VICTORIA
FINANCE PLC

# ANNUAL REPORT

ANNUAL REPORT AND GROUP AUDITED

**FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31st DECEMBER 2019

Transforming lives!

VICTORIA FINANCE PLC

# ANNUAL REPORT AND GROUP
## AUDITED FINANCIAL STATEMENTS FOR
## THE YEAR ENDED 31stDECEMBER 2019

# Table of Contents

## 1. ABOUT VICTORIA FINANCE PLC

### 1.1. The Company at Glance

Victoria Finance PLC (VFP) is one of the leading microfinance institutions in Tanzania. The company 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.VFP commenced operations on 2ndMay 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.

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 wholly owns Victoria Insurance Brokers Limited.

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

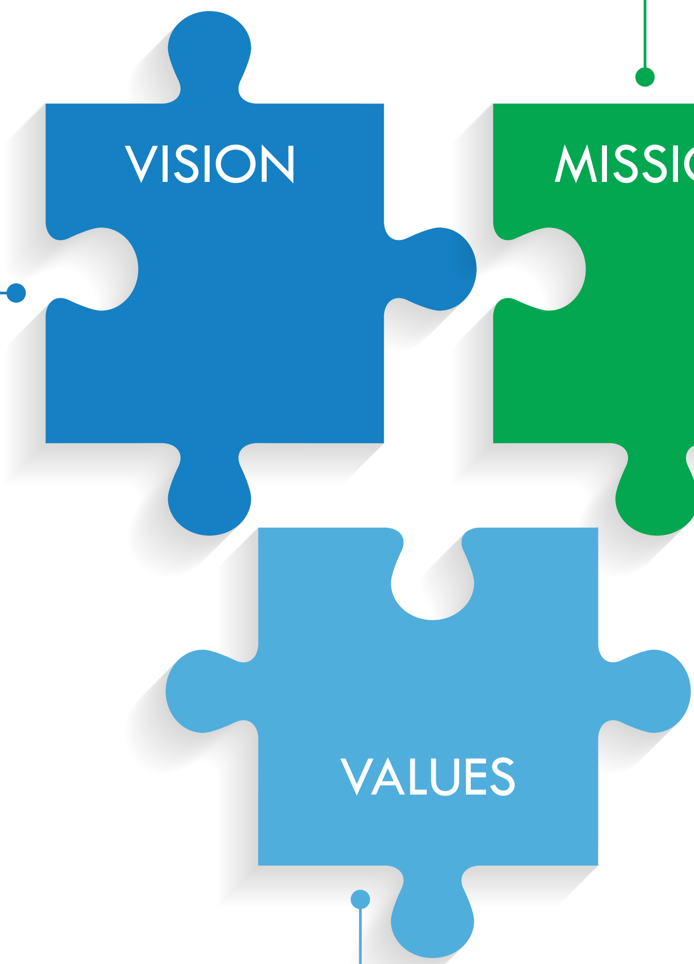
The promoters of VFP are Victoria Group (VG) through its investment company VG Holding Company Limited and individual members of the group. Victoria Group is a voluntary established NGO formed by members with common interests in social-economic wellbeing of its members and of their communities.

## OUR VISION

"To be the preferred financial services partner in Tanzania."

## OUR MISSION

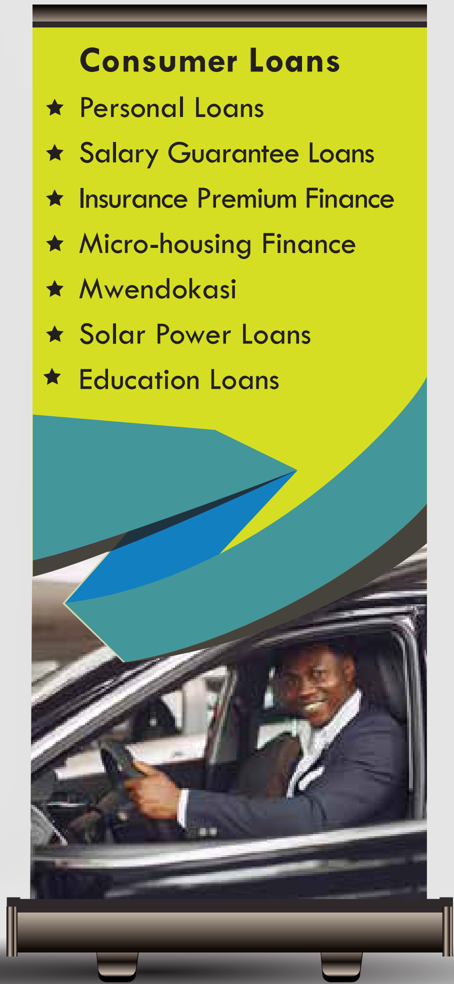
"To provide comprehensive financial Services solutions by meeting customers' needs , realizing shareholders' value and ultimately benefitting the society"

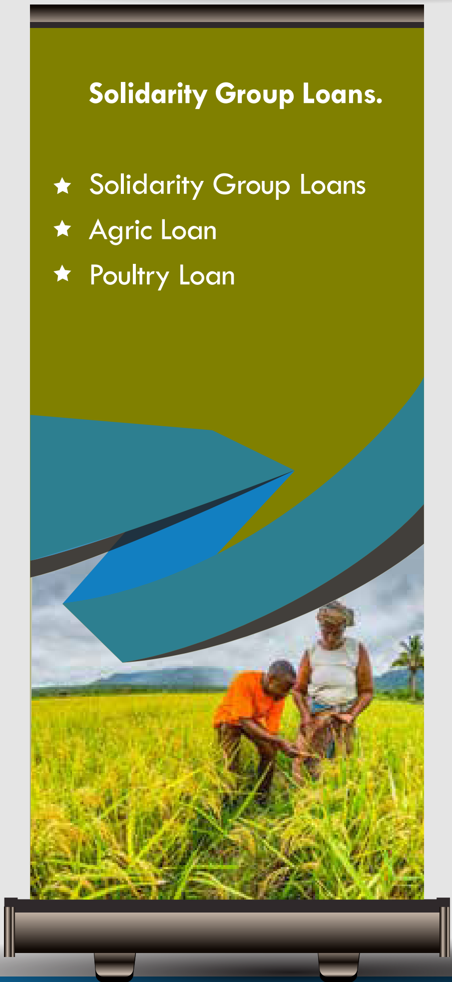



## OUR VALUES

Commitment, Integrity , Accountability


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


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


Solidarity Group Loans.
Solidarity Group Loans
Agric Loan
Poultry Loan


Insurance Services
Credit Life Insurance
Life Assurance
Non Life Insurance
Health Insurance
Agric Insurance
Afya Kwa Wote Insurance

## 1.4. Corporate Information

**BOARD OF DIRECTORS**

**CHAIRMAN**
Mr. Leonard Kitoka

**VICE CHAIRMAN**
Mr. Moremi Marwa

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

**COMPANY SECRETARY**
Mr. Frank Mwalongo

**EXECUTIVE MANAGEMENT**
Mr. Julius Mcharo- Managing Director
Ms. Elinipa Elias
Mr. Hermenegild Kiyagi-Chief Operations Officer
Mr. Ibrahim Msusa-Ag. Chief Finance Officer

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

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

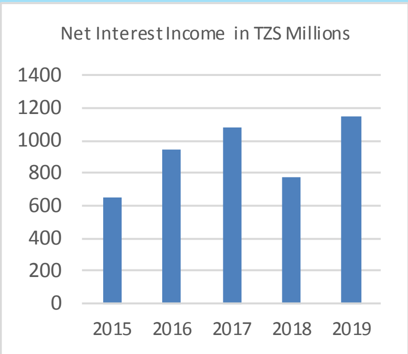
**AZANIA BANK LTD**
Mawasiliano Towers Branch, Dar es Salaam

