Victoria
FINANCE

ANNUAL REPORT 2020

ANNUAL REPORT AND GROUP CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31stDECEMBER 2020

Victoria
FINANCE

1. ABOUT VICTORIA FINANCE PLC

1.1. The Company at Glance

Victoria Finance PLC (VFP) is one of the leading microfinance institutions in Tanzania. The Company is a non-deposit taking microfinance institution, regulated by the Bank of Tanzania under Tier 2. The company was incorporated in 2009 under the Companies Act, CAP 212 of 2002, and commenced its operation on 2nd May 2010 after obtaining the required business licenses to operate as a microfinance business. A change of company status from Victoria Finance Limited to Victoria Finance PLC, on which the new certificate of incorporation is issued, came into effect on 5th May, 2014.

The Group is dedicated to providing microfinance products and services especially to the needy people in the country. VFP provides microfinance products and services to individuals, corporate and SACCOS or similar groups who may not be able to obtain such services from commercial banks or other financial institutions. The company is dedicated to provide microfinance services to low and middle-income earners, women, youth and to the needy. With the current low level of financial inclusion in Tanzania, the development of microfinance institutions is one of the ways to improve financial inclusion by reaching and providing financial services to the underserved population.

In the efforts to diversify its revenues sources and increase its financial inclusion offerings; on 28th March 2017, Victoria Finance PLC incorporated an insurance Subsidiary-Victoria Insurance Brokers Limited (VIB). VIB focuses on both life and non-life insurance offering, with mission to "provisioning of insurance services aiming at enhancing customers' satisfaction and shareholder's value." Victoria Finance PLC wholly owns Victoria Insurance Brokers Limited.

The company operations cover four regions- Dar es Salaam, Coastal, Mbeya and Morogoro. Our rural presence account for more than 30% of the Company's lending operations. Using digital technology and three branches in Dar es Salaam, Madibira in Mbeya and Dakawa in Morogoro, we are able to serve remote and rural areas where financial inclusion remains low.

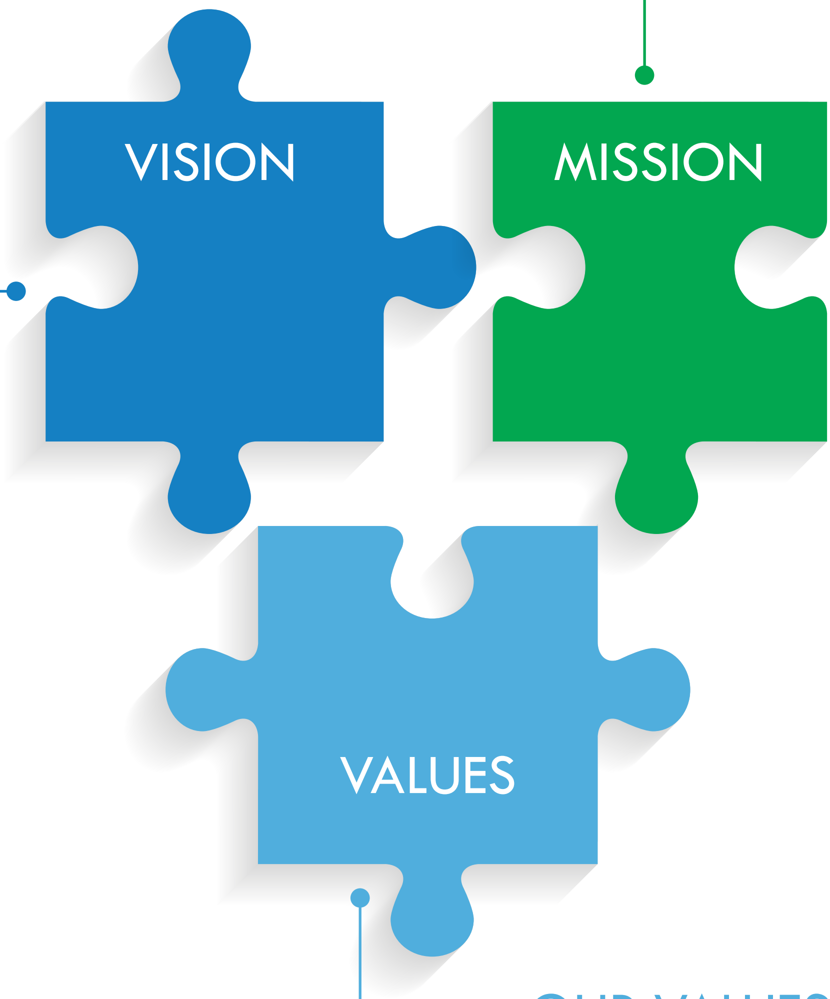
In addition to lending and insurance broking activities, the Group has been involved in mobilizing and managing special impact funds to specific projects for promotion of inclusive finance in the rural. We have assisted various community based groups to commercialize their primary production into more viable trading businesses hence adding value to their produces.

OUR VISION

"To be the preferred financial Partner in Tanzania."

OUR MISSION

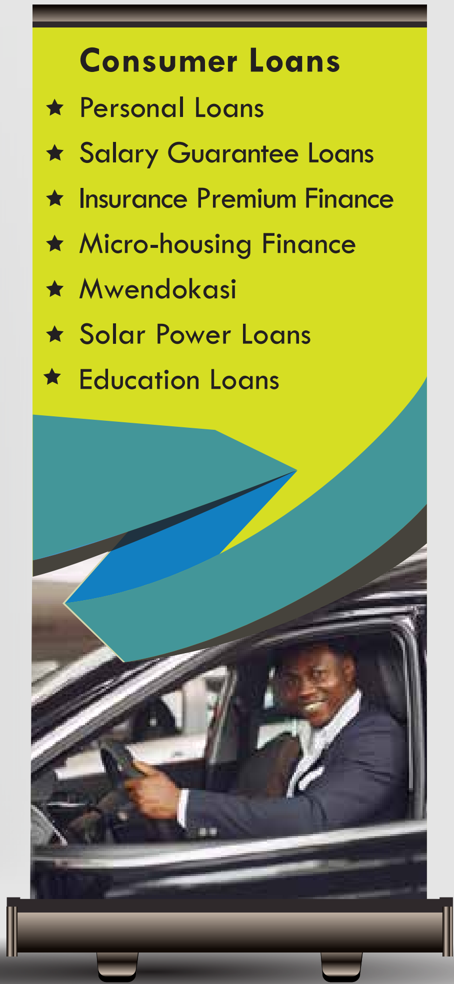
"To provide comprehensive financial Services solutions by meeting customers' needs , realizing shareholders' value and ultimately benefitting the society"

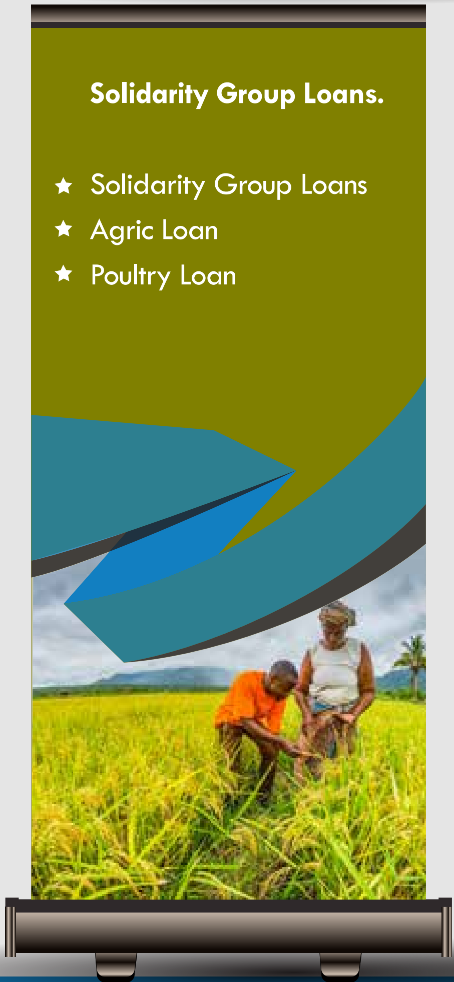


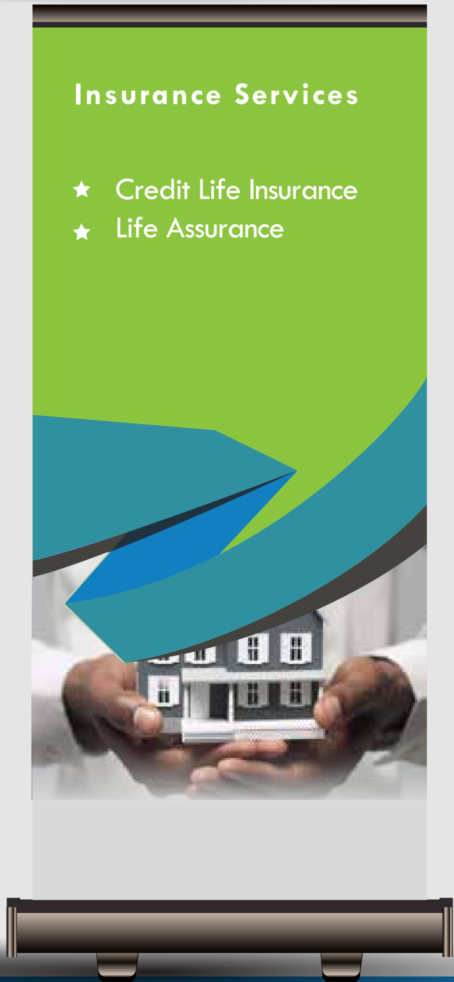
OUR VALUES

Commitment, Integrity , Accountability


Business Loans
★ Short term Loans
★ SME Loans
★ Insurance Premium
★ Finance Lease finance
★ Agric Loans Poultry Loan


Consumer Loans
★ Personal Loans
★ Salary Guarantee Loans
★ Insurance Premium Finance
★ Micro-housing Finance
★ Mwendokasi
★ Solar Power Loans
★ Education Loans


Solidarity Group Loans.
★ Solidarity Group Loans
★ Agric Loan
★ Poultry Loan


Insurance Services
★ Credit Life Insurance
★ Life Assurance

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mr. Leonard Kitoka

DIRECTORS

Mr. Moremi Marwa
Ms. Victoria Chale
Ms. Rose Funja
Mr. Abel Kaseko
Mr. Robert Butambala
Mr. Xavery Makwi

REGISTERED OFFICE

5th Floor Sky Tower ,
New Bagamoyo Road, Kijitonyama,
P.O BOX 12102
Dar es Salaam

LEGAL ADVISORS:

APEX ATTORNEYS
TANCOT House,
Sokoine/Pamba Road,
P.O BOX 34674,
Dar es Salaam

COMPANY SECRETARY

Mr. Frank Mwalongo

AUDITORS

AUDITAX INTERNATIONAL
PPF Tower, 7th Floor
Garden Avenue
P. O. Box 77949
Dar es Salaam

EXECUTIVE MANAGEMENT

Mr. Julius Mcharo - Managing Director
Mr. Hermenegild Kiyagi - Chief Operations Officer
Mr. Ibrahim Msusa - Head of Finance
Mr. Noel Sumbe - ICT Officer
Ms. Robi Magaigwa - Legal Officer

Ms. Elinipa Elias - General Manager, Victoria Insurance Brokers Limited

BANKERS:

NCBA BANK TANZANIA LIMITED
Samora Branch, Dar es Salaam

NATIONAL MICROFINANCE BANK
Kariakoo Branch, Dar es Salaam

AKIBA COMMERCIAL BANK
Main Branch, Dar es Salaam

CRDB BANK PLC
Kariakoo Branch, Dar es Salaam

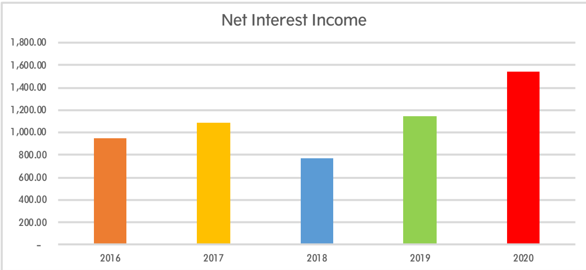
MUCOBA BANK PLC
Madibira Branch, Mbarali

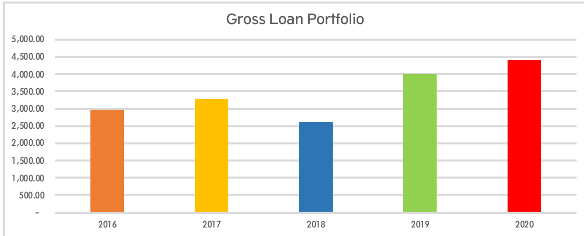
AZANIA BANK LTD
Mawasiliano Towers Branch, Dar es Salaam

