LETSHEGO AFRICA HOLDINGS LIMITED
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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DIRECTORS' REPORT
For the year ended 31 December 2023

The Board of Directors is pleased to present their report to Shareholders together with the unaudited condensed consolidated financial statements for the year ended 31 December 2023.

1 **Financial results**

The condensed consolidated financial statements adequately disclose the results of the Group's operations for the year ended 31 December 2023.

Impact of IAS 29 Financial Reporting in Hyperinflationary Economies
During the second half of the year the Group classified Ghana as a hyperinflationary economy, following EY Global's assessment of the economy of Ghana to be hyperinflationary as at 31 December 2023 and thereafter. Consequently, the results of the Group's activities in Letshego Ghana Savings and Loans PLC have been prepared in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. The impact of this on the Group's financial results, which is a net loss of approximately P130.4 million, is outlined in Note 36 of the condensed consolidated financial statements. The Institute of Chartered Accountants of Ghana have not classified Ghana as a hyperinflationary economy.

Prior period error
In 2023, it was determined that during the financial years 2019 to 2022, the calculation of the Expected Credit Loss Allowances was incorrect due to the inclusion of a discount factor to Stage 3 exposures at default. This error was corrected retrospectively in accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors* as outlined in Note 1 of the condensed consolidated financial statements and has had the impact of reducing opening retained earnings by approximately P72.6 million. The change in the calculation methodology also had an impact of increasing current year expected credit losses recognised in profit or loss by approximately P128.2 million.

Financial assets at fair value through other comprehensive income
The Group had an equity investment in a financial services organisation with a service platform to offer financial products to individuals and micro and small enterprises in Africa and Europe. During the year, the financial services organisation undertook a restructuring and recapitalisation process, which culminated in the winding down of the organisation and its existing operations being transferred into a new entity, following a capital raising exercise in the new entity. The Group invested approximately P11 million to acquire equity securities in the new entity during the capital raising process and as a result of the winding down of the financial services organisation that the Group had an initial investment in, the investment was deemed to be impaired at 31 December 2023. This resulted in an amount of P43.1 million relating to the carrying amount of the initial investment being recognised as a loss in fair value of the investment in other comprehensive income in the current year, as outlined in Note 9 of the condensed consolidated financial statements. This amount, including a fair value loss of P13.1 million also related to the investment, which was reflected as an opening balance in a fair value reserve were then transferred to retained earnings upon derecognition of the initial investment. The latest valuation of the business at May 2023 was between US$176m and US$236m. The Group holds 1.5% in this equity investment.

2 **Change Of Name**

On the 8th of December 2023, Letshego Holdings Limited changed its name to Letshego Africa Holdings Limited to reiterate the Group's differentiating Pan African presence and reach across the continent's emerging markets.

3 **Directors**

The below are changes that took place during the current year:

Retirement:

Director's name	Designation	Retirement Date
Gerrit Van Heerde	Non-Executive Director	Retired on 30 August 2023

4 **Independent auditors**

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

5 **Company secretary and registered office**

Gorata Tlhale Dibotelo
Tower C, Zambezi Towers
Plot 54352, Central Business District
Gaborone, Botswana

6 **Transfer secretaries**

PricewaterhouseCoopers (Pty) Ltd
Plot 50371
Fairgrounds Office Park
Gaborone, Botswana

7 **Attorneys and legal advisors**

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

8 **Company registration**

Registration Number: UIN BW00000877524

STATEMENT OF DIRECTORS' RESPONSIBILITY
For the year ended 31 December 2023

The directors of Letshego Africa Holdings Limited (formerly Letshego Holdings Limited) are responsible for the condensed consolidated financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of these condensed consolidated financial statements using the framework principles, and the recognition and measurement principles of IFRS and contain the presentation and disclosures required by IAS 34 *Interim Financial Reporting* .

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

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

The Board of Directors have reviewed and approved the accompanying condensed consolidated financial statements, set out on pages 5 to 31, for issue on 21st March 2024, which were signed on their behalf by:

....	....
P Odera	**A Monyatsi**
Group Board Chairman	**Group Chief Executive**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	At 31 December 2023 (Unaudited) P'000	At 31 December 2022 (Restated)* P'000	At 1 January 2022 (Restated)* P'000
ASSETS				
Cash and similar instruments	3	1,401,824	1,020,771	1,413,500
Investment securities	4	866,718	692,101	859,496
Financial assets at fair value through profit or loss	5	952,610	1,178,969	826,092
Advances to customers	6	13,487,892	12,654,857	11,920,346
Insurance contract assets	7	105,549	92,150	125,344
Other receivables	8	333,672	257,471	191,131
Financial assets at fair value through other comprehensive income	9	11,038	43,107	71,499
Income tax receivable		108,436	81,454	134,767
Property and equipment	10	104,812	116,761	172,822
Right-of-use assets	11	89,241	101,654	98,756
Intangible assets	12	398,710	305,798	30,040
Goodwill	13	30,591	31,910	67,715
Deferred tax assets		218,999	142,685	80,990
Total assets		**18,110,092**	**16,719,688**	**15,992,498**
LIABILITIES AND EQUITY				
Liabilities				
Financial liabilities at fair value through profit or loss	14	980,519	1,201,095	808,621
Customer deposits	15	1,537,984	1,120,827	1,175,586
Cash collateral	16	15,853	18,476	21,522
Income tax payable		116,133	82,029	81,510
Trade and other payables	17	796,541	585,578	868,924
Lease liabilities	18	97,972	97,953	99,646
Borrowings	19	9,626,301	8,027,840	7,380,768
Deferred tax liabilities		18,903	339	5,168
Total liabilities		**13,190,206**	**11,134,137**	**10,441,745**
Shareholders' equity				
Stated capital	20	917,909	899,571	882,224
Hyperinflation translation adjustment**		83,920	-	-
Foreign currency translation reserve		(662,550)	(492,653)	(557,341)
Legal reserve		377,121	313,780	265,244
Fair value adjustment reserve		-	(13,144)	15,248
Share based payment reserve		34,832	42,474	39,907
Retained earnings		3,725,823	4,366,646	4,460,033
Total equity attributable to equity holders of the parent company		**4,477,055**	**5,116,674**	**5,105,315**
Non-controlling interests		442,831	468,877	445,438
Total shareholders' equity		**4,919,886**	**5,585,551**	**5,550,753**
Total liabilities and equity		**18,110,092**	**16,719,688**	**15,992,498**

*During the financial year under review, the Group corrected a prior period error related to the computation of expected credit losses. Refer to Note 1 for the accounting implications resulting from the restatement of the Group's previously reported financial statements as a result of the error. During the year, the Group also adopted IFRS 17: *Insurance contracts* for the first time. Refer to the *'New Standards, Interpretations and Amendments adopted by Group'* for the accounting implications resulting in the restatement of the Group's previously reported financial statements upon adoption of the new Standard.

**During the second half of the year, the Group adopted IAS 29: *Financial Reporting in Hyperinflationary Economies* in relation to its Ghana subsidiary. The indicated amount represents the difference between the closing equity and reserves of the Ghanaian subsidiary for the previous financial year (whereby the Ghanaian local currency was considered stable and the equity and reserves balances were not restated), and the effect of translating these at the closing price index and exchange rate at the reporting date. Refer to Note 36.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	12 months ended 31 December 2023 (Unaudited) P'000	12 months ended 31 December 2022 (Restated) P'000
Interest income at effective interest rate	21	3,424,947	3,145,672
Interest expense at effective interest rate	22	(1,690,430)	(1,376,678)
Other interest expense	22.1	(12,244)	(12,524)
Net interest income		**1,722,273**	**1,756,470**
Fee and commission income	23	57,028	89,554
Other operating income	24	256,141	251,937
Insurance revenue	25	286,519	295,491
Insurance service expense	25	(85,316)	(107,625)
Insurance service result		**201,203**	**187,866**
Operating income		**2,236,645**	**2,285,827**
Expected credit losses	26	(456,591)	(216,076)
Net operating income		**1,780,054**	**2,069,751**
Employee costs	27	(611,604)	(585,939)
Other operating expenses	28	(1,046,989)	(799,927)
Total operating expenses		(1,658,593)	(1,385,866)
Profit before taxation		**121,461**	**683,885**
Taxation		(270,260)	(332,311)
(Loss)/profit for the year		**(148,799)**	**351,574**
Attributable to :			
Equity holders of the parent company		(201,049)	287,875
Non-controlling interests		52,250	63,699
(Loss)/profit for the year		**(148,799)**	**351,574**
Other comprehensive (loss)/income, net of tax			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation differences arising from foreign operations		(180,058)	75,425
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Fair value loss on financial asset designated at fair value through other comprehensive income	9	(43,107)	(28,392)
Total comprehensive (loss)/income for the year		**(371,964)**	**398,607**
Attributable to :			
Equity holders of the parent company		(414,053)	324,171
Non-controlling interests		42,089	74,436
Total comprehensive (loss)/income for the year		**(371,964)**	**398,607**
Weighted average number of shares in issue during the year (millions)		2,155	2,147
Dilution effect - number of shares (millions)		114	133
Number of shares in issue at the end of the year (millions)		2,175	2,149
Basic (loss)/earnings per share (thebe)		(9.3)	13.4
Diluted (loss)/earnings per share (thebe)		(8.9)	12.6

