

K-FINANCE LIMITED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

TABLE OF CONTENTS

	PAGE
Abbreviations	2
The Company's information	3
Those Charged with Governance's Report	4 – 11
Statement of Those Charged with Governance's Responsibilities	12
Declaration of the Head of Finance	13
Independent Auditors' Report	14 – 16
<i>Financial statements</i>	
Statement of income and expenditure and other comprehensive income	17
Statement of financial position	18
Statement of changes in accumulated fund	19
Statement of cash flows	20
Notes to the financial statements	21 - 39

K-FINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

LIST OF ABBREVIATIONS

CPA – PP	Certified Public Accountant in Public Practices
GAAP	General Accepted Accounting Principles
GRC	Governance and Remunerations Committee
IAS	International Accounting Standards
IESBA	International Ethics Standards Board of Accountants
ISA	International Standards on Auditing
NBAA	National Board of Accountants and Auditors
NSSF	National Social Security Fund
RAC	Risk and Audit Committee
SDL	Skills Development Levy
TFRS	Tanzania Financial Reporting Standards
TZS	Tanzanian Shillings
USD	United States Dollars
WCF	Workers Compensation Fund
WHT	Withholding Tax

K-FINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY'S INFORMATION

Company Name **K-Finance Limited**

Registered office **K-Finance Limited**
Block "A" Mikocheni
Rose Garden Road
P O Box 19111
Dar es Salaam
Tanzania

Lawyers Major Law associates
P O Box 33976
Dar es Salaam
Tanzania

Principal bankers **CRDB Bank Plc**
Kijitonyama Branch
Dar es Salaam
Tanzania

NMB Bank Plc
Mlimani City Branch
Dar es Salaam
Tanzania

Auditors **EVK Certified Public Accountants**
PSSSF Commercial Complex, 10th Floor
Sam Nujoma Road
PO Box 53789
Dar es Salaam
Email: info@evk.co.tz
Web: www.evk.co.tz

REPORT BY THOSE CHARGED WITH GOVERNANCE

1. INTRODUCTION

The Board of Directors of K-Finance Limited is pleased to submit their annual report and the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of the Company. This report by those charged with governance has been prepared in accordance with the Tanzania Financial Reporting Standards (TFRS) No. 1 issued by National Board of Accountants and Auditors (NBAA).

2. ESTABLISHMENT

K-Finance Limited was incorporated in Tanzania on 16 January 2008 under the Companies Act, 2002 of the laws of the United Republic of Tanzania.

3. NATURE OF OPERATION

K-Finance is a non-deposit taking financial institution in tier 2 as described by the Microfinance Act of 2019.

4. OBJECTIVES AND STRATEGIES

K-Finance was established to fill in the gap of financing to the people in the low income to middle income bracket, operating in the semi-informal sector that was traditionally not financed by the formal financial sector.

5. ENTITY OPERATING MODEL

Inputs

The management of the Company is under the Chief Executive Officer, organized in three departments and two outsourced functions.

- Credit operations.
- Business development
- Finance and Administration
- Internal audit – (*outsourced function*)
- Legal – (*outsourced function*)

Operating

K-Finance is a registered microfinance institution and its key operating activity is lending. The key products are loans and entrepreneurship trainings.

Outputs

There are six (6) loan products offered by the Company as listed below:

- Business loans
- Personal salaried loans
- Executive loans
- Ada loans
- Gari lako loan
- Tender loan

The Company also offers business trainings known as Ignite business clinics which has a focus on mindset shift towards entrepreneurial thinking.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

5. ENTITY OPERATING MODEL (Continued)

Outcome

As a financial institution the key revenue is derived from interest income on loans and fees charged on loan facilitation. The business has 4 key stakeholders, namely; the authorities, shareholders, clients and staff. The Company operates competitively to ensure that the interests of the stakeholders are fulfilled.

6. CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Due to the effects of COVID-19 the performance of the business did not meet its strategic targets. The Company had to postpone and downscale some activities due to the prevailing uncertainties. However, the Company remained strong and it was able to improve its results compared to the previous year. The future is filled with several prospects, with the new improved interest rates the Company intends to widen the customer base by creating exciting new products, the Company has plans of opening a branch in Dodoma city and introducing an Insurance Agency business as a complement to its lending business.

7. RESOURCES

Employees with appropriate skills and experience in running the microfinance business are key resources available to the Company and they assist in pursuing the Company's objectives.

8. PRINCIPLE RISKS, UNCERTAINTIES AND OPPORTUNITIES

The Board of Directors has overall responsibility to the establishment and oversight of Company risks management framework. The risks management policies are established to identify and analyse risks faced by the Company, to set appropriate risk limits and controls and monitor risks adherence to limits. The risks management policies and systems are reviewed regularly to reflect changes in the market condition and the Company activities.