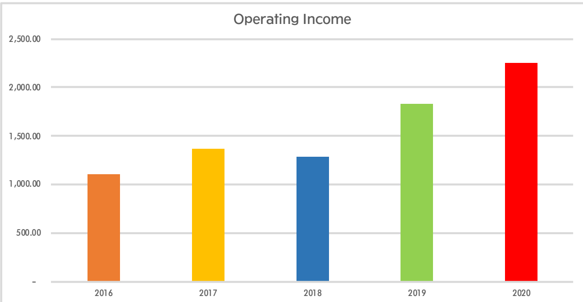
TPB BANK LIMITED

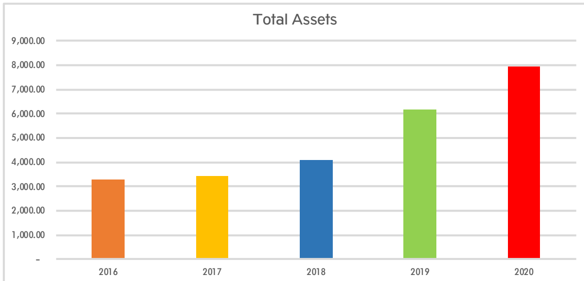
FINANCIAL HIGHLIGHTS

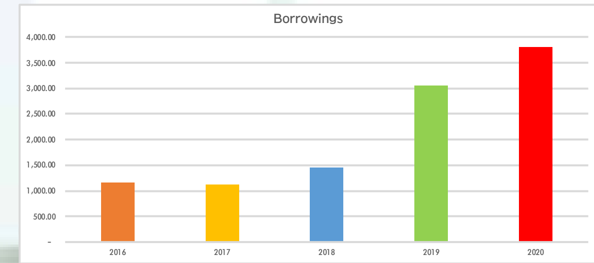
2.1 Financial Trends in 2016-2020-TZS millions

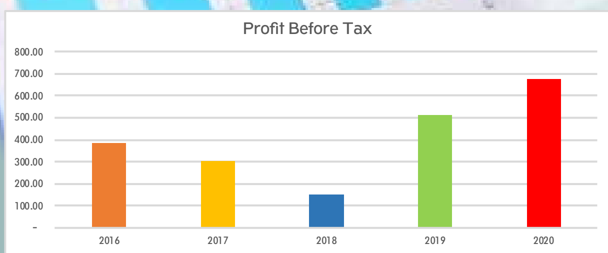


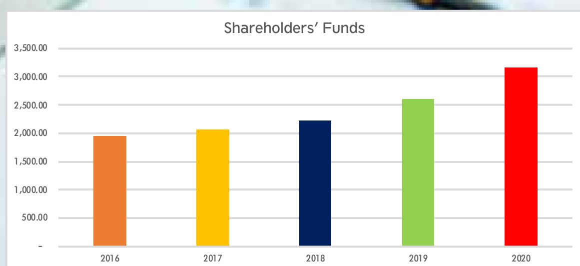












2.2 Performance Indicators

In TZS millions	2016	2017	2018	2019	2020
Net Interest Income	950	1,087	772	1,145	1,538
Operating Income	1,105	1,370	1,285	1,830	2,250
Operating Cost	720	1,068	1,135	1,317	1,574
Profit Before Tax	386	302	150	513	675
Net Profit After Tax	247	186	270	364	471
Total Assets	3,274	3,434	4,096	6,169	7,947
Gross Loan Portfolio	2,984	3,297	2,623	4,005	4,392
Borrowings	1,165	1,124	1,447	3,064	3,807
Shareholders' Funds	1,958	2,057	2,227	2,594	3,169

2.3 Key Ratios

	2016	2017	2018	2019	2020
Return on Equity(ROE)	13.5%	9.1%	12.3%	14.8%	16.3%
Return on Assets(ROA)	8.8%	5.5%	6.0%	5.7%	6.7%
Operational Self Sufficiency(OSS)	142%	124%	108%	126%	143%
Operating Expense ratio	27%	33%	32%	28%	36%
Financial Leverage	0.7	0.6	0.8	1.4	1.2
Cost Ratio	65%	76%	91%	73%	66%
Funding expense Ratio	5%	7%	6%	8%	10%
Capital Adequacy	60%	61%	57%	41%	41%

2.4 Social Indicators

INDICATOR	2016	2017	2018	2019	2020
Number of Branches	3	3	3	2	2
Number of Staff	22	28	27	26	27
Number of Active Clients	3,449	4,086	4,673	5,254	5,564
% of Women Clients	55.9%	52.8%	49.8%	49.8%	47.7%
Number of Outstanding Loans	1,697	1,582	974	1,135	1,194
Value of Outstanding Loans (TZS)	3.0Billion	3.0 Billion	2.7Billion	4.0Billion	4.3Billion
Value Of Disbursed Loans (TZS)	3.8billion	3.5Billion	3.7Billion	6.4billion	5.98 Billion

Our investment focus remains on resource mobilization, digitalization and innovation that will improve our offerings hence create more effective and efficient operations. Development of our people will take a central stage by creating enabling environment for innovative and implementable ideas that has beneficial to the future of the organization.

MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR

3.1 Chairman Statement

On behalf of the Board of Directors, I would like to present the Annual Report that details the financial performance and events during the year that ended on 31st December 2020.

Despite unprecedented pandemic that faced the world from corona virus which affected most of businesses across the world, the Group remained resilient and performed relatively better compared to the previous year. This was underpinned by our new Five Years Strategic Plan 2020-2024 whose implementation commenced in 2020 and the readiness of the Group to adjust approaches during the year.

Business Operating Environment

The social economic environment was relatively good with moderate economic growth and low inflation. According to Bank of Tanzania, the GDP growth was 4.7% with an average inflation of 3.2%. Growth of credit to the private sector averaged 5.1% in the first half of 2020/21 mainly supported by personal activities (largely micro, small and medium enterprises), transport and communication, and mining and quarrying, while credit to tourism-related businesses was subdued due to impact of COVID-19 pandemic. Generally, the financial sector remained resilient, stable and profitable in the year under review.

During the year, Victoria Finance was issued with a license by Bank of Tanzania to operate microfinance business in the country and became the first among few microfinance institutions to obtain a microfinance license ahead of the cut off time by the regulator, of 31st October, 2020.

Business Performance Highlights

The Group made a net profit after tax of TZS471 million compared to TZS364 million of 2019, an improvement of 29%. The total assets increased from TZS 6.2 billion 2019 to closed the year at TZS 7.9 billion supported by new funding sources. More investment was channeled towards lending activities with net portfolio recording an increase of about 20% to TZS 5.7 billion from TZS4.7 billion in the previous year.

The shareholders' funds improved from TZS2.6 billion to TZS3.2 billion due to improved profits during the year and new share capital due to bonus issue from the dividend paid during the year. The return on equity (ROE) also improved to 16.3% from 14.8% recorded in 2019.

Branch Expansion

In the efforts to improve financial growth and inclusion as one of the strategic pillars in the Strategic Plan, the Group made a decision to establish a new branch at Dakawa in Mvomero to support small holders' farmers by extending services closer to our customers. This is the testimony of our commitment to improve financial access to the marginalized rural people hence improve their lives in the long run. This becomes our second branch established mainly for financing smallholders' farmers in rural areas.

Changes in the Board

Director Rose Funja joined the Board as Non-Executive Director in June, 2020. Rose brings in a wealth of experience in ICT and innovations, the skills most needed at these times of digital economy and our thirsty to digitize our operations and business model. On behalf of the Board, I will like to welcome Rose to Victoria Finance family.

Declaration of Dividends

The Board recommends dividend payment of TZS 27 per share for year ended 31st December 2020 compared to TZS 23 in the previous year, payable to shareholders in the register as at 31 May, 2021.This is the second time in a row that the Group is making such decision to pay back to shareholders for the risk they took to invest in the company. A resolution shall be presented during this 12th Annual General Meeting for adoption of the Board Recommendation by the shareholders.

Prospects for 2021 and Beyond

In pursuit of a strong and significant contribution of our Group in the society, the Board is committed to implement strategic plans and ensure sustainability of the Group in the future. Along with the projected trajectory, the Board will continue to monitor the dynamics of the business environment and adjust accordingly.

"Our investment focus remains on resource mobilization, digitalization and innovation that will improve our offerings hence create more effective and efficient operations. Development of our people will take a central stage by creating enabling environment for innovative and implementable ideas that has beneficial to the future of the organization."

Acknowledgements

On behalf of the Board, I would like to thank all stakeholders especially our customers, investors and strategic partners for their continued support which is pertinent in the development of our Company. To my fellow Directors, thanks for your usual commitment and leadership during the year. Special thanks go to Managing Director. Mr. Julius Mcharo, General Manager, Victoria Insurance Brokers, Ms. Elinipa Elias, the entire Management and staff for their commendable work which made the company record positive performance in 2020. This was really possible because of their relentless dedication and efforts. We remain optimistic that this momentum will be maintained in 2021and years ahead.

....

Leonard C. Kitoka
Board Chairman

3.2 Managing Director Statement

We witnessed yet another successful year in 2020, full of positive strides but also with many dynamics challenging the status quo especially as the world faced serious COVID-19 pandemic affecting many aspects of economy and society.

Business Environment

During the year, we experienced relatively stable both microeconomics and macroeconomics but with increasing risks of pandemic, low agriculture product prices and the enforcement of new microfinance regulations which affected the loan portfolio quality. Despite the impact of the COVID-19 pandemic and the operationalization of microfinance regulations in the country, the Company made various policy and procedural adjustments in its approaches, focusing on our strategic goals with cautions of possible increased risks across the industry and word wide.

The Company was one of the few MFIs to receive the licenses from Bank of Tanzania which confirms the commitment of shareholders and the Board of Directors in prioritizing the compliance by adopting to new regulatory changes. The new microfinance regulations were well received by participants with expectations to create more confidence in management of microfinance business in the country.

Business Performance

Overall performance for the Group was better compared to the previous year as the Group commenced its first year in the implementation of the Five Years Strategic Plan 2020-2024.

Group profit before tax improved from TZS 513million to TZS 675million which was 32% increase due to improvement in operating income.

A record of 23% increase in operating income was due to improved funded income and insurance commission which performed relatively better than the previous year increasing the operating income from TZS1.83 billion in 2019 to TZS2.2 billion in 2020. Net interest income increased by 34% while the insurance commission increased by 28% on the account of significant improvement in the insurance premium underwritten during the year. There was negative impact on the other fee income due to lower disbursement as a result of the impact of COVID-19 pandemic.

On the operational cost, the Group improved slightly on personnel cost by marginal 3% while the overall operating costs increase by 20% on the account on significant upward trends in administrative costs attributed exceptional increase in provision for operational loss and cost on disposal of assets. Other costs which increased significantly are travel and transport costs, staff training, litigation and office expenses.

There was a significant increase of total assets due to increased lease assets, loan portfolio and property. The total assets increased by 29% to close the year at TZS7.9 billion from TZS6.2 billion recorded in 2019.A considerable investment was made in new head office including fit out and allied property equipment and office equipment.

Mobilization of the loanable funds borne the fruits during the year as new concessionary funds were granted by funders. The borrowings from key partners increased by 24% making the total borrowings to TZS3.8 billion from the previous level of TZS3 billion. Savings decreased by 11% due to reduction in group lending operations and repayments through savings during the difficult times arising from low prices of paddy.

Shareholders' equity increased by 22% due to new share capital issued during the year from the recapitalization of dividends through bonus share issue and increase in reserves. The total shareholders' equity reached TZS3.2 billion from TZS2.6 billion recorded in the previous year.

Performance of Subsidiary

Our subsidiary, Victoria Insurance Brokers recorded a robust growth of the business and improved profitability during the year. The bottom line net profits were TZS120 million up by 66% from TZS72 million achieved in the previous year. This was attributed mainly by increased insurance commission and premiums due from both corporate and retail business. The potential of the business remained relatively high and Group is looking to invest more in digital insurance offering platform to tap these opportunities in the market.

Investment for Growth

The Group managed to relocate the head office to a new decent location at Sky Tower building along New Bagamoyo road, Makumbusho Kijitonyama with more improved access, improved working amenities and other facilities to give staff better working environment for serving our customers. The shifting of the Head to new location required significant investment in lease fit out, new equipment and furniture.

Additional investment was made in acquisition of powerful microfinance core system to enable Victoria Finance improve its credit management systems and pave ways for further digital capabilities in the near future. We also invested in the payment integration systems to improve on the customer channels and payments efficiency the project expected to be completed in 2021.

Victoria Insurance Brokers also acquired new accounting package to facilitate independence of accounting operations from the Parent company.

Investment to our people and customers

During the year, the Group invested considerable resources to up skill our staff in order to improve their skill set and hence become more productive. The Group designed different training programs to our staff in both credit analysis and risk management. The Group also spent some resources during the year for capacity building in financial literacy and business skills for our customers to improve their awareness in financial and business management.