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Stated capital	Hyperinflation translation adjustment*	Retained earnings	Share-based payment reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Legal reserve	Non-controlling interest	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Balance at 1 January 2022 as previously stated	**882,224**	**-**	**4,421,568**	**39,907**	**15,248**	**(557,341)**	**265,244**	**439,152**	**5,506,002**
Adjustment on correction of error (Note 1)	-	-	38,465	-	-	-	-	6,286	**44,751**
Balance as at 1 January 2022 (restated)	**882,224**	**-**	**4,460,033**	**39,907**	**15,248**	**(557,341)**	**265,244**	**445,438**	**5,550,753**
Total comprehensive income for the year									
Profit for the year	-	-	287,875	-	-	-	-	63,699	**351,574**
Other comprehensive income, net of income tax									
Fair value adjustment of financial asset	-	-	-	-	(28,392)	-	-	-	**(28,392)**
Foreign currency translation reserve	-	-	-	-	-	64,688	-	10,737	**75,425**
Transactions with owners, recorded directly in equity									
Allocation to legal reserve	-	-	(48,536)	-	-	-	48,536	-	**-**
Recognition of share based payment reserve movement	-	-	-	19,914	-	-	-	-	**19,914**
New shares issued from long term incentive scheme	17,347	-	-	(17,347)	-	-	-	-	**-**
Dividends paid by subsidiary to minority interests	-	-	-	-	-	-	-	(50,997)	**(50,997)**
Dividends paid to equity holders	-	-	(332,726)	-	-	-	-	-	**(332,726)**
Balance at 31 December 2022 (restated)	**899,571**	**-**	**4,366,646**	**42,474**	**(13,144)**	**(492,653)**	**313,780**	**468,877**	**5,585,551**
Total comprehensive loss for the year									
Loss for the year	-	-	(201,049)	-	-	-	-	52,250	(148,799)
Other comprehensive loss, net of income tax									
Fair value adjustment of financial asset	-	-	-	-	(43,107)	-	-	-	(43,107)
Foreign currency translation reserve	-	-	-	-	-	(169,897)	-	(10,161)	(180,058)
Transactions with owners, recorded directly in equity									
Hyperinflation restatement adjustment* (Note 36)	-	83,920	-	-	-	-	-	-	83,920
Allocation from legal reserve	-	-	(63,341)	-	-	-	63,341	-	-
Recognition of share based payment reserve movement	-	-		10,696	-	-	-	-	10,696
New shares issued from long term incentive scheme	18,338	-	-	(18,338)	-	-	-	-	-
Dividends paid by subsidiary to minority interests	-	-	-	-	-	-	-	(68,135)	(68,135)
Dividends paid to equity holders	-	-	(320,182)	-	-	-	-	-	(320,182)
Transfer to retained earnings	-	-	(56,251)	-	56,251	-	-	-	-
Balance at 31 December 2023 - Unaudited	**917,909**	**83,920**	**3,725,823**	**34,832**	**-**	**(662,550)**	**377,121**	**442,831**	**4,919,886**

*During the second half of the year the Group adopted IAS 29: *Financial Reporting in Hyperinflationary Economies* in relation to its Ghana subsidiary. The indicated amount represents the difference between the closing equity and reserves of the Ghanaian subsidiary for the previous financial year (whereby the Ghanaian local currency was considered stable and the equity and reserves balances were not restated), and the effect of translating these at the closing price index and exchange rate at the reporting date. Refer to Note 36.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Note	12 months ended 31 December 2023 (Unaudited) P'000	12 months ended 31 December 2022 (Restated) P'000
Operating activities			
Profit before taxation		121,461	683,885
Adjustments for :			
: Interest income		(3,424,947)	(3,145,672)
: Interest expense		1,702,674	1,389,202
: Amortisation, depreciation, and loss on disposals		116,508	90,029
: Impairment and write off charge - advances to customers		609,125	362,619
: Impairment and write off (reversal)/charge - investment securities		(9,266)	36,027
: Impairment and write off charge - goodwill		-	35,805
Movement in working capital and other changes	29	(1,145,666)	(1,273,218)
Cash used in operations		(2,030,111)	(1,821,323)
Interest received		3,424,947	3,145,672
Interest paid		(1,690,430)	(1,376,678)
Income tax paid		(320,888)	(345,004)
Net cash flows used in operating activities		(616,482)	(397,333)
Investing activities			
Purchase of treasury bills	4	(165,351)	-
Proceeds from disposal of treasury bills		-	131,370
Purchase of equity securities in financial assets	9	(11,038)	-
Purchase of property and equipment	10	(26,052)	(71,520)
Purchase of intangible assets	12	(120,026)	(222,531)
Net cash flows used in investing activities		(322,466)	(162,681)
Financing activities			
Dividends paid to equity holders and subsidiary non-controlling interest		(388,317)	(383,723)
Repayment of principal portion of lease liabilities		(35,556)	(45,997)
Repayment of interest portion of lease liabilities	18	(12,244)	(12,524)
Proceeds from borrowings		3,449,546	3,425,610
Repayment of borrowings		(1,919,648)	(2,778,539)
Net cash flows generated from financing activities		1,093,781	204,827
Net movement in cash and similar instruments		154,833	(355,187)
Cash and similar instruments at the beginning of the year		994,582	1,355,294
Effect of exchange rate changes on cash and cash equivalents		(15,771)	(5,525)
Cash and similar instruments at the end of the year	3	**1,133,644**	**994,582**

LETSHEGO AFRICA HOLDINGS LIMITED

SEGMENTAL INFORMATION

For the year ended 31 December 2023

Reportable segments

31 December 2023	Botswana	Namibia	Mozambique	Lesotho	Eswatini	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding Company or eliminations*	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	**652,609**	**543,276**	**475,566**	**91,178**	**112,438**	**132,200**	**22,472**	**176,403**	**145,918**	**67,734**	**217,819**	**(400,968)**	**2,236,645**
Segment profit/(loss) before taxation	**159,327**	**287,089**	**311,371**	**19,078**	**33,982**	**(37,489)**	**2,297**	**24,780**	**9,557**	**15,350**	**(62,880)**	**(641,001)**	**121,461**
Taxation - consolidated													(270,260)
Loss - consolidated													**(148,799)**
Gross Advances to customers	3,845,720	3,506,060	2,542,221	507,733	628,914	602,407	177,103	579,435	502,204	145,898	1,308,094	-	14,345,789
Impairment provisions	(356,218)	(31,424)	(14,353)	(26,730)	(53,088)	(125,003)	(2,135)	(52,350)	(75,496)	(19,685)	(101,415)	-	(857,897)
Net Advances	**3,489,502**	**3,474,636**	**2,527,868**	**481,003**	**575,826**	**477,404**	**174,968**	**527,085**	**426,708**	**126,213**	**1,206,679**	**-**	**13,487,892**
Total assets	**4,000,402**	**5,067,530**	**3,063,770**	**517,404**	**618,509**	**566,204**	**190,891**	**573,140**	**627,605**	**158,544**	**1,679,328**	**1,046,765**	**18,110,092**
Borrowings	**1,782,885**	**2,283,919**	**658,295**	**183,232**	**263,331**	**365,735**	**-**	**341,331**	**-**	**-**	**513,573**	**3,234,000**	**9,626,301**
Total liabilities	**2,278,883**	**3,093,005**	**1,299,354**	**205,392**	**300,161**	**424,637**	**68,394**	**357,894**	**67,480**	**46,189**	**1,323,866**	**3,724,951**	**13,190,206**

31 December 2022	Botswana	Namibia	Mozambique	Lesotho	Eswatini	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding Company or eliminations	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	**710,990**	**565,913**	**444,404**	**81,908**	**108,284**	**107,757**	**19,948**	**158,278**	**154,456**	**81,632**	**207,446**	**(355,189)**	**2,285,827**
Segment profit/(loss) before taxation	**474,781**	**320,083**	**264,490**	**39,779**	**55,928**	**5,109**	**2,555**	**36,136**	**16,976**	**11,240**	**3,419**	**(546,611)**	**683,885**
Taxation - consolidated													(332,311)
Profit - consolidated													**351,574**
Gross Advances to customers	3,335,195	3,605,877	2,094,444	430,432	564,812	635,150	150,069	535,146	469,824	203,061	1,107,850	-	13,131,860
Impairment provisions	(125,566)	(14,592)	(10,095)	(17,097)	(34,597)	(59,265)	(1,369)	(26,396)	(68,831)	(26,596)	(92,599)	-	(477,003)
Net Advances	**3,209,629**	**3,591,285**	**2,084,349**	**413,335**	**530,215**	**575,885**	**148,700**	**508,750**	**400,993**	**176,465**	**1,015,251**	**-**	**12,654,857**
Total assets	**3,839,752**	**4,535,745**	**2,408,945**	**424,478**	**564,534**	**655,665**	**174,657**	**589,361**	**661,923**	**239,528**	**1,398,338**	**1,226,762**	**16,719,688**
Borrowings	**1,802,404**	**1,895,734**	**259,818**	**62,670**	**221,105**	**394,747**	**-**	**322,640**	**-**	**-**	**686,142**	**2,382,580**	**8,027,840**
Total liabilities	**2,423,918**	**2,356,578**	**896,555**	**76,732**	**236,096**	**435,978**	**53,927**	**333,271**	**67,938**	**58,006**	**1,068,194**	**3,126,944**	**11,134,137**

*Included in *Holding Company or eliminations* are intragroup charges between the Holding Company and subsidiary entities.

LETSHEGO HOLDINGS LIMITED

SEGMENTAL INFORMATION (continued)

For the year ended 31 December 2023

Disaggregated revenue information

	Botswana	Namibia	Mozambique	Lesotho	Eswatini	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company or eliminations	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
31 December 2023													
Interest income at effective interest rate	787,803	564,652	659,293	104,995	147,262	166,525	39,085	226,715	139,032	69,448	658,497	(138,360)	**3,424,947**
Interest expense at effective interest rate	(228,107)	(252,178)	(238,189)	(14,765)	(35,765)	(58,097)	(17,488)	(52,109)	(1,450)	(3,719)	(500,766)	(287,797)	**(1,690,430)**
Other interest expense	(1,125)	(568)	(5,198)	(214)	(463)	(815)	(309)	(255)	(390)	-	(166)	(2,741)	**(12,244)**
Net interest income	**558,571**	**311,906**	**415,906**	**90,016**	**111,034**	**107,613**	**21,288**	**174,351**	**137,192**	**65,729**	**157,565**	**(428,898)**	**1,722,273**
Fee and commission income	1,081	24,476	10,860	370	-	12,804	821	-	2,611	613	3,392	-	**57,028**
Other operating income	92,957	5,691	48,800	792	1,404	11,783	363	2,052	6,115	1,392	56,862	27,930	**256,141**
Net insurance service result**	-	201,203	-	-	-	-	-	-	-	-	-	-	**201,203**
Operating income	**652,609**	**543,276**	**475,566**	**91,178**	**112,438**	**132,200**	**22,472**	**176,403**	**145,918**	**67,734**	**217,819**	**(400,968)**	**2,236,645**
31 December 2022													
Interest income at effective interest rate	756,665	504,165	558,649	102,964	133,886	147,381	24,411	193,550	136,662	85,379	654,527	(152,567)	**3,145,672**
Interest expense at effective interest rate	(167,656)	(160,660)	(170,734)	(12,091)	(28,525)	(60,465)	(8,693)	(39,492)	(514)	(5,090)	(540,692)	(182,065)	**(1,376,678)**
Other interest expense	(2,000)	(526)	(2,579)	(1,225)	(544)	(1,491)	(285)	(303)	(105)	-	(500)	(2,966)	**(12,524)**
Net interest income	**587,009**	**342,979**	**385,336**	**89,648**	**104,817**	**85,425**	**15,433**	**153,755**	**136,043**	**80,289**	**113,335**	**(337,598)**	**1,756,470**
Fee and commission income	(2)	34,906	16,416	-	-	8,966	1,994	-	395	1,098	25,699	82	**89,554**
Other operating income	123,983	162	42,652	(7,740)	3,467	13,366	2,521	4,523	18,018	245	68,412	(17,673)	**251,937**
Net insurance service result**	-	187,866	-	-	-	-	-	-	-	-	-	-	**187,866**
Operating income	**710,990**	**565,913**	**444,404**	**81,908**	**108,284**	**107,757**	**19,948**	**158,278**	**154,456**	**81,632**	**207,446**	**(355,189)**	**2,285,827**

*Included in *Holding Company or eliminations* are intragroup charges between the Holding Company and subsidiary entities.