The Board of Directors monitors the Company risks management policies and procedures assisted by internal auditor. The internal auditor undertakes both regular and ad hoc reviews of the risks management and control procedure, the result of which are reported to the Board of Directors.

The Company has exposure on the following risks

- Credit risks
- Liquidity risks
- Interest rate risks

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables. The credit risk management process is part of the overall operational risk management framework of the Company and is reviewed continually with respect to its accuracy and appropriateness. The Company mitigates risk concentration through policy and portfolio diversification regarding loan products and economic sectors.

Management evaluates credit risk relating to customers on an ongoing basis. K-finance has adopted various sound practices set out to specifically address the following areas:

a) Establishing an appropriate credit risk environment

The Board of Directors shoulders the responsibility for approving and periodically (at least annually) reviewing the business strategy which encompasses credit risk and significant credit risk policies of the institution. The strategy reflects the institution's tolerance for risk and the level of profitability the institution expects to achieve for incurring various credit risks.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

8. PRINCIPLE RISKS, UNCERTAINTIES AND OPPORTUNITIES (Continued)

Credit risk (Continued)

b) Operating under a sound credit granting process

K-finance operates within a sound, well-defined credit-granting criteria. The criteria include a clear indication of the K-finance's target market and a thorough understanding of the borrower or a counterparty, as well as the purpose and structure of the credit, and its source of repayment.

c) Maintaining an appropriate credit administration, measurement, and monitoring process

K-finance uses information systems (CRDB Finance Solution) and analytical tools (credit scoring and assessment) that enable management to measure the credit risk inherent in all on- and off-balance sheet activities. The management information system provides adequate information on the composition of the credit portfolio, including identification of any concentrations of risk.

d) Ensuring adequate controls over credit risk

The internal audit function acts as an independent, ongoing assessor of the K-finance's credit risk management processes and the results of such reviews are communicated directly to the Board of Directors and senior management for action.

Liquidity risks

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have enough liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity is further managed by monitoring forecast cash flows to ensure that the Company has adequate cash resources to meet its short-term commitments.

The Company ensures that it has enough cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

All liquidity policies and procedures are subject to review and approval by the Company's Board of Directors. Accompanying operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, directors ensure that the mismatch is controlled in line with allowable risk levels and 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 organisation maintains an active presence in money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cashflow.
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of gap analysis, maturity ladder as well as cashflow 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.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

8. PRINCIPLE RISKS, UNCERTAINTIES AND OPPORTUNITIES (Continued)

Interest rate risk

Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may reduce losses if unexpected movements arise.

9. STAKEHOLDERS' RELATIONSHIP

In fulfilling their responsibilities, the Directors believe that the Company was governed in the best interests of shareholders, whilst having due regard to the interests of others stakeholders in the Company including customers, employees, regulators and suppliers. The Company continues to maintain good relationship with all Stakeholders.

10. DIVIDEND

The Company did not pay dividend to shareholders during the year. (2019: None)

11. CAPITAL STRUCTURE

The Company's capital structure for the year ended 31 December 2020 is as shown below.

	2020	2019
	TZS	TZS
Authorized share capital		
5,000 shares of TZS 100,000 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid-up share Capital		
2,800 shares of TZS 100,000 each (2019: 2,800 shares)	<u>280,000,000</u>	<u>280,000,000</u>
	<u>280,000,000</u>	<u>280,000,000</u>

The Company capital structure is largely finance by equity from shareholders. Debt to equity ratio during the year was 0.19 (2019: 0.35). The shareholders consider the equity financing as sufficient capital structure.

12. CASH FLOWS

The Company has sufficient cash generated from operational activities which was attributed by interest income generated and decrease in loan issued to customers. The Board confirms that the Company has a sufficient cashflow to finance its operations.

13. LIQUIDITY

Operational activities of the Company are financed by Interest income from loan issued to customers and credit facility from CRDB Bank Plc. There was no liquidity challenge faced by the Company during the year.

K-FINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

14. KEY PERFORMANCE INDICATORS

	Benchmark	2020	2019
Profit margin (Net income/Total income)		17.80%	20.67%
Cash balances/Total Assets	<=5%	19.52%	-16.50%
Net Loans/ Total Assets	70%-80%	60%	106%
Net Institution Capital/ Total Assets	>=10%	87.1%	78.5%
Return on Equity (Net Income/Equity)	>20%	9.90%	28.54%
Return on Asset (Net Income/Total Assets)	>22%	9%	21%
Cost-income ratio (operation costs/Operating income)		57%	73%
Operating Expenses / Average Total Assets	<=5%	63%	68%
Non-Earnings Assets / Total Assets	<=5%	7%	7%
OSS (Operating Revenue/Operating expenses)	>100	176%	136%

15. CORPORATE GOVERNANCE

The Board of Directors consists of six (6) Directors (2019: five). Five (5) Directors are non-executive. The Chief Executive Officer is the Secretary of 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 is required to meet at least four times a year. The Board delegates the day to day management of the business to Chief Executive Officer assisted by senior management. Senior Management where necessary is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between various business units.