Future Prospects

Our success journey will continue to be driven by our ambitious Strategic Plan. The Group focus remains in mobilization of financial resources for more robust business growth and expansion through innovative channels while spotting strategic productive areas relevant to our chosen segments. While geographical expansion is a welcome option we will test our technology capabilities in driving the right customer propositions in more economical and efficient ways. We believe the deployment of new core microfinance system and integration of payment will catalyze new offerings to both existing and prospect customers.

The Group will continue to respond to changes in the operating environment by putting in place measures necessary to absorb shocks and negative impact brought in by the resurgence of COVID-19 pandemic and prepare for fully compliance with new microfinance and consumer protection regulations.

Appreciation

I wish to express my appreciation to Board of Directors and Staff for the leadership and commitment during the year. Together, they made invaluable contribution towards realization our strategic objectives and creating more competitive advantage in the future development of the Group.

We continue to value enormous support and confidence from our customers and business partners as we look forward to fostering more business relationship in the future.

....

Julius C. Mcharo
Managing Director

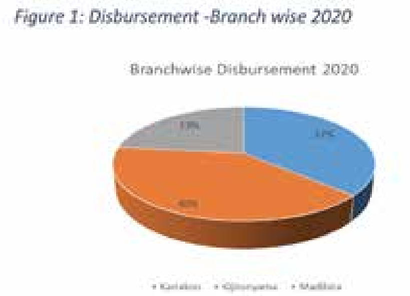
BUSINES PERFORMANCE

4.1 Credit Business

The provision of credit facilities during the year was challenged by the impact of COVID-19 pandemic on many businesses both directly and indirectly. The Group continued to monitor the new risks with cautions while ensuring support to customers during these difficult and unpredictable times.

The outstanding net portfolio closed at TZS5.6 billion recording an annual growth of 10% compared to previous year while the number of loans outstanding was 1208. Disbursement of loans were evenly distributed with Kijitonyama contributing 40%, Kariakoo 37% and Madibira 23%.

Figure 1: Disbursement -Branch wise 2020



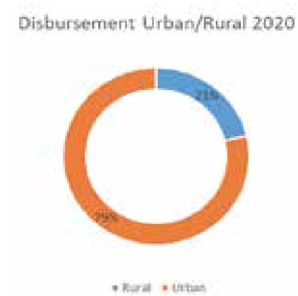
A large chunk of funds was disbursed to micro, small and medium enterprises (MSME) which accounted for more than 52% of total outstanding loan portfolio followed by 28% in agriculture and consumer loans 12%. A small portion went into micro housing loans as new efforts to support decent housing for our customers.

Figure 2:Portfolio Product mix 2020

Sector wise, the loan to agriculture sector accounted for 34% while trade sector benefited about 38%, personal 13% and other sectors 15%. Increasing investment in agriculture has been enormous over the last five years of supporting smallholders' farmers in our chosen markets focusing on paddy production, poultry and micro leasing for agriculture and poultry equipment. More than one thousand small holder's farmers benefited from our agriculture loans and other related businesses. The Group also worked with other partners in rice commercialization projects in Mbeya and Morogoro whereby smallholders' farmers through their cooperatives have been engaged in value adding activities. Some of these projects are now involved trading of rice, processing and packaging of rice for domestic consumption

The performance of portfolio indicates that about TZS6 billion was disbursed during the year benefiting about 1137 customers. Disbursement to rural areas accounted for 21% of all disbursements during the year, solidifying our commitment to financial inclusion agenda. Loans befitting youth accounted for 10% while those going to women entrepreneurs accounted for 48% of all disbursements during the year under review.

Figure 3:Comparizon loans disbursement Rural and Urban



The Group expects to improve provision of credit MSEME and agriculture in the coming year by opening up more outlets in rural areas and through new products. We are optimistic the impact of COVID-19 pandemic will be minimal going forward with the Group as country take cautionary and protective measures to reduce the widespread of pandemic. Group is taking institutional measures to protect both customers and staff through sensitization in our branches.

4.2 Insurance Broking Business

Since the commencement of the operations as an Insurance Brokers in 2017, VIB has continued to expand and provide a wide range of products and services to the customers aiming at becoming a preferred insurance brokerage service provider in Tanzania

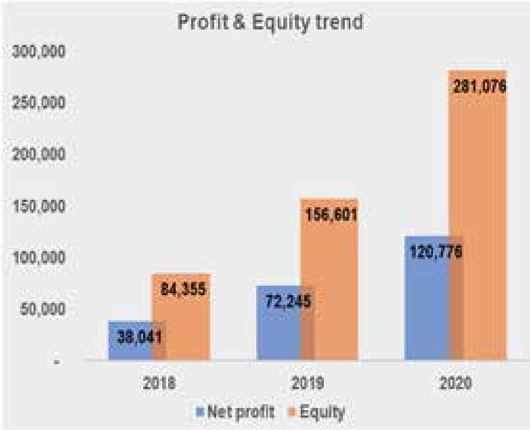
Strategic Focus

During the year 2020, the company commenced the implementation of a 5-year Strategic Plan 2020-2024 which aims at increasing financial performance, improving customer experience and overall efficiency through innovation.

Financial Performance

Victoria Insurance Brokers experienced a significant growth in terms of premiums, commissions, net profit as well as its equity. During the year, VIB recorded a premium of TZS2.5 billion and commission of TZS 458 million, an increase of 13% and when compared to TZS2.2 billion and TZS359 million respectively in the previous year. The trend from 2018 to 2020 shows 93% growth in terms of premium, 98% in terms of commission generated, 217% in terms of net profit and 226% equity growth.

In 2020 alone the company recorded a profit after tax of TZS. 120 Million which is an increase of 66% compared to the year ended 31st December 2019 on account of improvement of commission income.



The business environment is expected to witness few changes following digitalization of the insurance cover issuance by Tanzania Insurance Regulatory Authority (TIRA). The company has adopted the changes by developing a mobile app platform to improve customer experience and service delivery through digital channel.

To maintain positive growth and address the challenges ahead, the company will drive sales more aggressive, innovative and agile to ensure the new five-year strategic plan achieves the expected results.

BOARD OF DIRECTORS & MANAGEMENT

5.1 Board of Directors

The current Board of VFP consists of seven Directors with different professions such as Accounting, Finance, Business, Banking, Human Resources, ICT, Audit, Engineering and Law. Among the Directors, two are independent directors while the remaining four are nonexecutive directors. The Board has also appointed a Secretary to the Board who is an independent person with no direct interest in the company. The members of the Board of Directors who served during the period and to the date of this report are indicated below:

Mr. Leonard Chacha Kitoka (Tanzanian)

Leonard is the Non-Executive Director and current Chairman of the Board of Directors of VFP. He also serves in the Board Credit and Investment Committee. Leonard has over 20 years' experience in Management Consulting in the Great Lakes Region. He is currently the Managing Director and the Founder of INNOVEX,

Mr. Moremi Marwa (Tanzanian)

Moremi is an Independent Director and currently Vice Chairman of the Board of Directors. He sit in the Finance, Human Resource & Administration Commetee and Credit & Investment Committee. He is the current Chief Executive Officer for Dar es Salaam Stock Exchange (DSE) PLC. He has over ten years of broad experience in financial markets and senior management in multiple institutions.

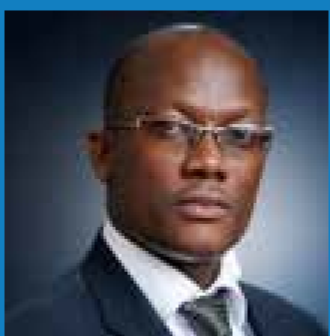
Robert Butambala (Tanzanian)
Robert Boniface Butambala is an Independent Director of VFP and member of the Board Credit and Investment Committee. He has over 18 years of experience in a wide range of disciplines including management, accounting, quality management and leadership. Academically, he is an MBA, and B. Com Accounting graduate

Xavery Makwi (Tanzanian)
Xavery Makwi is an independent Director of VFP and member of Board Audit and Risk Committee. He is the Senior Credit Manager at CRDB Bank Plc. He is an Advocate of the High Court of Tanzania and Courts subordinate thereto save for primary Courts, a qualified Accountant (CPA).

Victoria Tunu Chale (Tanzanian)
Victoria Chale is a Non-Executive Director of VFP and Member of Finance, Human Resouce & Administration Commettee. She is a Co-founder and Managing Consultant with People Dynamics Limited, a Tanzanian human resources management consultancy firm. Prior to becoming a consultant, Victoria was the Director of Human resources for CRDB Bank PLC. Victoria joins CRDB Bank from Citibank Tanzania Limited where she was Head of Human Resources with overall responsibility for development and Implementation of HR strategy.

Mr. Abel Kaseko (Tanzanian)
Abel is a Non-Executive Director of VFP and Member of Finance, Human Resources & Administrations Commeettee. He is now the head of Change and Performance at NBC Tanzania, He is a Business Leader and Certified PRINCE 2 Practitioner with more than 9 years' experience s. Abel specializes in E-Government, E- commerce, Mobile and SMS Banking, Information Technology, IT Risk, Analysis; Project planning, project management, systems analysis and software development, Academically Abel possess a Master's of Science in Information and Technology Avinashilingam Deemed University (ADU, India) Bachelor of Science with Computer Science, majoring in Information Science, Economics and Statistics at University of DSM.

Rose Funja
Is a Non-Executive Director of VFP and serves in Audit & Risk and Finance & Administration Committee. Rose is the Co-founder of Impact hub Dar es salaam and Managing director of Agrinfo, a Tanzanian local business harnessing the power of digital technologies. Rose embarked on social entrepreneurship after spending 5 years as a Senior Engineer at Huawei Technologies in China. She is Mandela Washington Fellow 2014 and IVLP Hidden No More 2019



Frank Steven Mwalongo (Tanzanian)
Frank is currently serving as Secretary to the Board. He is the Advocate of High Court of Tanzania with practical experience in handling legal and corporate affairs. Frank is a Legal Practitioner with specialty in labor law, property law, mining laws, intellectual property, corporate law, media law, tax law and litigations. Frank is currently the Managing Partner at Apex Attorneys Advocates. He holds L.L. B form University of Dar-es-Salaam and MBA from Eastern and Southern African Management Institute (ESAMI). He is an Advocate, Notary Public and Commissioner for Oath since December 2005; Arbitrator registered with the Tanzania Institute of Arbitrators and National Construction Council

5.2 Management Team

Mr. Julius Mcharo (Tanzanian)

Julius is the current Managing Director of Victoria Finance Plc with over twenty-four years of experience in banking, microfinance and financial markets where he raised leadership ladder to become the Chief Executive Officer of a regional bank. Julius started his career at Standard Charted Bank and later on worked with a number of international and local banks including Citibank, Tanzania Investment Bank and Commercial Bank of Africa at various roles such as Head of trading, Head of Treasury & Institutional banking, Head of Corporate & Investment banking and the Chief Executive Officer. He holds a Bcom. Finance (Hons), MBA, a certificate in Directorship and he is a Certified Public Accountant, CPA (T).

Hermenegild Kiyagi (Tanzanian)

Hermenegild is the Chief Operations Officer, (COO) of Victoria Finance Plc. He is responsible for formulating strategies, planning and quality management of loan portfolio. He oversees the operations department which vests the portfolio management functions. He holds NBAA and Bachelor of Commerce and Management from the University of Dar Es Salaam, (1996) and Certificates on various courses in Banking and Microfinance. He has an extensive experience in Microfinance for more than 15 years His past experience includes being a Chief Operational Officer at Fanikiwa Microfinance Limited

Ms. Elinipa Elias(Tanzanian)

Elinipa Elias is the General Manager for Victoria Insurance Brokers Limited, a subsidiary company focusing on insurance. She started her career in 2011 as Reinsurance Officer with Insurance Group of Tanzania Limited. She later joined MGen Tanzania Limited in 2013 as Marketing Officer and then promoted to Business Unit Manager from 2015. She holds a Bachelor Degree in Sociology from the University of Dar es Salaam. She is also the holder of CII Certificate from Chartered Insurance Institute (UK) and still pursuing her Diploma at the same Institute. She is a certified CII.

Ibrahim Msusa (Tanzanian)

Ibrahim Msusa is the Head of Finance with eight years of experience in accounting, three of which were spent in banking sector having worked with Tanzania Postal Bank and later TIB Development Bank. Before joining Victoria Finance PLC on October 2019, he was working at TIB Rasilimali Ltd which is a brokerage and investment advisory firm. He has a Bcom Accounting and Finance from University of Dodoma. He is a Certified Public Accountant registered with National Board of Accountants and Auditors, hold a Certificate in Investment Advisory from Capital Markets and Securities Authority Tanzania and also he is a Certified Director from Institute of Directors Tanzania.

Robi Simon Magaigwa

Robi is an Advocate of the High Court of Tanzania and the current Legal & Compliance Officer. Has more than eight years of professional legal practice. He worked as Senior Advocate with both RMS Attorneys and FCB Consultancy Limited before joining Victoria Finance. She holds Bachelor of Law from Mzumbe University and a Post Graduate Diploma in legal training and practice from Law School of Tanzania.

