact that management has concluded that the event is a non-adjusting event, the impact of this non-adjusting event is material. The Group disclosed the nature of the event and an estimate of its financial effect. In the case of Letshego Holdings Limited, 10 out of 11 countries in which the Group's subsidiaries operate from have been directly affected by the virus and the outbreak has affected its operations through the lockdowns that have been effected by the various governments to protect citizens from further spreading of the disease. Botswana has recently confirmed a few cases of this epidemic, and operations have slowed down due to the governmental measures imposed to curb the spread of the disease into the country and there is a likelihood of a shutdown to be imposed in April 2020.

26 SUBSEQUENT EVENTS (continued)

Initial assessment on the impact of Covid-19 (continued)

In March 2020, the Group conducted a stress testing / sensitivity analysis on the subsidiaries largest assets which is the loan book and therefore the Company will rely on the work done as its financial performance is dependent on the financial performance of its subsidiaries.

The Group conducted a stress testing / sensitivity analysis on the Group's Expected Credit Loss (ECL) models as applied to the Group's portfolios as at 29 February 2020. The downside scenarios were stressed with negative multipliers and downside heavy allocation for all countries. The variables adjusted were Consumer Pricing Index, Gross Domestic Product and Unemployment Rate and the stress testing / sensitivity analysis was done for a forward-looking period of 12 months. The metrics applied in these instances were the worst-case forecasts for these variables as provided by the Group's data research team. The analysis was designed to estimate the additional ECL provision that would be required for those Group portfolios by 30 June 2020 as a result of the disruption caused to the business by Covid-19. The conclusion of this analysis was that an estimated additional ECL of P31 million will be required in relation to the 29 February 2020 Group portfolios.

Covid-19 impact was modelled over a three month period as per table below which shows the impact of the sensitivity analysis by Stages 1, 2 and 3. We will continue to assess the impact on ECL going forward.

The below summarises the sensitivity analysis on Expected Credit Losses based on a 3 months outcome period:

Group	Feb 2020 Expected Credit Losses	Impact on changes forward looking factors	Impact on changes LGD rates	Total Expected Credit Losses	Total Impact
	P'000	**P'000**	**P'000**	**P'000**	**P'000**
Stage 1: 12-month ECL allowance	134,219	115,125	28,781	143,906	9,687
Stage 2: Lifetime ECL allowance – not credit-impaired	93,224	90,994	22,748	113,742	20,518
Stage 3: Lifetime ECL allowance – credit-impaired	572,244	453,191	119,968	573,159	915
Total	**799,687**	**659,310**	**171,497**	**830,807**	**31,120**

Refer to country ECL breakdown below:

Country	Increase in ECL P'000
Botswana	4,175
Ghana	2,897
Kenya	3,001
Lesotho	3,818
Mozambique	2,675
Namibia	4,175
Nigeria	3,001
Rwanda	109
Swaziland	694
Tanzania	4,255
Uganda	2,320
Group	**31,120**

Other financial risks and potential impact

In addition the impact of Covid-19 was evaluated subsequent to the reporting date and management's estimates with regards to the interest rate (note 1.3.2) and currency risk (note 1.5) were updated with the expected impact as per below:

Interest rate risk

Average cost of borrowings during 2019	11.2%
	P'000
Effect of increase in average borrowing costs ranging between 2% - 3% due to new uncertainties:	22,000 - 35,000

When assuming an increase in average borrowing costs ranging between 2% - 3% the estimated impact would be a decrease in profit before tax ranging between 9% - 14%. Similarly a decrease in average borrowing costs within the same range would result in an increase in profit before tax for the year ended 31 December 2019 ranging between 9% - 14%.

26 SUBSEQUENT EVENTS (continued)

Initial assessment on the impact of Covid-19 (continued)

Currency risk

We have seen significant pressure on many currencies in the first quarter of 2020 as a result of the outbreak of the Covid-19 however, the full impact on currencies is still unknown and we do expect the currency volatility to continue.

The Company's main foreign currency exposure is on the South African Rand (ZAR) (both assets and liabilities) as reflected in note 1.5. The ZAR depreciated by 13% against the Botswana Pula in the first quarter of 2020. Based on these prevailing trends, the continued depreciation of the ZAR against the Botswana Pula by 10% to 15% would result in foreign exchange gains and an increase in the Company's profit before taxation by P8 million to P12 million. Similarly, if the ZAR appreciated at the same levels, the impact on the Company's profit before taxation would be a decrease due to foreign exchange loss of P8 million to P12 million for the year 2020.

Furthermore at this time we do not know of any material impact of changes to Company and its subsidiaries operations that will arise from the Covid-19.

Other than the above there were no other material changes in the affairs of the Company between the 31 December 2019 year end and the date of approval of these financial statements.