

LETSHEGO HOLDINGS (NAMIBIA) LIMITED

Registration number: 2016/0145

ISIN: NA000A2DVV41

SHARE CODE (NSX): LHN

**UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS
for the six months ended 30 June 2019**

LETSHEGO HOLDINGS (NAMIBIA) LIMITED

Incorporated in the Republic of Namibia

Registration Number 2016/0145

ISIN: NA000A2DVV41

SHARE CODE (NSX): LHN



UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The Board of Directors of Letshego Holdings (Namibia) Limited ("LHN/the Group") is pleased to present an extract of the unaudited consolidated results for the half year ended 30 June 2019.

MOBILISING OUR INCLUSIVE FINANCE AGENDA

Against the backdrop of a challenging and increasingly competitive environment, the Group continues to work towards its diversification agenda and becoming a leading inclusive finance group.

FINANCIAL HIGHLIGHTS (HALF YEAR 2019 AGAINST HALF YEAR 2018)

- Total revenue increased by 4% (2018: 17%), and Advances to customers grew by 7% (2018: 11%).
- Staff and operational expenses increased by 7% (2018: 26%), reflecting investments in people and platforms.
- Cost to income ratio marginally increased to 24.1% from 23.6% in 2018, driven by capacity investments against compressing margins.
- Impairment charge for the period was NAD9.9m (2018: NAD2.3m), translating to a loan loss ratio (against average gross advances) of 0.4% (2018: 0.1%).
- Profit after tax was NAD235m (2018: NAD230m), an increase of 2% (2018: 34%).
- Return on average equity was 17.4% (2018: 21.1%) and Return on average assets was 15% (2018: 16%).
- Earnings and headline earnings per share of 47 cents (2018: 46 cents) were achieved, an increase of 2% (2018: 34%).
- As per existing dividend practice, no interim dividend is being declared.

KEY HIGHLIGHTS OF PROGRESS WITH DELIVERY OF THE STRATEGIC AGENDA DURING THE YEAR INCLUDE:

- Embrace financial inclusion:** We are pleased with the progress made towards embedding our LetsGo transactional and savings offerings to complement our existing lending solutions. We continued to drive marketing strategies in support of our LetsGo omni-channel solution and this has given traction to our deposit mobilisation agenda.
- Grow the franchise:** Over the past six months, we have expanded our banking capabilities by establishing an access point in Mondesa, Swakopmund and we are now poised to offer full banking services in three branches countrywide. The rest of our existing footprint will be upgraded in the impending future as we accelerate our diversification strategy.
- Enhance customer experience:** To remain relevant, we continued to focus on improving the lives of our customers by re-engineering our internal processes and exploring strategic partnerships which will enhance our customer value proposition.
- Embed the future capability model:** During the period under review, we have made necessary investments in our human capital to ensure that we are geared to deliver an excellent service to our customers. We continued to strengthen our internal control environment in an effort to mitigate operational risks and maintain the quality of our portfolio. As a strategic enabler, we continue to invest in technology solutions as we adopt a "phygital" business model to serve our customers at lower cost by blending digital innovations into physical processes and channels.

PROSPECTS

While the economic conditions are expected to remain challenging over the medium term, we will continue to focus on expanding our product offerings in line with our inclusive finance agenda and playing our part in supporting economic recovery and resilience. This will be developed and deployed in the context of the new Micro Lending Act, which is now effective and has implications going forward for yields in the Letshego micro lending business.

Customer centricity and robust risk management remain priorities for Letshego. As such, we are confident that our technology-driven approach will yield sustainable value for our shareholders. The Board will continue to deploy strategies that protect the Group and its stakeholders to deliver value to all. This includes re-balancing Letshego Holdings Namibia's leverage through capital management strategies, fund-raising from local debt providers and "sticky" retail deposit-mobilisation.

I would like to take this opportunity to extend my profound appreciation to our customers and our committed team members driving the Letshego brand, who have believed in the Company for the past 20 years. Our strategic business partners have been supportive - we express our appreciation to them for enabling risk-managed growth. Our appreciation also extends to our regulators for their guidance, affording us licence to operate, and for their continued oversight.