Noel Mathew Sumbe

Noel is an ICT Engineer and experienced Systems Analyst for over two years. He specializes in network and systems administration and quite knowledgeable in a variety of applications and operating systems. He previously worked both at Aga Khan Foundation and NPK Technologies as IT Officer and System Analyst respectively before joining Vision Max Company as System Analyst. He joined Victoria Finance Plc in October. 2020 as an ICT Officer in charge of all Company's ICT operations. Noel holds Bachelor of Science in Computer Engineering and IT from the University of Dar es Salaam.

DIRECTORS' REPORT

1. INTRODUTION

The Board of Directors submits this report together with the Audited Financial Statements for the year ended 31st December 2020 which disclose the affairs of the Victoria Finance Group.

2. PRINCIPAL ACTIVITIES

The principal focus of Victoria Finance Group is provision of financial services mainly microfinance. The Group is also licensed through its subsidiary –Victoria Insurance Brokers Limited to carry on insurance broking services.

3. VISION, MISSION and OBJECTIVES

VISION

"To be the preferred financial services partner in Tanzania"

MISSION

"To provide comprehensive financial solutions by meeting customers' needs, realizing shareholders' value and ultimately benefitting the society.

CORE OBJECTIVES:

(i) To achieve consistent and sustainable profitability and shareholders' value
(ii) To acquire and maintain significant market share in our target markets.
(iii) To attain high efficiency and productivity in our business operations.

4. SHAREHOLDING

Victoria Finance PLC has 20 million authorized shares. Currently, the Group has 67 shareholders out of which 28 shareholders each holding at least 1.0% of the total issued and paid up shares of the Company. The total number of shares as at 31st December, 2020 was 5,172,577 (2019: 4,983,340). The shares of the company as of 31st December 2020 and 2019 are held as follows:

NAME	NO. OF SHARES 2020	% OF HOLDINGS 2020	NO. OF SHARES 2019	% OF HOLDINGS 2019
Leonard C. Kitoka	1,063,653	20.6%	942,657	18.9%
Blandina P. Mususa	757,078	14.6%	723,784	14.5%
VG Holding Company Ltd	439,818	8.5%	420,476	8.4%
Farida Kangesa	224,849	4.3%	114,295	2.3%
Christopher Mageka	169,536	3.3%	162,080	3.3%
Christopher Athuman	158,632	3.1%	151,656	3.0%
Julius Charles Mcharo	128,629	2.5%	122,972	2.5%
Other shareholders (60 members with holdings less than 2.5%)	2,230,382	43.1%	2,345,420	47.1%
Total Share Capital	**5,172,577***	**100.0%**	**4,983,340**	**100.0%**

** 229,238 shares were issued in exchange of dividend declared for year 2019.*

5. COMPOSITION OF THE BOARD OF DIRECTORS

The members of the Board of Directors who served during the period and to the date of this report are indicated below.

NAME	APPOINTED	AGE	PROFESSION	NATIONALITY	NO. OF SHARES
			DIRECTORS		
Mr. Leonard C. Kitoka	13-May-18	52	Mgt Consultant	Tanzanian	1,063,653
Ms. Victoria Chale	13-May-18	50	HR Consultant	Tanzanian	-
Ms. Rose Funja*	21-June-20	39	IT Specialist	Tanzanian	-
Mr. Abel Kaseko	13-May-18	38	Banker	Tanzanian	-
Mr. Robert Butambala	15-Aug-15	51	Accountant	Tanzanian	-
Mr. Moremi Marwa	16-Jun-19	44	Financial Analyst	Tanzanian	-
Mr. Xavery Makwi	15-Aug-15	52	Banker	Tanzanian	-
			COMPANY SECRETARY		
Mr. Frank Mwalongo	2-Jan-12	44	Lawyer	Tanzanian	-

**Appointed on 21st June, 2020*

6. CURRENT MEMBERSHIP OF THE BOARD COMMITTEES

BOARD AUDIT & RISK COMMITTEE MEMBERS

The Committee held three meetings out of four meetings planned during the year. The external auditors were invited and attended one meeting to present audit findings and opinion on audited financial statements. The Committee was reconstituted during the year due to change in Board members with some retiring and new ones being admitted. The Chief Executive Officer, Head of Finance and Internal Audit Unit (outsourced) also attended the meetings as invitees. Members of the committee were as follows:

NAME	POSITION	PROFESSION	NATIONALITY
Mr. Robert Butambala	Chairman	Accountant	Tanzanian
Ms. Rose Funja*	Committee member	IT Specialist	Tanzanian
Mr. Xavery Makwi	Committee Member	Banker	Tanzanian
Ms. Victoria Chale	Committee member	HR Consultant	Tanzanian
Mr. Frank Mwalongo	Secretary	Lawyer	Tanzanian

**Appointed on 21st June,2020*

The Board Audit and Risk Committee reviews significant accounting policies and financial reporting systems to ensure that they are adequate and are complied with at all times. It reviews adequacy of internal control systems and monitors implementation of actions to address issues raised by internal auditors, external auditors and regulators.

The Committee assists the Board in evaluation and selection of external auditors at least annually and approves recruitment of the Internal Auditor. It can also recommend termination of existing auditors whenever it is found that the performance is not in line with the assigned duties and responsibilities and/or there is no independence for the auditors to discharge their duties in a professional manner.

BOARD CREDIT & INVESTMENT COMMITTEE MEMBERS

The Credit & Investment committee held three meetings during the year out of four meetings planned. The Committee was reconstituted during the year due to change in Board members with some retiring and new ones being admitted. The Chief Executive Officer and Chief Operation Officer participated in the meetings as invitees. Members of the Credit Committee were as follows: -

NAME	POSITION	PROFESSION	NATIONALITY
Mr. Xavery Makwi	Chairman	Banker	Tanzanian
Mr. Leonard Kitoka	Committee member	Mgt Consultant	Tanzanian
Mr. Moremi Marwa	Committee member	Accountant	Tanzanian
Mr. Abel Kaseko	Committee member	Banker	Tanzanian
Mr. Frank Mwalongo	Secretary	Lawyer	Tanzanian

The main function of the Credit & Investment committee is to monitor performance and quality of credit portfolio, appraise and approve loans within its credit approval limit and recommend to the Board for approval facilities beyond its limit. The Committee Reviews Credit Policy at least once a year and ensures that it contains sound fundamental principles that facilitate the identification, measurement, monitoring and control of credit risk as well as having appropriate plans and strategies for credit risk management.

BOARD FINANCE, HUMAN RESOURCES AND ADMINISTRATION COMMITTEE MEMBERS

The Committee held two meetings out of three meetings planned during the year. The Committee was reconstituted during the year due to change in Board members with some retiring and new ones being admitted. The Chief Executive Officer and Head of Finance also attended the meetings as invitees. Members of the committee were as follows:

NAME	POSITION	PROFESSION	NATIONALITY
Mr. Moremi Marwa	Chairman	Accountant	Tanzanian
Ms. Victoria Chale	Committee member	HR Consultant	Tanzanian
Ms. Rose Funja*	Committee member	IT Specialist	Tanzanian
Mr. Abel Kaseko	Committee member	Banker	Tanzanian
Mr. Frank Mwalongo	Secretary	Lawyer	Tanzanian

**Appointed on 21st June,2020*

The main function of this Committee is to develop, review and monitor the financial strategic plan and management practices. The Committee ensures that there is a succession plan for executives and other key positions. It is also responsible for reviewing and recommending reward strategy and annual compensation for the Board, senior management and other employees

7. CORPORATE GOVERNANCE STATEMENT

The Board of Directors is mandated to support and oversee the Management to efficiently discharge specific functions of the Group. The members of the Board are aware of their obligation for good corporate governance at all times and the need to work for the best interest of the Group All Board members are non-executive directors and meet at least after every three months. The Board of Directors consists of 7 members and the Secretary to the Board. The Board takes overall responsibility for the Group, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets.

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and in compliance with sound corporate governance principles. The Board delegates the day-to-day management of the business to the Chief Executive Officer who is assisted by the management team. The management team is invited to attend board meetings and facilitate the effective control of the Group's operational activities.

The Group is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability. During the year the Board had five meetings while the Board Audit Risk Committee had three meetings during the year. The Board Credit and Investment Committee met three times while Board Finance, Human Resources & Administration meet four times during the year. Attendance to the meetings is detailed in the tables below:

.

BOARD MEETINGS

S. NO	MEETING NO.	DATE	BOARD ATTENDANCE
1	62	21st March, 2020	5 out of 6
2	63	16th May, 2020	6 out of 6
3	64	1st August, 2020	7 out of 7
4	65	31thOctober 2020	5 out of 7
5	66	19th December 2020	5 out of 7

BOARD MEMBERS' ATTENDANCE IS SUMMARIZED BELOW:

NAME OF DIRECTOR	DIRECTORS	BARC	BCIC	BFHA
Mr. Leonard Kitoka	4 out of 5	NA	3 out of 3	NA
Ms. Victoria Chale	5 out of 5	3 out of 3	NA	4 out of 4
Ms. Rose Funja*	3 out of 3	2 out of 2	NA	1 out of 2
Mr. Abel Kaseko	5 out of 5	NA	3 out of 3	4 out of 4
Mr. Robert Butambala	3 out of 5	3 out of 3	NA	NA
Mr. Moremi Marwa	5 out of 5	NA	3 out of 3	4 out of 4
Mr. Xavery Makwi	3 out of 5	2 out of 3	2 out of 3	NA

8. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board accepts final responsibility for the risk management and internal control systems of the Group. It is the task of the directors to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

a) The effectiveness and efficiency of operations;
b) The safeguarding of the Group's assets;
c) Compliance with applicable laws and regulations;
d) The reliability of accounting records;
e) Business sustainability under normal as well as adverse conditions; and

f) Responsible behavior towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Group's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 December 2020 and is of the opinion that they met accepted criteria. The Board carries risk and internal control assessment through the Board Audit and Risk Committee.

9. INTERNAL AUDIT FUNCTION

The Group has an established internal audit function, currently outsourced to Claritas International, an audit firm registered by NBAA. Internal Audit function provides an independent and objective assurance that is guided by a philosophy of adding value to improve the operations of the Group. It assists in accomplishing objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Group's governance, risk management, internal control. Both the internal audit activity and responsibilities are established and defined by the Board of Directors as part of their oversight role.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Group's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the stated goals and objectives of the Group. This includes:

- Evaluating risk exposure relating to achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board or management, as appropriate.

10. EXECUTIVE MANAGEMENT

The existing Group's management structure has the Chief Executive Officer (CEO) who is the overall in charge of the Group. He is assisted by the General Manager-Insurance (GM), the Chief Operations Officer (COO); the Chief Finance Officer (CFO), Head of Finance (HF) and Head of Information &Communication Technology (HICT). The current management team is composed of the following members:

CHIEF EXECUTIVE OFFICER

Julius Mcharo is a professional banker with over 25 years' experience in banking, microfinance and financial markets where he ascended the leadership ladder to become the Chief Executive Officer of a regional Bank-Commercial Bank of Africa (Tanzania) Limited, a position he held until December 2015. He worked for both international banks and local banks including Standard Chartered Bank, Citibank, TIB Bank and Commercial Bank of Africa. He has served in a number of Boards including IODT, Victoria Insurance Brokers and Mawinyi Investment Limited. He holds B.com (Finance), MBA, CPA (T) and Certificate of Directorship.

10. EXECUTIVE MANAGEMENT (CONTINUED)

CHIEF OPERATING OFFICER

Hermenegild P. Kiyagi is the Chief Operations Officer, (COO) of Victoria Finance Plc. He is responsible for formulating strategies, planning and quality management of loan portfolio. He oversees the operations department which vests the portfolio management functions. He has extensive experience in Microfinance of more than 19 years in microfinance business in Tanzania. His past experience includes being a Chief Operational Officer at Fanikiwa Microfinance Limited, branch manager and credit officer with Pride Tanzania. He holds Bachelor of Commerce in Finance from the University of Dar Es Salaam, (1996) and Certificates in various courses in Banking and Microfinance.

HEAD OF FINANCE

Ibrahim Msusa is a Certified Public Accountant with eight years' experience in accounting, three of which were spent in banking sector. He is currently an Accountant and the Acting Chief Finance Officer responsible for financial management, reporting and Strategy. Ibrahim joined Victoria Finance Plc in October, 2019 from Rasilimali Limited, stock brokerage and investment advisory firm at DSE where he was a Finance Manager. Prior to Rasilimali Limited, he worked previously with TIB Development Bank Limited as an Accountant and Tanzania Postal Bank. Ibrahim holds Bachelor of Commerce in Finance, certificate in investment advisory and certificate of Directorship from Institute of Directors in Tanzania.