**TIB COOPERATE BANK LTD**
Mlimani Branch

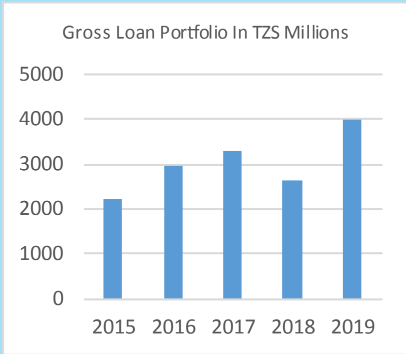
# 2. FINANCIAL HIGHLIGHTS

## 2.1. Financial Trends

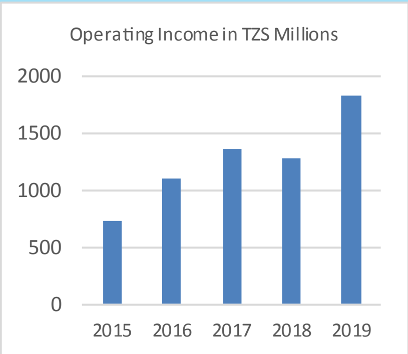
**Annual Growth**



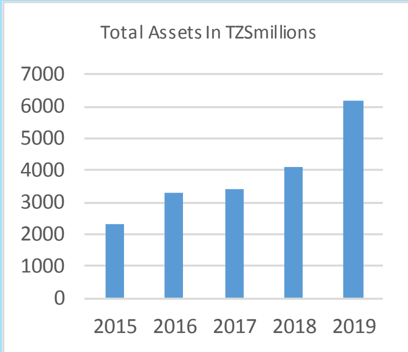

48%
TZS1145million



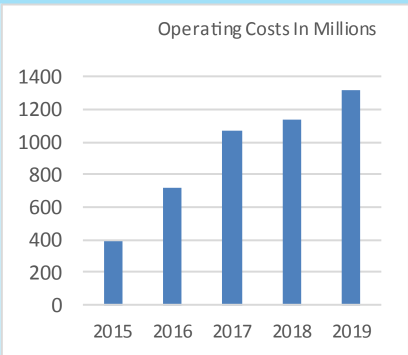

53%
TZS4005millions



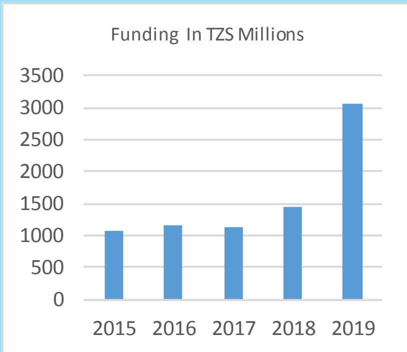

42%
TZS1830millions



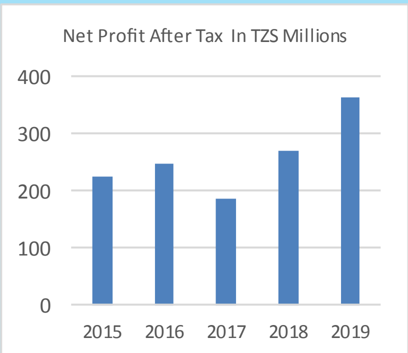

51%
TZS6169millions



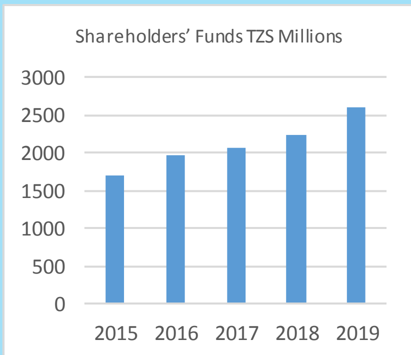

16%
TZS1317 millions




112%
TZS3064 Millions




35%
TZS364 millions




16%
TZS2594 millions

## 2.2. Performance Indicators

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Net Interest Income | 657 | 950 | 1087 | 772 | 1145 |
| Operating Income | 735 | 1105 | 1370 | 1285 | 1830 |
| Operating Cost | 397 | 720 | 1068 | 1135 | 1317 |
| Profit Before Tax | 338 | 386 | 302 | 150 | 513 |
| Net Profit After Tax | 224 | 247 | 186 | 270 | 364 |
| Total Assets | 2324 | 3274 | 3434 | 4096 | 6169 |
| Gross Loan Portfolio | 2234 | 2984 | 3297 | 2623 | 4005 |
| Borrowings | 1067 | 1165 | 1124 | 1447 | 3064 |
| Shareholders' Funds | 1708 | 1958 | 2057 | 2227 | 2594 |

## 2.3 Key Ratios

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Return on Equity(ROE) | 12.1% | 13.5% | 9.1% | 12.3% | 14.8% |
| Return on Assets(ROA) | 8.0% | 8.8% | 5.5% | 6.0% | 5.7% |
| Operational Self Sufficiency(OSS) | 166% | 142% | 124% | 108% | 126% |
| Operating Expense ratio | 15% | 27% | 33% | 32% | 28% |
| Financial Leverage | 0.3 | 0.7 | 0.6 | 0.8 | 1.4 |
| Cost to income Ratio | 54% | 65% | 76% | 91% | 73% |
| Funding expense Ratio | 3% | 5% | 7% | 6% | 8% |
| Capital Adequacy | 74% | 60% | 61% | 57% | 41% |

> Our major pillars of growth will continue to focus on inclusive financial solutions to marginalized and underserved communities, improvement of customer services and loyalty, digital transformation and the diversification of the revenue streams underpinned by strong commitment to our vision.

## 3.1 Chairman Statement

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report that details the financial performance and events during the year ended on 31st December,2019. I welcome you all to our 11th Annual General Meeting.

We are convening this year's Annual General Meeting proudly as we are marking ten years' anniversary of our Company having provided financial support and and helped to transform lives of our customers through microfinance and insurance.

Year 2019 was the third and final in the implementation of the Medium Term plan 2017-2019 which focused on operational excellence and financial growth. A lot has been done to strengthen our internal capacity and creating an enabling business model to sustain our growth path.

**Business Highlights**

The overall performance was positive, during the year , recording a Net Profit after Tax of TZS364million, an increase of 35% from previous year due to additional investment in loan portfolio. Total assets closed at TZS 6.2billion from TZS4.1billion recorded in the previous year. There was significant increase in Net portfolio to TZS4.7billion, an increase of more than TZS1.4billion supported by new funds mobilized from partners. The loanable funds recorded 112% increase compared to the previous year, attributed by the new funds from local and foreign sources.

The capital closed at TZS2.6 billion from TZS2.3billion, an increase of about 11% mainly due to changes in the retained earnings which increased from TZS 1.1billion to TZS1.3 billion and an additional capital of TZS17.5million from new shareholders.

**Declaration of Dividend**

The Board has recommended share dividend payment of TZS23 per share for year ended 31st December 2019 payable to shareholders on register as at 16th May, 2020. The Resolution shall be presented during the 11th Annual General Meeting for adoption by the shareholders.

**Amendments of MEMARTS**

The Board recommends the amendment of the Memorandum and Articles of Association to align with the requirements of Microfinance Regulations 2019 which were issued by the Bank of Tanzania in November, 2019. The Resolution shall be presented during the Annual General Meeting for adoption by the shareholders.

**Strategic Plan**

The Company finalized the implementation of Medium Term Plan 2017-19 with great success. During the year, the Board of Directors reviewed and approved the new Strategic Plan 2020-24. The new Strategic Plan redefines the new growth frontiers, increase investment and mobilization of resources, improvement of customer service and loyalty and digitalization of financial services. Within this, the new vision and mission has been crafted in line with new market opportunities.

**Changes in the Board and Management**

Director Amina Makoko resigned in December, 2019 due to personal engagements. On behalf of the Board, I would like to express our gratitude to Amina for her commitment and contribution during the period she served in the Board. We wish her all the best in whatever she is now doing. The replacement shall be made during this Annual General meeting.

Muhammad Salman, who was the Chief Strategy and Innovations Officer resigned in December 2019, relocating back to Pakistan after serving in his role for more than three years. On behalf of the Board, we would like to thank Muhammad for his hard working spirit and dedication to the Company. We wish him success wherever he has gone.

**Prospects for 2020 and Beyond**

We are optimistic that the business is built on a strong foundation that assures future sustainability. We are mindful of the possible impact of COVID-19 to the business and increased compliace risks ariving from MFI Regulations. The Board is taking all necessary precautions to minimize the possible adverse impact on the business.

The Board is fully committed to the implementation of five Year Strategic plan by ensuring that reasonable investments are made to realize all strategic objectives set in the plan while adjusting with changes in the operating environment.

> ***"Our major pillars of growth will continue to focus on inclusive financial solutions to marginalized and underserved communities, improvement of customer services and loyalty, digital transformation and the diversification of the revenue streams underpinned by strong commitment to our vision."***

**Acknowledgements**

On behalf of the Board, I would like to thank our customers and strategic partners for their trust in our Company. I would like to express my profound appreciation to shareholders for their continued support which made our work bearable. To my fellow Directors, thanks for your immense dedications and leadership role played during the year. Special thanks go to Managing Director, Mr Julius Mcharo, the entire Management and staff for their commendable work which made the company record positive performance in 2019. We would not have achieved what we see, if it was not for them.

.................................................................

**Leonard C. Kitoka**

**Board Chairman**

> *We will continue to mobilize both financial and non-financial resources to stir up our growth trajectory and increase investment in digital finance solutions to ensure we deliver more value to our stakeholders.*

## 3.2 Managing Director Statement

### Business Performance

The Company posted a remarkable performance in 2019 as result of various strategic initiatives implemented during the year whereby most of them paid off. These included increasing our financial resources from both international and local sources, rollout of poultry financing products and increasing lending in
agriculture, initiate digital transformation strategy, improve on customer service and strengthen the recovery & internal controls.