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability. Members of the Board of Directors of the Company at the date of this report were:

S/n	Name	Gender	Designation	Nationality	Qualification	Appointment
1	Devotha Minzi	Female	Board Chairperson	Tanzanian	Economist and statistician and entrepreneur	March 2017
2	Frederick Msumali	Male	Member	Tanzanian	Accounting and Finance (CPA_T), Advocate and Banker	February 2018
3	Dorothy Stephen	Female	Member	Tanzanian	Entrepreneur, companies Development Consultant and Social Marketer	March 2017
4	Isaac Saburi	Male	Member	Tanzanian	Accounting and Finance ACCA, CIA and Tax consultant	August 2018
5	Mercy Msuya	Female	Member	Tanzanian	Banking and Human resource	March 2017
6	Judith Minzi	Female	Board Secretary	Tanzanian	Accounting and Finance (CPA-T)	November 2018

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

15. CORPORATE GOVERNANCE (Continued)

During the year 2020, the Board of Directors of the Company had the following board sub-committees to ensure a high standard of corporate governance throughout the Company.

Risk and Audit Committee

The Board Risk and Audit Committee reports to the full Board of Directors. The Board Risk and Audit Committee met three times during the year. The meeting of the committee discussed annual budget for the year, internal audit reports, loan management, impact of COVID-19 on the recovery and disbursement of the loan and compliance with laws and regulations. The Board Risk and Audit Committee has the following members:

S/n	Name	Position	Nationality
1	Frederick Msumali	Chairperson	Tanzanian
2	Isaac Saburi	Member	Tanzanian
3	Devotha Minzi	Member	Tanzanian
4	Judith Minzi	Secretary	Tanzanian

Governance and Remunerations Committee

The Governance and Remunerations Committee reports to the full Board of Directors. The Board Governance and Remunerations Committee met three times during the year. The meeting of the committee discussed staff welfare including staff training, staff appraisal, bonus proposal, performance management plan, assessment of COVID-19 impact to staff and measures taken. The Board Governance and Remunerations Committee has the following members:

S/n	Name	Position	Nationality
1	Dorothy Massawe	Chairperson	Tanzanian
2	Mercy Msuya	Member	Tanzanian
3	Devotha Minzi	Member	Tanzanian
4	Judith Minzi	Secretary	Tanzanian

Attendance of Board and committees' meetings

The Board of Directors met three times during the year under review. The Audit and Risk Committee met three times whilst the Governance and Remunerations Committee met three times during the period under review. The attendance to these Board and Committee meetings by the Directors in 2020 is tabulated below:

S/n	Name	Designation	Board Meetings	RAC	GRC
1	Devotha Minzi	Board Chairperson	3	4	3
2	Frederick Msumali	Member	4	3	N/a
3	Dorothy Stephen	Member	3	N/a	3
4	Isaac Saburi	Member	4	4	N/a
5	Mercy Msuya	Member	4	N/a	3
6	Judith Minzi	Board Secretary	4	4	4

Key:

N/a – Not a member in the respective committee

16. MANAGEMENT TEAM

The Management of the Company is under the Chief Executive Officer who is assisted by Credit Manager, Finance and Administration Manager and Business development manager.

17. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any donations during the year to whether political or charitable.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

18. EMPLOYEE WELFARE

Management and employee relationship

There was a continued good relationship between employees and management during the year 2020. There were no unresolved complaints received by Management from the employees during the year. A healthy relationship continues to exist between management and staff.

Training facilities

The Company provide on-the-job training to all its employees in order to improve their technical skills and effectiveness. Where necessary, employees are also considered for external training courses that upgrade skills and enhance development. During the year the Company spent TZS 15,268,500 on staff training.

Health and safety

The Company has a strong health and safety awareness which ensures that a culture of hygiene and safety prevails at all times.

Financial assistance to staff

Staff advances are available to all confirmed employees depending on the assessment of the need and circumstances. Loans are provided through partnership with banks, these include vehicle loans, personal loans.

Employees Benefit Plan

The Company pays contributions to National Social Security Fund (NSSF), which is a publicly administered mandatory pension plan and qualifies to be a defined contribution plan. The Company contributes 10% of the staff salary to the pension fund as employer contribution while the respective staff contributes 10% of the salary as employee contributions. Remittance to the pension fund is made in accordance with the requirements of the law.