ICT OFFICER

Noel Mathew Sumbe is an ICT Engineer and experienced Systems Analyst for over two years. He specializes in network and systems administration and quite knowledgeable in a variety of applications and operating systems. He previously worked both at Aga Khan Foundation and NPK Technologies as IT Officer and System Analyst respectively before joining Vision Max Company as System Analyst. He joined Victoria Finance Plc in October 2020 as an ICT Officer in charge of all Company's ICT operations. Noel holds Bachelor of Science in Computer Engineering and IT from University of Dar es Salaam.

LEGAL AND COMPLIANCE OFFICER

Robi Simon Magaigwa is an Advocate of the High Court of Tanzania and the current Legal and Compliance Officer. Has more than eight years of professional legal practice. He worked as Senior Advocate with both RMS Attorneys and FCB Consultancy Limited before joining Victoria Finance. She holds Bachelor of Law from Mzumbe University and a Post Graduate Diploma in legal training and practice from Law School of Tanzania.

11. GROUP FINANCIAL RESULTS

The performance of the Group during the year is set out on page 37 of these financial statements. The results are summarized below statements. The results are summarized below

DESCRIPTION	GROUP 2020	GROUP 2019
Profit before taxation	675,498	513,020
Tax charge	203,898	148,782
Net profit	471,600	364,238
Earnings per share (EPS)	90	73
Return on Equity (ROE)	16.33%	14.04%

12. SOLVENCY

The Board of Directors has reviewed the financial position of the Group for the year ended 31st December 2020 and the existing long term, short-term obligations and meanings ascribed in the Companies Act No. 12 of 2002 and consider the Group to be a going concern.

13. EMPLOYEE WELFARE

FINANCIAL ASSISTANCE

During the year, the Group offered its employees with staff loans at an interest rate of 10% per annum.

MEDICAL BENEFITS

During the year, the Group continued to offer its employees with medical insurance cover for the whole year with Jubilee Insurance Limited.

MANAGEMENT/EMPLOYEE RELATIONSHIP

During the year, the relationship between management and employees remain good with sound collaboration and teamwork.

14. GENDER PARITY

The Group is an equal opportunity employer as at 31 December, 2020, the Group had the following distribution of employees by gender.

GENDER	2020	2019
Female	13	12
Male	14	14
Total	27	26

15. FUTURE DEVELOPMENT PLANS

The Strategic Plan 2020-2024 (the Plan) was developed and approved by the Board of Directors of Victoria Finance Plc in December 2019. The main objective of the Strategic Plan was to redefine the new growth frontiers by consolidating gains achieved in the last ten years and open up new avenues of opportunities underpinned by the digitalization of financial services in the Group

The Strategic Plan continues to be driven by three main strategic objectives. The first strategic objective is to improve an inclusive financial growth which means that leveraging on existing resources to maximize profitability by increasing revenues and minimizing costs in the targeted new markets and products. The company intends to use additional resources to improve the loan portfolio and acquire more customers who in turn will increase revenues and incomes. The second strategic objective is to improve customer experience in the Group hence improve retention and loyalty. This means improving customer journeys across all channels and business functions in attracting customers to create a competitive advantage in the market. The third strategic objective is the increase use of innovations and technology to drive value additions in microfinance business and aligning with the dynamics of the market.

16. DIVIDEND

The Board of Directors recommends for the payment of dividend of TZS27 per share, totaling TZS140million for the year ended 31stDecember 2020 (2019: TZS 23). The reminder of profit shall be re-invested to finance the Group's planned growth for 2021 including acquiring a new core banking system, fit out for the Head offices and branch expansion plans. The Directors continue to mobilize both equity and debt finance for lending to new products and for strategic technological initiatives.

The Group's subsidiary, Victoria Insurance Brokers Limited declared dividend of TZS 242 per share for the year ended 31st December 2020, (2019: TZS 0).

17. SERIOUS PREJUDICIAL MATTERS

During the year, the Group had some pending labor and other disputes at the High Court (Labor Division), High Court and District Court which resulted into contingent liabilities as detailed in Note 28.

18. POLITICAL DONATIONS

The Group did not make any political donations during the year 2020 (2019: NIL).

19. RELATIONSHIP WITH STAKEHOLDERS

During the year, the Company obtained a license to operate microfinance business from Bank of Tanzania as per new Microfinance Policy and Regulations 2019 which become effective from 1st November,2020.

The Group continued to maintain good relationship with all stakeholders including customers, banks, microfinance institutions, vendors and regulators such as Bank of Tanzania (BOT), Tanzania Revenues Authority, Social Security Funds, and Tanzania Insurance Regulatory Authority Municipal Councils, Higher Education Students' Loans Board, BRELA, OSHA, Workers Compensation Fund, and Ministry of Trade and Industry.

20. RELATED PARTY TRANSACTIONS

All loans and advances to related parties have been issued at the normal terms and conditions except for loans extended to staff under special approved scheme. Refer to note 27 for details of related party transactions and balances.

21. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Victoria Finance PLC continued to give back to the community in support of various developmental causes in areas of education, health and environmental conservation. The CSR initiatives are guided by the Victoria's policy that requires Victoria Finance to spend up to 0.5% of its profit into community support in social activities.

The Corporate Social Responsibility has become an integral part of our operations. As a corporate citizen, Victoria Finance believes that by giving back to our communities is an opportunity to be closer to our customers and create a lasting bond.

During the year, Group did not engage in any CSR activity but spent about TZS15million in customer trainings on financial literacy, effective group leadership, business management skills and business opportunity in farming for customers in Dar es Salaam, Madibira, Rujewa, Igurus and Mlimba.

22. EVENTS AFTER REPORTING PERIOD

There are no other material events, adjusting or non-adjusting, which have occurred between the reporting date and the date when financial statements are authorized for issue.

23. AUDITORS

During the year 2020, AUDITAX INTERNATIONAL was appointed as Group's auditors for the third time. The auditors have indicated their willingness for reappointment for the year ending 31st December 2021.

By order of the Board

……………………………………...
Leonard Chacha Kitoka
Chairman

14th May 2021
……………..
Date

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Group's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31stDecember 2020, and the statement of comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Tanzania Companies Act, CAP 212 of 2002.

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

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

The auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 14th May 2021 and were signed on its behalf by:

....
Chairman

....
Director

DECLARATION OF HEAD OF FINANCE

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors Responsibility statement on an earlier page.

I **Robert Kapinga** being the Head of Finance of Victoria Finance PLC. hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2020 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Victoria Finance PLC. as on that date and that they have been prepared based on properly maintained financial records.

Signed by: **Robert Kapinga**

Position: **Accountant**

NBAA Membership No.: **9071**

Date: **14th May 2021**

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF VICTORIA FINANCE PUBLIC LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Victoria Finance Plc, set out on page 37 to 80 which comprise the Statement of Financial Position as at 31st December 2020, the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash flows for the year then ended, and the Summary of Significant Accounting Policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Victoria Finance Plc as at 31stDecember 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, 2002.

Basis of Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. There were no key audit matters to report during the year ended 31st December 2020.

Other Information included in the Group's Annual Report

The other information comprises the Group Information, Director's Report, Statement of Directors' Responsibilities and Declaration by Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

In connection with our audit of financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.
Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropri ate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and wheth er the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements.

We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the Group's members as a body in accordance with the Tanzania Companies Act, 2002 and for no other purposes.

As required by the Tanzania Companies Act, 2002, we report to you, based on our audit, that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Group, so far as it appears from examination of those books;
- The Directors report is consistent with the financial statements;
- Information specified by law regarding director's remuneration and transactions with the Group is disclosed; and
- The Group's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Khalfani Mbwambo

....
Auditax International
Certified Public Accountants (T)
Dar es Salaam

AUDITAX INTERNATIONAL
10 JUN 2021
P. O. Box 77949
DAR ES SALAAM

Signed by: Khalfani Mbwambo (ACPA 3224) ...10th June...2021

VICTORIA FINANCE PLC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

Interest income	Note	GROUP 2020 TZS 000	COMPANY 2020 TZS 000	GROUP 2019 TZS 000	COMPANY 2019 TZS 000
Interest income	5	1,971,813	1,956,839	1,468,205	1,461,562
Interest expenses	6	(433,374)	(431,260)	(323,388)	(323,388)
Net interest income		1,538,439	1,525,579	1,144,817	1,138,174
Bad Debts Written off without Provided For	6	-	-	-	-
Provision for Bad and Doubtful Debts	6	(138,950)	(138,950)	(137,983)	(126,983)
Net interest income after impairment charges		1,399,489	1,386,629	1,006,834	1,011,191
Non-interest income					
Fees & Commissions	7	571,080	127,973	487,733	135,833
Other income	7	279,353	279,189	335,160	335,160
Non-interest income		850,433	407,163	822,893	470,993
Total Operating Income		2,249,921	1,793,791	1,829,727	1,482,184
Personnel expenses	8	(807,518)	(650,088)	(834,463)	(704,629)
Administrative expenses	9	(766,905)	(641,932)	(482,243)	(366,452)
Total Operating Expenses		(1,574,423)	(1,292,019)	(1,316,706)	(1,071,081)
Profit before taxation		675,498	501,772	513,020	411,103
Tax expense	10	(203,898)	(151,859)	(148,782)	(123,331)
Profit after taxation		471,600	349,913	364,238	287,772
Other Comprehensive Income / (Loss)		-	-	-	-
Total Comprehensive Income		471,600	349,913	364,238	287,772
Total income for the year attributable to					
Equity holders		471,600	-	364,238	-
Non-controlling interest		1	-	1	-
Basic and diluted earnings per share – TZS	22	90	67	73	58

The annexed notes 1 to 33 form an integral part of these financial statements.

VICTORIA FINANCE PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	GROUP 2020 TZS 000	COMPANY 2020 TZS 000	GROUP 2019 TZS 000	COMPANY 2019 TZS 000
ASSET					
Current Assets					
Cash and cash equivalents	11	211,252	178,265	179,302	171,212
Short Term Investments	11	442,785	338,785	560,923	469,097
Net Loans	12	5,653,167	5,653,167	4,715,066	4,715,066
Prepayments	13	88,476	81,513	56,446	46,084
Other Accounts Receivables	14	220,283	91,854	90,433	31,713
Deferred Tax assets	10	262,565	280,019	163,679	180,243
Other Assets	15	385,517	385,517	275,697	275,697
Total Current Assets		7,264,044	7,009,120	6,041,545	5,889,112
Non-Current Assets					
Property and equipment	16	187,242	158,509	127,436	110,503
Long- Term Lease	23.1	496,011	385,102	-	-
Equity Investments (Net)		-	50,000	-	50,000
Total Non-Current Assets		683,254	593,610	127,436	160,503
Total Assets		7,947,298	7,602,730	6,168,982	6,049,616
LIABILITIES AND EQUITY					
Liabilities					
Borrowings	17	3,806,941	3,806,941	3,064,380	3,064,380
Cash Collateral/Savings	18	188,630	188,630	211,140	211,140
Tax liabilities	20	135,186	168,127	31,726	63,715
Lease Liability	23	482,189	374,368	-	-
Other Accounts Payables	19	165,623	128,862	267,765	227,649
Total Liabilities		4,778,569	4,666,928	3,575,011	3,566,884
Equity					
Ordinary share capital	21	1,303,144	1,303,144	1,245,835	1,245,835
Share premium		87,423	87,423	41,576	41,576
Retained earnings		1,778,161	1,545,234	1,306,560	1,195,321
Total equity and Reserves		3,168,729	2,935,802	2,593,971	2,482,732
Non-controlling interest	24	1	-	1	-
Total Liabilities and Equity		7,947,298	7,602,730	6,168,982	6,049,616

The annexed notes 1 to 33 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DEC 2020

GROUP	Share Capital TZS'000	Share Premium TZS'000	Retained Earnings TZS'000	Non-Controlling Interest	Total Equity TZS'000
Balance as at 1 Jan 2019	1,236,113	33,798	1,057,430	1	2,327,341
Profit for the year	-	-	364,239	1	364,240
Capital received	9,722	7,778	-	-	17,500
Dividend Paid	-	-	(115,109)	-	(115,109)
Balance as at 31st December 2019	1,245,835	41,576	1,306,560	1	2,593,972
Balance as at 1 Jan 2020	**1,245,835**	**41,576**	**1,306,560**	**1**	**2,593,972**
Profit for the year	**-**	**-**	**471,600**	**1**	**471,601**
Capital received	**57,309**	**45,847**	**-**	**-**	**103,157**
Dividend Paid	**-**	**-**	**-**	**-**	**-**
Balance as at 31st December 2020	**1,303,144**	**87,423**	**1,778,160**	**1**	**3,168,730**

COMPANY	Share Capital TZS'000	Share Premium TZS'000	Retained Earnings TZS'000	Total Equity TZS'000
Balance as at 1 Jan 2019	1,236,113	33,798	1,022,658	2,292,569
Profit for the year	-	-	287,772	287,772
Capital received	9,722	7,778	-	17,500
Dividend Paid	-	-	(115,109)	(115,109)
Balance as at 31st December 2019	1,245,835	41,576	1,195,321	2,482,732
Balance as at 1 Jan 2020	**1,245,835**	**41,576**	**1,195,321**	**2,482,732**
Profit for the year	**-**	**-**	**349,913**	**349,913**
Capital received	**57,309**	**45,847**	**-**	**103,157**
Dividend Paid	**-**	**-**	**-**	**-**
Balance as at 31st December 2020	**1,303,144**	**87,423**	**1,545,234**	**2,935,802**

14th May 2021

Chairman

Date......................................