**The Group adopted IFRS 17: *Insurance contracts* for the first time during the year under review. Previously the outcome of insurance arrangements that fall within the scope of the new Standard were reflected in 'Other operating income'.

Reporting entity

Letshego Africa Holdings Limited, formerly Letshego Holdings Limited (the Company), is a limited liability company incorporated in Botswana. The Company changed its name to Letshego Africa Holdings Limited on the 8th of December 2023 to reiterate the Group's differentiating Pan African presence and reach across the continent's emerging markets. The address of the company is Tower C, Zambezi Towers, Plot 54352, Central Business District (CBD), Gaborone, Botswana. The condensed consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the provision of short to medium-term unsecured loans to employees of the public, quasi-public and private sectors as well as provision of loans to MSE entities.

The condensed consolidated financial statements for the year ended 31 December 2023 have been approved for issue by the Board of Directors on 21 March 2024.

Basis of preparation

These condensed consolidated financial statements for the year ended 31 December 2023 have been prepared using the framework principles, and the recognition and measurement principles of IFRS and contain the presentation and disclosures required by IAS 34. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS and the accounting policies adopted are consistent with those of the previous financial year, expect for the adoption of new standards outlined below. The condensed consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position; financial assets classified at fair value through other comprehensive income (FVOCI), and financial assets and liabilities classified at fair value through profit or loss (FVTPL). These financial statements have also been restated to take account of the effects of inflation in accordance with International Accounting Standard 29, 'IAS 29' (Financial Reporting in Hyperinflationary Economies) in relation to the results of the Group's activities in Letshego Ghana Savings and Loans PLC.

New Standards, Interpretations and Amendments adopted by Group

Standards issued and effective

The Group adopted the following new standards, interpretations and amendments effective as of 1 January 2023:

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a standard that governs the recognition, measurement, presentation and disclosure of insurance contracts in a comprehensive and uniform manner. IFRS 17 replaces IFRS 4 *Insurance Contracts* that was issued in 2005 and the new Standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance contracts held or issued), regardless of the type of entities that issue them. The new Standard also relates to certain guarantees and financial instruments with discretionary participation features, although a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on 'grandfathering' previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach or 'PAA') mainly for short-duration contracts

The Group performed a comprehensive review of its lending contracts, financial guarantee contracts and cell captive insurance arrangements. Specific assessment of the Group's cell captive insurance structures in Namibia indicated that the new Standard is applicable to the Group, since in essence the Group becomes like a reinsurance contract issuer, in light of the contractual implications of the cell captive arrangements.

Under IFRS 17, the Group's insurance contracts held under the cell captive arrangements are all eligible to be measured by applying the PAA, in light of the coverage period for each contract in the group of contracts being one year or less. In application of the PAA to arrive at the net insurance contract assets, the Group has opted to use the following elections:
- not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk. This is in light of the fact that, at initial recognition, the time between providing each part of the services and the related premium due date is no more than one year and the Group considers the contracts to therefore not have a significant financing component.
- not to adjust the liability for incurred claims for the time value of money and the effect of financial risk since the cash flows are expected to be paid or received within one year or less from the date that the claims are incurred.
- insurance acquisition cash flows are expensed when incurred.

(a) *(i) Changes to presentation and disclosure*

For presentation in the statement of financial position, the Group aggregates insurance contracts issued and presents separately:
• portfolios of insurance contracts issued that are assets
• portfolios of insurance contracts issued that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

Previously, the Group reported the outcome of insurance contracts as part of 'Other operating income' in the statement of profit or loss and other comprehensive income. Instead, IFRS 17 requires separate presentation of:
• insurance revenue
• insurance service expenses

New Standards, Interpretations and Amendments adopted by Group (cont.)

Standards issued and effective (cont.)

IFRS 17 Insurance Contracts (cont.)

(ii) Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Group's insurance contracts. The measurement principles of the PAA are also similar to the 'earned premium approach' used by the Group under IFRS 4 in light of the short-term nature of the insurance contracts and include:

• the computation of the asset for remaining coverage, which reflects the net amount of the obligation pertaining to premiums received less amounts recognised in revenue for insurance services provided (i.e. the liability for remaining coverage) and the estimated inflows anticipated from the cell captive structures, i.e. the estimated dividend to be received from the cell captive.

• the measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR) claims), which include the Group's obligation to pay other incurred insurance expenses.

(b) *Transition*

On transition date, 1 January 2022, the Group has recognised and measured the cell captive insurance contracts as if IFRS 17 had always applied and the Group has restated comparative information. This included the separate recognition of insurance contract assets on the face of the statement of financial position, instead of in previously reported periods where components of these were included in 'Other receivables' and in 'Trade and other payables'. The transition however did not have an impact on opening Retained Earnings of the Group at 1 January 2023 in light of the fact that the outcome of the PAA applied by the Group on adoption of IFRS 17 does not result in a material difference from the 'earned premium approach' previously used by the Group under IFRS 4. This is due to the short duration of the contracts at hand not warranting the requirement for adjustments for the time value of money to be effected upon measuring the resultant insurance contract assets and liabilities relating to the cell captive arrangements.

The following is a reconciliation of the financial statement line items from IFRS 4 to IFRS 17:

	Carrying amount at 31 December 2021 as previously reported P'000	Reclassification P'000	Remeasurement P'000	IFRS 17 Carrying amount at 1 January 2022 P'000
Insurance contract assets	-	125,344	-	**125,344**
Other receivables*	413,411	(222,280)	-	**191,131**
Trade and other payables*	(965,860)	96,936	-	**(868,924)**

	Carrying amount at 31 December 2022 as previously reported P'000	Reclassification P'000	Remeasurement P'000	IFRS 17 Carrying amount at 31 December 2022 P'000
Insurance contract assets	-	92,150	-	**92,150**
Other receivables*	479,533	(222,062)	-	**257,471**
Trade and other payables*	(715,490)	129,912	-	**(585,578)**

*The remaining balances in 'Other receivables' and 'Trade and other payables', following transition to IFRS 17 relate to assets and liabilities pertaining to insurance contracts that do not fall into the scope of IFRS 17, together with receivables and payables for the Group arising from other aspects, as reflected in Note 8 and Note 17, respectively.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's condensed consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's full consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's condensed consolidated financial statements.

New Standards, Interpretations and Amendments adopted by Group (cont.)

Standards issued but not yet effective

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Group is still in the process of assessing the impact of the following on its financial statements:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

IAS 29 *Financial Reporting in Hyperinflationary Economies*

During the second half of the year the Group classified Ghana as a hyperinflationary economy. This was following a number of professional organisations outside of Ghana, including global accounting firms, having assessed the economy of Ghana to be considered as hyperinflationary as at 31 December 2023 and thereafter. The assessment by some of the global professional organisations was based on the IMF World Economic Outlook reporting a 3-year cumulative rate of inflation of 92% as of 31 December 2022 and forecast 3-year cumulative rates of inflation of 128% and 133% for 2023 and 2024, respectively.

The assessment as to when an economy is hyperinflationary is based on the guidelines of IAS 29: *Financial Reporting in Hyperinflationary Economies* (IAS 29), which considers both qualitative and quantitative factors, including whether the accumulated inflation over a three-year period is in excess of 100%. In November 2023, the Institute of Chartered Accountants Ghana (ICAG) issued a paper considering several quantitative and qualitative factors and their conclusion that the Ghana economy was not hyperinflationary was therefore not consistent with the earlier conclusions drawn by the professional organisations outside of Ghana. In their analysis, ICAG cited the fact that IAS 29 does not place a prominence on 'quantitative' factors over 'qualitative' factors in determining whether an economy is under hyperinflation and therefore practitioners are required to exercise professional judgement. In January 2024, ICAG published further communication to their member firms and practitioners outlining that IAS 29 was not applicable in Ghana for the December 2023 financial reporting period, and this directive still being based on their assessment that Ghana is not operating in a hyperinflationary economy.

Despite inflation levels having dropped in Ghana since October 2023, the position of the global accounting firms and other professional organisations that Ghana is hyperinflationary remains unchanged and the Group’s conclusion to classify Ghana as a hyperinflationary economy is based on their indications that multi-national groups that need to consolidate Ghanaian subsidiaries under IFRS are being urged to apply this position. Consequently, the results of the Group’s activities in Letshego Ghana Savings and Loans PLC have been prepared in accordance with IAS 29 (this is prior to the translation of those results to the Group’s presentation currency of Botswana Pula).

The restatement is based on conversion factors derived from the Ghana Consumer Price Index (CPI) compiled by the Ghana Statistical Service. The indices and conversion factors used were as follows

Date	Indices	Conversion factors
December 2023	200.5	1.0000
December 2022	162.8	1.2316

The presentation currency of the Group is however of a non-hyperinflationary economy and comparative amounts are not adjusted for changes in the index in the current year. Differences between these comparative amounts and current year hyperinflation adjusted amounts are recognised directly in equity.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. On initial application of IAS 29, prior period gains and losses are recognised directly in equity. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in profit or loss are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The impact of the restatement of the financials of the Ghana subsidiary in accordance to IAS 29 on the Group consolidated financial statements is illustrated in Note 36.

Use of judgements and estimates

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

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated annual financial statements of the Group for the year ended 31 December 2022, apart from those relating to insurance contracts, whereby IFRS 17 became effective in the current financial year and those relating to IAS 29 *Financial Reporting in Hyperinflationary Economies*, which the Group commenced to apply on their Ghana subsidiary in the current year.

New Standards, Interpretations and Amendments adopted by Group (cont.)

Use of judgements and estimates (cont.)