DIVIDEND

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

For and on behalf of the Board of Directors:

Maryvonne Palanduz
Chairperson

Ester Kali
Chief Executive Officer

Windhoek, 02 September 2019

LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED INTERIM RESULTS
for the six months ended 30 June 2019

COMPANY INFORMATION

Registration number: 2016/0145

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

Company Secretary: Bonsai Secretarial Compliance Services
PO Box 90757
Windhoek, Namibia

Auditor: PricewaterhouseCoopers
PO Box 1571
Windhoek, Namibia

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

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

LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2019

	Note	% change	30 Jun 2019 (Unaudited) NAD'000	30 Jun 2018 (Unaudited) NAD'000	31 Dec 2018 (Audited) NAD'000
ASSETS					
Cash and cash equivalents	1		213,107	396,422	750,860
Other receivables	2		126,590	144,131	131,288
Advances to customers	3	7%	2,662,740	2,500,029	2,555,622
Property and equipment	4		29,601	10,357	9,644
Deferred taxation			-	-	-
Current taxation			22,638	14,589	22,347
Total assets			3,054,676	3,065,528	3,469,761
LIABILITIES AND EQUITY					
Liabilities					
Trade and other payables	5		54,877	44,351	50,907
Lease liabilities	6		12,280	-	-
Deferred taxation			4,199	2,779	4,301
Borrowings	7		233,574	138,144	341,051
Intercompany payables	8		110,022	59,001	123,399
Deposits due to customers	9		14,150	40,801	74,749
Total liabilities			429,102	285,076	594,407
Shareholders' equity					
Share capital	10		100	100	100
Retained earnings			1,243,324	965,573	1,162,815
Capital reorganisation reserve			701,024	701,024	701,024
Equity settled share based payment reserve			1,599	1,617	1,072
Total equity attributable to equity holders of the parent company			1,946,047	1,668,314	1,865,011
Non-controlling interests			679,527	1,112,138	1,010,343
Total shareholders' equity			2,625,574	2,780,452	2,875,354
Total liabilities and equity			3,054,676	3,065,528	3,469,761

LETSHOGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2019

	Note	% change	Six months ended		Year ended
			30 Jun 2019 (Unaudited) NAD'000	30 Jun 2018 (Unaudited) NAD'000	31 Dec 2018 (Audited) NAD'000
Interest income	11	3%	300,714	293,337	596,693
Credit impairment release / (charge)	16		(9,867)	(2,280)	(18,226)
Interest after impairment			290,847	291,057	578,467
Other interest income	11		15,707	8,333	21,465
Interest expense	12		(21,077)	(23,569)	(32,866)
Net interest income after impairment		4%	285,477	275,821	567,066
Fee income			850	603	1,176
Other operating income	13		130,458	128,386	255,340
Employee benefits	14		(29,925)	(23,994)	(49,263)
Other operating expenses	15		(72,756)	(72,130)	(145,936)
Operating profit before taxation		2%	314,104	308,686	628,383
Taxation			(79,026)	(78,673)	(159,510)
Profit for the period		2%	235,078	230,013	468,873
Other comprehensive income, net of tax			-	-	-
Total comprehensive income for the period			235,078	230,013	468,873

Weighted average number of shares in issue during the period (millions)	500	500	500
Basic earnings per share (cents)	47	46	94
Basic earnings per share - diluted (cents)	47	46	94
Headline earnings per share (cents)	47	46	94
Headline earnings per share - diluted (cents)	47	46	94

RATIOS

	30 Jun 2019 (Unaudited)	30 Jun 2018 (Unaudited)	31 Dec 2018 (Audited)
Return on average assets (%)	15.4%	16.1%	14.7%
Return on average equity (%)	17.4%	21.1%	20.1%
Cost to income (%)	24.1%	23.6%	23.2%
Debt to equity (%)	13.1%	7.1%	16.2%

CAPITAL ADEQUACY

Consolidated group capital adequacy

Tier 1	75.0%	66.1%	68.7%
Tier 2	20.1%	36.6%	26.5%
Total	95.1%	102.7%	95.2%
Tier 1 leverage ratio	67.8%	58.4%	59.8%

LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 30 JUNE 2019

	Share capital NAD'000	Equity settled share based payment reserve NAD'000	Retained earnings NAD'000	Capital reorganisation reserve NAD'000	Ordinary shareholders' reserve NAD'000	Non-controlling interest * NAD'000	Total equity NAD'000
Balance as at 1st January 2018	100	1,971	873,985	701,024	1,577,080	215,085	1,792,165
IFRS 9 adjustment to retained earnings	-	-	(4,945)	-	(4,945)	-	(4,945)
Total comprehensive income for the period							
Profit and total comprehensive income for the period	-	-	230,013	-	230,013	-	230,013
Ordinary share dividend paid (Note 21)	-	-	(96,000)	-	(96,000)	-	(96,000)
Preference share dividend paid (Note 21)	-	-	(37,480)	-	(37,480)	-	(37,480)
Preference shares issued	-	-	-	-	-	897,053	897,053
Transactions with equity holders, recorded directly in equity							
Share based payment transactions	-	(354)	-	-	(354)	-	(354)
Balance as at 30 June 2018	100	1,617	965,573	701,024	1,668,314	1,112,138	2,780,452
IFRS 9 adjustment to retained earnings	-	-	8,899	-	8,899	-	8,899
Total comprehensive income for the period							
Profit and total comprehensive income for the period	-	-	238,860	-	238,860	-	238,860
Ordinary share dividend paid	-	-	-	-	-	-	-
Preference share dividend paid	-	-	(50,517)	-	(50,517)	-	(50,517)
Preference shares redeemed	-	-	-	-	-	(101,795)	(101,795)
Transactions with equity holders, recorded directly in equity							
Share based payment transactions	-	(545)	-	-	(545)	-	(545)
Balance as at 31 December 2018	100	1,072	1,162,815	701,024	1,865,011	1,010,343	2,875,354
Total comprehensive income for the period							
Profit and total comprehensive income for the period	-	-	235,078	-	235,078	-	235,078
Ordinary share dividend paid (Note 21)	-	-	(117,500)	-	(117,500)	-	(117,500)
Preference share dividend paid (Note 21)	-	-	(37,069)	-	(37,069)	-	(37,069)
Preference shares issued	-	-	-	-	-	-	-
Preference shares redeemed	-	-	-	-	-	(330,816)	(330,816)
Transactions with equity holders, recorded directly in equity							
Share based payment transactions	-	527	-	-	527	-	527
Balance as at 30 June 2019	100	1,599	1,243,324	701,024	1,946,047	679,527	2,625,574

LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE PERIOD ENDED 30 JUNE 2019

	Note	Six months ended		Year ended
		30 Jun 2019 (Unaudited) NAD'000	30 Jun 2018 (Unaudited) NAD'000	31 Dec 2018 (Audited) NAD'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit before taxation		314,104	308,686	628,383
Interest paid		21,077	23,569	32,866
<u>Adjusting items of a non-cash nature:</u>				
Depreciation		5,742	2,510	5,053
Impairment allowance on advances		18,959	7,183	13,023
Equity settled share based payment transactions		527	(354)	(899)
Loss on disposal of plant and equipment		-	-	690
Movement in working capital and other changes		(178,008)	(154,690)	(153,878)
Tax paid		(79,419)	(78,849)	(165,921)
Net cash generated from operating activities		102,982	108,055	359,317
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of motor vehicles, furniture and equipment		(11,778)	(1,763)	(4,283)
Net cash used in investing activities		(11,778)	(1,763)	(4,283)
CASH FLOWS FROM FINANCING ACTIVITIES				
Ordinary share dividend paid		(117,500)	(133,480)	(96,000)
Preference share dividend paid		(37,069)	-	(87,997)
Preference shares issued		-	-	895,258
Preference shares redeemed		(330,816)	-	(100,000)
Net receipts / (payments) on borrowings		(141,931)	99,934	(539,111)
Net cash utilised in financing activities		(627,316)	(33,546)	72,150
Net movement in cash and cash equivalents		(536,112)	72,746	427,184
Cash and cash equivalents at the beginning of the period		750,860	323,676	323,676
Cash and cash equivalents at the end of the period	1	214,748	396,422	750,860