The Company continued to increase its investment in agriculture and poultry which resulted into more than 30% contribution of the agriculture portfolio in the overall loan portfolio and more than three folds in both loan portfolio and the number of customers. The introduction of poultry value chain finance had an excellent performance during the first year of implementation. The company further increased investment in agriculture by embarking into microleasingwhere a number of customers benefited from the new power tiller financing in Madiribira.

I am delighted to report that the Company made another strong performance during the year. ProfitBefore tax increased to a record high of TZS 513million, 242% higher than the previous year attributed to significant improvement in operating income which was in turn supported by increase in net interest and fee income.

Operating income improved by 42% compared to previous year attributed by an increase in both funded and non-funded incomes. The total operating income increased from TZS1,285 million in 2018 to TZS1,830 million in 2019.

The overall operating costs increased slightly from

TZS998million to TZS1,317 million due to increase in staff costs and operational costs especially on legal

and recovery costs. More resources were allocated in the loan recovery activities with objective of realization of assets from defaulters.

Gross Portfolio increased in both value and number of clients during the year as the disbursement was more than doubled thanks to availability of loanable funds. The gross portfolio closed at TZS4,830million as compared to TZS3,173million in 2018. The major component was contributed by MSME (50%) followed by agriculture (27%), consumer (15%), Group loan (3%) and others (5%). Majority of funds mobilized during the year were directed mainly towards agriculture and MSME customers.

Our diversification strategy continued to bear fruits as our subsidiary company –Victoria Insurance Brokers continued to post good performance. The subsidiary contributed about 19% of the operating income with contribution of 23% in Profit Before Tax of the Group performance. VIB made a Profit Before Tax of TZS profit of TZS102million compared to TZS60million made in 2018.

For the first time, Victoria Finance Plc conducted the social rating to enable it gauge with international customer protection standards and also to identify gaps in order to design strategies to strengthen transparency and improve customer service standards that will ensure our customers get the best in class.

**Future Prospects**

We remain optimistic that the year ahead, the Company will continue with its growth trajectory possible challenges that may be brought by the impact of COVID-19 and presidential elections during the year. The Management will take all possible precautions to ensure the impact on overall business is minimal.

The implementation of the Strategic plan will go hand in hand with expected new regulated environment after enactment of Microfinance Act 2018 and the issuance of Microfinance Regulations 2019. The Company has been built on strong corporate governance practice and resilience over the decade hence ready to face the new opportunities and challenges of regulated environment in the coming years.

> “*We will continue to mobilize both financial and non-financial resources to stir up our growth trajectory and increase investment in digital finance solutions to ensure we deliver more value to our stakeholders.*”

I wish to express my appreciation to Board and Staff for the leadership and commitment during the year. We continue to value the enormous support from our customers and business partners and look forward to fostering more business relationship.

..............................................

**Julius C. Mcharo**
**Managing Director**

## 4 CORPORATE GOVERNANCE

### 4.1 Board of Directors

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

| NAME | APPOINTED | AGE | PROFESSION | NATIONALITY | NO. OF SHARES |
|---|---|---|---|---|---|
| **DIRECTORS** | | | | | |
| Mr. Leonard C. Kitoka | 13-May-18 | 51 | Mgt Consultant | Tanzanian | 942,657 |
| Ms. Victoria Chale | 13-May-18 | 50 | Consultant | Tanzanian | - |
| Ms. Amina Makoko* | 13-May-18 | 53 | Accountant | Tanzanian | - |
| Mr. Abel Kaseko | 13-May-18 | 37 | Banker | Tanzanian | - |
| Mr. Robert Butambala | 15-Aug-15 | 50 | Accountant | Tanzanian | - |
| Mr. Moremi Marwa** | 16-Jun-19 | 43 | Financial Analyst | Tanzanian | - |
| Mr. Xavery Makwi | 15-Aug-15 | 51 | Banker | Tanzanian | - |
| | | | | | |
| **COMPANY SECRETARY** | | | | | |
| Mr. Frank Mwalongo | 2-Jan-12 | 43 | Lawyer | Tanzanian | - |

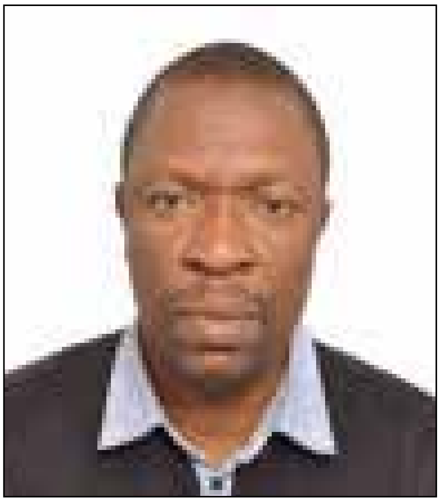
* *Amina Makoko Resigned in Dec 2019,*
** *Mr Moremi Marwa was reelected on 16th June 2019*

**Mr. Leonard Chacha Kitoka (Tanzanian)**

Leonard is the Non-Executive Director and current Chairman of the Board of Directors of VFP. He also serves in the Board Credit and Investment Committee. Leonard has over 24 years' experience in Management Consulting in the Great Lakes Region. He is the Managing Director and the Founder of INNOVEX,

**Mr. Moremi Marwa (Tanzanian)**

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



**Robert Butambala (Tanzanian)**

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

**Xavery Makwi (Tanzanian)**

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

**Victoria Tunu Chale (Tanzanian)**

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

**Mr. Abel Kaseko (Tanzanian)**

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

**Frank Steven Mwalongo (Tanzanian)**

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

## 4.2 Management Team

**Mr. Julius Mcharo (Tanzanian)**

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

**Hermenegild Kiyagi (Tanzanian)**

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

**Ms. Elinipa Elias(Tanzanian)**

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

**Ibrahim Msusa (Tanzanian)**

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

### 4.3 Corporate Governance Report

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:

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

**BOARD AUDIT & RISK COMMITTEE**

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 Managing Director, 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:

**AUDIT & RISK COMMITTEE MEMBERS**

| NAME | POSITION | PROFESSION | NATIONALITY |
|---|---|---|---|
| Mr. Robert Butambala | Chairman | Accountant | Tanzanian |
| Ms. Amina Makoko* | Committee member | Accountant | Tanzanian |
| Mr. Xavery Makwi | Committee Member | Banker | Tanzanian |
| Ms. Victoria Chale | Committee member | Consultant | Tanzanian |
| Mr. Frank Mwalongo | Secretary | Lawyer | Tanzanian |

**Amina Makoko Resigned on 31st December, 2019*

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

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: -

**CREDIT & INVESTMENT COMMITTEE MEMBERS MEMBERS**

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

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

BOARD FINANCE, HUMAN RESOURCES AND ADMINISTRATION COMMITTEE.

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:

FINANCE, HUMAN RESOURCES AND ADMINISTRATION COMMITTEE MEMBERS

| 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. Frank Mwalongo | Secretary | Lawyer | Tanzanian |

**Amina Makoko Resigned on 31st December, 2019*

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.

BOARD MEETINGS

| S. NO | MEETING NO. | DATE | BOARD ATTENDANCE |
|---|---|---|---|
| 1 | 58 | 27th April 2019 | 6 out of 7 |
| 2 | Extraordinary | 13 June 2019 | 4 out of 7 |
| 3 | 59 | 30thJuly 2019 | 7 out of 7 |
| 4 | 60 | 31thOctober 2019 | 7 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 3 | NA |
| Ms. Victoria Chale | 4 out of 4 | 2 out of 3 | NA | 3 out of 3 |
| Ms. Amina Makoko | 4 out of 4 | 3 out of 3 | NA | 3 out of 3 |
| Mr. Abel Kaseko | 4 out of 4 | NA | 3 out of 3 | 3 out of 3 |
| Mr. Robert Butambala | 4 out of 4 | 2 out of 3 | NA | NA |
| Mr. Moremi Marwa | 2 out of 4 | NA | 1 out of 3 | 2 out of 3 |
| Mr. Xavery Makwi | 3 out of 4 | 1 out of 3 | 2 out of 3 | NA |

### 3.4 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.

DIRECTORS' REPORT

1. INTRODUTION

The Board of Directors submits this report together with the Audited Financial Statements for the year ended 31st December 2019 which disclose the affairs of Victoria Finance Plc ("the Company") and subsidiary company –Victoria Insurance Brokers Limited, together referred as "the Group"

2. PRINCIPAL ACTIVITIES

The principal focus of the Company is the provision of financial services mainly microfinance to financially underserved communities. The Company is also licensed through its subsidiary –Victoria Insurance Brokers Limited to carry on insurance broking services.

