VICTORIAFINANCE PLC

ANNUAL REPORTS AND GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2018

VICTORIA
FINANCE PLC

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN
Mr. Leonard Kitoka

DIRECTORS
Ms. Victoria Chale
Ms. Amina Makoko
Mr. Abel Kaseko
Mr. Robert Butambala
Mr. Xavery Makwi
Mr. Moremi Marwa

COMPANY SECRETARY
Mr. Frank Mwalongo

CHIEF EXECUTIVE OFFICER
Mr. Julius Mcharo

REGISTERED OFFICE
Tanzania Street, Plot No 56,
Block 45C, Kijitonyama, Kinondoni
P.O BOX 12102
Dar es Salaam

LEGAL ADVISORS:
APEX ATTORNEYS
Scout Building Malik,
Road Upanga,
P.O BOX 34674,
Dar es Salaam

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

BANKERS:

COMMERCIAL BANK OF AFRICA
Samora Branch, Dar es Salaam

AKIBA COMMERCIAL BANK
Main Branch, Dar es Salaam

MUFINDI COMMUNITY BANK
Madibira Branch, Mbarali

NATIONAL MICROFINANCE BANK
Kariakoo Branch, Dar es Salaam

CRDB BANK PLC
Kariakoo Branch, Dar es Salaam

AZANIA BANK LTD
Mawasiliano Towers Branch, 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 2018 which disclose the affairs of the Group. Victoria Finance PLC (VFP) is a public company limited by shares. The company was incorporated in 2009 under the Companies Act, CAP 212 of 2002, and commenced its operation in 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.

In 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 owns 99.9985% shareholding in the Victoria Insurance Brokers Limited while the remaining minority shareholding of 0.0015% is held by individual investors. Robert Butambala was appointed as the Chairman of the VIB Board of Directors in March 2017.

2. OPERATIONS

VFP commenced operations on 2nd May 2010. 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.

3. VISION, MISSION and OBJECTIVES

VISION

"To become an icon of excellence in financial access that transforms lives of our customers"

MISSION

"We are committed to provisioning of financial services aiming at enhancing customers' satisfaction and shareholders' value".

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 30 shareholders each holding 1.0% or above of the total issued and paid up shares of the company. The total number of shares as at 31st December, 2018 was 4,944,451 (*2017: 4,944,451*). The shares of the company as of 31st December 2018 & (2017) are held as follows:

NAME	NO. OF SHARES 2018	% OF HOLDINGS 2018	NO. OF SHARES 2017	% OF HOLDINGS 2017
Leonard C. Kitoka	812,657	16.4%	785,801	15.9%
Blandina P. Mususa	723,784	14.6%	723,784	14.6%
VG Holding Company Ltd	420,476	8.5%	420,476	8.5%
Christopher Athuman	281,656	5.7%	281,656	5.7%
Christopher Mageka	162,080	3.3%	162,080	3.3%
Deusdedit Rutazaa	125,316	2.5%	125,316	2.5%
Mawinyi Investment Limited	122,972	2.5%	122,972	2.5%
Other shareholders (60 members with holdings less than 2.5%)	2,295,510	46,4%	2,322,366	47.00%
Total Share Capital	**4,944,451**	**100.0%**	**4,944,451**	**100.0%**

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*	10-Apr-10	50	Mgt Consultant	Tanzanian	812,657
Ms. Victoria Chale	13-May-18	49	Consultant	Tanzanian	-
Ms. Amina Makoko	13-May-18	52	Accountant	Tanzanian	-
Mr. Abel Kaseko	13-May-18	36	Banker	Tanzanian	-
Mr. Robert Butambala*	15-Aug-15	49	Accountant	Tanzanian	-
Mr. Moremi Marwa	17-Apr-16	42	Financial Analyst	Tanzanian	-
Mr. Xavery Makwi*	15-Aug-15	50	Banker	Tanzanian	-
Eng. Raymond Mbilinyi**	10-Apr-10	54	Engineer	Tanzanian	100,804
William Kihigwa**	10-Apr-10	49	Accountant	Tanzanian	57,436
Sylvester Orao**	10-Apr-10	48	Accountant	Tanzanian	57,316
COMPANY SECRETARY					
Mr. Frank Mwalongo	2-Jan-12	43	Lawyer	Tanzanian	-

*Was reappointed on 13th May, 2018
**Retired on 30th June,2018

The VFP Board has three Board subcommittees namely Board Audit & Risk Committee, Board Credit & Investment Committee and Board Finance, Human Resources & Administration Committee.

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, Chief Strategy and Innovation Officer, Head of Finance and Internal Audit Auditor also attended the meetings as invitees. Members of the committee were as follows:

NAME	POSITION	PROFESSION	NATIONALITY
Mr. Robert Butambala	Chairman	Accountant	Tanzanian
Ms. Amina Makoko	Committee member	Accountant	Tanzanian
Mr. Xavery Makwi	Committee Member	Banker	Tanzanian
William Kihigwa	Retired Committee Chairman, 30 June 2018	Accountant	Tanzanian
Sylvester Orao	Retired Committee Member, 30 June 2018	Accountant	Tanzanian
Mr. Frank Mwalongo	Secretary	Lawyer	Tanzanian

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
Eng. Raymond Mbilinyi	Retired Committee Chairman, 30 June 2018	Engineer	Tanzanian
Robert Butambala	Resigned from the committee, 30 June 2018	Accountant	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 two 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, Chief Strategy and Innovation 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	Consultant	Tanzanian
Ms. Amina Makoko	Committee member	Accountant	Tanzanian
Mr. Abel Kaseko	Committee member	Banker	Tanzanian
Mr. Xavery Makwi	Retired Member	Accountant	Tanzanian
Mr. Leonard Kitoka	Resigned	Management Consultant	Tanzanian
Mr. Frank Mwalongo	Secretary	Lawyer	Tanzanian

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 in efficiently discharging specific functions of the company. 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 company. All Board members are non-executive directors and meet ordinarily 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 company, 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 for 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 four meetings while the Board Audit Risk Committee had three meetings during the year. The Board Credit and Investment Committee was revised and met three times during the year. Attendance to the meetings is detailed in the tables below:

BOARD MEETINGS

S. NO	MEETING NO.	DATE	BOARD ATTENDANCE
1	54	28th April 2018	7 out of 7
2	55	28th July 2018	6 out of 7
3	56	26th October 2018	4 out of 7
4	57	11th December 2018	6 out of 7

BOARD MEMBERS' ATTENDANCE IS SUMMARIZED BELOW:

NAME OF DIRECTOR	DIRECTORS	BARC	BCIC	BFHA
Mr. Leonard Kitoka	4 out of 4	NA	2 out of 2	1 out of 1
Ms. Victoria Chale	3 out of 3	1 out of 1	NA	3 out of 3
Ms. Amina Makoko	3 out of 3	1 out of 1	NA	2 out of 3
Mr. Abel Kaseko	2 out of 3	NA	1 out of 2	2 out of 3
Mr. Robert Butambala	4 out of 4	1 out of 1	1 out of 1	NA
Mr. Moremi Marwa	1 out of 4	NA	1 out of 2	2 out of 4
Mr. Xavery Makwi	3 out of 4	0 out of 2	1out of 2	NA
Mr. William Kihigwa	1 out of 1	1 out of 1	NA	NA
Eng. Raymond Mbilinyi	1 out of 1	NA	1 out of 1	NA
Mr. Sylvester Orao	1 out of 1	1 out of 1	NA	NA

8. RISK MANAGEMENT AND INTERNAL CONTROL

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 2018 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. 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 Chief Operations Officer (COO); the Chief Strategy and Innovation Officer (CSIO) and Head of Finance. The current management team is composed of the following members:

CHIEF EXECUTIVE OFFICER

Julius Mcharo is a professional banker with over 23 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 also serves in a number of Boards including IODT and Victoria Insurance Brokers and Mawinyi Investment Limited. He holds B.com (Finance), MBA, CPA (T) and Certificate of Directorship.

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 15 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.

CHIEF STRATEGY AND INNOVATION OFFICER

Muhammad Salman is a qualified Certified Chartered Accountant (trained with Ernst & Young) with more than 8 years of diversified experience serving in different financial institutions and audit firm. He worked for Telenor Group and Local Banks of Pakistan, Middle East and Africa especially in Financial Reporting and Planning, Mergers & Acquisitions, Subsidiaries & Associates, and Assurance while working for multinational financial institutions and firm. He holds BSc. (Hons) (Applied Accounting – Oxford Brookes University), CPA – CGA (British Columbia) and ACCA.

HEAD OF FINANCE

Eunice Josiah Ipembe is the Head of Finance with three years of experience in Microfinance Industry having worked at BRAC Finance Tanzania Ltd from 2016 to 2018 as Area Manager, On January 2019 joined Victoria Finance PLC. She has a Bachelor of Commerce in Accounting from University of Dar Es Salaam and Also Certified Public Accountant registered with National Board of Accountants and Auditors.

GENERAL MANAGER –VICTORIA INSURANCE BROKERS

Elinipa Elias 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 until when she joined Victoria Insurance Brokers in March 2018. 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.

10. FINANCIAL RESULTS

The performance of the Group during the year is set out on page 17 of these financial statements. The results are summarized below statements. The results are summarized below

DESCRIPTION	GROUP 2018	GROUP 2017
Profit before taxation	**149,793**	**301,553**
Taxation/(Refund)	(120,663)	115,994
Net profit	**270,460**	**185,559**
Earnings per share (EPS)	55	38
Return on Equity (ROE)	12.34%	9.24%

11. SOLVENCY

The Board of Directors has reviewed the financial position of the Group for the year ended 31st December 2018 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.

12. 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 Resolution Insurance Limited.

MANAGEMENT / EMPLOYEE RELATIONSHIP

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

13. GENDER PARITY

The Group is an equal opportunity employer as at 31 December, 2018, the Group had the following distribution of employees by gender.

GENDER	2018	2017
Female	9	11
Male	15	17
Total	**24**	**28**

14. FUTURE DEVELOPMENT PLANS

Victoria Finance PLC is in its third and final year of implementation of three years- Medium Term Plan 2017-2019 with a clear transformation path to growth. The company's drivers will remain on business expansion and growth with emphasis on operational excellence and innovations. The increase in the use of technology and innovations is envisaged during 2019 and beyond to take advantage of the new opportunities in the digital space. The company continues to rollout new products and services that matter most to our targeted market.

The Group is also putting emphasis on the rural market to support the rural communities especially on agriculture and poultry financing products. The Group also plans to implement an automation of its lending operation to create a paperless environment that will see an increased efficiency and reduction of cost in our main line of operations. The integration of our payment systems and digital financial solution is also on the drawing board.

15. DIVIDEND

The Directors did not recommend a dividend payment for the year ended 31st December 2018 but recommended that profit realized in year 2018 be re-invested to finance the Group's growth planned for 2019 and beyond. The Directors are mobilizing both equity and debt finance for on lending to new products and for strategic technological initiatives.

16. SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious prejudicial matters that can affect the Group.

17. POLITICAL DONATIONS

The Group did not make any political donations during the year 2018: NIL.

18. RELATIONSHIP WITH STAKEHOLDERS

The Group continued to maintain good relationship with all stakeholders including customers, banks, microfinance institutions, vendors and regulators such as 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.

19. RELATED PARTY

All loans and advances to related parties have been issued at the normal terms and conditions. Refer to note 27 for details of related party transactions and balances.

20. 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, we get a chance to get closer to our customers and create a lasting bond.

Victoria Finance Plc donated about TZS 1.2million for the water project at Madibira High School, support for maternity ward and pharmacy at Mahango Health Centre and Mkunywa dispensary respectively all at Madibira ward in Mbarali district, Mbeya region.

21. EVENTS AFTER REPORTING PERIOD

The Group received a loan amounting to USD500, 000/= (TZS1.16billion) from Small Enterprise Assistance Funds (SEAF) between February and April 2019 for on lending to smallholder farmers in the country. SEAF, a nonprofit organization is an international investment management group that provides growth capital and business assistance to small and medium enterprises in emerging and transition markets underserved by traditional sources of capital. SEAF is based in New York in United States of America but having an office in Dar es Salaam.

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.

22. AUDITORS

During the year 2018, the AUDITAX INTERNATIONAL was appointed as Group's auditors for the first time. The auditors have indicated their willingness for reappointment for year ending 31st December 2019.

By order of the Board

.... 13rd June, 2019
Leonard Chacha Kitoka Date
Chairman

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 31st December 2018, 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 ....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 Sania Kokushekya Adamu being the Head of Finance of Victoria Finance PLC. hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2018 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: ....Adamu............

Position: ......Accountant......

NBAA Membership No.: ......021693......

Date: ......13th June 2019......

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 17 to 51 which comprise the Statement of Financial Position as at 31st December 2018, 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 31st December 2018, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion there on, and we do not provide separate opinion on these matters. We have fulfilled the responsibilities described in the auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to this matter. There were no key audit matters to report during the year ended 31 December 2018.

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.