Director

Date **14th May 2021**................................

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

REPORTING ENTITY

Victoria Finance PLC (the "Group" or "Company") is a company domiciled in Tanzania. The financial statements of the Group are for year ended 31st December 2020. These consolidated financial statements comprise of the Group and its subsidiary (together referred to as the "Group").

The Group is primarily involved in financial services which comprise of microfinance and insurance brokerage services to the underserved community of Tanzania.

The address of its registered office is:

5th Floor, Sky Tower Building,
New Bagamoyo road, Kijitonyama, Kinondoni
P.O BOX 12102
Dar es Salaam, Tanzania

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated and Company financial statements have been prepared on a going concern basis in accordance with, and comply with International Financial Reporting Standards (IFRS). IFRS include International Accounting Standards (IAS), IFRS pronouncements, interpretations issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee interpretations.

The consolidated financial statements are presented in Tanzanian Shillings, rounded to the nearest thousand ('000) and have been prepared under the historical cost convention.

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are consistently applied in the preparation of the consolidated financial statements.

3.1 NEW AND AMENDED IFRS STANDARDS

i) New and amended IFRS Standards that are effective for the current year/New and amended standards adopted by the Group and Company
In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

ii) New and amended IFRS Standards that are effective for the current year/New and amended standards adopted by the Group and Company

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.
In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
The amendments are irrelevant to the Company given that it doesn't apply hedge accounting to its benchmark interest rate exposures.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16
In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:
a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.
In the current financial year, the Company has not applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date as there were no conditions to enforce its application

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 NEW AND AMENDED IFRS STANDARDS (CONTINUED)

i) New and amended IFRS Standards that are effective for the current year/New and amended standards adopted by the Group and Company (Continued)

Amendment(s)	**Impact of the initial application**
Amendments to References to the Conceptual Framework in IFRS Standards	The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Amendments to IFRS 3 Definition of a business	The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. Key amendments include; • To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. • Removal of the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. • Introduction of additional guidance that helps to determine whether a substantive process has been acquired. • Introduction of an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Company of similar assets. The amendments are **applied prospectively to all business combinations ar** asset acquisitions for which the acquisition date is on or after 1 January 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 NEW AND AMENDED IFRS STANDARDS (CONTINUED)

i) New and amended IFRS Standards that are effective for the current year/New and amended standards adopted by the Group and Company (Continued)

Amendments to IAS 1 and IAS 8 Definition of material	The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of *materiality* in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

ii) New and revised IFRS Standards in issue but not yet effective

IFRS 17 Insurance Contracts (replaced IFRS 4 Insurance Contracts.)	The new standard requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. A choice between recognizing changes in discount rates either in *the statement of profit or loss* or directly in *other comprehensive income* is allowed A *simplified premium allocation approach* is permitted for the liability for the remaining coverage for short duration contracts written by non-life insurers. There is a modification of 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.	1 January 2021 but extended to 1 January 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 NEW AND AMENDED IFRS STANDARDS

ii) New and revised IFRS Standards in issue but not yet effective

IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint venture The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The Group anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.	The effective date of the amendments has yet to be set.
Amendments to IAS 1	Classification of Liabilities as Current or Non-current. Key elements of the amendments include; • clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, • specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.	Annual periods beginning on or after 1 January 2023, with early application permitted.

3.! SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 NEW AND AMENDED IFRS STANDARDS (CONTINUED)

ii) New and revised IFRS Standards in issue but not yet effective (Continued)

Amendments to IFRS 3	Reference to the Conceptual Framework The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. The amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use. The amendments prohibit deducting from the cost of an item of PPE any proceeds from selling items produced before that asset is available for use. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of PPE that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.	Annual periods beginning on or after 1 January 2022, with early application permitted

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. NEW AND AMENDED IFRS STANDARDS (CONTINUED)

ii) New and revised IFRS Standards in issue but not yet effective (Continued)

Annual Improvements to IFRSStandards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture* *IFRS 9 Financial Instruments* The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.	Annual periods beginning on orafter 1 January 2022, with early application permitted.
	IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example.	No effective date is stated
	IAS 41 Agriculture The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.	Annual periods beginning on or after 1 January 2022, with early application permitted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 NEW AND AMENDED IFRS STANDARDS (CONTINUED)

ii) New and revised IFRS Standards in issue but not yet effective (Continued)

Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract* The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	Annual periods beginning on or after 1 January 2022, with early application permitted.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted above. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3.2 Income and expense recognition

Interest income and expenses are recognized in profit or loss using the effective interest method.

3.2.1 Effective Interest Rate

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

3.! SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2!INCOME AND EXPENSE RECOGNITION (CONTINUED)

3.2.1! Effective Interest Rate (Continued)

The EIR (and therefore, the amortized cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The company recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognized at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

3.3 Fee and commission income

The Company earns fees and commission income from financial services it provides to its customers. Fees and commission income are recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. Disclosure of fees are found on note 7 which forms part of the report.

3.4 Use of estimates and judgment

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Group and the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are explained in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Functional and presentation currency

These financial statements are presented in Tanzanian shillings, which is the Group functional currency and presentation currency. All amounts have been rounded to the nearest thousands ('000'), except when otherwise indicated.

3.6 Foreign Currency TRANSLATION

Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with closing rate as at the reporting date. On-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of profit or loss.

3.7 Operating Assets

3.7.1 Property and Equipment

Property and equipment is stated at historical cost less accumulated depreciation. Depreciation is provided so as to write off the cost on a straight-line basis over the expected useful economic lives of the assets concerned.

The estimated useful lives of significant items of property and equipment are as follows:

Description of Items	Useful Life (Years)	Period of Depreciation
Computers	4 years	4 Years
Office equipment	4 - 8 years	4 - 8 Years
Furniture	8 years	8 Years
Motor Vehicle	8 years	8 Years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset, (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognized. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted where appropriate at each financial year-end. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 OPERATING ASSETS (CONTINUED)

3.7.2 INTANGIBLE ASSETS

Intangible assets with definite useful life are stated at cost less accumulated amortization and impairment (if any). These are amortization from the month, when these assets are available for use, using the straight-line method, whereby the cost of the intangible assets is amortized on the basis of the estimated useful life over economic benefits are expected to flow to the Group. The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

3.8 Trade and Other Receivables

Trade and other receivables are stated at normal value, less any write down for amounts expected to be irrecoverable.

3.9 Provisions

A provision is recognized in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for. Provisions are not recognized for future operating losses.

3.10 Employee Benefits

The Group contributes to the Social Security Fund Scheme; these are National Social Security Fund (NSSF). This is a defined contribution scheme registered under the Social Security Contribution Acts. The Group's obligation under the scheme are limited to specific contributions legislated from time to time and are currently 10% of the employees' gross salary. The Group's contributions are charged to the income statement in the period to which they relate.

3.11 Share capital

Ordinary shares are classified as ‘share capital’ in equity. Any premium received over and above the par value of the shares is classified as ‘share premium’ in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial Instruments

3.12.1 Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.12.2 Classification and subsequent measurement Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: –

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: –

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 FINANCIAL INSTRUMENTS (CONTINUED)

3.12.2 Classification and subsequent measurement Financial assets (Continued)

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 FINANCIAL INSTRUMENTS (CONTINUED)

3.12.2 Classification and subsequent measurement Financial assets (Continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

3.12.3 Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 FINANCIAL INSTRUMENTS (CONTINUED)

3.12.4 De-recognition

Financial assets

Group de-recognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not de-recognized.

Financial liabilities

The Group de-recognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3.12.5 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.13 Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment Of Non-Financial Assets (CONTINUED)

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

3.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3.15 Loans and Receivables

Loans and receivables are initially recognized at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortized cost using the effective interest method. Loans and receivables that are included in the statement of financial position are loans and advances to banks and loans and advances to customers. Reference is made to Note 3.12 Financial Instruments above.

3.16 Loans and Borrowings

These are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these loans and borrowings liabilities are measured at amortized cost using the effective interest method. Reference is made to Note 3.12 Financial Instruments above.

3.17 Impairment Losses on Loans and Advances

Under the IFRS 9 framework, the Group is required to develop models to estimate expected losses. The so-called Expected Credit Loss (ECL) model enabled a Company to trace financial assets after initial recognition until their final maturity.

The Group recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 IMPAIRMENT LOSSES ON LOANS AND ADVANCES (CONTINUED)

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Three different stages are recognized:

Stage 1: Starting from the initial recognition of the asset; a provisioning level is measured or estimated as the ECL using a 12-month horizon;

Stage 2: This stage includes financial instruments which have had a significant increase of credit risk since initial recognition. For these assets, the life time expected credit losses are estimated;

Stage 3: Financial assets in this stage have objective evidence of impairment, i.e. classified as doubtful or default, at the reporting date and life time expected credit losses are estimated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 IMPAIRMENT LOSSES ON LOANS AND ADVANCES (CONTINUED)

The table below shows the general approach for recognizing expected credit losses in the three different stages;

Table 1: Three stages under IFRS 9 for allowance

	Stage 1	**Stage 2**	**Stage 3**
Loss Allowance	Expected credit losses (12 months)	Life Time Expected Loss	Life Time Expected Loss
Effective interest rate applicable to	Gross carrying amount	Gross carrying amount	Net carrying amount

As the table indicates, the provision calculation differs per stage. In Stage 1, the expected credit loss is calculated over a period of 12 months while in Stage 2 and 3, the expected loss is based on the estimated life time. Moreover, in Stage 1 and 2 institutions are allowed include future interest income in their calculations while in Stage 3 this is prohibited.

3.19 Write-off and reversal of impairment

To the extent a loan is irrecoverable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively with the event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement during the period.

3.20 Non-financial Instruments

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Taxation

Tax expenses

Current and deferred taxes are recognized as income or an expense and included in statement of profit or loss and other comprehensive income for the period, except to the extent that the tax arises from:

- a transaction or event which is recognized, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax for current and prior periods is, to the extent unpaid, recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset. Current tax liabilities/ (assets) for the current and prior periods are measured at the amount expected to be paid to/ (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the balance sheet date and that are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.
Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. Where permitted deferred tax assets and liabilities are offset on an entity basis and not by component of deferred taxation.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income. Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

3.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date.

Leases in which the Group is a lessee

The Group classify all leases as finance leases and recognizes new assets (right to use) and liabilities except those of short term (12 months or less) and low value which are classified as operating leases. For the finance leases, the Group will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. For operating leases, the Group recognizes operating lease expense on a straight-line basis over the term of the lease, and recognizes assets and liabilities only to the extent that there is a timing difference between actual lease payments and the expense recognized.

In addition, the Group does not recognize provisions for operating leases that it assesses to be onerous. Instead, the Group includes the payments due under the lease in its lease liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Leases (CONTINUED)

Leases in which the Group is a lessor

The Group assesses the classification of leases in which the Group is a lessor. Based on the information available, the Group classifies leases as either operating lease or finance lease and account for them accordingly.

3.22 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

3.23 Earnings per ordinary share

The Group measures earnings per share on an underlying basis. This differs from earnings defined in IAS 33 Earnings per share. Underlying earnings is profit/(loss) attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed through its operations to the following financial risks:
- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.
There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

4.1 Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:
- Trade receivables
- Cash and cash equivalents
- Investments in quoted and unquoted equity securities
- Trade and other payables

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

- Bank overdrafts
- Floating-rate bank loans

- Fixed rate bank loans
- Interest rate swaps, and
- Forward currency contracts

4.2 Financial instruments by category

Financial assets	**Fair Value through Profit/Loss**		**Amortized Cost**		**Fair value through Other Comprehensive Income**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Cash and cash equivalent	-	-	654,037	740,225	-	-
Other accounts receivables	-	-	220,283	90,433	-	-
Loans	-	-	5,910,745	4,833,695		
Financial Liabilities	**Fair Value through Profit/Loss**		**Amortized Cost**			
	2020	**2019**	**2020**	**2019**		
	TZS '000	**TZS '000**	**TZS**	**TZS**		
Other payables	-	-	141,760	132,766		
Loans and borrowings	-	-	3,806,941	2,634,534		

4.3 Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value. For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value of loans and borrowings, which are classified in level 3 of the fair value hierarchy.