3. VISION AND MISSION

VISION

"To be the preferred financial services partner in Tanzania"

MISSION

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

4. SHAREHOLDING

Victoria Finance PLC has 20 million authorized shares. Currently, the Group has 68 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, 2019 was 4,983,340(2018: 4,944,451). The shares of the company as of 31st December 2019& (2018) are held as follows:

| NAME | NO. OF SHARES 2019 | % OF HOLDINGS 2019 | NO. OF SHARES 2018 | % OF HOLDINGS 2018 |
|---|---|---|---|---|
| Leonard C. Kitoka | 942,657 * | 18.9% | 812,657 | 16.4% |
| Blandina P. Mususa | 723,784 | 14.5% | 723,784 | 14.6% |
| VG Holding Company Ltd | 420,476 | 8.4% | 420,476 | 8.5% |
| Christopher Mageka | 162,080 | 3.3% | 162,080 | 3.3% |
| Christopher Athuman | 151,656 * | 3.0% | 281,656 | 5.7% |
| Julius Charles Mcharo | 122,972** | 2.5% | 122,972 | 2.5% |
| Other shareholders (62 members with holdings less than 2.5%) | 2,459,715*** | 49.4% | 2,420,826 | 49.0% |
| **Total Share Capital** | **4,983,340** | **100.0%** | **4,944,451** | **100.0%** |

*During the year, 130,000 shares were transferred from Christopher Athuman to Leonard C. Kitoka
** 122,972 shares transferred from Mawinyi Investments Limited to Julius Mcharo
*** 65,316 shares and 10,000 shares transferred from Deusdedit Rutazaa and Damas Mugashe respectively to Farida Kangesa and 38,888 shares were issued to other shareholders and were fully paid.

5. GROUP FINANCIAL RESULTS

The performance of the Group during the year is set out on page 28-32 of these financial statements. The results are summarized below statements. The results are summarized below

| DESCRIPTION | GROUP 2019 | GROUP 2018 |
|---|---|---|
| **Profit before taxation** | **513,020** | **149,793** |
| Taxation/(Refund) | 148,782 | (120,666) |
| **Net profit** | **364,238** | **270,460** |
| Earnings per share (EPS) | 73 | 55 |
| Return on Equity (ROE) | 14.80% | 12.34% |

6. SOLVENCY

The Board of Directors has reviewed the financial position of the Group for the year ended 31st December 2019 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.

7. 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 and Jubilee Insurance Limited.

MANAGEMENT/EMPLOYEE RELATIONSHIP

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

GENDER PARITY

The Group is an equal opportunity employer. As at 31 December, 2019, the Group had the following distribution of employees by gender.

| GENDER | 2019 | 2018 |
|---|---|---|
| Female | 12 | 9 |
| Male | 14 | 15 |
| **Total** | **26** | **24** |

8. FUTURE DEVELOPMENT PLANS

The Strategic Plan 2020-2024 (the Plan) was developed and approved by the Board of Directors of Victoria Finance Plc in December 2019. The main objective of the Strategic Plan is to redefine the new growth frontiers by consolidating gains achieved in the last ten years and open up new avenues of opportunities underpinned by the digitalization of financial services in the company.
The Strategic Plan will be driven by three main strategic objectives. The first strategic objective is to improve an inclusive financial growth which means that leveraging on existing resources to maximize profitability by increasing revenues and minimizing costs in the targeted new markets and products. The company intends to use additional resources to improve the loan portfolio and acquire more customer who in turn will increase revenues and incomes.
bThe second strategic objective is to improve customer experience in the company hence improve retention and loyalty. This means by improving customer journeys across channels and business functions in attracting customers to create a competitive advantage in the market. The third strategic objective is the increase use of innovations and technology to drive value additions in microfinance business and aligning with the dynamics of the market.

9. DIVIDEND

The Board of Directors recommends a share dividend of TZS 23 per share for the year ended 31stDecember 2019 (2018: TZS0). The total amount of dividend recommended is TZS105.1million (2018: Shs 0). The Resolution to effect the same will be presented at the next Annual General Meeting for the approval.

10. SERIOUS PREJUDICIAL MATTERS

During the year, the company had two pending labor disputes at the High Court (Labor Division) and District Court which results into contingent liabilities as detailed in Note 28.

11. POLITICAL DONATIONS

The Group did not make any political donations during the year 2019. (2018: NIL.)

## 12. 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.

## 13. RELATED PARTY

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

## 14. CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

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

## 15. EVENTS AFTER REPORTING PERIOD

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

## 16. AUDITORS

During the year 2019, the AUDITAX INTERNATIONAL was appointed as Group's auditors for the second time. The auditors have indicated their willingness for reappointment for year ending 31st December 2020.

By order of the Board

| | |
|---|---|
| ..................................... | 16.05.2020 |
| Leonard C. Kitoka - Board Chairman | Date |

## STATEMENT OF DIRECTORS' RESPONSIBILITY

The Group's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31stDecember 2019, 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 .....16.05.2020.....and were signed on its behalf by:

Chairman

Director

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 IBRAHIM MSUSA being the Head of Finance of Victoria Finance PLC. hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2019 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: ..........................................

Position: HEAD OF FINANCE

NBAA Membership No.: 027083

Date: 16th May, 2020

**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 28 to 64 which comprise the Statement of Financial Position as at 31st December 2019, 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 2019, 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 2019.

**Other Information included in the Group's Annual Report**

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

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

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

Responsibilities of Management and those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are 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.

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 Straton Makundi

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

AUDITAX INTERNATIONAL
P. O. Box 77949
DAR ES SALAAM

Signed by: Straton Makundi (ACPA 1747)

19th June 2020

**VICTORIA FINANCE PLC**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

| Interest income | Note | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|---|
| Interest income | 5 | 1,468,205 | 1,461,562 | 963,658 | 959,808 |
| Interest expenses | 6 | (323,388) | (323,388) | (191,421) | (191,421) |
| **Net interest income** | | 1,144,817 | 1,138,174 | 772,237 | 768,387 |
| Bad Debts Written off without Provided For | 6 | - | - | (10,334) | (10,334) |
| Provision for Bad and Doubtful Debts | 6 | (137,983) | (126,983) | (130,357) | (116,326) |
| **Net interest income after impairment charges** | | 1,006,834 | 1,011,191 | 631,546 | 641,727 |
| **Non-interest income** | | | | | |
| Fees & Commissions | 7 | 487,733 | 135,833 | 341,952 | 114,318 |
| Other income | 7 | 335,160 | 335,160 | 311,671 | 311,671 |
| **Non-interest income** | | 822,893 | 470,993 | 653,623 | 425,988 |
| **Total Operating Income** | | 1,829,727 | 1,482,184 | 1,285,168 | 1,067,715 |
| Personnel expenses | 8 | (834,463) | (704,629) | (788,649) | (688,809) |
| Administrative expenses | 9 | (482,243) | (366,452) | (346,726) | (289,471) |
| **Total Operating Expenses** | | (1,316,706) | (1,071,081) | (1,135,375) | (978,281) |
| **(Loss) / Profit before taxation** | | 513,020 | 411,103 | 149,793 | 89,435 |
| Tax expense/(Credit) | 10 | 148,782 | 123,331 | (120,666) | (142,567) |
| **(Loss) / Profit after taxation** | | 364,238 | 287,772 | 270,460 | 232,002 |
| Other Comprehensive Income / (Loss) | | - | - | - | - |
| **Total Comprehensive Income / (Loss)** | | 364,238 | 287,772 | 270,460 | 232,002 |
| Total income for the year attributable to | | | | | |
| Equity holders | | 364,238 | - | 270,460 | - |
| Non-controlling interest | | 1 | - | 1 | - |
| **Basic and diluted earnings per share – TZS** | 21 | 73 | 58 | 52 | 45 |

The annexed notes 1 to 30 form an integral part of these financial statements.