Goodwill impairment assessment
Key assumptions in the assessment of goodwill include inflation rates, long-term growth and discount rates. Goodwill was assessed for impairment for Namibia, Ghana, and Tanzania at 31 December 2023. All subsidiaries are expected to be profitable with positive growth rates anticipated, and indicated sufficient headroom to cushion against any future variations or pressures. Based on current information, we are not aware of any material impact of changes to business operations that may arise and have an adverse effect on the Group's goodwill assessments. Refer to Note 13.

Deferred tax asset recoverability
The two main areas of judgement on deferred tax recoverability relate to the timing differences in portfolio provisions and recognition of deferred tax assets on tax losses. Based on our assessments and financial forecast beyond December 2023, the Group expects to generate sufficient taxable profits and utilise these temporary differences and tax losses before they fall away.

Expected credit losses
Prior year adjustment - Expected Credit losses
The Group regularly reviews its loan portfolio and makes judgments in determining whether an impairment loss should be recognised in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and loss experience.

During the financial years 2019 to 2022, the calculation of the Expected Credit Loss Allowance at the previous reporting dates incorrectly included a discount factor to Stage 3 exposures at default. The default date for Stage 3 exposures at default already occurred and no discount factor should therefore be applied to Stage 3 exposures at default to calculate the Expected Credit Loss Allowance at a reporting date.

This error was corrected retrospectively in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors as illustrated in Note 1.

Insurance contracts

The Group has cell captive insurance arrangements for its Namibia subsidiary. Cash flows arising from insurance contracts usually involve a high degree of uncertainty regarding the timing and amount of a claim. In addition, there may be changes to the assumptions made about the insurance business as a result of changes in policyholder behaviour. The Group relies on the expertise of its insurers, who manage the cell captive entities, to determine the present value of insurance cash flows and ultimate cost of outstanding claims through the use of a range of standard actuarial techniques. The insurance experts apply judgements in determining the inputs used in the methodology employed to determine expected future cash flows, discount rates and risk premiums (where applicable) and resultant insurance contract assets and liabilities relating to the cell captive arrangements.

All forward-looking statements in these condensed consolidated financial statements expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of the future development in the business environment and the future financial performance of the Group and actual results may differ materially from those expressed in the forward-looking statements.

1 Correction of prior period expected credit losses error

During the financial years 2019 to 2022, the calculation of the Expected Credit Loss Allowance at the previous reporting dates incorrectly included a discount factor to Stage 3 exposures at default. Since the default date for Stage 3 exposures has already occurred, no discount factor should therefore be applied to Stage 3 exposures at default to calculate the Expected Credit Loss Allowance at a reporting date.

This error was corrected retrospectively in accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors* as follows:

Impact on Statement of Financial Position

	31 December 2022, as previously reported P'000	Effect of restatement P'000	31 December 2022, as restated P'000	31 December 2021, as previously reported P'000	Effect of restatement P'000	1 January 2022, as restated P'000
Advances to customers	12,727,475	(72,618)	12,654,857	11,875,595	44,751	11,920,346
Deferred tax assets	129,082	13,603	142,685	95,748	(14,758)	80,990
Total assets	**16,908,616**	**(59,015)**	**16,849,601**	**16,059,441**	**29,993**	**16,089,434**
Income tax payable	68,426	13,603	82,029	96,268	(14,758)	81,510
Total liabilities	**11,250,446**	**13,603**	**11,264,049**	**10,553,439**	**(14,758)**	**10,538,681**
Retained earnings	4,442,209	(75,563)	4,366,646	4,421,568	38,465	4,460,033
Non-controlling interests	465,933	2,944	468,877	439,152	6,286	445,438
Total equity	**5,658,170**	(72,619)	**5,585,551**	**5,506,002**	**44,751**	**5,550,753**

Impact on Statement of Profit or Loss and Other Comprehensive Income

	31 December 2022, as previously reported P'000	Effect of restatement P'000	31 December 2022, as restated P'000
Expected credit losses	(98,706)	(117,370)	(216,076)
Net operating income	**2,187,121**	**(117,370)**	**2,069,751**
Profit before taxation	**801,255**	**(117,370)**	**683,885**
Taxation	(332,311)	**-**	(332,311)
Profit for the year	**468,944**	**(117,370)**	**351,574**
Attributable to:			
Equity holders of the parent	401,903	(114,028)	287,875
Non-controlling interest	67,041	(3,342)	63,699
Impact on Basic and Diluted Earnings per Share			
Decrease in Basic earnings per share (thebe)	18.7	(5.31)	13.4
Decrease in Diluted earnings per share (thebe)	17.6	(5.00)	12.6

The error had no impact the Group's OCI as reflected in its condensed consolidated statement of profit or loss and other comprehensive income and its condensed consolidated statement of cash flows

2 Financial Instruments

2.1 Expected credit losses as at 31 December 2023

Below is a summary of the expected credit losses recognised in respect to advances to customers as at 31 December 2023:

	IFRS 9 ECL Provisions at 31 December 2023 - (Unaudited)				IFRS 9 ECL Provisions at 31 December 2022 - (Restated)			
	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2023	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2022
Financial assets								
Botswana	66,760	20,561	268,897	**356,218**	49,494	9,911	66,161	**125,566**
Namibia	5,201	1,198	25,025	**31,424**	4,376	488	9,728	**14,592**
Mozambique	2,655	1,780	9,918	**14,353**	1,971	1,324	6,800	**10,095**
Lesotho	5,603	1,817	19,310	**26,730**	3,507	712	12,878	**17,097**
Eswatini	3,104	3,652	46,332	**53,088**	2,131	1,955	30,511	**34,597**
Kenya	6,619	5,048	113,336	**125,003**	9,567	4,298	45,400	**59,265**
Rwanda	1,136	143	857	**2,136**	895	74	400	**1,369**
Uganda	3,919	1,186	47,245	**52,350**	3,831	1,448	21,117	**26,396**
Tanzania	3,966	1,308	70,222	**75,496**	4,970	1,360	62,501	**68,831**
Nigeria	3,501	1,959	14,225	**19,685**	5,012	2,029	19,555	**26,596**
Ghana	15,567	843	85,004	**101,414**	21,155	23,426	48,018	**92,599**
Total	**118,031**	**39,495**	**700,371**	**857,897**	**106,909**	**47,025**	**323,069**	**477,003**

Overall expected credit losses at December 2023 closed at P858 million, which is an increase from P477 million at December 2022 (Restated, see Note 1).

During the financial year 2023 ,our external auditors changed their professional judgement on discounting stage 3 ECLs . The prior years treatment from financial year 2020 to 2022 was therefore deemed an error. The basis for the error is that the default date for Stage 3 exposures have already occurred and no discount factor should therefore be applied to Stage 3 ECLs. Management agreed to do the adjustments for prudence and therefore this results in an increase in coverages .This will allow the business to align to its risk appetite.

Increase in Expected credit losses for the year was also driven by uptick in delinquencies on a test and learn program in Botswana and operational challenges from some central registries that impeded timely deduction and remittance of DAS Loan instalments. Provisioning levels are aligned with the Group's credit risk profile. Group portfolio mix remains flat with Deduction at Source accounting for 88% of the book in 2023 (FY2022 -88%). Deduction at Source portfolio is mainly composed of exposures to central and quasi government employees. Collections rates on the Group DAS portfolio is consistently above ninety percent.

Asset Quality Key Highlights

Non-performing loans (NPLs) increased to 9.6% of gross loan book as at December 2023 (FY 2022: 6.5%) while PAR 30 increased to 14.4% from 9.2% in 2022. The movement was mainly driven by environmental risks and sub optimal performance of test and learn programs introduced since 2021. Increase in NPLs was more pronounced in Botswana driven mainly by Individual lending product that failed to meet product assumptions. In Kenya mobile loans test and learn program launched in 2023 faced early headwinds with collections bottlenecks and rapid shift in customer behaviour. Additionally, introduction of new statutory levies during the year eroded customer disposable income and affordability impacting loan deductions for the DAS book increasing the NPL. In Mozambique, transition to single central registry by the government was not smooth. A significant portion of our exposure to the army and the police dropped off payroll deductions. Remediation of this portfolio took much longer and was not complete as at year end 2023. The Group has put in place robust portfolio remediation strategy to accelerate collections and recoveries momentum in 2024. Our credit risk management capability is sound, our risk governance is strong, and our risk infrastructure is optimal.

Key Highlights

Measure	FY2023	FY2022	FY2021	FY2020	FY2019
Gross Loan Book Balance in P'm	14,346	13,132	12,439	10,740	9,833
Portfolio at risk – 30 days	14.4%	9.2%	9.2%	8.3%	10.0%
Portfolio at risk – 90 days (NPL)	9.6%	6.5%	5.9%	5.3%	6.9%
Post Write-off Recoveries in the year in P'm	162	147	178	199	184
Loan loss rate – actual	3.3%	0.2%	(0.1%)	0.3%	1.7%
Loan loss rate – excl. once-off items	2.0%	0.2%	0.6%	1.8%	1.7%
Non-performing loan coverage ratio	58%	53%	73.0%	98%	112%

*Non-performing loan coverage ratio = Total ECL provision/Gross carrying amount on NPL

The delta increases in PAR 30 and 90 driven by environmental factors and suboptimal performance of test and learn programs. In Kenya, the government introduced new statutory deductions and tax regimes that impaired client's disposable incomes exacerbating portfolio delinquencies' in 2023. In Mozambique, suboptimal transition to centralize government registry led to mass drop offs of monthly deductions of government employees' loan repayments. Test and learn program in Botswana targeting non-deduction at source collection program failed to meet product assumptions.

2 Financial Instruments (continued)

2.2 Maximum exposure to credit risk

	At 31 December 2023 (IFRS 9)	At 31 December 2022 (IFRS 9) - Restated
	P'000	P'000
Gross advances to customers	**14,345,789**	**13,131,860**
Of which stage 1	12,118,775	11,229,003
Of which stage 2	755,182	1,006,469
Of which stage 3	1,471,832	896,388
Expected credit loss provisions	**(857,897)**	**(477,003)**
Of which stage 1	(118,031)	(106,909)
Of which stage 2	(39,495)	(47,025)
Of which stage 3	(700,371)	(323,069)
Net advances to customers	**13,487,892**	**12,654,857**
Of which stage 1	12,000,744	11,122,094
Of which stage 2	715,687	959,444
Of which stage 3	771,461	573,319
Impairment (ECL) Coverage Ratio	**6%**	**4%**
Stage 3 Coverage Ratio	**58%**	**53%**

2.3 Expected credit losses: Stress Testing and Sensitivity Analysis

As a largely Government Deduction at Source (DAS) retail business, the Group has remained resilient to the worst effects of macroeconomic events. The test and learn program (individual lending) is the main driver of provisions.