INDEPENDENT AUDITORS' REPORT

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

INDEPENDENT AUDITORS' REPORT

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 Khalfani Mbwambo

Auditax International
Certified Public Accountants (T)
Dar es Salaam

Signed by: Khalfani Mbwambo (ACPA- PP) ...15th June...2019

VICTORIA FINANCE PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
Interest and similar income	5	963,658	959,808	1,303,207	1,300,300
Interest and similar expenses	6	(191,421)	(191,421)	(216,095)	(216,095)
Net interest income		772,237	768,387	1,087,112	1,084,205
Written Off Loan directly charges to Profit and Loss	8.3	(10,334)	(10,334)	-	-
Impairment charges on insurance commission receivable	8.2	(14,032)	-	-	-
Impairment charges on loans and advances to customers	8.1	(116,326)	(116,326)	(91,231)	(91,231)
Net interest income after impairment charges		631,546	641,727	995,881	992,974
Fee and commission income	7.1	341,952	114,318	178,724	108,429
Other income	7.2	311,671	311,671	195,084	195,084
Non-interest income		653,623	425,988	373,808	303,513
Total Operating Income		1,285,168	1,067,715	1,369,689	1,296,487
Personnel expenses	9	(788,649)	(688,809)	(634,121)	(576,602)
General and administrative expenses	10	(346,726)	(289,471)	(441,617)	(420,667)
Total Operating Expenses		(1,135,375)	(978,281)	(1,068,136)	(989,667)
(Loss) / Profit before taxation		149,793	89,435	301,553	306,820
Tax charge/(credit)	11	(120,666)	(142,567)	115,994	116,311
(Loss) / Profit after taxation		270,460	232,002	185,559	190,509
Other Comprehensive Income / (Loss)		-	-	-	-
Total Comprehensive Income / (Loss)		270,460	232,002	185,559	190,509
Total income for the year attributable to					
Equity holders		270,460	-	185,559	-
Non-controlling interest		1	-	-	-
Basic and diluted earnings per share – TZS	25	55	47	38	39

The annexed notes 1 to 29 form an integral part of these financial statements.

Director

Date: 13, June, 2019

Director

Date: 13, June, 2019

VICTORIA FINANCE PLC

VICTORIA FINANCE PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

	Note	GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
ASSET					
Current Assets					
Cash and cash equivalents	12	219,104	135,706	91,997	61,774
Loan and advances - net of provisions	13	3,172,909	3,172,909	2,925,354	2,925,354
Investment in subsidiary	27.2	-	50,000	-	50,000
Intragroup receivable	27.3	-	10,969	-	60,944
Prepayments	14	52,206	44,308	47,313	43,398
Other Receivables	15	38,988	11,926	49,304	7,391
Deferred Tax assets	11	118,644	138,965	-	-
Tax Receivable	21	55,784	54,284	-	-
Other Assets	16	295,352	295,352	174,779	174,779
		3,952,987	3,914,419	3,288,747	3,323,640
Non-Current Assets					
Property and equipment	17	142,929	131,341	145,037	133,697
		142,929	131,341	145,037	133,697
Total Assets		4,095,915	4,045,760	3,433,784	3,457,337
LIABILITIES AND EQUITY					
Current Liabilities					
Tax liabilities	21	14,397	13,355	36,330	38,004
Deferred Tax liabilities	11	-	-	2,022	3,602
Intragroup payable	27.3	-	-	-	22,003
Short term borrowings	18	1,447,512	1,447,512	1,124,543	1,124,543
Accounts Payables	19	119,128	104,788	84,988	83,808
Other liabilities	20	187,537	187,537	124,810	124,810
		1,768,574	1,753,191	1,376,902	1,406,533
Equity					
Ordinary share capital	22	1,236,113	1,236,113	1,236,113	1,236,113
Share premium	22	33,798	33,798	33,798	33,798
Retained earnings		1,057,430	1,022,658	786,970	790,656
Total equity and reserves attributable to owners		2,327,341	2,292,569	2,056,881	2,060,567
Non-controlling interest	23	1	-	1	-
Total Liabilities and Equity		4,095,915	4,045,760	3,433,784	3,457,337

The annexed notes 1 to 29 form an integral part of these financial statements.

Director

Date: 13. June, 2019

Director

Date: 13. June, 2019

VICTORIA FINANCE PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2018

GROUP	Share Capital	Share Premium	Retained Earnings	Non-Controlling Interest	Total Equity
		----------------	TZS 000	----------------	
Balance as at 1 Jan 2017	1,181,658	1,125	775,078	-	1,957,861
Profit for the year	-	-	185,559	0	185,559
Capital received	54,455	32,673	-	1	87,129
Balance as at 31st December 2017	**1,236,113**	**33,798**	**960,637**	**1**	**2,230,548**
Balance as at 1 Jan 2018	1,236,113	33,798	960,637	-	2,230,548
Prior period adjustment for adoption of IFRS 9	-	-	(274,266)	-	(274,266)
Effect of changes in account policy for penalty income	-	-	100,893	-	100,893
Rectification of prior year error	-	-	(294)		(294)
Balance as at 1 Jan 2018 (Restated)	**1,236,113**	**33,798**	786,970	**-**	**2,056,881**
Balance as at 1 Jan 2018 (Restated)	1,236,113	33,798	786,970	-	2,056,881
Profit for the year	-	-	270,460	1	270,461
Capital received	-	-	-	-	-
Balance as at 31st December 2018	**1,236,113**	**33,798**	**1,057,430**	**1**	**2,327,341**

VICTORIA FINANCE PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2018

VICTORIA FINANCE PLC

COMPANY

	Share Capital	Share Premium	Retained Earnings	Total Equity
		---------- TZS 000 ----------		
Balance as at 1 Jan 2017	1,181,658	1,125	775,078	1,957,861
Profit for the year	-	-	190,509	190,509
Capital received	54,455	32,673	-	87,128
Balance as at 31st December 2017	**1,236,113**	**33,798**	**965,587**	**2,235,498**
Balance as at 1 Jan 2018	1,236,113	33,798	965,587	2,235,498
Prior period adjustment for adoption of IFRS 9	-	-	(274,266)	(274,266)
Effect of changes in account policy for penalty income	-	-	100,893	100,893
Rectification of prior year error	-	-	(294)	(294)
Balance as at 1 Jan 2018 (Restated)	**1,236,113**	**33,798**	**790,656**	**2,061,831**
Balance as at 1 Jan 2018 (Restated)	1,236,113	33,798	790,656	2,060,567
Profit for the year	-	-	232,002	232,002
Capital received	-	-	-	-
Balance as at 31st December 2018	**1,236,113**	**33,798**	**1,022,658**	**2,292,569**