LETSHEGO HOLDINGS (NAMIBIA) LIMITED GROUP
UNAUDITED CONSOLIDATED INTERIM RESULTS

CONDENSED NOTES TO THE CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	30 Jun 2019 (Unaudited) NAD'000	30 Jun 2018 (Unaudited) NAD'000	31 Dec 2018 (Audited) NAD'000				
1. Cash and cash equivalents							
Cash and balances with banks	150,307	396,422	496,187				
Money market placements	62,800	-	254,673				
	<u>213,107</u>	<u>396,422</u>	<u>750,860</u>				
2. Other receivables							
Financial	118,898	140,506	131,288				
Non-financial	7,692	3,625	-				
	<u>126,590</u>	<u>144,131</u>	<u>131,288</u>				
3. Advances to customers							
Gross advances to customers	2,694,763	2,520,275	2,577,755				
Less: Expected credit loss allowance	(32,023)	(20,246)	(22,133)				
	<u>2,662,740</u>	<u>2,500,029</u>	<u>2,555,622</u>				
4. Property, plant and equipment							
	Furniture and fittings NAD'000	Office equipment NAD'000	Computer equipment NAD'000	Motor vehicles NAD'000	Leasehold improvements NAD'000	Right-of-use assets NAD'000	Total NAD'000
Carrying amount at 01 January 2018	1,252	2,439	5,734	390	1,289	-	11,104
Additions	13	262	1,069	-	419	-	1,763
Depreciation charge	(403)	(489)	(1,288)	(60)	(270)	-	(2,510)
Carrying amount at 30 June 2018	<u>862</u>	<u>2,212</u>	<u>5,515</u>	<u>330</u>	<u>1,438</u>	<u>-</u>	<u>10,357</u>
Additions	299	97	2,096	-	28	-	2,520
Disposals	-	(23)	(667)	-	-	-	(690)
Depreciation charge	(414)	(511)	(1,254)	(60)	(304)	-	(2,543)
Carrying amount at 31 December 2018	<u>747</u>	<u>1,775</u>	<u>5,690</u>	<u>270</u>	<u>1,162</u>	<u>-</u>	<u>9,644</u>
Additions	71	191	11,281	-	235	-	11,778
Change in accounting policy	-	-	-	-	-	13,921	13,921
Depreciation charge	(251)	(504)	(2,470)	(61)	(329)	(2,127)	(5,742)
Carrying amount at 30 June 2019	<u>567</u>	<u>1,462</u>	<u>14,501</u>	<u>209</u>	<u>1,068</u>	<u>11,794</u>	<u>29,601</u>
	30 Jun 2019 (Unaudited) NAD'000	30 Jun 2018 (Unaudited) NAD'000	31 Dec 2018 (Audited) NAD'000				
5. Trade and other payables							
Trade and other payables	42,414	36,808	38,431				
Other provisions	662	394	393				
Payroll related accruals	7,728	6,032	9,588				
Value added tax / withholding tax payable	4,073	1,117	2,459				
Dividend payable	-	-	36				
	<u>54,877</u>	<u>44,351</u>	<u>50,907</u>				
6. Lease liabilities							
Current	6,023	-	-				
Non-current	6,257	-	-				
	<u>12,280</u>	<u>-</u>	<u>-</u>				
7. Borrowings							
Commercial banks	233,574	138,144	341,051				
	<u>233,574</u>	<u>138,144</u>	<u>341,051</u>				
8. Intercompany payables							
Letshego Holdings Limited	106,844	56,231	120,452				
Erf 8585 (Pty) Ltd	3,178	2,770	2,947				
	<u>110,022</u>	<u>59,001</u>	<u>123,399</u>				
9. Deposits due to customers							
Current accounts	3,126	411	3,421				
Term deposits	11,024	40,390	71,328				
	<u>14,150</u>	<u>40,801</u>	<u>74,749</u>				
10. Share capital							
Issued: 500,000,000 ordinary shares of 0.02 cents each (2018: 500,000,000 ordinary shares of 0.02 cents each)	100	100	100				