Chairman

Director

VICTORIA FINANCE PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | Note | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|---|
| **ASSET** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 11 | 179,302 | 171,212 | 167,201 | 135,706 |
| Short Term Investments | 11 | 560,923 | 469,097 | 51,903 | - |
| Net Loans | 12 | 4,715,066 | 4,715,066 | 3,172,909 | 3,172,909 |
| Prepayments | 13 | 56,446 | 46,084 | 52,206 | 44,308 |
| Other Accounts Receivables | 14 | 90,433 | 31,713 | 38,988 | 22,895 |
| Deferred Tax assets | 10 | 163,679 | 180,243 | 118,644 | 138,965 |
| Tax Receivable | 20 | - | - | 55,784 | 54,284 |
| Other Assets | 15 | 275,697 | 275,697 | 295,352 | 295,352 |
| **Total Current Assets** | | 6,041,545 | 5,889,112 | 3,952,987 | 3,864,419 |
| **Non-Current Assets** | | | | | |
| Property and equipment | 16 | 127,436 | 110,503 | 142,929 | 131,341 |
| Equity Investments (Net) | | - | 50,000 | - | 50,000 |
| **Total Non-Current Assets** | | 127,436 | 160,503 | 142,929 | 181,341 |
| **Total Assets** | | 6,168,982 | 6,049,616 | 4,095,915 | 4,045,760 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Liabilities** | | | | | |
| Borrowings | 17 | 3,064,380 | 3,064,380 | 1,447,512 | 1,447,512 |
| Cash Collateral/Savings | 18 | 211,140 | 211,140 | 187,537 | 187,537 |
| Tax liabilities | 20 | 31,726 | 63,715 | - | - |
| Other Accounts Payables | 19 | 267,765 | 227,649 | 133,525 | 118,142 |
| **Total Liabilities** | | 3,575,011 | 3,566,884 | 1,768,574 | 1,753,191 |
| **Equity** | | | | | |
| Ordinary share capital | 21 | 1,245,835 | 1,245,835 | 1,236,113 | 1,236,113 |
| Share premium | | 41,576 | 41,576 | 33,798 | 33,798 |
| Retained earnings | | 1,306,560 | 1,195,321 | 1,057,430 | 1,022,657 |
| Total equity and Reserves | | 2,593,971 | 2,482,732 | 2,327,341 | 2,292,568 |
| Non-controlling interest | 22 | 1 | - | 1 | - |
| **Total Liabilities and Equity** | | 6,168,982 | 6,049,616 | 4,095,915 | 4,045,760 |

The annexed notes 1 to 30 form an integral part of these financial statements.

Chairman

Director

**VICTORIA FINANCE PLC**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

| COMPANY | Share Capital | Share Premium | Retained Earnings | Total Equity |
|---|---|---|---|---|

| GROUP | Share Capital | Share Premium | Retained Earnings | Non-Controlling Interest | Total Equity |
|---|---|---|---|---|---|
| | | | TZS'000 | | |
| **Balance as at 1 Jan 2018** | 1,236,113 | 33,798 | 786,970 | - | 2,056,881 |
| Profit for the year | - | - | 270,460 | 1 | 270,461 |
| **Balance as at 31st December 2018** | 1,236,113 | 33,798 | 1,057,430 | 1 | 2,327,341 |
| **Balance as at 1 Jan 2019** | **1,236,113** | **33,798** | **1,057,430** | **1** | **2,327,341** |
| Profit for the year | **-** | **-** | **364,239** | **1** | **364,240** |
| Capital received | **9,722** | **7,778** | **-** | **-** | **17,500** |
| Dividend Paid | **-** | **-** | **(115,109)** | **-** | **(115,109)** |
| **Balance as at 31st December 2019** | **1,245,835** | **41,576** | **1,306,560** | **1** | **2,593,972** |

**VICTORIA FINANCE PLC**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

| | | | | |
|---|---|---|---|---|
| **Balance as at 1 Jan 2018** | 1,236,113 | 33,798 | 790,656 | 2,060,567 |
| Profit for the year | - | - | 232,002 | 232,002 |
| **Balance as at 31st December 2018** | 1,236,113 | 33,798 | 1,022,658 | 2,292,569 |
| | | | | |
| **Balance as at 1 Jan 2019** | 1,236,113 | 33,798 | 1,022,658 | 2,292,569 |
| Profit for the year | - | - | 287,772 | 287,772 |
| Capital received | 9,722 | 7,778 | - | 17,500 |
| Dividend Paid | - | - | (115,109) | (115,109) |
| **Balance as at 31st December 2019** | 1,245,835 | 41,576 | 1,195,321 | 2,482,732 |

**Director**

Date......16.05.2020......

**Director**

Date......16.05.2020......

**VICTORIA FINANCE PLC**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

| | | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | |
| Profit Before Tax | **Note** | **513,020** | **411,103** | 149,793 | 89,435 |
| **Adjustments:** | | | | | |
| Depreciation of Fixed assets | **16** | **39,868** | **36,485** | 35,596 | 33,079 |
| (Gain)/Loss on disposal | **16** | **-** | **-** | 375 | 375 |
| Provision for impairment on receivables | **6** | **11,000** | **-** | 14,032 | - |
| Loan loss provision | **6** | **126,983** | **126,983** | 116,326 | 116,326 |
| **Cash flow before changes in working capital** | | **690,872** | **574,571** | 316,122 | 239,214 |
| **Working Capital Changes** | | | | | |
| (Increase) in loans & advances | **12** | **(1,660,786)** | **(1,660,786)** | (463,339) | (463,339) |
| (Increase) /Decrease in Intragroup receivables | **26** | **-** | **(3,918)** | - | 49,975 |
| (Increase) in other assets | **15** | **19,654** | **19,654** | (134,604) | (120,573) |
| (Increase) in other prepayments | **13** | **(4,240)** | **(1,776)** | (4,893) | (910) |
| (Increase) in other Tax Payables | **20** | **7,371** | **3,925** | 4,277 | 3,235 |
| (Increase) in other receivables | **14** | **(51,445)** | **(8,818)** | 10,316 | (4,535) |
| Decrease in accounts payable | **19** | **54,127** | **63,212** | 15,075 | 5,051 |
| Decrease in Intragroup payable | **26** | **-** | **-** | - | (22,003) |
| Increase in Collateral Savings | **18** | **33,603** | **33,603** | 62,727 | 62,727 |
| Prior year adjustment | | **-** | **-** | 100,599 | 100,599 |
| **Cash flow after change in working capital** | | **(910,844)** | **(980,333)** | (93,720) | (150,560) |
| Corporate Tax Paid | | **(88,235)** | **(56,250)** | (74,819) | (73,919) |
| Withholding Tax Paid | | **(22,545)** | **(10,288)** | (9,283) | (9,283) |
| **Net cash generated from operating activities** | | **(1,021,624)** | **(1,046,871)** | (177,823) | (233,763) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | | |
| Additional to Fixed Asset | **16** | **(24,376)** | **(15,647)** | (38,862) | (36,098) |
| Proceed from Disposal of assets | **16** | **-** | **-** | 5,000 | 5,000 |
| *Net cash flow used in investing activities* | | **(24,376)** | **(15,647)** | (33,862) | (31,098) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | | | |
| Cash injection from shareholders | **21** | **17,500** | **17,500** | - | - |
| (Increase)/Decrease in borrowings | **17** | **1,549,621** | **1,549,621** | 338,792 | 338,792 |
| *Net cash flow used in financing activities* | | **1,567,121** | **1,567,121** | 338,792 | 338,792 |
| **CASH AND CASH EQUIVALENTS** | | | | | |
| Net (decrease)/increase in Cash | | **521,121** | **504,604** | 127,107 | 73,932 |
| Cash and cash equivalent brought forward | | **219,104** | **135,706** | 91,997 | 61,774 |
| **Cash and cash equivalents carried forward** | **11** | **740,225** | **640,309** | 219,104 | 135,706 |

## 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 2019. These consolidated financial statements comprise of the Group and its subsidiary (together referred to as the "Group").

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

The address of its registered office is:

**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

In these financial statements, the Group has applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below. The Group has early adopted 'Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7' which is effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. This has resulted in additional disclosures as described below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Group's consolidated financial statements. The new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2019, unless otherwise stated. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective other than 'Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7'.

**IFRS 16-Leases**

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

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.
The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4

On transition, for leases previously accounted for as operating leases with a remaining lease
term of less than 12 months and for leases of low-value assets such as the lease contract for the Head Office, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. As at adoption date and year end, there were no leases that were classified as finance leases, thus no any right-of-use and asset lease liability have been recognized.

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.
The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a continuously changing tax environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The tax filings of the Group include deductions related to expenses that the taxation authority may challenge those tax treatments. The Group determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authority. The Interpretation did not have an impact on the consolidated financial statements of the Group.

**Amendments to IFRS 9: Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, the Group assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the consolidated financial statements of the Group.

**Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS**

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

As indicated in the accounting policies, the Group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. IAS 39 requires that for cash flow hedges, a forecast transaction must be highly probable. IAS 39 also requires that a hedging relationship only qualifies for hedge accounting if the hedging relationship is highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk. The assessment of hedge effectiveness is made prospectively and retrospectively. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the
hedging relationship is expected to be highly effective.

**Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

**IFRS 17 Insurance contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), 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 (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the Group as the Group does not issue insurance contracts but rather earns commission for brokering insurance contracts.

**Amendments to IFRS 3: Definition of a Business**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

**Amendments to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material, if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'
The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

**Significant accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

## 3.2. INCOME AND EXPENSE RECOGNITION

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

### 3.2.1. Effective Interest Rate

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

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

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

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

## 3.3. FEE AND COMMISSION INCOME

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

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

Disclosure of fees are found on notes 7 which forms part of the report.