19. DISABLED PERSONS AND GENDER BALANCE

The Company has a statutory requirement to contribute to the Workers Compensation Fund (WCF). The main purpose of the Fund is to provide compensation benefits when employees suffer occupational injuries, contract occupational diseases or die as a result of employment related reason(s). The Company is expected to contribute 1% of the annual employees' earnings to the Workers Compensation Fund.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

The Company had the following distribution of employees by gender as at the year end.

Gender	2020
Female	11
Male	5
Total	16

20. SERIOUS PREJUDICIAL ISSUES

There were no serious prejudicial issues at the reporting time.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

21. FIDUCIARY RESPONSIBILITY

Board of Directors as stewards of public trust always acted for the good of the Company rather than for the benefit of themselves throughout the period. Reasonable care was exercised in all decisions taken by the Company without placing the Company under unnecessary risks.

22. ENVIRONMENTAL MATTERS

In its mission to support the Government efforts on environmental protection programs the Company usually support business activities that are environment friendly.

23. CORPORATE SOCIAL RESPONSIBILITY

K-Finance Limited values responsible corporate citizenship. However, during the year under review, the Company did not undertake any corporate social responsibility activities.

24. ACCOUNTING POLICIES AND CRITICAL JUDGEMENT AND ESTIMATES

Results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. When preparing the financial statements, it is the Directors' responsibility under the Tanzania Companies Act 2002 to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent. The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgment involved, including the use of assumptions and estimation, are described in Notes 3 to the financial statements.

25. EVENTS AFTER REPORTING PERIOD

The Company was issued with operating license as a Microfinance by the Bank of Tanzania on 17th February 2021. The Directors are not aware of any other events after the reporting date of 31 December 2020 and the date of authorisation of these audited financial statements. However, as the pandemic continue to evolve, Directors and management will still assess its impact to the Company in the next twelve months from the date of approval of the financial statements.

26. STATEMENT OF COMPLIANCE

Board of Directors confirm that report of those charged with governance has been prepared in accordance with Tanzania Financial Reporting Standards (TFRS) 1 issued by National Board of Accountants and Auditors (NBAA) and the operational activities of the Company are in compliant with all relevant laws and regulations in Tanzania.

27. AUDITORS

EVK Certified Public Accountants were appointed the Board of Director as the Company's external auditors for the year ended 31 December 2020. The Auditors have expressed willingness to continue in office and are eligible for re-appointment. The audit firm is registered by National Board of Accountants and Auditors (NBAA) and issued with registration number PF 210, the firm is also registered by Tanzania Revenue Authority and issued with Tax Identification Number 127-089-032. The office location of the auditors is PSSSF Commercial Complex, 10th Floor, Sam Nujoma Road

Approved by those charged with governance for issue on _____ and signed on its behalf by:



Devotha Ntuke Minzi
Chairperson



Judith Minzi
Chief Executive Officer

K-FINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF THOSE CHARGED WITH GOVERNANCES' RESPONSIBILITIES

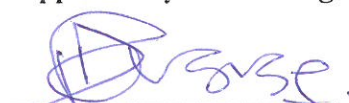
The Tanzania Companies Act No.12 of 2002 requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the Directors to ensure that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of 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 accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the K-Finance Limited will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by those charged with governance for issue on _____ and signed on its behalf by:



Devotha Ntuke Minzi
Chairperson



Judith Minzi
Chief Executive Officer

K-FINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

DECLARATION OF THE HEAD OF FINANCE

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

It is the duty of professional accountant to assist the Board of Directors and Management to discharge the responsibility of preparing financial statements of the K-Finance Limited showing true and fair view of the entity's 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 set out in the Statement of Those Charged with Governance' Responsibilities in the earlier page.

Responsibility statement

I JUDITH MINZI being the **Head of Finance** of the K-Finance Limited hereby, acknowledge my responsibility of ensuring that the financial statement for the year ended 31 December 2020 have been prepared in compliance with applicable Accounting Standards and Statutory Requirements.

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

Signed by:

Name: JUDITH MINZI

Signature: J. Minzi

Position: HEAD OF FINANCE

NBAA Membership No: GA 6404

Date: 30/04/2021

- Audit and Assurance
- Tax Services
- Advisory Services

Board of Directors
K-Finance Limited
P O Box 19111
Dar es Salaam
Tanzania

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF K-FINANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the K-Finance Limited ("the Microfinance") set out on pages 14 to 39 which comprise the statement of financial position as at 31 December 2020, statement of profit or loss and other comprehensive income, statement of cash flows, and statement of changes in equity for the year ended 31 December 2020 and summary of significant accounting policies as well as other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the K-Finance Limited ("the Microfinance") as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002.

Basis for 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 K-Finance Limited in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in United Republic of Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information included in the financial statements

The other information comprises the Those Charged with Governance's Report, Statement of Those Charged with Governance's Responsibilities and Declaration of the 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.

Relating to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with 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 a material misstatement of this other information, we are required to report that fact. We have nothing to report.