Director

Date: 13, June, 2019

Director

Date: 13, June, 2019

VICTORIA FINANCE PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit Before Tax		149,793	89,435	301,553	306,820
Adjustments:					
Depreciation of Fixed assets	17	35,596	33,079	32,788	31,103
(Gain)/Loss on disposal	17	375	375	7,602	7,602
Loan loss provision	8.2	14,032	-	-	-
Loan loss provision	13	116,326	116,326	91,231	91,231
Cash flow before changes in working capital		316,122	239,214	433,174	436,756
Working Capital Changes					
(Increase) in loans & advances	13	(453,447)	(453,447)	(221,899)	(221,899)
(Increase) /Decrease in Intragroup receivables	27.3	-	49,975	-	(38,941)
(Increase) in other assets	16	(134,606)	(120,575)	(189,908)	(147,216)
(Increase) in other prepayments	14	(4,893)	(910)	-	-
(Increase) in other Tax Payables	21	4,277	3,235	-	-
(Increase) in other receivables	15	10,316	(4,535)	-	-
Decrease in accounts payable	19	15,075	5,051	-	-
Decrease in Intragroup payable	27.3	-	(22,003)	-	-
Increase in other liabilities	20	62,727	62,727	60,178	58,998
Prior year adjustment		100,599	100,599	-	-
Cash flow after change in working capital		(93,720)	(150,560)	81,545	87,698
Tax Paid		(84,103)	(83,203)	(119,481)	(118,503)
Net cash generated from operating activities		(177,823)	(233,763)	(37,936)	(30,805)
CASH FLOW FROM INVESTING ACTIVITIES					
Additional to Fixed Asset	17	(38,862)	(36,098)	(36,257)	(23,612)
Investment in Subsidiary	27.2	-	-	-	(50,000)
Proceed from Disposal of assets	17	5,000	5,000	10,931	10,931
Net cash flow used in investing activities		(33,862)	(31,098)	(25,326)	(62,681)
CASH FLOW FROM FINANCING ACTIVITIES					
Cash injection from shareholders	22	-	-	87,128	87,128
(Increase)/Decrease in loan from institutions		324,399	324,399	(10,805)	(10,804)
Net cash flow used in financing activities		324,399	324,399	76,323	76,324
CASH AND CASH EQUIVALENTS					
Net (decrease)/increase in Cash		127,107	73,932	13,061	(17,162)
Cash and cash equivalent brought forward		91,997	61,774	78,936	78,936
Cash and cash equivalents carried forward	12	219,104	135,706	91,997	61,774

1. 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 2018. These consolidated financial statements comprise of the Group and its subsidiary (together referred to as the "Group"), Victoria Insurance Brokers Limited commenced operations on March 28th, 2017, accordingly these financial statements present the first year of operations.

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

The address of its registered office is:

Tanzania Street, Plot No 56,
Block 45C, 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. 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 STANDARDS ADOPTED BY THE GROUP AND COMPANY

New and amended standards adopted by the Group and Company

IFRS15, 'Revenue from contracts with customers'–The IASB has issued a new standard for their cognition of revenue. This will replace IAS18 which covers contracts for goods and services and IAS11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer– so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognized:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of these pa rate performance obligations, and
- Recognize the revenue as each performance obligations satisfied.

Key changes to current practice are:

Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements.

- Revenue may be recognized earlier than under current standard sift he consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.)–minimum amounts must be recognized if they are not at significant risk of reversal.
- The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, contracts, and tax. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The standard is effective for annual period beginning on or after 1 January 2018 and the Group has adopted it. The Group's Revenue is mainly from loan interest. However, the new standard has impact on recognition of loan application fee, Insurance from loan and Commission on loan which needs to be recognized of the loan contract performance period. The Group has recognized these fees using the old standard practice due to the fact that the amounts are immaterial and the adoption benefits will not outweigh the accounting costs.

IFRS 9, 'Financial instruments' – IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortized cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete.

The changes introduced among others include: - A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.
The standard is effective for accounting periods beginning on or after 1 January 2018. The Company has adopted the standard, and prepared and used an ECL model that is compliant with IFRS 9 in computing the loan impairment loss as at 31st December 2018.

Based on the impairment done, the standard has had an impact on the loan impairment recognized as it has increased as compared to impairment provision from prior years. The Group has recognized the day 1 impairment loss by adjusting it through retained earnings account.

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are either mandatory or not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

IFRS 16, 'Leases' – IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Tax, Depreciation and Amortization will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual period beginning on or after 1 January 2019 and earlier application is permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group expects to adopt the standard beginning 1st January 2019. The Group and Company is still assessing the impact of IFRS 16.

Transfers of Investment Property-Amendments to IAS 40 – The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was re-characterized as a non-exhaustive list of examples to help illustrate the principle.

The amendment is effective for annual period beginning on or after 1 January. The Group and Company do not expect the amendments to IAS 40 to have impacts on the reporting as we currently do not have investment property.

Annual improvements 2014 - 2016 cycle – The following improvements were finalized in December 2016:

- IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.

- IAS 28 - clarifies that the election by venture capital organizations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.

The improvement is effective for annual period beginning on or after 1 January 2018 and earlier application is permitted. The Group and Company has assessed the impact of improvements made and concluded that it is not applicable.

IFRS 4 - Insurance contracts. Amendments to IFRS 9 Financial instruments allow an entity that issues insurance contracts the opportunity to utilize two options - where IFRS 9 is applied prior to the forthcoming insurance contracts standard.

IFRS 17 - Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 - Insurance Contracts that was issued in 2005.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration - Amendments clarifying the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The amendments are effective for annual period beginning on or after 1 January 2018. The Company has not adopted the standard.

Amendments to IFRS 2 'Share-based Payment' - On 20 June 2016, the International Accounting Standards Board (IASB) published final amendments to IFRS 2 'Share-based Payment' that clarify the classification and measurement of share-based payment transactions. The amendments are effective for annual periods beginning on or after 1 January 2018.

3.2. INCOME AND EXPENSE RECOGNITION

Interest income and expense are recognized in profit or loss using the effective interest method. Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method. Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service is provided.

When loans and advances have been written down as a result of an impairment loss interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.3. FEE AND COMMISSION INCOME

Fees and commissions are generally recognized on an accrual basis when the service has been provided to the borrower or significant act performed.

3.4. 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.

3.5. 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.

3.6. 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 FIXED 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.

3.7.2. 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 Schemes; these are National Social Security Fund (NSSF) and Public Service Social Security Fund. These are defined contribution schemes registered under the Social Security Contribution Acts. The Group's obligation under the schemes 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.

3.12. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized on the company's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Management determines the appropriate classification of financial instruments at the time of the initial recognition.

3.12.1. MEASUREMENT

A financial asset or liability is initially measured at its fair value plus, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method.

All financial liabilities are measured at amortized cost. Amortized cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates.

A fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognized immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognized over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

3.12.2. FAIR VALUE MEASUREMENT PRINCIPLE

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. Where a quoted market price is not available, fair value is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

3.12.3. FINANCIAL ASSETS CARRIED AT AMORTIZED COSTS

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

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

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant of the Group.

Determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate.
Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases, the observable data required to estimate the amount of impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss using CGAP (Consultative Group for the Poor)'s best practices which is one of the best technical consultative group for microfinance industry practitioners.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

3.12.4. GAINS AND LOSSES ON SUBSEQUENT MEASUREMENT

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

3.12.5. RECOGNITION

Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

3.12.6. DE- RECOGNITION

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognized when it is extinguished.

The Group also derecognizes certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

3.12.7. OFFSETTING

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.13. IMPAIRMENT OF ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

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.

3.17. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The calculation of impairment involves key judgments to be made by the Group:

Loan loss provisions are management's best estimate of incurred loss in the loan portfolio at the balance sheet date. Management has to exercise judgment in making assumptions and estimates of the loan portfolio on both individually and collectively assessed loan and advances.

The Group will consider judgments that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geopolitical climate of the customer, quality of realizable value of collateral, the Group's legal position relative to other claimants and any renegotiation/forbearance options. Many of the key judgment factors have a degree of interdependency, therefore a higher level of judgment is required for loans to borrowers showing signs of financial difficulty/failure to pay in market sectors experiencing economic stress, particularly where the likelihood of repayment is affected by the ability of the client to refinance or sell a specified asset.

The difference between the loan carrying amount and the discounted expected future cash flows will result in the impairment amount. The future cash flow calculation involves significant judgments and estimates. As new information becomes available and further negotiations/forbearance measures are taken, the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis.

3.18. 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.

3.19. 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.

3.20. TAXATION

The Group paid TZS 84million during the year. A provision for deferred tax liability has been made in the financial statements.

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 and deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognized in the income statement together with the current or deferred gain or loss.

3.21. LEASES

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

There is a change in contractual terms, other than a renewal or extension of the arrangement; A renewal option is exercised or extension granted, unless the term of renewal or extension was initially included in the lease term; There is a change in the determination of whether fulfillment is dependent on a specified asset; or there is a substantial change to the asset; or there is a substantial change to the asset.

Leases under which substantial risks and benefits of ownership of the assets are effectively retained by the lessor are classified as operating leases. Obligation incurred under operating leases are charged to the income statement in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

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.

4. 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
- 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 (Loss & Receivables)		Fair value through Other Comprehensive Income	
	2018 TZS	2017 TZS	2018 TZS	2017 TZS	2018 TZS	2017 TZS
Cash and cash equivalent	-	-	219,104	91,997	-	-
Trade and other receivables	-	-	38,988	46,168	-	-

Financial Liabilities	Fair Value through Profit/Loss		Amortized Cost	
	2018 TZS	2017 TZS	2,018 TZS	2,017 TZS
Trade and other payable	-	-	51,972	43,564
Loans and borrowings	-	-	1,504,759	1,175,731

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.

4.5. CASH IN BANK AND SHORT-TERM DEPOSITS

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

	31 December 2018		31 December 2017	
	Cash at Bank TZS'000	**Short-term Deposits TZS'000**	Cash at Bank TZS'000	Short-term Deposits TZS'000
CRDB Bank Plc	**73,790**	-	27,386	1,903
CBA	**36,557**	-	8,537	18,804
NMB Bank Plc	**41,985**	-	19,799	-
MUCOBA Plc	**1,427**	-	4,619	-
ACB Plc	**5,089**	-	2,166	-
CBA - USD Account	**1,091**	-	-	-
Mobile Wallets	**9,165**	-	8,783	-
MCB Plc.	-	**20,000**	-	-
Short term Investment	-	**30,000**	-	-
	169,104	**50,000**	71,290	20,707

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 depending on whether they are normal staff and sundry debtors or deposits, "governed by specific debtor and deposits terms" or the creditworthiness of entity/individual from which they are receivable.

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	
	2018	2017	**2018**	2017
Net foreign currency financial assets /(liabilities)				
Cash at Bank	**215,988**	91,997	**1,091**	-
	215,988	91,997	**1,091**	-

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.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management.

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 2018					**TZS '000**
Accounts payables and other liabilities	256,853	49,812	-	-	-
Borrowings	205,085	942,427	300,000	-	-
Derivative financial liabilities	-	-	-	-	-
Total	**461,938**	**992,239**	**300,000**	**-**	**-**

	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 2017					**TZS '000**
Accounts payables and other liabilities	84,988	124,810			
Borrowings	300,000	875,731			
Derivative financial liabilities	-	-	-	-	-
Total	**384,988**	**1,000,541**	**-**	**-**	**-**

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 structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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 10-12% (2017: 12-15%).

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 2018 and at 31 December 2017 were as follows:

	GROUP 2018 TZS '000	GROUP 2017 TZS '000
Borrowings	**1,447,512**	1,124,543
Less: Cash and Cash Equivalents	**219,104**	91,997
Net Debt	**1,228,408**	1,032,546
Total Equity	**2,327,341**	2,056,881
Less: Amount in the cash flow hedging reserves	**-**	-
Total Adjusted Capital	**2,327,341**	2,056,881
Debt to adjusted capital ratio (%)	**53%**	50%

The slight increase in the debt to adjusted capital ratio during 2018 resulted primarily from the increase in borrowings and improvement of equity arising from increase in retained earnings.

	GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
5 Interest and Similar Income				
Interest on Biashara Loans	**581,315**	**581,315**	775,051	775,051
Interest on Personal Loans	**199,556**	**199,556**	353,422	353,422
Interest on Agriculture Loans	**172,855**	**172,855**	68,082	68,082
Interest on Micro insurance Loans	**4,422**	**4,422**	3,802	3,802
Interest on Staff Loans	**11,328**	**11,328**	20,908	20,908
Interest On VG Guarantee Loan	**1,329**	**1,329**	75	75
Interest On Housing Finance Loan	**3,549**	**3,549**	-	-
Interest OnMwendokasi Loan	**68,408**	**68,408**	-	-
Interest On Group Loans	**(82,953)**	**(82,953)**	78,960	78,960
Interest On Fixed Deposit (Note 5.1)	**3,850**	**-**	2,907	-
Total Interest Income	**963,658**	**959,808**	1,303,207	1,300,300

	Group 2018 Face value	Group 2018 Interest Income	Group 2017 Face value	Group 2017 Interest Income
5.1 Other Income				
Term Deposit - 1 (Note 5.2)	**18,304,000**	**1,897,515**	18,304,000	2,804,053
Term Deposit - 2 (Note 5.3)	**1,864,800**	**49,738**	1,864,800	103,080
Term Deposit - 3 (Note 5.4)	**20,000,000**	**165,000**	-	-
	40,168,800	**2,112,253**	20,168,800	2,907,133

5.2 This represents demand deposits with commercial banks carrying mark-up at rates of 13 %(2017: 16%) and maturity was at November 2018.

5.3 This represents demand deposits with commercial banks carrying mark-up at rates of 3.5 %(2017: 4%) and maturity was at November 2018.