## 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

### 3.12.1 Recognition and initial measurement

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

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

### 3.12.2 Classification and subsequent measurement Financial assets

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

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

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

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

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

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

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

*Financial assets – Business model assessment*

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

The information considered includes:

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

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

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

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

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

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

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

*Financial assets – Subsequent measurement and gains and losses*

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

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

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

**3.12.4 De-recognition**

*Financial assets*
Group de-recognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not de-recognized.

*Financial liabilities*

that are included in the statement of financial position are loans and advances to banks and loans and advances to customers. Reference is made to Note 3.12 *Financial Instruments* above.

## 3.16. LOANS AND BORROWINGS

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

## 3.17. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

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

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

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

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

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

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

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

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

*Measurement of ECLs*

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

**Three different stages are recognized:**

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

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

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

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

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

*Table 1: Three stages under IFRS 9 for allowance*

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

## 3.18. 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

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

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

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

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

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

### 3.21. LEASES

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

*Leases in which the Group is a lessee*

The Group classify all leases as finance leases and recognizes new assets (right to use) and liabilities except those of short term (12 months or less) and low value which are classified as operating leases. For the finance leases, the Group will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. For operating leases, the Group recognizes operating lease expense on a straight-line basis over the term of the lease, and recognizes assets and liabilities only to the extent that there is a timing difference between actual lease payments and the expense recognized.
In addition, the Group does not recognize provisions for operating leases that it assesses to be onerous. Instead, the Group includes the payments due under the lease in its lease liability.

*Leases in which the Group is a lessor*

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

### 3.22. COMPARATIVES

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

### 3.23. EARNINGS PER ORDINARY SHARE

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

## 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** | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| | **TZS** | **TZS** | **TZS** | **TZS** | **TZS** | **TZS** |
| Cash and cash equivalent | - | - | 740,225 | 219,104 | - | - |
| Trade and other receivables | - | - | 90,433 | 38,988 | - | - |

| ***Financial Liabilities*** | **Fair Value through Profit/Loss** | | **Amortized Cost** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **TZS** | **TZS** | **TZS** | **TZS** |
| Trade and other payable | - | - | 152,656 | 61,041 |
| Loans and borrowings | - | - | 3,064,380 | 1,457,512 |

## 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 2019** | | 31 December 2018 | |
|---|---|---|---|---|
| | **Cash at Bank TZS'000** | **Short-term Deposits TZS'000** | Cash at Bank TZS'000 | Short-term Deposits TZS'000 |
| CRDB Bank Plc | **101,225** | **-** | 73,790 | - |
| CBA | **8,812** | **-** | 36,434 | - |
| NMB Bank Plc | **30,767** | **-** | 41,985 | - |
| MUCOBA Plc | **11,793** | **-** | 1,427 | - |
| ACB Plc | **349** | **-** | 5,089 | - |
| TIB Corporate | **4,867** | **-** | - | - |
| TIB Corporate USD | **469,097** | **-** | - | - |
| CBA - USD Account | **1,862** | **-** | 1,091 | - |
| Mobile Wallets | **19,537** | **-** | 9,165 | - |
| Petty Cash | **90** | **-** | 123 | - |
| Short term Investment | **-** | **91,826** | - | 50,000 |
| | **648,399** | **91,826** | 169,104 | 50,000 |

## 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 | |
| | **2019** | 2018 | **2019** | 2018 |
| **Net foreign currency financial assets /(liabilities)** | | | | |
| Cash at Bank | **620,765** | 215,988 | **203,955** | 1,091 |
| | **620,765** | 215,988 | **203,955** | 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 2019** | | | | | **TZS '000** |
| Accounts payables and other liabilities | **166,281** | **413,805** | **-** | **-** | **-** |
| Borrowings | **218,892** | **1,305,633** | **150,000** | **1,530,557-** | **-** |
| Derivative financial liabilities | **-** | **-** | **-** | **-** | **-** |
| **Total** | **385,173** | **1,719,438** | **150,000** | **1,530,557-** | **-** |

| | 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 | - | - |

**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% (2018: 10-12%).

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 2019 and at 31 December 2018 were as follows:

| | **GROUP 2019 TZS '000** | GROUP 2018 TZS '000 |
|---|---|---|
| **Borrowings** | **3,064,380** | 1,447,512 |
| Less: Cash and Cash Equivalents | **740,225** | 219,104 |
| **Net Debt** | **2,324,155** | 1,228,408 |
| **Total Equity** | **2,593,972** | 2,327,341 |
| Less: Amount in the cash flow hedging reserves | **-** | - |
| **Total Adjusted Capital** | **2,593,972** | 2,327,341 |
| **Debt to adjusted capital ratio (%)** | **90%** | 53% |

The increase in the debt to adjusted capital ratio during 2019 resulted primarily from the increase in borrowings and improvement of equity arising from increase in retained earnings.

| | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|
| **5. INTEREST INCOME** | | | | |
| a. Interest- Loans to Customers | **1,444,222** | **1,444,222** | 959,808 | 959,808 |
| b. Interest -Bank deposits | **23,983** | **17,340** | 3,850 | - |
| **Total Interest Income** | **1,468,205** | **1,461,562** | 963,658 | 959,808 |

| | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|
| **6. INTEREST EXPENSES** | | | | |
| a. Interest - Banks and Financial Institutions | **12,686** | **12,686** | 5,723 | 5,723 |
| b. Interest - Microfinance Service Providers | **31,924** | **31,924** | 33,585 | 33,585 |
| c. Interest- Borrowings from Abroad | **62,666** | **62,666** | - | - |
| d. Interest - Shareholders | **198,934** | **198,934** | 148,775 | 148,775 |
| e. Interest others/Processing Fees | **17,178** | **17,178** | 4,530 | 4,530 |
| **Total Interest Expenses** | **323,388** | **323,388** | 191,421 | 191,421 |
| Provision for impairment on receivables | **11,000** | **-** | 14,032 | - |
| Provision for Bad debts | **126,983** | **126,983** | 116,326 | 116,326 |
| **Net Interest Income after impairment** | **1,282,801** | **1,011,191** | 631,546 | 641,727 |

| | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|
| **7. NON-INTEREST INCOME** | | | | |
| a. Commission on Insurance | **351,900** | **-** | 227,635 | - |
| b. Fees on Loans | **135,833** | **135,833** | 114,318 | 114,318 |
| c. Other Operating Income | **335,160** | **335,160** | 311,671 | 311,671 |
| **Total Non-Interest Income** | **822,893** | **470,993** | 653,623 | 425,988 |

| | **GROUP** | **COMPANY** | GROUP | COMPANY |
|---|---|---|---|---|

| | | **2019** | **2019** | 2018 | 2018 |
|---|---|---|---|---|---|
| | | **TZS 000** | **TZS 000** | TZS 000 | TZS 000 |
| **8.** | **PERSONNEL EXPENSES** | | | | |
| | a. Salaries and Wages | **685,648** | **576,809** | 656,299 | 571,572 |
| | b. Social Security | **64,619** | **54,233** | 61,398 | 53,307 |
| | c. Skills and Development Levy | **28,339** | **23,665** | 27,996 | 24,708 |
| | d. Workers Compensation Fund | **6,512** | **5,474** | - | - |
| | e. Medical Expenses | **49,345** | **44,448** | 42,956 | 39,223 |
| | **Total Personnel Expenses** | **834,463** | **704,629** | 788,649 | 688,809 |

| | | **GROUP** | **COMPANY** | GROUP | COMPANY |
|---|---|---|---|---|---|
| | | **2019** | **2019** | 2018 | 2018 |
| | | **TZS 000** | **TZS 000** | TZS 000 | TZS 000 |
| **9.** | **ADMINISTRATIVE EXPENSES** | | | | |
| | Auditor's Fee | **20,153** | **14,488** | 13,632 | 12,452 |
| | Printing and Stationery | **24,070** | **20,338** | 13,535 | 11,338 |
| | Water and Electricity | **12,625** | **11,200** | 11,242 | 11,242 |
| | Communication | **25,102** | **21,688** | 25,545 | 23,025 |
| | Board Expenses | **32,239** | **22,001** | 25,781 | 21,701 |
| | Office Expenses | **62,561** | **40,157** | 34,684 | 19,674 |
| | Staff Training Expenses | **14,333** | **14,208** | 2,560 | 2,255 |
| | Recovery & Litigations | **56,691** | **56,691** | 39,561 | 39,561 |
| | Transport and Traveling | **33,510** | **33,260** | 15,014 | 14,294 |
| | Office Rent | **42,888** | **39,726** | 61,050 | 56,830 |
| | Depreciation | **39,868** | **36,485** | 35,596 | 33,079 |
| | Professional Consultancy | **18,896** | **18,896** | 3,841 | 3,842 |
| | Trading License | **-** | **-** | 2,426 | 2,426 |
| | City Service Levy | **3,150** | **2,266** | 3,814 | 3,814 |
| | Other Expenses | **96,157** | **35,047** | 62,252 | 43,850 |
| | **Total Administrative Expense** | **482,243** | **366,452** | 357,060 | 299,805 |