Responsibilities of Directors for the Financial Statements

Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and requirements of the Companies Act, 2002, 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, Directors are responsible for assessing the Company'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 Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company'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 judgement and maintain professional scepticism 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 Company'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 Company'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 Company 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.

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.

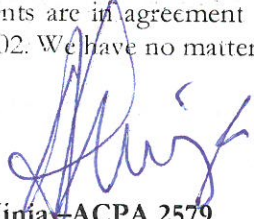
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

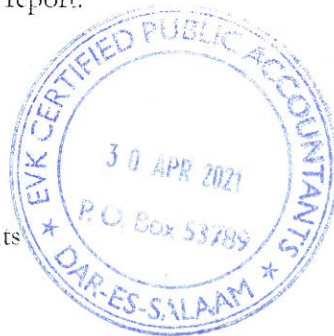
other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, proper accounting records have been kept by K-Finance Limited and the financial statements are in agreement with the accounting records and are in compliance with the Companies Act, 2002. We have no matter to report.


Abel Minja-ACPA 2579
For and on behalf of;
EVK Certified Public Accountants
Dar es Salaam



Date: 30.4.2021

K-FINANCE LIMITED
FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Notes	TZS	TZS
INCOME			
Interest income	4	730,567,599	902,927,067
Interest expense	5	<u>(9,781,033)</u>	<u>(26,415,992)</u>
Net interest income		720,786,566	876,511,074
Loan impairment charges	6	<u>55,803,250</u>	<u>(51,357,522)</u>
Net interest income after loan impairment		776,589,816	825,153,552
Fees on commission income	7	85,920,614	40,395,400
Fees and commission expenses	8	<u>(22,614,786)</u>	<u>(4,709,639)</u>
Net fee and commission income		63,305,828	35,685,761
Total operating income		839,895,644	860,839,313
Other income	9	<u>21,882,486</u>	<u>-</u>
Total income		861,778,130	860,839,313
EXPENSES			
Personnel costs	10	306,271,287	328,914,705
Administrative expenses	11	337,015,744	338,715,238
Depreciation and amortization	12	<u>18,540,002</u>	<u>15,311,840</u>
Total operating expenses		661,827,033	682,941,783
Gross profit		199,951,097	177,897,530
Tax credit/ (tax expense)	13	40,913,410	(53,770,558)
Net profit after tax		240,864,507	124,126,972

The accompanying notes on pages 21 to 39 form an integral part of these financial statements. The financial statements on pages 17 to 20 were approved by the Board of Directors on..... 2021 and were signed on its behalf by:



Devotha Ntuke Minzi
Chairperson



Judith Minzi
Chief Executive Officer

The independent auditor's report is on pages 14 to 16.

K-FINANCE LIMITED
FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 TZS	2019 TZS
ASSETS			
Non-current assets			
Property and equipment	14	65,002,269	66,665,215
Intangible assets	15	11,426,994	-
Deferred tax assets	16	<u>39,223,047</u>	<u>-</u>
Total non-current assets		<u>115,652,310</u>	<u>66,665,215</u>
Current assets			
Cash and cash equivalents	17	226,762,564	(157,083,293)
Loan to customers	18	441,629,402	764,940,592
Receivables and prepayments	19	17,506,772	24,810,705
Financial investment assets	20	13,000,000	13,000,000
Corporate tax receivable	21	<u>14,848,255</u>	<u>-</u>
Total current assets		<u>713,746,993</u>	<u>645,668,004</u>
Total Assets		<u>829,399,303</u>	<u>712,333,219</u>
LIABILITIES AND EQUITY			
Non-current liabilities			
Term loans	22	3,358,873	21,955,022
Deferred tax liability	16	<u>-</u>	<u>25,842,109</u>
Total non-current liabilities		<u>3,358,873</u>	<u>47,797,131</u>
Current Liabilities			
Trade and other payables	23	60,690,181	81,579,789
Loan security refundable	24	16,843,050	16,843,050
Tax payable	21	<u>-</u>	<u>58,470,557</u>
Total current liabilities		<u>77,533,231</u>	<u>156,893,396</u>
Total Liabilities		<u>80,892,104</u>	<u>204,690,527</u>
EQUITY			
Issued and paid up ordinary shares		280,000,000	280,000,000
Retain earnings		<u>468,507,199</u>	<u>227,642,692</u>
Total Equity		<u>748,507,199</u>	<u>507,642,692</u>
Total Equity and Liabilities		<u>829,399,303</u>	<u>712,333,219</u>

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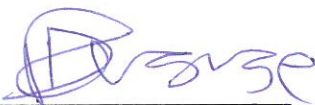
The independent auditor's report is on pages 14 to 16.