LETSHEGO HOLDINGS (NAMIBIA) LIMITED GROUP
UNAUDITED CONSOLIDATED INTERIM RESULTS

CONDENSED NOTES TO THE CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	30 Jun 2019	30 Jun 2018	31 Dec 2018
	(Unaudited)	(Unaudited)	(Audited)
	NAD'000	NAD'000	NAD'000
11. Interest income			
Advances to customers	300,714	293,337	596,693
Deposits with banks	15,707	8,333	21,465
	<u>316,421</u>	<u>301,671</u>	<u>618,158</u>
12. Interest expense			
Intercompany payables and term loans	21,077	23,569	32,866
	<u>21,077</u>	<u>23,569</u>	<u>32,866</u>
13. Other operating income			
Dividend income - cell captive	130,458	128,386	255,340
	<u>130,458</u>	<u>128,386</u>	<u>255,340</u>
14. Employee benefits			
Salaries and wages	21,803	16,384	34,598
Pension fund and medical aid contributions	3,125	2,290	4,975
Staff incentive	4,997	5,320	9,690
	<u>29,925</u>	<u>23,994</u>	<u>49,263</u>
15. Other operating expenses			
Sales related expense	5,298	6,713	5,842
Auditors remuneration	1,284	465	779
Collection fees	18,324	17,113	35,543
Consulting and secretarial	4,403	4,711	8,455
Management fees	15,258	19,836	35,884
Depreciation (note 4)	5,742	2,510	5,052
Directors' remuneration - for services as directors	885	1,017	1,541
Computer related expenses	1,517	1,337	3,139
Office rental	765	2,706	5,977
Travel and accommodation	905	632	1,865
Social responsibility projects	515	533	1,588
Arrangement fees	-	2,527	4,950
Administration and guarantee fees	2,401	992	-
Telephone & Fax	1,388	1,238	2,672
Legal fees	-	-	2,382
Subscriptions and licences	3,748	3,366	7,250
VAT expense	6,127	2,663	15,002
Other operational expenses	4,196	3,771	8,015
	<u>72,756</u>	<u>72,130</u>	<u>145,936</u>
16. Credit impairment (release) / charge			
Amounts written off	44,501	43,137	104,299
Recoveries during the period	(53,593)	(48,041)	(99,097)
Impairment adjustment	18,959	7,184	13,024
	<u>9,867</u>	<u>2,280</u>	<u>18,226</u>

17. Significant changes in the current reporting period

Although the local economic conditions have affected market confidence and consumer spending patterns, the group remains well placed to grow revenues through ongoing innovation and pursuit of its inclusive finance strategy. There were no new activities, events or transactions that are significant to an understanding of the changes in the financial position and performance of the entity since the last annual reporting date.

18. Segment information

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

19. Events occurring after the reporting period

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

LETSHEGO HOLDINGS (NAMIBIA) LIMITED GROUP
UNAUDITED CONSOLIDATED INTERIM RESULTS

CONDENSED NOTES TO THE CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	30 Jun 2019 (Unaudited) NAD'000	30 Jun 2018 (Unaudited) NAD'000	31 Dec 2018 (Audited) NAD'000
20. Related party transactions			
Interest paid to related parties	-	18,852	18,252
Fees paid to related parties	2,401	3,519	-
Rent paid to related parties	788	663	1,526
Management fees paid to related parties	15,258	19,836	35,884

21. Dividends

A dividend of N\$117.5 million on ordinary shares (23.5c per share) was paid by the Letshego Holdings (Namibia) Ltd during the period under review. A dividend of N\$37 million (2018: N\$37 million) was recognised in respect of the preference shares of Letshego Micro Financial Services (Namibia) (Pty) Limited.

22. Basis of preparation

The condensed consolidated financial report for the period ended 30 June 2019 has been prepared in accordance with Accounting Standard IAS 34 'Interim Financial Reporting'.

The condensed consolidated financial report for the period ended 30 June 2019 does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any announcements made by Letshego Holdings (Namibia) Ltd during the reporting period.

The accounting policies adopted are consistent with those of the previous financial period except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period. The group applied IFRS 16 "Leases" using the modified retrospective approach and therefore the comparative information has not been restated but continues to be reported under IAS 17 and IFRIC 4. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 23 below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

23. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 11.5%. The day 1 impact of IFRS 16 adoption was the recognition of a right-of-use asset and corresponding lease liability of N\$14 million.

Directors:

M. Palanduz (Chairperson) (Namibian), S. von Blottnitz (German), R. Martins-Hausiku (Namibian), M. Sambasivan-George (Indian), R. Mbetjiha (Namibian), E. Kali (Namibian)

Registered office:

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

Transfer secretary:

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

Sponsor:

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