Model recalibrations are performed at two points in April and October every year. Additionally, macroeconomic factors are updated to align to Fitch Solutions revised forecasts on a monthly basis.

Loss given default (LGD)

LGDs between H1 2023 and H2 2023 have increased due to removal of stage 3 discounting and overlay taken to increase LGDs for accounts that have longer time in default (TID). The Group was therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake.

Probability of default (PD)

Since PD's are modelled using a Point-In-Time (PIT) approach, each account is assigned an individual PD. This creates a distribution of PDs for each portfolio. When creating shocks for a portfolio of PIT PD's, a standard margin of adding and subtracting static numbers would not be suitable for creating scenarios. Therefore, an approach using percentiles is used to create a cap and a floor for the distributions. A lower percentile is used as the cap for upside, and a higher percentile is used as a floor for downside.

2.4 Macroeconomic analysis

Country	YoY Forecast Movements from 2023 to 2024		
	Unemployment Rate	Real GDP growth	Inflation
Botswana	▼	▲	▼
Eswatini	▼	▲	▼
Ghana	▲	▲	▼
Kenya	▼	▲	▼
Lesotho	▼	▲	▼
Mozambique	▲	▼	▼
Namibia	▼	▼	▼
Nigeria	▼	▲	▼
Rwanda	▲	▲	▼
Tanzania	▼	▼	▼
Uganda	▼	▲	▼

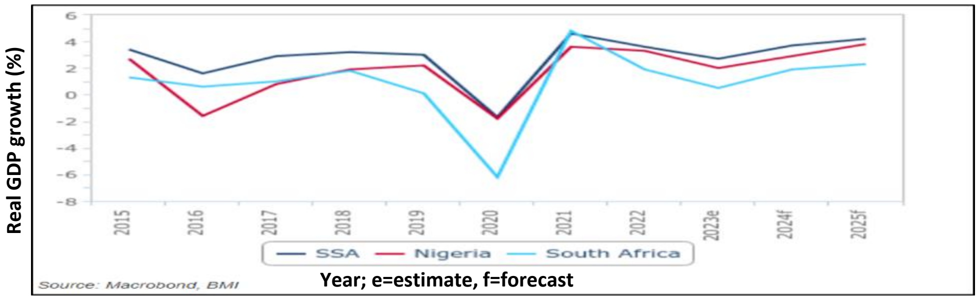
2 Financial Instruments (continued)

2.4 Macroeconomic analysis (continued)

•The table on the above page depicts forecast movements in key macroeconomic variables across the Group according to data provided by Fitch Solutions.

•Although unemployment rates are forecasted to show improvements across most countries within the Group, there are also some adverse year-on-year movements in real GDP growth for Mozambique, Namibia and Tanzania. Despite that, inflation is predicted to go down in every territory indicating a positive outlook across most of our markets.

•The rate refresh incorporated these forecasts for re-calibrated model parameters. The ECL model also has provision to use any updates to these outlooks at implementation level.



Global Growth Outlook in 2024 to pick up (Evolution of Real GDP Growth forecasts, %)

•According to forecasts from Fitch Solutions, the impact of the conflict between Israel and Hamas remains mostly contained in Gaza. Therefore, the economic impact on the wider region will remain limited.

•The chart above shows global growth is expected to bounce back in Sub-Saharan Africa, Nigeria and South Africa in 2024. This is expected to be driven by increased oil production in Nigeria as well as an ease in the energy crisis across the region.

•The business is expected to show resilience to these movements, especially in the DAS portfolios, similar to the robustness shown during the pandemic and the Russia-Ukraine conflict. This will however be monitored continuously at Group and Country level.

Influence of economic factors on estimate of ECL

A behavioural scorecard is used to incorporate forward looking macroeconomic variables into lifetime PDs. A weighted score is calculated based on the outlook of economic conditions of each country and is updated whenever there is a change. These weighted scores are used to convert 12-month PDs into Lifetime PDs for accounts in Stage 2 (Stage 3 PD is standard at 100%).

A macro-induced regression analysis is used to model a Macro-Induced (MI) LGD for accounts in Stage 2 and 3. This involves identifying how economic conditions influence recovery rates and applying this to forecasted economic outlooks.

2.5 Expected credit losses: Forward looking information

MSE portfolios were stressed Downside-heavy while the DAS book was stressed Base-heavy to reflect their respective sensitivities to macroeconomic conditions.

The table below summarises the ECL impact of the sensitivity analysis after application of forward looking factors for the year ended 31 December 2023:

BWP'000	Base case	Upside		Downside		Probability Weighted ECL	Weighted Impact*
	ECL	ECL	Impact	ECL	Impact	ECL	Impact
Consumer	57,841	51,194	(6,647)	241,586	183,745	118,031	60,190
MSE	30,585	28,755	(1,830)	146,725	116,140	39,495	8,910
Informal	398,156	351,394	(46,762)	525,002	126,846	700,371	302,215
Total	**486,582**	**431,343**	**(55,239)**	**913,313**	**426,731**	**857,897**	**371,315**

**The Probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used in the last reporting cycle were 50%, 20% and 30% respectively for Deduction at source portfolio that holds a low credit risk and 30%, 20% and 50% respectively for MSE and Informal portfolio. Refreshed assessment used the higher end of risk weightings hence as at October 2023 the weightings used are 30%,20%,50%.*

**** Model output which is Probability weighted and base for stress testing**

2 Financial Instruments (continued)

2.5 Expected credit losses: Forward looking (continued)

The total weighted impact of P371 million is distributed to operating subsidiaries as follows:
The biggest impact is in Botswana driven by individual loans

Country	Base ECL	Probability Weighting	Impact BWP'000
	BWP'000	BWP'000	
Botswana	175,979	356,218	180,239
Eswatini *	29,416	53,088	23,672
Ghana	37,213	101,414	64,201
Kenya	61,659	125,003	63,344
Lesotho	16,587	26,730	10,143
Mozambique	25,072	14,353	(10,719)
Namibia	36,488	31,424	(5,064)
Nigeria	13,672	19,685	6,013
Rwanda	1,568	2,136	568
Tanzania	56,880	75,496	18,616
Uganda	32,048	52,350	20,302
Group	**486,582**	**857,897**	**371,315**

Base ECL is propability weighted refer to Note 2.5

The Group applied probability weighted ECL as at December 2023 in line with IFRS 9 requirements. Stressed outcome is the worst case scenario (downside), assuming loss of deduction codes in major markets and failure of alternative collection methods for MSE, mobile and individual lending portfolios.

	At 31 Dec 2023 (Unaudited) P'000	At 31 Dec 2022 (Audited) P'000
3 Cash and similar instruments		
Cash at bank and in hand	918,697	779,699
Statutory cash reserve	268,180	26,189
Short term investments	214,947	214,883
	1,401,824	1,020,771
Cash and cash equivalents for the purpose of the statement of cash flows	1,133,644	994,582

During the year under review, the regulator in the Group's Mozambique subsidiary significantly increased their 'reserve requirement ratio' for all local institutions, thereby contributing to much of the indicated increase in statutory cash reserves between the prior and current reporting date.

	At 31 Dec 2023 (Unaudited) P'000	At 31 Dec 2022 (Audited) P'000
4 Investment securities		
Government and Corporate bonds : 2 - 5 year fixed rate notes	878,221	703,604
Government and Corporate bonds : Above 5 year fixed rate notes	15,258	24,524
	893,479	728,128
Less : Expected credit losses	(26,761)	(36,027)
	866,718	692,101
Movement in expected credit losses:		
Balance at the beginning of the year	36,027	-
Impairment (reversal)/charge for the year	(9,266)	36,027
Balance at the end of the year	**26,761**	**36,027**

Treasury bonds are classified as financial assets measured at amortised cost as the business model is to hold financial assets to collect contractual cash flows, representing solely payments of principal and interest. These were issued by the central bank, government and corporates in Ghana and Namibia.

The expected credit loss for the instruments held in Namibia were assessed to be insignificant at the reporting date.

Reference is made to the audited financial statements for the year ended 31 December 2022, where it was indicated that the government of Ghana had announced a Domestic Debt Exchange Program in which an invitation to holders of domestic bonds was extended to exchange these for a set of new bonds maturing in 2027, 2029, 2032 and 2037. This resulted in the recognition of expected credit losses amounting to P12.5 million relating to the domestic bonds. At that stage, the government of Ghana was yet to announce a restructuring of US dollar denominated bonds, but the Group took a conservative approach and recognised expected credit losses amounting to P23.5 million in relation to its investment in US dollar denominated bonds. On 14 July 2023, the government of Ghana published an invitation to holders of US dollar denominated notes and bonds to exchange these for new benchmark government of Ghana bonds denominated in US dollars, maturing in August 2027 and August 2028. The Group submitted an offer to exchange US dollar denominated bonds with a face value amounting to an equivalent of P200.8 million and received new bonds from the government of Ghana in September 2023. The new bonds were exchanged at the same aggregate principal amount, plus applicable capitalised accrued and unpaid interest, but have a lower average coupon and an extended average maturity than the old bonds.

The impact of this exchange of bonds on the financial statements was assessed through the performance of an independent valuation of the new bonds and it was determined that the Group is currently holding adequate expected credit loss provisions on the bonds as at the reporting date.

	At 31 Dec 2023 (Unaudited) P'000	At 31 Dec 2022 (Audited) P'000
5 Financial assets at fair value through profit or loss		
Cross currency swaps	952,610	1,178,969
	952,610	1,178,969

This relates to short-term foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amount in another currency to reduce its exposure on currency risk. These were translated using reporting date exchange rates to reflect the changes in foreign currencies. The related financial liability at fair value through profit or loss is in Note 14. Refer to Note 35 for information on financial assets and liabilities measured at fair value.