K-FINANCE LIMITED
FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital TZS	Retained earnings TZS	Total equity TZS
Year ended 31 December 2020			
At start of year	280,000,000	227,642,692	507,642,692
Profit for the year	-	<u>240,864,507</u>	<u>240,864,507</u>
At end of year	<u>280,000,000</u>	<u>468,507,199</u>	<u>748,507,199</u>
Year ended 31 December 2019			
At start of year	280,000,000	103,515,720	383,515,720
Profit for the year	-	<u>124,126,972</u>	<u>124,126,972</u>
At end of year	<u>280,000,000</u>	<u>227,642,692</u>	<u>507,642,692</u>

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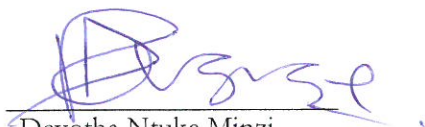
The independent auditor's report is on pages 14 to 16.

K-FINANCE LIMITED
FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 TZS	2019 TZS
Cashflows from operating activities		
Profit before income tax	199,951,097	177,897,530
Adjustment for		
Depreciation and amortisation	18,540,002	15,311,840
Loss on disposal of property and equipment	-	<u>1,378,700</u>
Cash flows from operating profit before changes in working capital	218,491,099	194,588,070
Movement in working capital items		
Decrease/(increase) in loans to customers	323,311,190	(66,113,948)
Increase in receivables and prepayments	7,303,933	5,809,556
Decrease in creditors and accruals	(20,889,608)	(117,886,605)
Decrease in loan security refundable	-	<u>(2,900,000)</u>
Cash generated from operating activities	528,216,614	13,497,073
Tax paid	(97,470,558)	(33,551,246)
Cashflows from investing activities		
Acquisition of property and equipment	(14,298,500)	(29,053,522)
Acquisition of intangible assets	(14,005,550)	-
Proceeds from disposal of property and equipment	-	<u>14,000,000</u>
Net cash used in investing activities	(28,304,050)	(15,053,522)
Cashflows from financing activities		
Decrease in term loan	(18,596,149)	(191,179,819)
Net cashflows from financing activities	(18,596,149)	(191,179,819)
Net increase in cash and cash equivalent	383,845,857	(226,287,514)
Cash and cash equivalent at start of year	(157,083,293)	<u>69,204,221</u>
Cash and cash equivalent at end of year	<u>226,762,564</u>	<u>(157,083,293)</u>

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1. REPORTING ENTITY

NOTES TO THE FINANCIAL STATEMENTS

K-Finance Limited was incorporated in Tanzania on 16 January 2008 under the Companies Act, 2002. K-Finance was established to fill in the gap of financing to the people in the low income to middle income bracket, operating in the semi-informal sector that was traditionally not financed by the formal financial sector. K-Finance have traditionally been unwilling to provide loans to low to mid income entrepreneurs working in the informal sector due to the perceived risks. It is commonly understood that this sector of the market is characterized with people with very low income, low education or completely illiterate, no collateral, no credit history and they are not employed by anybody other than themselves.

Registered Office:

K-Finance Limited

Block "A" Mikocheni

Rose Garden Road

P O Box 19111

Dar es Salaam

Tanzania

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently during preparations of these financial statements.

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by International Accounting Standards Board (IASB) and requirements of the Companies Act, 2002.

b) Basis of preparation

The financial statements have been prepared under the historical cost convention as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in Tanzania Shillings which is a both functional and reporting currency of the Company, except when otherwise indicated. The financial statements comprise a statement of income and expenditures and other comprehensive income, statement of financial position, statement of changes in accumulated fund, statement of cash flows, and explanatory notes.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Improvements to IFRSs

i. Accounting standards and interpretations adopted impacting the financial statements

The Company did not adopt any new or revised accounting standards or interpretations in the current year that would have had an impact on the amounts or disclosures reported in these financial statements. The new revised standards which were effective during the year under review were as follows:

Standard	Effective date	Summary
Definition of a Business - Amendments to IFRS 3	1 January 2020	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.
Definition of Material - Amendments to IAS 1 and IAS 8	1 January 2020	The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.
Covid-19-Related Rent Concessions – Amendment to IFRS 16	1 June 2020	As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.
The Conceptual Framework for Financial Reporting	1 January 2020	The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Improvements to IFRSs (Continued)

ii. Standards and interpretations in issue but not yet effective

At the reporting date, the following new and/or revised accounting standards and interpretations were in issue but not yet effective and therefore have not been applied in these financial statements. The Company has not yet assessed the impact of these changes on their financial statements when they become effective.