4.4 Financial instruments measured at fair value

There were no financial assets and financial liabilities presented or reported at reporting date.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.5 Cash in bank and short-term deposits

A significant amount of cash and short-term deposits is held with the following institutions:

	31 December 2020		31 December 2019	
	Cash at Bank TZS'000	**Short-term Deposits TZS'000**	Cash at Bank TZS'000	Short-term Deposits TZS'000
CRDB Bank Plc	**112,069**	**-**	101,225	-
NCBA Bank	**23,320**	**-**	8,812	-
NMB Bank Plc	**10,301**	**-**	30,767	-
MUCOBA Plc	**38,139**	**-**	11,793	-
ACB Bank Plc	**2,066**	**-**	349	-
TPB Bank	**-**	**14,311**	-	4,867
TPB Bank- USD	**-**	**338,785**		469,097
NCBA Bank- USD	**1,494**	**-**	1,862	-
Mobile Wallets	**9,036**	**-**	19,537	-
Petty Cash	**514**	**-**	90	-
Short term Investment	**-**	**104,000**	-	91,826
	196,941	**507,096**	174,435	565,790

4.6 General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives quarterly reports from the Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's internal auditors also review the risk management policies and processes and report their findings to the Board Risk and Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a Customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s trade and other receivables.

Credit risk is the single largest risk for the Company’s business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralized in a credit risk management team, which reports to the Chief Executive Officer and the Board of Directors. Other receivables are not having standard credit characteristics; they differ

4.! FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk
Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risks).

Foreign exchange risk
Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency) with the cash generated from their own operations in that currency.

Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

	Functional currency of individual entity			
	TZS '000		USD	
	2020	2019	**2020**	2019
Foreign currency financial assets				
Cash at Bank	**338,785**	469,097	**146,724**	203,955
Foreign currency financial liabilities				
Borrowings from Abroad	**745,276**	1,072,065	**324,033**	466,115
Net Foreign Currency Financial Assets(Liabilities)	**(406,491)**	(602,968)	**(177,309)**	(262,160)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its maturing obligations when they fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for micro finance organizations ever to be completely matched since business transacted is often of an uncertain term and of different types.

The Group’s liquidity management process, as carried out within the Group and monitored by a separate Finance team, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Group maintains an active role to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal requirements; and Managing the concentration and profile of portfolio maturities.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. All liquidity policies and procedures are subject to review and approval by the Board of Directors.

Maturity profile of non-derivative financial liabilities based on the contractual cash flows, "undiscounted" including interest and excluding impact of netting is as follows:

	Up to 3 Months	**Between 3 and 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2020					**TZS '000**
Accounts payables and other liabilities	**257,198**	**670,819**	**-**	**-**	**-**
Borrowings	**218,892**	**1,985,035**	**1,054,989**	**746,975**	**-**
Total	**476,090**	**2,555,854**	**1,054,989**	**746,975**	**-**

	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	**Over 5 years**
At 31 December 2019					TZS '000
Accounts payables and other liabilities	166,281	413,805	-	-	**-**
Borrowings	218,892	1,305,633	150,000	1,530,557	**-**
Total	385,173	1,719,438	150,000	1,530,557	**-**

Capital Disclosures

The Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, non-controlling interest, retained earnings, and revaluation reserve) other than amounts in the cash flow hedging reserve.

The Group's objectives when maintaining capital are: -

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital Disclosures (Continued)

Consistent with others in the industry, the Group monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt adjusted capital as defined above. Net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents. Due to recent market uncertainty, the Group's strategy is to preserve a strong cash base and achieve a debt-to-adjusted-capital ratio of approximately 100-200% (2019: 100-200%).

The objective of this strategy is to secure access to finance at reasonable cost by maintaining a high credit rating. The debt-to-adjusted-capital ratios at 31 December 2020 and at 31 December 2019 were as follows:

	GROUP 2020 TZS '000	GROUP 2019 TZS '000
Borrowings	**3,786,968**	3,064,380
Less: Cash and Cash Equivalents	**654,037**	740,225
Net Debt	**3,132,931**	2,324,155
Total Equity	**3,048,702**	2,593,972
Less: Amount in the cash flow hedging reserves	**-**	-
Total Adjusted Capital	**3,048,702**	2,593,972
Debt to adjusted capital ratio (%)	**103%**	90%

The increase in the debt to adjusted capital ratio during 2020 resulted primarily from the increase in borrowings and reduction in cash and cash equivalent, improvement of equity arising from increase in retained earnings.

INTEREST INCOME	GROUP 2020 TZS '000	COMPANY 2020 TZS '000	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
a. Interest- Loans to Customers	**1,939,725**	**1,939,725**	1,444,222	1,444,222
b. Interest -Bank deposits	**32,087**	**17,113**	23,983	17,340
Total Interest Income	**1,971,813**	**1,956,839**	1,468,205	1,461,562

	GROUP 2020 TZS '000	COMPANY 2020 TZS '000	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
INTEREST EXPENSES				
Interest - Banks and Financial Institutions	**33,885**	**33,885**	12,686	12,686
Interest - Microfinance Service Providers	**23,651**	**23,651**	31,924	31,924
Interest- Borrowings from Abroad	**66,387**	**66,387**	62,666	62,666
Interest – Borrowing Local	**294,554**	**294,554**	198,934	198,934
Interest others/Processing Fees	**5,440**	**5,440**	17,178	17,178
Interest on Lease Liability	**9,457**	**7,343**	-	-
Total Interest Expenses	**433,374**	**431,260**	323,388	323,388
Provision for impairment on receivables	**-**	**-**	(11,000)	-
Provision for Bad debts	**(138,950)**	**(138,950)**	(126,983)	(126,983)
Net Interest Income after impairment	**1,399,489**	**1,386,629**	1,282,801	1,011,191

	GROUP 2020 TZS '000	COMPANY 2020 TZS '000	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
NON-INTEREST INCOME				
a. Commission on Insurance	**443,107**	**-**	351,900	-
b. Fees on Loans	**127,913**	**127,973**	135,833	135,833
c. Other Operating Income	**279,104**	**279,104**	335,160	335,160
d. Gain on Disposal	**248**	**85**	-	-
Total Non-Interest Income	**850,432**	**407,162**	**822,893**	**470,993**

	GROUP 2020 TZS '000	COMPANY 2020 TZS '000	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
PERSONNEL EXPENSES				
Salaries and Wages	**651,974**	**521,559**	685,648	576,809
Social Security	**66,254**	**53,530**	64,619	54,233
Skills and Development Levy	**28,227**	**22,790**	28,339	23,665
Workers Compensation Fund	**6,625**	**5,354**	6,512	5,474
Medical Expenses	**54,438**	**46,855**	49,345	44,448
Total Personnel Expenses	**807,518**	**650,088**	834,463	704,629

	GROUP 2020 TZS '000	COMPANY 2020 TZS '000	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
ADMINISTRATIVE EXPENSES				
Auditor's Fee	**29,798**	**24,190**	20,153	14,488
Printing and Stationery	**24,958**	**13,927**	24,070	20,338
Water and Electricity	**14,510**	**13,295**	12,625	11,200
Communication	**27,949**	**23,666**	25,102	21,688
Board Expenses	**41,010**	**28,960**	32,239	22,001
Office Expenses	**76,762**	**20,345**	62,561	40,157
Staff Training Expenses	**37,183**	**36,744**	14,333	14,208
Recovery & Litigations	**85,758**	**85,758**	56,691	56,691
Transport and Traveling	**42,833**	**41,336**	33,510	33,260
Office Rent	**44,197**	**41,532**	42,888	39,726
Depreciation	**30,180**	**24,765**	39,868	36,485
Depreciation- Right of Use	**12,722**	**9,878**	-	-
Professional Consultancy	**13,729**	**13,729**	18,896	18,896
Trading License	**2,696**	**2,696**	-	-
City Service Levy	**6,418**	**5,049**	3,150	2,266
Loss on Disposal of fixed Assets	**22,997**	**22,997**	-	-
Provision for Operational Loss	**188,539**	**188,539**	-	-
Penalties and fines	**36**	**-**	-	-
Other Administrative Expenses	**64,629**	**44,524**	96,157	35,047
Total Administrative Expense	**766,905**	**641,931**	482,243	366,452

TAXATION	GROUP 2020 TZS '000	VFP 2020 TZS '000	GROUP 2019 TZS '000	VFP 2019 TZS '000
INCOME TAX EXPENSE				
The Major Components of Income Tax for The Year Ended 31 Dec 2020 are:				
Current Income Tax	**302,784**	**251,635**	193,816	164,609
Deferred Income Tax Charged/(Released)	**(98,886)**	**(99,776)**	(45,034)	(41,278)
	203,898	**151,859**	148,782	123,331
Reconciliation of Tax on Profit and Current Tax				
Profit Before Tax	**675,498**	**501,772**	513,020	411,103
Tax @ 30%	**202,650**	**150,532**	153,906	123,331
Non qualifying assets	**-**	**-**	-	-
Expenses not deductible for tax purposes	**1,138**	**-**	(5,124)	-
Reconciled Current Tax	**203,788**	**150,532**	148,782	123,331
DEFERRED TAX ASSET/(LIABILITY)				
At 1 January 2020	**163,679**	**180,243**	118,644	138,965
Charged/(Released) During the Year	**3,816**	**4,706**	3,639	3,183
General Provision	**95,070**	**95,070**	41,395	38,095
At 31 December 2020	**262,565**	**280,019**	163,679	180,243

	GROUP 2020 TZS '000	COMPANY 2020 TZS '000	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
CASH AND CASH EQUIVALENTS				
Mobile Wallet Balance	**9,036**	**9,036**	19,537	19,537
Bank Balances	**201,701**	**90,628**	720,598	620,765
Petty Cash	**514**	**411**	90	8
Total Cash and Cash Equivalents	**211,252**	**178,265**	740,225	640,309
Short Term Investments				
Bank Call	**338,785**	**338,785**	469,097	469,097

Short Term Investment	**104,000**	**-**	91,826	-
Total Short-Term Investments	**442,785**	**338,785**	560,923	469,097
Total Cash and Cash Equivalent	**654,037**	**517,050**	740,225	640,309

	GROUP 2020 TZS '000	**COMPANY 2020 TZS '000**	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
LOANS				
Loans to Customers	**4,237,577**	**4,237,577**	3,850,152	3,850,152
Loans to Staff	**154,830**	**154,830**	155,400	155,400
Accrued Interest Receivables – Loans	**1,155,715**	**1,155,715**	514,039	372,297
Accrued Penalty Receivables – Loans	**362,624**	**362,624**	314,104	314,104
Total Gross Loans	**5,910,745**	**5,910,745**	4,833,695	4,833,695
Impairment on Loans	**(257,579)**	**(257,579)**	(118,629)	(118,629)
Net Loans and Advances	**5,653,167**	**5,653,167**	4,715,066	4,715,066

	GROUP 2020 TZS '000	**COMPANY 2020 TZS '000**	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
PREPAYMENTS:				
Rent	**8,486**	**8,486**	7,532	7,004
General Office Insurance	**1,124**	**1,125**	650	473
Medical Insurance Prepayment	**31,400**	**27,277**	31,480	28,151
Unamortized External Loan Process Fee	**16,266**	**16,266**	10,455	10,455
Prepayment-Core System	**28,359**	**28,359**	-	-
Fidelity Prepayment	**2,842**	**-**	6,329	-
Total Prepayments	**88,477**	**81,513**	56,446	46,084

	GROUP 2020 TZS '000	**COMPANY 2020 TZS '000**	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
OTHER ACCOUNTS RECEIVABLES				
Intercompany Receivable	**-**	**-**	-	14,888
Account Receivable	**101,703**	**91,854**	21,760	16,825
Commission on Insurance Receivable	**118,580**	**-**	68,673	-

	GROUP 2020 TZS '000	**COMPANY 2020 TZS '000**	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
OTHER ASSETS				
Cheque Inward A/C	**190,130**	**190,130**	136,003	136,003
Cheque Outward A/C	**175,764**	**175,764**	98,171	98,171
Solar Unsold Stock	**17,828**	**17,828**	37,276	37,276
Advances to Staff	**1,795**	**1,795**	4,248	4,248
Total Other Assets	**385,517**	**385,517**	275,697	275,697

PROPERTY AND EQUIPMENT – GROUP

	Computer	**Equipment**	**Furniture**	**Motor Vehicle**	**Software**	**Total**
						TZS '000
Cost						
At January 2020	89,174	65,721	80,399	25,550	2,959	**263,801**
Additional during the year	14,191	19,134	80,823	1,700	-	**115,848**
Disposals	(11,581)	(20,840)	(32,965)	(4,250)	-	**(69,636)**
Balance as at 31st December 2020	**91,784**	**64,015**	**128,256**	**23,000**	**2,959**	**310,013**
Depreciation						
At 1st January 2020	57,951	31,202	41,972	5,020	229	**136,374**
Charge during the year	12,703	6,338	7,254	3,145	740	**30,179**
Depreciation on disposals	(11,581)	(14,301)	(16,508)	(1,393)	-	**(43,782)**
At 31st December 2020	**59,073**	**23,240**	**32,718**	**6,771**	**969**	**122,771**
Net book value						
31st December 2020	**32,711**	**40,774**	**95,538**	**16,229**	**1,990**	**187,242**
31st December 2019	23,737	34,929	45,787	20,254	2,730	127,436