5.4 This represents demand deposits with commercial banks carrying mark-up at rates of 11% and maturity up to November 2019.

	GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
6 Interest and Similar Expenses				
Interest on Loan from Shareholders	**73,122**	**73,122**	97,693	97,693
Interest on Overdraft Facility	**5,723**	**5,723**	30,375	30,375
Interest & Processing Fees on External Loan	**112,576**	**112,576**	88,027	88,027
Total Interest Expenses	**191,421**	**191,421**	216,095	216,095

		GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
7.1	**Fee and Commission Income**				
	Comm. on Loans	72,298	72,298	66,433	66,433
	Comm. Insurance	227,635	-	70,295	-
	Loan Application Fees	12,609	12,609	12,487	12,487
	Visitation Fees	460	460	1,100	1,100
	Insurance from Loans	24,151	24,151	23,609	23,609
	VG Fees Income	4,800	4,800	4,800	4,800
	Total Fee and Commission Income	341,952	114,318	178,724	108,429
7.2	**Other Operating Income**				
	Income from Written Off Loans	5,600	5,600	287	287
	Other Income	25,946	25,946	12,679	12,679
	Penalties on Loans	280,124	280,124	189,720	189,720
	Total Other Operating Income	311,671	311,671	202,686	202,686
8.1	**Impairment Losses on Loan**				
	Balance Brought Forward	548,950	548,950	195,223	195,223
	Prior Year Impairment Under IFRS 9	-	-	274,263	274,263
	Restated Balance Brought Forward	548,950	548,950	469,486	469,486
	Impairment Loss for Current Year	116,326	116,326	91,231	91,231
	Impairment Balance Before Written Off Loans	665,276	665,276	560,717	560,717
	Amount Written off	(665,276)	(665,276)	(11,767)	(11,767)
	Closing Balance	-	-	548,950	548,950
8.2	**Impairment Losses on Insurance Commission Receivable**				
	Balance Brought Forward	-	-	-	-
	Impairment Loss for Current Year	14,032	-	-	-
	Closing Balance	14,032	-	-	-
8.3	**Particular of write-off**				
	Against Provisions	665,276	665,276	11,767	11,767
	Directly Charges to Profit and Loss	10,334	10,334	-	-
	Closing Balance	675,610	675,610	11,767	11,767

		GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
9	**Personnel Expenses**				
	Salaries and Wages	645,380	567,313	506,215	456,415
	Social Security and WCF	61,398	53,307	53,036	47,558
	Skills and Development Levy	27,996	24,708	24,902	22,661
	Medical Expenses	42,956	39,223	35,606	35,606
	Overtime Expense	428	428	391	391
	Leave Expense	4,491	3,831	6,082	6,082
	Bonus Provisioning	6,000	-	7,889	7,889
	Total Personnel Expenses	788,649	688,809	634,121	576,602
10	**Other Administrative Expenses**				
	Auditor's Fee (Refer Note 10.1)	13,632	12,452	13,815	12,635
	Printing and Stationery	13,535	11,338	15,519	15,369
	Water and Electricity	11,242	11,242	14,800	14,800
	Gain/ (Loss) on Disposal	375	375	7,602	7,602
	Subscription Fee	3,075	1,200	2,075	2,075
	Communication and Internet Expenses	25,545	23,025	22,192	20,552
	Annual General Meeting	2,080	2,080	2,371	2,371
	Cleaning Materials and Office Maintenance	530	530	1,449	1,449
	Board Expenses	25,781	21,701	28,166	27,066
	Office Expenses	34,684	19,674	30,458	20,847
	Staff Welfare	6,103	6,103	10,315	10,315
	Staff Training Expenses	2,560	2,255	8,191	8,191
	Loan Recovery Expenses	3,292	3,292	6	6
	Newspaper Advert	4,482	4,482	4,546	4,546
	Transport and Traveling	15,014	14,294	59,474	55,184
	Newspaper	461	461	392	392
	Motor Vehicle Expense	2,387	2,387	2,089	2,089
	Bank Charges	4,896	3,878	5,466	5,208
	Office Rent	61,050	56,830	69,127	69,127
	Depreciation	35,596	33,079	32,788	31,103
	Legal Fees	36,269	36,269	32,919	32,919
	Professional Consultancy	3,841	3,842	49,115	48,900
	Marketing Expenses	664	664	3,548	3,548
	Trading License	2,426	2,426	2,100	2,100
	Security Guards	8,410	7,639	6,140	6,140
	Impaired Asset Expense	10,334	10,334	3,347	3,347
	Compassionate Pay	1,007	1,007	-	-
	Other Expenses	23,551	2,710	9,783	8,962
	Municipality Tax	3,814	3,814	3,519	3,519
	Social Responsibilities	422	422	305	305
		357,060	299,805	441,617	420,667

	GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
10.1 Audit Fee				
External Audit	**9,915**	**8,735**	12,390	11,210
Internal Audit	**-**	**-**	1,425	1,425
Other Assignment	**3,717**	**3,717**	-	-
	13,632	**12,452**	13,815	12,635

11 Income Tax

The Major Components of Income Tax for the year ended 31 Dec 2018 Are:

	GROUP 2018	COMPANY 2018	GROUP 2017	COMPANY 2017
Current Income Tax	(117,626)	(139,735)	118,196	119,270
Deferred Income Tax Charged/(Released)	(3,040)	(2,832)	(2,202)	(2,959)
	(120,666)	**(142,567)**	115,994	116,311

Reconciliation of Tax on Profit And Current Tax

	GROUP 2018	COMPANY 2018	GROUP 2017	COMPANY 2017
Profit Before Tax	**149,793**	**89,435**	301,553	306,820
Tax @ 30%	44,938	26,831	90,466	92,046
Accelerated Wear and Tear	(1,612)	(1,612)	(1,841)	(3,104)
Provision	34,898	34,897	27,369	27,369
Reconciled Current Tax	**78,224**	**60,116**	115,994	116,311

Deferred Income Tax

Deferred Income Tax At 31 Dec Relates Accelerated Wear and Tear as Follows:

	GROUP 2018	COMPANY 2018	GROUP 2017	COMPANY 2017
Accelerated Wear and Tear	**118,644**	**138,965**	(4,359)	(3,602)

	GROUP 2018	COMPANY 2018	GROUP 2017	COMPANY 2017
Deferred Tax Movement				
At 1 January 2018	**(2,022)**	**(3,602)**	(6,561)	(6,561)
Charged/(Released)	**120,666**	**142,567**	4,539	2,959
At 31 December 2018	**118,644**	**138,965**	(2,022)	(3,602)

12 Cash and Cash Equivalents

	GROUP 2018	COMPANY 2018	GROUP 2017	COMPANY 2017
Mobile Wallet Balance	**9,165**	**9,165**	8,783	8,783
Bank Balance (Note 12.1)	**209,816**	**126,446**	83,177	52,954
Petty Cash	**123**	**95**	37	37
Total Cash and Cash Equivalents	**219,104**	**135,706**	91,997	61,774

12.1 Bank Balance

	GROUP 2018	COMPANY 2018	GROUP 2017	COMPANY 2017
Term Deposit - Note 12.2	**-**	**-**	18,804	-
Term Deposit - Note 12.3	**-**	**-**	1,903	-
Term Deposit - Note 12.4	**20,165**	**-**	-	-
	20,165	**-**	20,707	-

12.2 This represents demand deposits with commercial banks carrying mark-up at rates of 13% and maturity was at November 2018.