Standard	Effective date	Summary
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022	The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022	The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022	The amendments apply a ‘directly related cost approach’. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision)
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023	In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

currencies during the year are converted into Tanzania Shillings (functional currency) at rates ruling at the transaction dates.

e) Translation of foreign currencies

Transactions in foreign currency are translated into Tanzania Shillings during year using prevailing rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated foreign currencies are recognised in income and expenditure statement. Non-monetary assets and liabilities denominated in Tanzania Shillings are recorded at the exchange rate ruling at that date.

f) Interest income and expenses

Fees and commission income are recognized in the Statement of Profit or Loss and Comprehensive Income on accrual basis of accounting. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company, the stage of completion at the balance sheet date can be measured reliably, the costs incurred, or to be incurred, in respect of the transaction can be measured reliably and the revenue can be reliably measured.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The Effective Interest Rate (and therefore, the amortised cost of the asset) is calculated by considering any discount or premium on acquisition, fees and costs that are an integral part of the Effective Interest Rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss. Any accrued but uncollected interest on credit accommodations placed on non-accrual basis shall be reversed and placed in suspense.

The company calculates interest income by applying the Effective Interest Rate to the gross carrying amount of financial assets other than credit-impaired of assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the company reverts to calculating interest income on a gross basis.

g) Fees and commission

Fees and commission income and expense are that integral to the effective interest rate on the financial assets or financial liabilities are included in measurement of effective interest rate. Other fees and commission income, including accounting servicing fees are reorganized as the related services performed. If a loan committed is not expected to result the drawdown of the loan, then the related loan committed fees are recognized on a straight-line basis over the committed period. Other fees and commission expenses related manly to transaction and service fees, which are expensed as the services received.

K-FINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Functional and presentation currency

These financial statements are presented in Tanzanian Shillings, which is the Company's functional currency. Items included in the financial statements of each Transaction that are denominated in foreign

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Operating expenses

Operating expenses are recognized on accrual basis.

i) Property and Equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a reducing balance method over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Depreciation is calculated on the reducing balance method to allocate the cost of each asset, over the estimated useful life, as follows:

Asset category	Rate
Motor vehicles	25%
Office equipment	12.5%
Equipment	12.5%
Computers	33.3%

Newly acquired assets are depreciated on pro-rata basing on their period of use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other operating expenses' in profit or loss.

De- recognition

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss on disposal is determined by comparing proceeds from the disposal with carrying amount of the item of property and equipment.

Any gain or loss arising on de-recognition of the asset are recognised net within other income in statement of profit or loss or other comprehensive in the year the asset is derecognised. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included within other income in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Intangible asset

Other intangible assets that are acquired by the Company and have finite useful life are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization

Intangible assets are amortized on straight line basis in profit or loss over their estimated useful lives, from the date that they are available for use. Estimated useful lives for the software for current and comparative year is 20%

k) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease. The leases entered into by the Company are operating leases. The total payments made under operating leases are charged to other operating expenses in the statement of income and expenditures and other comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts (if any) that are repayable on demand and form an integral part of the Company's cash management are included as component of cash and cash equivalents for the purpose of the statement of cash flows.

m) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

n) Employee Benefits

1. Retirement benefit obligations

The Company has a statutory requirement to contribute to the pension fund preferred by employees, which is a defined contribution scheme, the NSSF. The Company contributes 10% of the required 20% of gross emoluments to the scheme and the contributions are recognised as an expense in the period to which they relate. The remaining 10% is deducted from employee's emoluments. The Company has no legal or constructive obligation to pay further contributions if the Pension Fund does not hold sufficient assets to pay all employees the benefit relating to the employees service in the current and prior periods.

2. Termination benefits

Termination benefits are recognized as an expense in the year when it becomes payable. Termination benefits are determined in accordance with the Tanzanian Labour Laws.

3. Short term benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

p) Finance expenses

Finance expenses comprise interest expenses on borrowings, changes in fair value of financial assets at fair value through profit or loss. All borrowing costs are recognized in profit or loss using the effective interest method.

q) Financial instruments

Financial instrument is any contract that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity.

A financial asset or liability other than loans and advances to customers and balances due to customers are initially recognized when the company becomes party to the contractual provisions of the instrument (The trade date). For Loans and advances to customers are recognized when funds are transferred to the customers' accounts and the company recognizes balances due to customers when funds are transferred to the Bank.

The company classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised costs,
- Fair value through other comprehensive Income (FVOCI) and
- Fair value through Profit and Loss (FVPL).

i. Financial instruments at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis
- The liabilities are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- The liabilities (and assets until 1 January 2018 under IAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Financial instruments (Continued)

i. Financial instruments at fair value through profit or loss (Continued)

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss except for movements in fair value of liabilities designated at FVPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss.

ii. Financial instrument at fair value through other comprehensive income.