| 10. TAXATION | GROUP 2019 TZS 000 | VFP 2019 TZS 000 | GROUP 2018 TZS 000 | VFP 2018 TZS 000 |
|---|---|---|---|---|
| **INCOME TAX EXPENSE** | | | | |
| The Major Components of Income Tax for The Year Ended 31 Dec 2019 are: | | | | |
| Current Income Tax | **193,816** | **164,609** | (115,367) | (137,476) |
| Deferred Income Tax Charged/(Released) | **(45,034)** | **(41,278)** | 6,237 | 6,445 |
| | **148,782** | **123,331** | (109,130) | (131,031) |
| **Reconciliation of Tax on Profit and Current Tax** | | | | |
| Profit Before Tax | **513,020** | **411,103** | 149,793 | 89,435 |
| Tax @ 30% | **153,906** | **123,331** | 44,938 | 26,831 |
| Non qualifying assets | **-** | **-** | (1,612) | (1,612) |
| Expenses not deductible for tax purposes | **(5,124)** | **-** | 34,898 | 34,897 |
| **Reconciled Current Tax** | **148,782** | **123,331** | 78,224 | 60,116 |
| **Deferred Tax Asset/(liability)** | | | | |
| At 1 January 2019 | **118,644** | **138,965** | (2,022) | (3,602) |
| Charged/(Released) During the Year | **3,639** | **3,183** | 120,666 | 142,567 |
| General Provision | **41,395** | **38,095** | - | - |
| **At 31 December 2019** | **163,679** | **180,243** | 118,644 | 138,965 |

| 11. CASH AND CASH EQUIVALENTS | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|
| Mobile Wallet Balance | **19,537** | **19,537** | 9,165 | 9,165 |
| Bank Balances | **720,598** | **620,765** | 209,816 | 126,446 |
| Petty Cash | **90** | **8** | 123 | 95 |
| **Total Cash and Cash Equivalents** | **740,225** | **640,309** | 219,104 | 135,706 |

| | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|
| **12. GROSS LOANS** | | | | |
| a. Loans to Customers | **3,850,152** | **3,850,152** | 2,529,929 | 2,529,929 |
| b. Loans to Staff | **155,400** | **155,400** | 93,410 | 93,410 |
| c. Accrued Interest Receivables – Loans | **514,039** | **372,297** | 302,226 | 302,226 |
| d. Accrued Penalty Receivables – Loans | **314,104** | **314,104** | 247,343 | 247,343 |
| **Total Gross Loans** | **4,833,695** | **4,833,695** | 3,172,908 | 3,172,908 |
| Impairment on Loans | **118,629** | **118,629** | - | - |
| **Net Loans and Advances** | **4,715,066** | **4,715,066** | 3,172,908 | 3,172,908 |

| | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|
| **13. PREPAYMENTS:** | | | | |
| Rent | **7,532** | **7,004** | 7,268 | 7,268 |
| General Office Insurance | **650** | **473** | 841 | 841 |
| Medical Insurance Prepayment | **31,480** | **28,151** | 32,298 | 30,729 |
| Unamortized External Loan Process Fee | **10,455** | **10,455** | 5,470 | 5,470 |
| Fidelity Prepayment | **6,329** | **-** | 6,329 | - |
| **Total Prepayments** | **56,446** | **46,084** | 52,206 | 44,308 |

| | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|
| **14. OTHER ACCOUNTS RECEIVABLES** | | | | |
| VG Fees Receivable | **-** | **-** | 7,600 | 7,600 |
| Intercompany Receivable | **-** | **14,888** | - | 10,969 |
| Account Receivable | **21,760** | **16,825** | 5,368 | 4,326 |
| Commission on Insurance Receivable | **68,673** | **-** | 26,020 | - |
| **Total Other Accounts Receivables** | **90,433** | **31,713** | 38,988 | 22,895 |

| | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|
| **15. OTHER ASSETS** | | | | |
| Cheque Inward A/C | **136,003** | **136,003** | 122,308 | 122,308 |
| Cheque Outward A/C | **98,171** | **98,171** | 169,446 | 169,446 |
| Solar Unsold Stock | **37,276** | **37,276** | - | - |
| Advances to Staff | **4,248** | **4,248** | 3,599 | 3,599 |
| **Total Other Assets** | **275,697** | **275,697** | 295,354 | 295,354 |

## 16. PROPERTY AND EQUIPMENT – GROUP

TZS 000

| | Computer | Equipment | Furniture | Motor Vehicle | Software | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At January 2019 | 79,765 | 62,373 | 76,237 | 21,050 | - | **239,426** |
| Additional during the year | 9,409 | 3,347 | 4,161 | 4,500 | 2,959 | **24,376** |
| Disposals | - | - | - | - | | **-** |
| **Balance as at 31st December 2019** | **89,174** | **65,720** | **80,399** | **25,550** | **2,959** | **263,802** |
| **Depreciation** | | | | | | |
| At 1st January 2019 | 47,551 | 21,807 | 24,921 | 2,218 | - | **96,497** |
| Charge during the year | 17,885 | 8,984 | 9,691 | 3,078 | 229 | **39,868** |
| Depreciation on disposals | - | - | - | - | - | **-** |
| **At 31st December 2019** | **65,437** | **30,791** | **34,612** | **5,296** | **229** | **136,365** |
| **Net book value** | | | | | | |
| 31st December 2019 | **23,737** | **34,929** | **45,787** | **20,254** | **2,730** | **127,436** |
| 31st December 2018 | 32,143 | 40,567 | 51,316 | 18,832 | - | 142,929 |

## 16. PROPERTY AND EQUIPMENT - COMPANY

| | Computer | equipment | Furniture | Motor Vehicle | Software | Total |
|---|---|---|---|---|---|---|
| | | | TZS'000 | | | |
| **Cost** | | | | | | |
| At January 2019 | 74,107 | 56,460 | 72,019 | 21,050 | - | **223,636** |
| Additional during the year | 6,603 | 3,347 | 3,397 | 2,300 | - | **15,647** |
| Disposals | - | - | - | - | - | **-** |
| **Balance as at 31st December 2019** | **80,710** | **59,807** | **75,416** | **23,350** | **-** | **239,282** |
| **Depreciation** | | | | | | |
| At 1st January 2019 | 38,075 | 20,882 | 31,396 | 1,942 | - | **92,295** |
| Charge during the year | 16,346 | 8,088 | 9,156 | 2,895 | - | **36,485** |
| Depreciation on disposals | - | - | - | - | - | **-** |
| **At 31st December 2019** | **54,421** | **28,970** | **40,551** | **4,837** | **-** | **128,779** |
| **Net book value** | | | | | | |
| 31st December 2019 | **26,289** | **30,837** | **34,864** | **18,513** | **-** | **110,503** |
| 31st December 2018 | 35,962 | 35,578 | 40,623 | 19,108 | - | 131,341 |

| | **GROUP 2019 TZS 000** | **COMPANY 2019 TZS 000** | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|
| **17. Borrowings** | | | | |
| a. Borrowings in Tanzania | **1,764,125** | **1,764,125** | 1,447,512 | 1,447,512 |
| b. Borrowing Abroad | **1,072,065** | **1,072,065** | **-** | - |
| c. Special Funds | **199,541** | **199,541** | 10,000 | 10,000 |
| d. Accrued Interest payable | **28,648** | **28,648** | 57,247 | 57,247 |
| **Total Borrowings** | **3,064,380** | **3,064,380** | 1,457,512 | 1,457,512 |

| | | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|---|
| **18.** | **Cash Collateral/ Savings** | | | | |
| | Client's Fund | **7,288** | **7,288** | 6,864 | 6,864 |
| | Collateral Savings | **203,853** | **203,853** | 170,672 | 170,672 |
| | **Total Cash Collateral/ Savings** | **211,140** | **211,140** | 187,537 | 187,537 |

| | | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|---|
| **19.** | **Other Payables and Accruals** | | | | |
| | Account Payable | **63,123** | **60,094** | 68,118 | 26,098 |
| | Directors Fee Payable | **14,000** | **8,000** | 7,000 | 7,000 |
| | Intercompany Payables | **14,688** | **-** | **-** | - |
| | Auctioneer Payable | **7,474** | **7,474** | 2,877 | 2,877 |
| | Audit Fee Payable | **18,777** | **13,277** | 9,440 | 8,260 |
| | Insurance Premium Payable | **7,710** | **7,710** | 4,254 | 4,254 |
| | Bonus Payable | **26,466** | **15,566** | 6,000 | - |
| | Statutory Deductions Payables | **417** | **417** | 840 | 840 |
| | **Total Other Payables and Accruals** | **152,656** | **112,540** | 98,529 | 49,328 |