12.2 This represents demand deposits with commercial banks carrying mark-up at rates of 3.5% and maturity was at November 2018.

12.3 This represents demand deposits with commercial banks carrying mark-up at rates of 11% and maturity up to November 2019.

		GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
13	**Loans and Advances To Clients**				
	Biashara Loans	**1,511,266**	**1,511,266**	1,381,147	1,381,147
	Consumer Loans	**712,625**	**712,625**	762,979	762,979
	Staff Loans	**93,410**	**93,410**	117,453	117,453
	VG Guaranteed Loans	**11,000**	**11,000**	4,000	4,000
	Group Loans	**427,788**	**427,788**	435,767	435,767
	Staff Special Loans	**4,447**	**4,447**	14,186	14,186
	Mwendokasi Loans	**53,056**	**53,056**	15,750	15,750
	Insurance Premium Finance	**2,394**	**2,394**	4,422	4,422
	Micro Housing Loans	**10,500**	**10,500**	-	-
	Agriculture Loans	**472,463**	**472,463**	287,450	287,450
	Interest Receivables – Loans	**302,226**	**302,226**	361,582	361,582
	Penalty Receivables – Loans	**247,343**	**247,343**	-	-
		3,838,185	**3,838,185**	3,384,736	3,384,736
	Written Off Loan Against Impairment	**(665,276)**	**(665,276)**	(548,951)	(548,951)
	Written Off Loan Directly Charged to Profit & Loss	**(10,334)**	**(10,334)**	(11,767)	(11,767)
	Total Loans and Advances to Clients	**3,172,909**	**3,172,909**	3,110,048	3,110,048
14	**Prepayments:**				
	Prepaid Rent	**7,268**	**7,268**	13,520	13,520
	General Office Insurance Prepayment	**841**	**841**	-	-
	Medical Insurance Prepayment	**32,298**	**30,729**	29,878	29,878
	Unamortized External Loan Process Fee	**5,470**	**5,470**	-	-
	Fidelity Prepayment	**6,329**	**-**	3,915	-
	Total Prepayments	**52,206**	**44,308**	47,313	43,398

		GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
15	**Other Receivables**				
	VG Fees Receivable	**7,600**	**7,600**	4,800	4,800
	Account Receivable	**5,368**	**4,326**	2,591	2,591
	Commission on Insurance Receivable	**26,020**	**-**	38,777	-
	Total Other Receivables	**38,988**	**11,926**	46,168	7,391

		GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
16	**Other Assets**				
	Cheque Inward A/C	**122,308**	**122,308**	82,009	82,009
	Cheque Outward A/C	**169,446**	**169,446**	92,370	92,370
	Advances to Staff	**3,599**	**3,599**	400	400
	Total Other Assets	**295,354**	**295,354**	174,779	174,779

17 Property and Equipment – GROUP

	Computer	Equipment	Furniture	Motor Vehicle	Total
			TZS 000		
Cost					
At Jan 2018	66,650	57,500	74,363	10,650	209,163
Additional during the year	13,115	4,874	1,875	19,000	38,863
Disposals	-	-	-	(8,600)	(8,600)
Balance as at 31st Dec 2018	**79,765**	**62,374**	**76,238**	**21,050**	**239,426**
Depreciation					
At 1st Jan 2018	31,217	12,622	15,694	4,593	64,126
Charge during the year	16,334	9,185	9,227	850	35,596
Depreciation on disposals	-	-	-	(3,225)	(3,225)
At 31st Dec 2018	**47,551**	**21,807**	**24,921**	**2,218**	**96,497**
Net book value					
31st December 2018	**32,213**	**40,567**	**51,316**	**18,832**	**142,929**
31st December 2017	35,433	44,878	58,669	6,057	145,037

17.1 Property and Equipment –COMPANY

	Computer	Equipment	Furniture	Motor Vehicle	Total
Cost			TZS 000		
At Jan 2018	62,037	52,746	70,705	10,650	196,138
Additional during the year	12,070	3,714	1,314	19,000	36,098
Disposals	-	-	-	(8,600)	(8,600)
Balance as at 31st Dec 2018	**74,107**	**56,460**	**72,019**	**21,050**	**223,636**
					-
Depreciation					
At 1st Jan 2018	22,916	12,553	22,655	4,317	62,441
Charge during the year	15,159	8,329	8,741	850	33,079
Depreciation on disposals	-	-	-	(3,225)	(3,225)
At 31st Dec 2018	**38,075**	**20,882**	**31,396**	**1,942**	**92,295**
Net book value					
31st December 2018	**36,032**	**35,578**	**40,623**	**19,108**	**131,341**
31st December 2017	39,121	40,193	48,050	6,333	133,697

18 Due to Investors

	GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
Individual:				
Monica Luziro	-	-	116,000	116,000
Focus Lutinwa	-	-	60,000	60,000
Charles Natai	**100,000**	**100,000**	100,000	100,000
Antoni Marandu	**50,000**	**50,000**	80,000	80,000
Wilfred Massamu	**50,000**	**50,000**	50,000	50,000
Christopher Mageka	**11,620**	**11,620**	10,000	10,000
Stanley Mahembe	**180,000**	**180,000**	-	-
Halima Badru	**60,000**	**60,000**	-	-
AloyceMwasuka	**20,000**	**20,000**	-	-
DamasMugashe	**30,000**	**30,000**	-	-
RobertButambala	**100,000**	**100,000**	-	-
Anthony Angasisye	**100,000**	**100,000**	-	-
Leonard Kitoka	**194,623**	**194,623**	154,804	154,804
EphraimMafuru	**50,000**	**50,000**	100,000	100,000
	946,243	**946,243**	670,804	685,197
Institutional:				
BM Associates	-	-	50,000	50,000
Victoria Group	**129,644**	**129,644**	100,000	100,000
Victoria Insurance Brokers	**30,000**	**30,000**	-	-
Self-Project Loan	**341,625**	**341,625**	217,242	217,242
Akiba Commercial Bank	-	-	86,497	86,497
Sub-Total	**501,269**	**501,269**	453,739	453,739
	1,447,512	**1,447,512**	1,124,543	1,124,543