PROPERTY AND EQUIPMENT - COMPANY

	Computer	equipment	Furniture	Motor Vehicle	Software	Total
						TZS '000
Cost						
At January 2020	80,710	59,807	75,416	23,350	-	**239,282**
Additional during the year	12,535	16,550	66,097	1,700	-	**96,882**
Disposals	(10,884)	(20,840)	(32,965)	(2,050)	-	**(66,739)**
Balance as at 31st December 2020	**82,361**	**55,517**	**108,547**	**23,000**	**-**	**269,425**
Depreciation						
At 1st January 2020	54,421	28,970	40,551	4,837	-	**128,779**
Charge during the year	10,547	5,024	6,324	2,870	-	**24,765**
Depreciation on disposals	(10,884)	(14,301)	(16,508)	(935)	-	**(42,627)**
At 31st December 2020	**54,084**	**19,693**	**30,368**	**6,771**	**-**	**110,917**
Net book value						
31st December 2020	**28,277**	**35,824**	**78,179**	**16,229**	**-**	**158,509**
31st December 2019	**26,289**	**30,837**	**34,864**	**18,513**	**-**	**110,503**

	GROUP 2020 TZS '000	**COMPANY 2020 TZS '000**	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
17 BORROWINGS				
Borrowings in Tanzania	**2,826,389**	**2,826,389**	1,764,125	1,764,125
Borrowing Abroad	**743,276**	**743,276**	1,072,065	1,072,065
Special Funds	**216,391**	**216,391**	199,541	199,541
Accrued Interest payable	**20,885**	**20,885**	28,648	28,648
Total Borrowings	**3,806,941**	**3,806,941**	3,064,380	3,064,380

	GROUP 2020 TZS '000	COMPANY 2020 TZS '000	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
CASH COLLATERAL/ SAVINGS				
Client's Fund	**20,528**	**20,528**	7,288	7,288
Collateral Savings	**168,102**	**168,102**	203,853	203,853
Total Cash Collateral/ Savings	**188,630**	**188,630**	211,140	211,140

	GROUP 2020 TZS '000	COMPANY 2020 TZS '000	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
OTHER ACCOUNTS PAYABLES				
Account Payable	**45,565**	**44,851**	63,123	60,094
Directors Fee Payable	**14,000**	**8,000**	14,000	8,000
Intercompany Payables	**-**	**-**	14,688	-
Auctioneer Payable	**4,968**	**4,968**	7,474	7,474
Audit Fee Payable	**10,908**	**8,218**	18,777	13,277
Insurance Premium Payable	**16,889**	**16,889**	7,710	7,710
Bonus Payable	**13,979**	**-**	26,466	15,566
Statutory Deductions Payables	**35,451**	**22,073**	417	417
Total Other Payables and Accruals	**141,760**	**104,999**	152,656	112,540
PROVISION FOR DIVIDEND	**-**	**-**	115,109	115,109

CORPORATE TAX

	GROUP 2020 TZS '000	COMPANY 2020 TZS '000	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
Tax (Payable)/ Receivable Balance	**(31,726)**	**(63,715)**	(55,784)	(54,284)
Prior year Tax Paid	**77,140**	**63,715**	107,094	88,641
Provisional Tax Paid During the year	**101,838**	**82,500**	88,235	56,250
Withholding Tax Paid Directly to TRA	**20,346**	**1,008**	22,545	10,288
Corporate Tax Expense	**(302,784)**	**(251,635)**	(193,816)	(164,609)
Corporate Tax (Payable)/ Receivable	**(135,186)**	**(168,127)**	(31,726)	(63,715)

	GROUP 2020 TZS '000	COMPANY 2020 TZS '000	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
OTHER TAX LIABILITIES	**(23,863)**	**(23,863)**	(21,768)	(17,280)

	GROUP 2020 TZS '000	COMPANY 2020 TZS '000	GROUP 2019 TZS '000	COMPANY 2019 TZS '000
SHARE CAPITAL				
Authorized Share Capital				
80,000,000 Shares of Tzs 250 Each	**20,000,000**	**20,000,000**	20,000,000	20,000,000
Issued and Fully Paid Capital				
5,212,577 Shares of Tzs 250 Each	**1,303,144**	**1,303,144**	1,245,835	1,245,835
Share Premium	**87,423**	**87,423**	41,576	41,576
Share Capital	**1,390,568**	**1,390,568**	1,287,411	1,287,411

During the year, 229,238 shares were issued in exchange of dividend declared for year 2019. Further, 158,021 shares were sold among shareholders during the year.

22. Basic and Diluted Earnings per Share

	GROUP 2020 TZS	COMPANY 2020 TZS	GROUP 2019 TZS	COMPANY 2019 TZS
Basic and Diluted Earnings Per Share				
Net Profit for The Year	**471,710,559**	**350,022,995**	364,238,444	287,771,945
Weighted Average Ordinary Shares	**5,212,577**	**5,212,577**	4,983,340	4,983,340
Basic and Diluted Earnings Per Share (Tzs)	**90**	**67**	73	58

!

23. LEASES

This is first adoption of long-term lease	GROUP	COMPANY	GROUP	COMPANY
	2020	**2020**	2019	2019
	TZS '000	**TZS '000**	TZS '000	TZS '000
23.1 Right of use Assets				
At the start of the year	**-**	**-**	-	-
Additions (New Leases)	**508,733**	**394,980**	-	-
Depreciation Charge	**(12,722)**	**(9,878)**	-	-
	496,011	**385,102**	-	-
23.2 Lease Liability	**482,189**	**374,368**	-	-
	482,189	**374,368**	-	-
23.3 Amounts recognize in statement of Profit or Loss				
Depreciation charge of right of use asset	**12,722**	**9,878**	-	-
Interest Expense on Lease Liability	**9,457**	**7,343**	-	-
	22,179	**17,221**	-	-

24. NON-CONTROLLING INTEREST

The group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business

Name of entity	Place of business/ country of incorporation	Principal activities	Ownership interest held by the group	Ownership interest held by non-controlling interests
Victoria Insurance Brokers Limited	Tanzania	Insurance broking	99.999985%	0.000015%

SEGMENT INFORMATION

Set out below is summarized financial information for each subsidiary (VIB) that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	VIB	VIB
	TZS '000	TZS'000
Summarized statement of financial position	**2020**	2019
Current assets	**276,458**	185,610
Current liabilities	**(26,950)**	(46,848)
Net current assets	**249,508**	138,762
Non-current assets	**28,974**	17,840
Non-current liabilities	**-**	-
Net non-current assets	**28,974**	17,840
Net assets	**278,482**	156,602
Accumulated non-controlling interest in net assets	**179**	179

	VIB	VIB
	TZS '000	TZS '000
Summarized statement of compressive income	**2020**	2019
Revenue	**458,244**	358,535
Expenses	**(285,354)**	(256,625)
Net profit/ (loss)	**172,890**	101,909
Profit / (loss) allocated to NCI	**3**	2
Dividend paid to NCI	**-**	-

NUMBER OF OUTREACH	**GROUP 2020**	**COMPANY 2020**	GROUP 2019	COMPANY 2019
As at January 01	**2**	**2**	2	2
Opened / (Closed) During the Year	**0**	**0**	0	0
As at December 31	**2**	**2**	2	2

!

RELATED PARTY TRANSACTIONS

	GROUP	COMPANY	GROUP	COMPANY
	2020	2020	2019	2019
	TZS '000	TZS '000	TZS '000	TZS '000
Salaries and Directors' fees				
Fees to directors	**14,000**	**8,000**	7,000	7,000
Salaries to management	**264,336**	**204,400**	274,030	228,760
Total payments	**278,336**	**214,400**	281,030	235,760
Loans and advances				
Shareholders/Board Members	**187,371**	**187,371**	121,203	121,203
Management	**62,652**	**36,652**	54,067	34,067
Due from related parties (Note 22.1)	-	-	-	-
Total related party lending	**250,023**	**224,023**	175,270	155,270

Compensation of Directors and Key Management

Key management personnel comprise of Chief Executive Officer and heads of departments.

Loan and Advance Credit Arrangement

Loan and advance credit arrangement with Shareholders, Board of directors, Chief Executive Officer, and heads of departments who are reporting directly to the Chief Executive Officer. Loans are offered at arm's length except for Management which are special concessionary terms as per staff loan guidelines.

Settlement of liabilities (Payments) on behalf of another party

In the year ending 31 December 2020, the Company did settle TZS14Mn liability (Payments) on behalf of related party (2019: TZS16Mn)

Transactions with related Victoria Insurance Brokers were as follows:

	GROUP	COMPANY	GROUP	COMPANY
	2020	2020	2019	2019
	TZS '000	TZS '000	TZS '000	TZS '000
Carryforward Receivable from Related Party	**-**	**27,312**	-	10,969
Payments made on behalf of subsidiaries	**-**	**11,133**	-	39,757
Payments received from of subsidiaries	**-**	**(38,445)**	-	(23,415)
Due from related parties	**-**	**-**	-	27,312

Type of uncontrolled transactions	Basis for allocation	Years of Operations 2018	2019	2020
Personnel Expense	Actual amount per person	-	-	-
Fixed Deposit	Market rate	-	50,826	40,000
Tax Advance	Actual cost	-	-	-
Fixed Assets	Actual cost	-	-	-
Rent	Area Occupied	4,202	-	-
Electricity	Headcount	1,221	1,132	1,214
Water	Headcount	77	82	820
Security	Headcount	771	592	591.65
Internet	Headcount	267	953	953.36
Communication	Actual amount per person	2,120	2,400	-
Medical	Actual premium per person	4,272	6,657	7,553
Staff loans	Staff rate	-	23,140	44,300
Other Office Expenses	Headcount	8,656	4,800	-

27.6 Payment for Expenses

Payment for expenses include salaries expense for the subsidiaries staff include of General Manager, Principal Insurance Officer and Assistant Marketing Officer.

CONTIGENCIES

During the year, the Company was audited by Tanzania Revenue Authority on tax issues but focus was on written off loans made in 2017 and 2018. They have not completed their audit until date of issue of these financial statements and hence management cannot establish the exact amount that shall be paid after conclusion of audit.

During the year, the Group had three cases involving ex staff and customers with total contingency liability of TZS152million- at High Court -Labor Division (TZS 22million), District Court (TZS40million) and at the High Court of Tanzania(TZS90million). The company paid TZS 22 Million to Labour court where by the application for stay of execution pending hearing of labour revision was granted subject to the condition that the company deposits decretal sum into the court account within fourteen days from the date of the ruling. The company made an appeal to all cases and they were not completed until the date of issue of these financial statement and hence Management cannot establish the exact amount that shall be paid after completion.

!

COVID-19 IMPACT

The outbreak of COVID-19 is likely to have serious impact on the credit loss and loan impairment, employment benefits including terminal benefits, liquidity and ability of the Company to dispose the collaterals hence impacting financial reporting and disclosures. However, based on the assessment done, there was no significant financial impact due to COVID-19 in the financial year 2020. The impact was limited to costs incurred to purchase masks, liquid soaps and/or sanitizers. The Management is taking all possible precautions to protect the company assets, employee and customers from the impact.

The assessment of the impact and performance of the loan stress testing will continue to be done on quarterly basis to determine the impact of COVID-19 which shall be discussed at Management and Board level to determine the course of actions to be taken including policy changes and strategies.

SUBSEQUENT EVENTS

Management is not aware of any events that have occurred after year end that require disclosure and/or accounting adjustments in the financial statements for the year ended 31 December 2020.

GENERAL

Figures have been rounded off to the nearest thousand Tanzanian Shillings.

DATE OF AUTHORISATION

These financial statements were authorized for issue by the Board of Directors in their meeting held on 14th May 2021.

....	....
CHAIRMAN	**DIRECTOR**
Date....14th May 2021....	**Date**....14th May 2021....

ANNUAL REPORT 2020

Kijitonyama Branch

Plot No. 56 Block 45C, Tanzania street,
Kijitonyama/ makumbusho,

P. O. Box 12102,
Dar Es Salaam , Tanzania ,East Africa

Landlines: +255 022 2774577 /+255 022 2774531,
Mobile: +255 677 006 660 |
Fax line: +255 022 2774559,
Email: info@victoriafinance.co.tz
Website: victoriafinance.co.tz.

Madibira Branch
Tel: +255 714 468983,
Email: Madibira@victoriafinance.co.tz
Madibira, Mbarali, Mbeya,

Dakawa Branch
Fungafunga street,
Dar/Dodoma Road,
Dakawa - Mvomero - Morogoro