| | | | | | |
|---|---|---|---|---|---|
| **19.** | **Provision for dividend** | **115,109** | **115,109** | - | - |

| | | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|---|
| **20.** | **Corporate Tax** | | | | |
| | Tax (Payable)/ Receivable Balance | **(55,784)** | **(54,284)** | (38,202) | (38,004) |
| | Prior year Tax Paid | **107,094** | **88,641** | 38,203 | 38,005 |
| | Provisional Tax Paid During the year | **88,235** | **56,250** | 46,500 | 45,000 |
| | Withholding Tax Paid Directly to TRA | **22,545** | **10,288** | 9,283 | 9,283 |
| | Corporate Tax Expense | **(193,816)** | **(164,609)** | - | - |
| | **Corporate Tax (Payable)/ Receivable** | **(31,726)** | **(63,715)** | 55,784 | 54,284 |

| | | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|---|
| **20.** | **Other Tax Liabilities** | **(21,768)** | **(17,280)** | (14,397) | (13,555) |

| | | GROUP 2019 TZS 000 | COMPANY 2019 TZS 000 | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|---|
| **21.** | **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** | | | | |
| | 4,983,340 Shares of Tzs 250 Each | **1,245,835** | **1,245,835** | 1,236,113 | 1,236,113 |
| | Share Premium | **41,576** | **41,576** | 33,798 | 33,798 |
| | **Share Capital** | **1,287,411** | **1,287,411** | 1,269,911 | 1,269,911 |

During the year, 130,000 shares were transferred from one shareholder to another and 164,205 new shares were issued and fully paid. The registration of both transfer and issued shares has not been completed with registrar of companies as at 31st December 2019.

| | | GROUP 2019 TZS | COMPANY 2019 TZS | GROUP 2018 TZS | COMPANY 2018 TZS |
|---|---|---|---|---|---|
| **21.** | **Basic and Diluted Earnings per Share** | | | | |
| | **Basic and Diluted Earnings Per Share** | | | | |
| | Net Profit for The Year | **364,238,444** | **287,771,945** | 270,459,583 | 232,001,724 |
| | Weighted Average Ordinary Shares | **4,983,340** | **4,983,340** | 4,944,451 | 4,944,451 |
| | **Basic and Diluted Earnings Per Share (Tzs)** | **73** | **58** | 55 | 47 |

**22. Non-Controlling interest**

The group's principal subsidiaries at 31 December 2019 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 | 99.9999% | 0.0001% |

**23.** 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** | VIB |
|---|---|---|
| | **TZS** | TZS |
| **Summarized statement of financial position** | **2019** | 2018 |
| Current assets | **185,610** | 117,316 |
| Current liabilities | **(46,848)** | (45,919) |
| **Net current assets** | **138,762** | 71,397 |
| | | |
| Non-current assets | **17,840** | 12,959 |
| Non-current liabilities | **-** | - |
| **Net non-current assets** | **17,840** | 12,959 |
| | | |
| **Net assets** | **156,602** | 84,356 |
| | | |
| **Accumulated non-controlling interest in net assets** | **179** | 179 |

| | **VIB** | VIB |
|---|---|---|
| | **TZS** | TZS |
| **Summarized statement of compressive income** | **2019** | 2018 |
| Revenue | **358,535** | 231,485 |
| Expenses | **(256,625)** | (193,443) |
| **Net profit/ (loss)** | **101,909** | 38,041 |
| | | |
| **Profit / (loss) allocated to NCI** | **2** | 1 |
| | | |
| **Dividend paid to NCI** | **-** | - |

| | **GROUP** | **COMPANY** | GROUP | COMPANY |
|---|---|---|---|---|
| | **2019** | **2019** | 2018 | 2018 |
| **24. Number of Outreach** | | | | |

| | | | | |
|---|---|---|---|---|
| As at January 01 | **2** | 2 | 2 | 2 |
| Opened / (Closed) During the Year | **0** | 0 | 0 | 0 |
| **As at December 31** | **2** | **2** | 2 | 2 |

| | **GROUP 2019 TZS 000** | **COMPANY 2019 TZS 000** | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|
| **25. RELATED PARTY TRANSACTIONS** | | | | |
| **Salaries and Directors' fees** | | | | |
| Fees to directors | **14,000** | **8,000** | 7,000 | 7,000 |
| Salaries to management | **295,633** | **242,965** | 274,030 | 228,760 |
| **Total payments** | **309,633** | **250,965** | 281,030 | 235,760 |
| **Loans and advances** | | | | |
| Shareholders/Board Members | **121,203** | **121,203** | 195,615 | 195,615 |
| Management | **54,067** | **34,067** | 11,400 | 11,400 |
| Due from related parties (Note 22.1) | - | - | - | (28,387) |
| **Total related party lending** | **175,270** | **155,270** | 207,015 | 178,628 |

## 25.1 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.

## 25.2 Loan and Advance Credit Arrangement

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

## 26. Settlement of liabilities (Payments) on behalf of another party

In the year ending 31 December 2019, the Company did settle TZS16Mn liability (Payments) on behalf of related party (2018: TZS60Mn).

| | **GROUP 2019 TZS 000** | **COMPANY 2019 TZS 000** | GROUP 2018 TZS 000 | COMPANY 2018 TZS 000 |
|---|---|---|---|---|
| **26.1** | | | | |
| **Transactions with related Victoria Insurance Brokers were as follows:** | | | | |
| Carryforward Receivable from Related Party | - | **10,969** | - | 21,588 |
| Payments made on behalf | - | **39,757** | - | 21,588 |

| | | | | |
|---|---|---|---|---|
| of subsidiaries | | | | |
| Payments received from of subsidiaries | - | **(23,415)** | - | (71,562) |
| **Due from related parties** | **-** | **27,312** | - | (28,387) |

### 26.2 Intra Group Settlement:

| TYPE OF UNCONTROLLED TRANSACTIONS | BASIS FOR ALLOCATION | YEARS OF OPERATIONS 2017 | 2018 | 2019 |
|---|---|---|---|---|
| Personnel Expense | Actual amount per person | 78,698.00 | - | - |
| Fixed Deposit | Market rate | 17,800.00 | - | 50,826.40 |
| Tax Advance | Actual cost | 600.00 | - | - |
| Fixed Assets | Actual cost | 13,025.00 | - | - |
| Rent | Area Occupied | - | 4,201.68 | - |
| Electricity | Headcount | - | 1,221.43 | 1,132.48 |
| Water | Headcount | - | 77.14 | 82.34 |
| Security | Headcount | - | 771.43 | 591.65 |
| Internet | Headcount | - | 267.43 | 953.36 |
| Communication | Actual amount per person | - | 2,120.00 | 2,400.00 |
| Medical | Actual premium per person | - | 4,272.48 | 6,656.67 |
| Staff loans | Staff rate | - | - | 23,140.82 |
| Other Office Expenses | Headcount | - | 8,656.19 | 4,800.00 |

### 26.3 Payment for Expenses

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

## 27. CONTIGENCIES

During the year the Company had a pending labor dispute at the High Court (Labor Division) where the Company lodged an appeal for revision against an award by Commission for Mediation and Arbitration (CMA) in favor of staff John Mwakasonda who succeeded in his application to challenge his dismissal. If the application for revision is not going to be successful, the Company will be liable to pay TZS 22,000,000.

Also, during the year, the Company had an appeal case at District Court where the Company lodged an application for revision against an award by Sinza Primary Court in favour of our customer Dhanji who succeeded in his case against the company. If the appeal is not successful, the Company will pay TZS 40,000,000.

## 28. SUBSEQUENT EVENTS

The outbreak of COVID-19 is likely to have serious impact on the credit loss and loan impairment, employment benefits including terminal benefits, liquidity and ability of the Company to dispose the collaterals hence impacting financial reporting and disclosures. The Management is taking all possible precautions to protect the company assets, employee and customers from the impact. The assessment of the impact and performance of the loan stress testing will be done on quarterly basis to determine the impact of COVID-19 which shall be discussed at Management and Board level to determine the course of actions to be taken including policy changes and strategies.

## 29. GENERAL

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

## 30. DATE OF AUTHORISATION

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

| | |
|---|---|
| **Director** | **Director** |
| Date....16.05.2020.... | Date....16.05.2020.... |

# ANNUAL REPORT 2019

ANNUAL REPORT AND GROUP
**AUDITED FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31st DECEMBER 2019

Designed by 0752666614