19	**Accounts Payables**				
	Account Payable	**31,471**	**31,471**	826	826
	Directors Fee Payable	**7,000**	**7,000**	7,000	7,000
	Auctioneer Payable	**2,877**	**2,877**	3,568	3,568
	Accrued Interest Payable	**57,247**	**57,247**	41,424	41,424
	Audit Fee Payable	**9,440**	**8,260**	12,390	11,210
	Insurance Premium Payable	**4,254**	**4,254**	6,261	6,261
	Staff Bonus Payable	**6,000**	**-**	10,000	10,000
	Statutory Deductions Payables	**840**	**840**	3,519	3,519
	Total Accounts Payables	**119,128**	**104,788**	84,988	83,808

		GROUP 2018 TZS 000	**COMPANY 2018 TZS 000**	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
20	**Other Liabilities**				
	Client's Fund	**6,864**	**6,864**	4,715	4,715
	VG Guarantee Fund	**10,000**	**10,000**	5,600	5,600
	Collateral Savings	**170,672**	**170,672**	114,510	114,510
	Total Other Liabilities	**187,537**	**187,537**	124,810	12s4,810
21	**Corporate Tax Asset/ Liability**				
	Tax (Payable)/ Receivable	**(38,202)**	**(38,004)**	(36,156)	(36,156)
	Prior Year Tax Paid	**38,203**	**38,005**	36,157	36,157
	Provisional Tax Paid During the Year	**46,500**	**45,000**	83,324	82,724
	Other Tax Payables	**(14,397)**	**(13,355)**	(10,120)	(10,120)
	Withholding Tax Paid Directly to TRA By Debtors	**9,283**	**9,283**	9,283	9,283
	Corporate Tax Expense	**-**	**-**	(119,892)	(119,892)
	Corporate Tax (Payable)/ Receivable	**41,387**	**40,929**	(38,202)	(38,004)
22	**Share Capital**				
	Authorized Share Capital				
	80,000,000 Shares of TZS 250 Each	**20,000,000**	**20,000,000**	20,000,000.00	20,000,000
	Issued and Fully Paid Capital				
	4,944,451 Shares of TZS 250 Each	**1,236,113**	**1,236,113**	1,236,113	1,236,113
	Share Premium	**33,798**	**33,798**	33,798	33,798
	Share Capital	**1,269,911**	**1,269,911**	1,269,911	1,269,911

23 Non-Controlling interest

The Group's principal subsidiaries at 31 December 2018 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	99.9985%	0.0015%

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

	VIB TZS
Summarized statement of financial position	
Current assets	117,316,074
Current liabilities	(45,918,924)
Net current assets	71,397,150
Non-current assets	12,958,685
Non-current liabilities	-
Net non-current assets	12,958,685
Net assets	84,355,835
Accumulated non-controlling interest in net assets	179

	VIB TZS
Summarized statement of compressive income	
Revenue	231,484,812
Expenses	(193,443,334)
Net profit/ (loss)	38,041,478
Profit / (loss) allocated to NCI	571
Dividend paid to NCI	-

		GROUP 2018 TZS	COMPANY 2018 TZS	GROUP 2017 TZS	COMPANY 2017 TZS
25	**Basic and Diluted Earnings Per Share**				
	Net Profit for The Year	270,459,583	232,001,724	185,559,000	190,509,000
	Weighted Average Ordinary Shares	**4,944,451**	**4,944,451**	4,944,452	4,944,452
	Basic and Diluted Earnings Per Share (Tzs)	**55**	**47**	38	39

		2018	2017
26	**Number of Outreach**		
	As at January 01	**3**	3
	Opened / (Closed) During the Year	**(1)**	0
	As at December 31	**2**	3

		GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
27	**Related Party Transactions**				
	Salaries and Directors' fees				
	Fees to directors	**7,000**	**7,000**	7,000	7,000
	Salaries to management	**274,030**	**228,760**	292,608	258,608
	Total payments	**281,030**	**235,760**	299,608	265,608
	Loans and advances				
	Shareholder / Board Members	**195,615**	**195,615**	25,000	25,000
	Management	**11,400**	**11,400**	23,225	23,225
	Due from related parties (Note 22.1)	**-**	**10,969**	-	38,941
	Total related party lending	**207,015**	**217,984**	48,225	87,166

Compensation of Directors and Key Management

Key management personnel comprise of Chief Executive Officer and heads of departments who are reporting directly to the Chief Executive Officer.

Loan and Advance Credit Arrangement

Loan and advance credit arrangement with 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 2018, the COMPANY did settle TZS15Mn liability (Payments) on behalf of related party (2017: TZS60Mn).

		GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
27.2	**Transactions with related Victoria Insurance Brokers were as follows:**				
	Carry Forward Receivable from Related Party	-	**60,944**	-	110,944
	Payments made on behalf of subsidiaries (Note 22.3)	-	**21,588**	-	-
	Conversion of Receivable into Long term Investment	-	-	-	(50,000)
	Payments received from of subsidiaries	-	**(71,562)**	-	-
	Payments received on behalf of subsidiaries	-	-	-	(22,003)
	Due from related parties	-	**10,969**	-	38,941

		GROUP 2018 TZS 000	COMPANY 2018 TZS 000	GROUP 2017 TZS 000	COMPANY 2017 TZS 000
27.3	**Intra Group Settlement:**				
	Payment for Personnel Expense (Note 22.4)	-	-	-	78,698
	Payment for Fixed Deposit	-	-	-	17,800
	Payment for Referral Commission	-	-	-	821
	Payment for Tax Advance	-	-	-	600
	Payment for Fixed Assets	-	-	-	13,025
	Payment for Rent Expense	-	4,202	-	-
	Payment for Electricity Expense	-	1,221	-	-
	Payment for Water Expense	-	77	-	-
	Payment for Security Expense	-	771	-	-
	Payment for Internet Expense	-	267	-	-
	Payment for Communication Expense	-	2,120	-	-
	Payment for Medical Expense	-	4,272	-	-
	Other Office Expenses	-	8,656	-	-
	Total Payment made on behalf of subsidiaries	-	21,588	-	110,944
	Conversion of Receivable into Long term Investment	-	-	-	(50,000)
	Payments received on behalf of subsidiaries	-	-	-	(22,003)
	Due carry forward from last year	-	60,944	-	-
	Payment received from subsidiaries	-	(71,562)	-	-
	Due from related parties	-	10,969	-	38,941

27.4 Payment for Expenses

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

28 GENERAL

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

29 DATE OF AUTHORISATION

29.1 These financial statements were authorized for issue by the Board of Directors in their meeting held on ____________.

Director

Date: 13. June 2019

Director

Date: 13. June 2019