	At 31 Dec 2023 (Unaudited) P'000	At 31 Dec 2022 (Restated) P'000	At 1 Jan 2022 (Restated) P'000
6 Advances to customers			
Gross loans and advances to customers	14,345,789	13,131,860	12,439,300
Less : Expected credit losses	(857,897)	(477,003)	(518,954)
- Stage 1	(118,031)	(106,909)	(111,288)
- Stage 2	(39,495)	(47,025)	(103,772)
- Stage 3	(700,371)	(323,069)	(303,894)
Net advances to customers	13,487,892	12,654,857	11,920,346

	At 31 Dec 2023 (Unaudited) P'000	At 31 Dec 2022 (Restated) P'000
7 Insurance contract assets		
Based on how the Group manages its Namibia cell captive insurance arrangements, it disaggregates information to provide disclosure in respect of credit life insurance and credit default insurance. The breakdown of groups of insurance contracts issued that are in an asset position is set out in the table below:		
Credit life insurance	80,497	72,168
Credit default insurance	25,052	19,982
	105,549	**92,150**

7.1 Roll-forward of net asset for insurance contracts issued

The roll-forward of the net asset for insurance contracts issued, also showing the liability for remaining coverage for the credit life insurance arrangements, is disclosed in the table below:

	Assets for remaining coverage P'000	Liabilities for incurred claims P'000	Total P'000
At 1 January 2022	**133,008**	**(7,663)**	**125,345**
Insurance revenue	295,491	-	295,491
Insurance service expenses	-	(107,625)	(107,625)
Deemed premiums received	(306,177)	-	(306,177)
Deemed claims paid	-	83,533	83,533
Effects of movement in exchange rates	794	789	1,583
At 31 December 2022	**123,116**	**(30,966)**	**92,150**
Insurance revenue	286,519	-	286,519
Insurance service expenses	-	(85,316)	(85,316)
Deemed premiums received	(285,020)	-	(285,020)
Deemed claims paid	-	99,360	99,360
Effects of movement in exchange rates	(2,263)	119	(2,144)
At 31 December 2023	**122,352**	**(16,803)**	**105,549**

	At 31 Dec 2023 (Unaudited) P'000	At 31 Dec 2022 (Restated) P'000
8 Other receivables		
Deposits and prepayments	140,898	90,421
Receivable from insurance arrangements	77,586	94,462
Withholding tax and value added tax	5,577	5,626
Deferred arrangement fees	53,484	44,128
Settlement and clearing accounts	45,193	14,834
Other receivables	10,934	8,000
	333,672	257,471

Due to the short - term nature of the other receivables, their carrying amounts approximate their fair value.

	At 31 Dec 2023 (Unaudited) P'000	At 31 Dec 2022 (Audited) P'000
9 Financial assets at fair value through other comprehensive income		
Balance at the beginning of the year	43,107	71,499
Acquisition of equity securities	11,038	-
Fair value loss recognised through other comprehensive income	(43,107)	(28,392)
	11,038	43,107
Fair value loss recognised through other comprehensive income, net of tax	(43,107)	(28,392)

In 2016, the Group entered into a strategic partnership with a financial services organisation that was established as a service platform to offer financial products to individuals and micro and small enterprises in Africa and Europe and acquired a 1.5% shareholding stake in the enterprise for P53.6 million. Over the years the entity established itself as one of the regional leaders in the fintech industry, but due to the concentration of its operations in a particular African jurisdiction, the business suffered a decline in its profitability owing to a combination of regulatory policies and acute depreciation of the local currency of the jurisdiction. The organisation proceeded to attempt several capital raising initiatives to inject liquidity into the business and return to profitability. However, the efforts were not successful. During 2023, the organisation ultimately undertook a restructuring and recapitalisation process that involved the reduction of its concentration in the jurisdiction that was experiencing economic challenges, negotiation with its senior lenders over debt owed, transfer of the business operations into a new entity, and a process of subscription for shares in the new entity by existing and new investors. The restructuring and recapitalisation process culminated in the eventual winding down of the initial financial service organisation.

Consequently, in the current year, a fair value write-down of P43.1 million was recognised through other comprehensive income on the eventual winding-down of the former entity and the cumulative amount in the fair value reserve was subsequently reclassified to retained earnings. The Group recognised its equity investment in the securities of the new entity at fair value of P11 million, being the transactional price paid for the acquisition of the equity securities in the new entity.

10 Property and equipment

	Carrying amount at 1 Jan 2023	Additions	Transfers	Disposal/ scrapping	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2023
Motor vehicles	6,020	6,817	1,268	(4,633)	(3,459)	2,107	8,120
Computer equipment	27,634	10,353	5,201	(5,590)	(18,928)	2,076	20,746
Office furniture and equipment	64,687	8,882	12,093	(3,714)	(22,363)	(901)	58,684
Land and building	18,420	-	-		-	(1,158)	17,262
	116,761	26,052	18,562	(13,937)	(44,750)	2,124	104,812

	Carrying amount at 1 Jan 2022	Additions	Transfers	Disposal/ scrapping	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2022
Motor vehicles	5,309	4,246	-	-	(3,204)	(331)	6,020
Computer equipment	25,721	30,604	-	-	(20,759)	(7,932)	27,634
Office furniture and equipment	30,201	20,481	28,011	-	(12,943)	(1,063)	64,687
Land and building	16,887	-	-	-	-	1,533	18,420
Work in progress	94,704	16,189	(110,893)	-	-	-	-
	172,822	71,520	(82,882)	-	(36,906)	(7,793)	116,761

11 Right-of-use assets

	Carrying amount at 1 Jan 2023	Additions	Modifications	Terminations	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2023
Property	101,654	15,214	12,157	(1,059)	(46,768)	8,043	89,241
	101,654	15,214	12,157	(1,059)	(46,768)	8,043	89,241

	Carrying amount at 1 Jan 2022	Additions	Modifications	Terminations	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2022
Property	98,756	42,803	-	-	(41,407)	1,502	101,654
	98,756	42,803	-	-	(41,407)	1,502	101,654

12 Intangible assets

	Carrying amount at 1 Jan 2023	Additions	Transfers	Disposal/ scrapping	Amortization charge	Forex translation	Carrying amount at 31 Dec 2023
Computer software	18,662	22,697	86,823	-	(10,757)	602	118,027
Brand value	403	-	-	-	1,428	(1,831)	-
Core deposit	620	-	-	-	(665)	45	-
Work in progress	286,113	97,329	(105,385)	-	-	2,626	280,683
	305,798	120,026	(18,562)	-	(9,994)	1,442	398,710

	Carrying amount at 1 Jan 2022	Additions	Transfers	Disposal/ scrapping	Amortization charge	Forex translation	Carrying amount at 31 Dec 2022
Computer software	27,892	3,117	51	-	(10,776)	(1,622)	18,662
Brand value	826	-	-	-	(330)	(93)	403
Core deposit	1,322	-	-	-	(610)	(92)	620
Work in progress	-	219,414	66,699	-	-	-	286,113
	30,040	222,531	66,750	-	(11,716)	(1,807)	305,798

	At 31 Dec 2023 (Unaudited) P'000	At 31 Dec 2022 (Audited) P'000
13 Goodwill		
Goodwill arising on the acquisition of:		
Letshego Holdings Namibia Limited	22,407	22,958
Letshego Tanzania Limited	2,163	2,221
Letshego Ghana Savings and Loans Plc	6,021	6,731
	30,591	**31,910**
Movement in goodwill:		
Balance at the beginning of the year	31,910	67,715
Impairment charge	-	(32,795)
Effect of exchange rate changes	(1,319)	(3,010)
Balance at the end of the year	**30,591**	**31,910**

The Group performs its impairment test at each reporting date by assessing the recoverable amount of goodwill in respect of all cash generating units in order to determine indications of impairment. The key assumptions used to determine the recoverable amount for the different cash generating units are projected cash flows, pre-tax discount rates and a growth rate to extrapolate any cash flows anticipated beyond a 5 year period. Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies. An assessment was performed at year end using the respective entities' value-in-use to determine the recoverable amount and there were no indications of impairment for the above cash generating units.

	At 31 Dec 2023 (Unaudited) P'000	At 31 Dec 2022 (Audited) P'000
14 Financial liabilities at fair value through profit or loss		
Cross currency swaps	980,519	1,201,095
	980,519	1,201,095

The above pertain to short-term foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amount in another currency to reduce its exposure on currency risk (the derivative assets related to this are disclosed in Note 5).

15 Customer deposits		
Demand accounts	288,336	60,904
Savings accounts	467,074	422,290
Call and term deposits	782,574	637,633
	1,537,984	1,120,827
16 Cash collateral		
Cash collateral on loans and advances	15,853	18,476

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

	At 31 Dec 2023 (Unaudited) P'000	At 31 Dec 2022 (Restated) P'000
17 Trade and other payables		
Insurance premium payable	86,534	56,069
Payroll related accruals	20,204	23,662
Staff incentive accrual	63,570	74,300
Other provisions	22,936	20,272
Guarantee funds	423,013	318,691
Trade and other payables	139,479	73,407
Value added tax / withholding tax payable	40,805	19,177
	796,541	585,578

Guarantee funds relate to deposits received by the Group from a strategic partner for the funding of mobile loans in Ghana. Trade and other payables relate to unpaid invoices at the reporting date and due to their short-term nature, the carrying amount approximates their fair value.

18 Lease liabilities	Carrying amount at 01 Jan 2023	Additions	Modifications	Interest expense	Cash payments	Forex translation	Carrying amount at 31 December 2023
Lease liabilities	97,953	15,214	12,157	12,244	(47,800)	8,204	97,972

	Carrying amount at 01 Jan 2022	Additions	Modifications	Interest expense	Cash payments	Forex translation	Carrying amount at 31 December 2022
Lease liabilities	99,646	42,803	-	12,524	(58,521)	1,501	97,953

	31 Dec 2023 (Unaudited) P'000	31 Dec 2022 (Audited) P'000
The following are the amounts recognised in the profit or loss:		
Depreciation expense of right of use asset	46,768	41,407
Interest expense on lease liabilities	12,244	12,524
Expense relating to short-term leases	8,521	6,862
Expense relating to low value assets	471	849
	68,004	61,642

19 Borrowings

	31 Dec 2023 (Unaudited) P'000	31 Dec 2022 (Audited) P'000
Commercial banks	4,752,956	4,283,243
Note programmes	2,254,395	1,677,771
Development Financial Institutions	2,618,950	2,066,826
	9,626,301	8,027,840

As at the reporting date, the Group was in breach of certain loan covenants in relation to funding of P2.9 billion in certain entities.
These were as follows:
Kenya - obligations amounting to P348 million, covenant relating to profitability (Kenya had a negative return on assets) and non-performing loans ratio (PAR 90 and related provisions were greater than the target risk appetite level as defined by the lender);
Eswatini - obligations amounting to P105.4 million, covenant relating to portfolio quality (i.e. Non-performing loans ratio was greater than the target risk appetite level as defined by the lender),
Uganda - obligations amounting to P70.5 million, covenant relating to portfolio quality (i.e. Non-performing loans ratio and PAR 30 were greater than the target risk appetite level as defined by the lender),
Botswana - obligations of P445.8 million, covenants relating to Liquidity Ratio , Provisioning (PAR 90 and related provisions were greater than the target risk appetite level as defined by the lender), Debt Service Cover Ratio, Cash Collection Ratio and maturity matching,
Holdings/Group - obligations amounting to P1.93 billion relating to net open currency position (Foreign Currency Assets minus Foreign-Currency Liabilities divided by Total Adjusted Equity), solvency ratio (total equity divided by total assets), return on assets and open loan position ratios.

At the time of reporting, letters of no action were received from all funders except for Botswana, Eswatini and Holdings. Late audit adjustments in mid-March 2024, required us to re-engage some funders for condonation of new breaches due to these adjustments. Engagements are ongoing. The related facility amounted to P1.1 million as at year end.

20 Stated capital

	31 Dec 2023 (Unaudited) P'000	31 Dec 2022 (Audited) P'000
Issued: 2,175,038,644 ordinary shares of no par value (2022: 2,149,114,056) of which 11,651,597 shares (2022: 3,989,970) are held as treasury shares.	917,909	899,571

In terms of the Group's long term incentive plan, shares of P18.3 million (December 2022: P17.3 million) vested at Group level during the year.

	12 months ended 31 Dec 2023 (Unaudited) P'000	12 months ended 31 Dec 2022 (Audited) P'000
21 Interest income at effective interest rate		
Advances to customers	2,791,221	2,620,123
Interest income on risk informal / mobile loans	228,297	96,874
Interest income on non-risk informal / mobile loans	310,725	349,122
Interest income from deposits with banks, including investment securities	94,704	79,553
	3,424,947	3,145,672
22 Interest expense at effective interest rate		
Overdraft facilities and term loans	1,379,705	1,027,556
Interest adjustment on non-risk informal / mobile loans	310,725	349,122
	1,690,430	1,376,678
22.1 Other interest expense		
Interest expense on leases	12,244	12,524
23 Fee and commission income		
Administration fees - lending	39,514	83,979
Credit life insurance commission	17,514	5,575
	57,028	89,554
24 Other operating income		
Early settlement fees	56,234	60,248
Income from insurance arrangements	143,837	55,630
Mark-to-market gain on foreign currency swaps	-	8,210
Net foreign exchange gain	-	90,696
Sundry income	56,070	37,153
	256,141	251,937
25 Net Insurance service result		
The following components are arising from cell captive arrangements in the Group's Namibia subsidiary:		
Insurance revenue	286,519	295,491
- Credit life	182,339	182,573
- Credit default	104,180	112,918
Insurance service expense	(85,316)	(107,625)
- Credit life	(25,753)	(34,873)
- Credit default	(59,563)	(72,752)
Net insurance service result	**201,203**	**187,866**

Previously, the outcome of the Group's cell captive arrangements were reflected under 'Other operating income'. In accordance with IFRS 17, the comparative period (2022) has been restated to be presented in accordance with the Standard.

	12 months ended 31 Dec 2023 (Unaudited) P'000	12 months ended 31 Dec 2022 (Restated) P'000
26 Expected credit losses		
Amounts written off	201,470	368,542
Recoveries during the year	(152,534)	(146,543)
Expected credit loss provision charge/(reversal) for the year	407,655	(5,923)
	456,591	216,076
27 Employee costs		
Salaries and wages	520,006	454,637
Staff incentive	35,126	61,734
Staff recruitment costs	1,283	1,096
Staff pension fund contribution	35,986	38,282
Directors' remuneration – for management services (executive)	8,507	10,276
Long term incentive plan	10,696	19,914
	611,604	585,939

	12 months ended 31 Dec 2023 (Unaudited) P'000	12 months ended 31 Dec 2022 (Audited) P'000
28 Other operating expenses		
Accounting and secretarial fees	229	227
Advertising	33,182	40,441
Audit fees	8,418	7,358
- Audit services	8,124	7,191
- Other services	294	167
Bank charges	12,236	8,859
Computer expenses	25,304	9,755
Consultancy fees	82,054	56,163
Corporate social responsibility	2,462	1,961
Collection commission	101,057	72,159
Direct costs	16,978	29,343
Direct costs - informal loans	56,763	36,142
Depreciation and amortization - property and equipment and intangible assets	54,744	48,622
Depreciation - right-of-use assets	46,768	41,407
Directors' fees – non executive	6,920	9,985
Directors' fees – subsidiary boards	8,995	8,184
Government levies	26,418	22,673
Impairment of goodwill	-	32,795
Insurance	18,959	17,989
Insurance fees - customer short term	42,534	60,074
Loss on net monetary position*	149,905	-
Office expenses	30,105	24,638
Rental expense for low value assets	8,521	849
Short term leases	471	6,862
Other operating expenses	174,600	155,639
- Entertainment	627	531
- IT costs	3,563	505
- Net foreign exchange loss	52,078	-
- Mark to market loss on foreign currency swaps	9,345	-
- Motor vehicle expenses	10,046	11,715
- Printing and Stationery	9,140	6,775
- Repairs and Maintenance	10,001	10,250
- Storage costs	3,912	3,324
- Subscriptions and licenses	38,314	27,179
- Other expenses	37,574	95,360
Payroll administration costs	1,203	2,131
Professional fees	83,820	46,704
Telephone and postage	30,859	36,536
Travel	23,484	22,431
	1,046,989	799,927

*The Group adopted IAS 29 *Financial Reporting in Hyperinflationary Economies* in relation to its Ghana subsidiary. The above relates to the difference between the historical cost amounts and the result from the restatement of non-monetary items, shareholders' equity, items in the statement of comprehensive income and the adjustment of any index-linked items to year end purchasing power.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the year ended 31 December 2023

	12 months ended 31 Dec 2023 (Unaudited) P'000	12 months ended 31 Dec 2022 (Audited) P'000
29 Additional cash flow information		
Movement in working capital and other changes:		
Movement in gross advances to customers	(1,442,160)	(1,097,129)
Movement in insurance contract assets	(13,399)	33,194
Movement in other receivables	(318,192)	(51,166)
Movement in trade and other payables	210,963	(250,370)
Movement in customer deposits	417,157	(54,759)
Movement in cash collateral	(2,623)	(3,046)
Net change in financial assets at fair value through profit or loss	5,783	39,597
Long-term incentive plan provision	10,696	19,914
Hyperinflation translation adjustment	83,920	-
Net foreign exchange differences	(97,811)	90,547
	(1,145,666)	**(1,273,218)**

30 Contingent liabilities

Management were not aware of any significant contingent liabilities that existed as at 31 December 2023.

31 Capital commitments

At 31 December 2023 the commitments for capital expenditure under contract amounted to P146m (2022: P347m). Funding to meet these will be provided from the Group's internal resources.

32 Related party transactions

The Company 'Letshego Africa Holdings Limited' is listed on the Botswana Stock Exchange. The Group partnered with Sanlam (SEM) to be its preferred insurance provider by offering innovative stand alone and embedded insurance solution. Sanlam owns 59% of Botswana Insurance Holdings Limited (BIHL) which is a shareholder of Letshego Africa Holdings Limited and there were no transactions with BIHL. However, loans and advances of Letshego Financial Services Botswana (Pty) Ltd (LFSB) are insured through Botswana Life Insurance Limited, which is a subsidiary of BIHL and commission of P45.3 million was earned by LFSB during the year (2022: P15 million).

	12 months ended 31 Dec 2023 (Unaudited) P'000	12 months ended 31 Dec 2022 (Audited) P'000
Compensation paid to key management personnel (executive directors)		
Paid during the period		
- Short-term employee benefits	8,507	10,276
	8,507	10,276

In terms of the Long Term Incentive Scheme 9,705,152 awards vested and 7,764,121 awards were granted to executive directors relating to the 31 December 2023 financial year (2022: 6,161,972 awards vested, 5,457,386 awards were granted).

33 Events occurring after reporting date

The Group continues to seek opportunities that unlock operational efficiencies in the conduct of its business. The Group is currently in the early stages of comparing the benefits that could arise from housing certain shared service administrative activities outside of its holding company.

34 Outlook post year-end

The macroeconomic outlook for sub-Saharan Africa (SSA) in 2024 is a cautiously optimistic outlook driven by a slight increase in GDP growth which is expected to be a key highlight. Despite this positive trend, the region is expected to face several economic challenges. Although inflation is expected to trend on a downward trajectory the region remains prone to spikes related to geopolitical and global financial events. The anticipated easing of monetary policy is expected to provide some relief. However, fiscal pressures are set to persist, exacerbated by high debt servicing costs that strain the financial resources of SSA markets. The continued depreciation of SSA currencies against the US dollar and the euro will further complicate debt repayment efforts, underscoring the importance of gradual fiscal consolidation. This consolidation, driven by financing constraints and ongoing fiscal reform efforts – often in association with International Monetary Fund (IMF) programmes – is forecasted to help stabilise the government debt-to-GDP ratio. Nevertheless, despite these measures, risks to the macroeconomic environment in SSA remain on the downside, reflecting the fragile balance between growth prospects and the economic pressures facing the region.

35 FINANCIAL RISK MANAGEMENT

Introduction and overview

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

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

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 Group Risk Management Committee and Country Management Committees. It is the responsibility of Group Credit Risk and each CEO to ensure that the Group's policies regarding credit risk, credit scoring, collateral contribution, affordability levels and minimum take home pay is complied with at all times. The Group manages credit risk in accordance with its credit risk policies, guidelines and procedures which provide for the maintenance of a strong culture of responsible lending that promotes inclusive finance. Full details of the Group credit risk disclosures should be read in conjunction with the Group's annual financial statements as at 31 December 2023.

Interest rate risk

The year 2023 saw some positives in inflation across the Group`s foot print, with notable reductions in end of period inflation compared to 2022. The trend is expected to continue in 2024. Monetary authorities were using policy rates to tame inflation and the results were positive. A number of central banks increased their policy rates in 2023, a trend that is expected to reverse in 2024. The increases in policy rates impacted the Group's cost of funding.

The Group had significant exposure to interest rate risk due to the nature of the business model and the footprint. While the loans are predominantly on fixed rates, the funding that the Group accesses is variable to a greater extent. The Group managed the impact of changes in funding rates by hedging some exposures through swaps and caps, introducing short cycle loans and reviewing lending rates in line with changes in funding rates.

The Group conducts sensitivity analysis to assess the impact of rate changes on the Net Interest Income at subsidiary and consolidated position. A 200 basis points increase in rates will result in impact of P62 million on Net Interest Income. The Group is exposed to prime rates in the various operating jurisdictions.

Currency risk

The Pula appreciated against all of the footprint currencies except for the Mozambique Metical (MZN) and the Ugandan Shilling (UGX). This appreciation had a negative impact on Group.

The Group actively manages foreign currency exposures. During the year, most foreign currency exposures in the subsidiaries were brought to the attention of the holding company for management. Foreign currency exposures are managed through cross currency swaps and forwards.

The Group's main translational foreign currency exposure is to the South African Rand (ZAR). This is as a result of operations in Lesotho, Eswatini and Namibia.

Other risks

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These should be read in conjunction with the Group's annual financial statements as at 31 December 2023.

35.1 Risk management framework

The Group refreshed its Risk Management Framework during the year, which facilitates a consistent approach to risk management and the adoption of international best practice and local regulatory requirements. The framework provides minimum requirements for sound risk management practices with the main aim of having an integrated approach to managing risk that adequately identifies, measures, monitors and controls risk.

The Group's approach to managing risk is to implement simple and appropriate fit for purpose risk management practices that assist the originators of risk events to understand their inherent risk and reduce their risk profile, in line with the Group's risk appetite, while maximizing on sustainable shareholder value.

All non-financial risks that are at primary risk level have risk type frameworks and supporting policies that outline the overall risk management approach for the respective non-financial risk and ensure that an effective risk management and measurement process is adopted throughout the Group. The risk frameworks per primary risk type are maintained by the Risk Owners and formally reviewed after every two years in line with the Group's risk appetite. Furthermore, the approval authority for these Risk Frameworks and revisions thereto are mandated to the Group Risk, Social and Ethics Committee (GRSEC). The GRSEC meets on a quarterly basis to review all other major risks including non-financial risks. At management level, the Group Management Risk Committee reviews and monitors significant risk events and ensures that the control environment is adequate to prevent recurrence.

35 FINANCIAL RISK MANAGEMENT

35.2 Financial assets and liabilities measured at fair value

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

- 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 techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

	31 December 2023			31 December
	New entity	Old entity	Total	2022
Financial assets - Level 3	P'000	P'000	P'000	P'000
Opening balance	-	43,107	43,107	71,499
Fair value loss recognised in other comprehensive income	-	(43,107)	(43,107)	(28,392)
Acquisition of equity securities	11,038	-	11,038	-
	11,038	**-**	**11,038**	**43,107**

Reference is made to Note 9. The Group determined the fair value of the equity securities acquired in the new entity at the transactional price paid for the equity securities during the year.

Sensitivity of fair value measurements to changes in unobservable market data.
Based on the above, a change in the value per share (based on company's price per share during its capital raising exercise) changes by 1% - 5% will result in a fair value gain or loss of P0.1m and P0.6m, respectively.

Financial instruments measured at fair value

Type	Valuation technique	Fair value level	Significant observable / unobservable inputs
Financial assets and liabilities at fair value through profit or loss	Valued by discounting the future cash flows using market interest rate applicable at that time. The sum of the cash flows denoted in the foreign currencies are converted with the spot rate applicable at the reporting date.	Level 2	Based on BWP, EURO 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 privately held equity, the recent transaction price on acquisition of the equity securities by the Group has been considered as an approximation to fair value.	Level 3	Based on the value per share from the price of a recent transaction.

	Carrying amount					Fair value			
31 December 2023	Fair value -through OCI	Fair value -through profit and loss	Financial Assets at amortised cost	Financial liability 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:									
through OCI	11,038	-	-	-	11,038	-	-	11,038	11,038
through profit or loss	-	952,610	-	-	952,610	-	952,610	-	952,610
	11,038	952,610	-	-	963,648	-	952,610	11,038	963,648
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1,401,824	-	1,401,824	-	1,401,824	-	1,401,824
Investment securities	-	-	866,718	-	866,718	-	866,718	-	866,718
Advances to customers	-	-	13,487,892	-	13,487,892	-	13,487,892	-	13,487,892
Insurance contract assets	-	-	105,549	-	105,549	-	105,549	-	105,549
Other receivables	-	-	187,197	-	187,197	-	187,197	-	187,197
	-	-	16,049,180	-	16,049,180	-	16,049,180	-	16,049,180
Financial liabilities measured at fair value									
through profit or loss	-	980,519	-	-	980,519	-	980,519	-	980,519
	-	980,519	-	-	980,519	-	980,519	-	980,519
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	692,166	692,166	-	692,166	-	692,166
Customer deposits	-	-	-	1,537,984	1,537,984	-	1,537,984	-	1,537,984
Cash collateral	-	-	-	15,853	15,853	-	15,853	-	15,853
Borrowings	-	-	-	9,626,301	9,626,301	-	9,626,301	-	9,626,301
	-	-	-	11,872,304	11,872,304	-	11,872,304	-	11,872,304

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the year.

35 FINANCIAL RISK MANAGEMENT

35.2 Financial assets and liabilities measured at fair value (continued)

	Carrying amount					Fair value			
31 December 2022	Fair value -through OCI	Fair value -through profit and loss	Financial Assets at amortised cost	Financial liability 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:									
through OCI	43,107	-	-	-	43,107	-	-	43,107	43,107
through profit or loss	-	1,178,969	-	-	1,178,969	-	1,178,969	-	1,178,969
	43,107	1,178,969	-	-	1,222,076	-	1,178,969	43,107	1,222,076
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1,020,771	-	1,020,771	-	1,020,771	-	1,020,771
Investment securities	-	-	692,101	-	692,101	-	692,101	-	692,101
Advances to customers	-	-	12,654,857	-	12,654,857	-	12,654,857	-	12,654,857
Insurance contract assets	-	-	92,150	-	92,150	-	92,150	-	92,150
Other receivables	-	-	161,424	-	161,424	-	161,424	-	161,424
	-	-	14,621,303	-	14,621,303	-	14,621,303	-	14,621,303
Financial liabilities measured at fair value									
through profit or loss	-	1,201,095	-		1,201,095	-	1,201,095	-	1,201,095
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	492,101	492,101	-	492,101	-	492,101
Customer deposits	-	-	-	1,120,827	1,120,827	-	1,120,827	-	1,120,827
Cash collateral	-	-	-	18,476	18,476	-	18,476	-	18,476
Borrowings	-	-	-	8,027,840	8,027,840	-	8,027,840	-	8,027,840
	-	-	-	9,659,244	9,659,244	-	9,659,244	-	9,659,244

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

35 FINANCIAL RISK MANAGEMENT

35.3 Interest rate benchmark reform

Overview

A fundamental reform of major interest rate benchmarks has been undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative, nearly risk-free rates (referred to as 'IBOR reform'). The Group had borrowings that referenced to US dollar LIBOR, which have already been replaced, and has borrowings that reference to JIBAR, which will be reformed in future as part of these market-wide initiatives.

IBOR reform had significant risk management and operational impacts for the Group, which included heightened interest rate risk arising from uncertainty over the timing and the methods of transition, as well as decreases in available liquidity and market volatility over the transition period. During the financial year, the Group significantly reduced its exposures to IBORs that are subject to reform, which resulted in all US dollar LIBOR-linked exposures being modified to reference to the Secured Overnight Financing Rate (SOFR), with effect from July 2023. It is however anticipated that JIBAR will cease as a reference rate in 2024, or at a later date, as confirmed by the South Africa Reserve Bank (SARB) as the administrator of JIBAR.

Non-derivative Financial Liabilities

The Group's remaining IBOR exposures to non-derivative financial liabilities are in bonds indexed to JIBAR.

Derivatives

The Group holds a total return swap indexed to JIBAR for risk management purposes in a hedging relationship. All of the Group's derivative instruments are governed by contracts based on International Swaps and Derivatives Association's (ISDA's) master agreements.

The following tables summarise the significant non-derivative and derivative exposures impacted by interest rate benchmark reform as at 31 December 2023:

	JIBAR P'000	TOTAL P'000
Non-derivative financial liabilities		
Debt securities in issue	1,131,161	1,131,161
	1,131,161	**1,131,161**

The table above represents the non-derivative exposures to interest rate benchmark reform by balance sheet account, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2023. Balances reported at amortised cost.

	JIBAR P'000	TOTAL P'000
Derivatives held for risk management		
Total return swap	343,098	343,098
	343,098	**343,098**

The table above represents the derivative exposures to interest rate benchmark reform, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2023. Derivatives are reported by using the notional contract amount and where derivatives have both pay and receive legs with exposure to benchmark reform, the notional contract amount is disclosed for both legs.

36 Impact of IAS 29 *Financial Reporting in Hyperinflationary Economies*

Reference is made to the Accounting Policies presented, where during the second half of the year the Group classified Ghana as a hyperinflationary economy. This was following a number of professional organisations outside of Ghana, including global accounting firms, having assessed the economy of Ghana as hyperinflationary as at 31 December 2023 and thereafter. Consequently, for Group reporting purposes, the financial statements of Letshego Ghana Savings and Loans PLC were adjusted in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies* .

The restatement of non-monetary items, shareholders' equity, items in the statement of comprehensive income and the adjustment of any index-linked items to the measuring unit current at the reporting date in the Ghana subsidiary resulted in the Group's loss for the year ended 31 December 2023 increasing by P130.4 million as illustrated in the table below:

	At Historical Cost for the year ended 31 December 2023 P'000	Impact of IAS 29 Restatements P'000	Inflation Adjusted for the year ended 31 December 2023 P'000
Operating income	2,187,414	49,231	2,236,645
Expected credit losses	(459,743)	3,152	(456,591)
Net operating income	**1,727,671**	**52,383**	**1,780,054**
Employee costs	(609,900)	(1,704)	(611,604)
Other operating expenses	(867,924)	(29,160)	(897,084)
Net monetary loss	-	(149,905)	(149,905)
Total operating expenses	(1,477,824)	(180,769)	(1,658,593)
Profit before taxation	**249,847**	(128,386)	**121,461**
Taxation	(268,290)	(1,970)	(270,260)
Loss for the year	**(18,443)**	**(130,356)**	**(148,799)**

Hyperinflation translation adjustment:	
Ghana subsidiary equity and reserves at historical cost (A)	283,794
Ghana subsidiary equity and reserves at inflation adjusted amount (B)	367,714
Adjustment related to hyperinflation translation (B-A)	**83,920**

The Group has elected to recognise the indicated hyperinflation transaltion adjustment directly into equity.