Financial assets and liabilities are categorized as FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test
- These instruments largely constitute those assets that had been previously classified as financial investments available for sale.

iii. Loans and advances to customers, financial investments at amortised cost

K- Finance only measures due from company, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Loans and receivables are initially recognized at fair value; which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the balance sheet as loans and advances to customers or as investment securities. Interest on loans is included in the statement of profit or loss and is reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of profit or loss as 'loan impairment charges'.

iv. Recognition of financial assets

Management determines the appropriate classification of its investments at initial recognition. The Company uses trade date accounting for regular way contracts when recording financial asset transactions.

v. Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Financial instruments (Continued)

v. Determination of fair value (Continued)

If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the balance sheet date. In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

The fair value for loans and advances as well as liabilities to company and customers are determined using a present value model based on contractually agreed cash flows, considering credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

vi. Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have been transferred, the company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

vii. Classes of financial instruments

The Company classifies the financial assets and liabilities into classes that reflect the nature of information and consider the characteristics of those financial instruments. The classification made can be seen in the table as follows:

Item on balance sheet	Class
<i>Financial assets</i>	
Cash and cash equivalents	Amortised cost
Loans and advances to customers	Amortised cost
Placements in Company	Amortised cost
<i>Financial liabilities</i>	
Deposit from customers	Financial liabilities at amortised cost
Other liabilities	Financial liabilities at amortised cost

viii. Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by several factors, changes in which can result in different levels of allowances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Financial instruments (Continued)

viii. Impairment of financial assets (Continued)

The Company's ECL calculations are outputs of complex models with several underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns PDs to the individual grades
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs. Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

ix. Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

xi. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets (if any) that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

r) Non-financial assets

The carrying amount of Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted at 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Non-financial assets (Continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely dependent of the cash inflows of other assets or group of assets (the “cash-generating unit”). An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the income statement.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only 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.

s) Financial liabilities

After initial recognition, the Company measures all financial liabilities including customer deposits other than liabilities held for trading at amortized cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

t) Derivative financial instruments

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in profit or loss. These derivatives are trading derivatives and are classified as a current asset or liability.

u) Income Tax

Current tax

Income tax expense is the aggregate of the charge to the statement of profit or loss and other comprehensive income in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act.

Deferred tax

Deferred tax is recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Income Tax (Continued)

Tax expenses

Income tax expense for the year comprises current and deferred tax. Income tax is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

v) Dividends

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Dividends declared after the end of reporting period, are not recognized as liabilities.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are separately disclosed in a note.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Judgements

In the process of applying accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Functional currency

The choice of the functional currency of a company has been made based on the factors such as the primary economic development in which the entity operates, the currency that mainly influences sales prices for services and cost of providing services.

Going concern

The company's management has made an assessment of the company ability to continue as going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cause significant doubt upon the company's ability to continue as going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimates and Assumptions

The key assumptions concerning the future and the other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The company establishes provisions, based on reasonable estimates, for possible consequences of audits for tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and responsible tax authority.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with the future tax planning strategies.

3.2 Impairment losses on loan and advances

The Company regularly reviews its loan and advances balances to assess impairment. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Judgments may also change with time as new information becomes available. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrower, or economic conditions that correlate with defaults.

3.3 Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

3.4 Property, equipment and intangible assets

Critical estimates are made by the Directors in determining the useful lives of property, equipment and intangible assets as well as their residual values. The Company reviews the estimated useful lives of property, equipment and useful lives at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within Other (losses)/gains net in profit or loss. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

K-FINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020 TZS	2019 TZS
4. INTEREST INCOME	709,421,666	850,762,682
Interest on loan	<u>21,145,933</u>	<u>52,164,385</u>
Accrued interest income	<u>730,567,599</u>	<u>902,927,067</u>
5. INTEREST EXPENSE		
Interest on bank loans	9,781,033	25,165,992
Interest on internal loans	<u>-</u>	<u>1,250,000</u>
	<u>9,781,033</u>	<u>26,415,992</u>
6. IMPAIRMENT LOAN CHARGES		
Specific Impairment (Note 18)	<u>(55,803,250)</u>	<u>51,357,522</u>
7. FEE AND COMMISSION INCOME		
Processing fee	73,308,701	30,285,400
Application fee	1,930,000	3,000,000
Visitation Fee	3,700,000	4,010,000
Loan registration fee	3,520,000	-
Insurance commission	1,184,310	3,100,000
CRDB agency commission	1,562,691	-
NMB Wakala commission	158,493	-
Mobile Money commission	<u>556,419</u>	<u>-</u>
	<u>85,920,614</u>	<u>40,395,400</u>
8. FEES AND COMMISSION EXPENSES		
Loan processing cost	21,055,000	3,555,000
Bank charges	<u>1,559,786</u>	<u>1,154,639</u>
	<u>22,614,786</u>	<u>4,709,639</u>
9. OTHER INCOME		
Sundry income	3,832,489	-
Loan penalty	13,099,430	-
Write off	500,000	-
Business Clinics	1,500,000	-
Interest received	<u>2,950,567</u>	<u>-</u>
	<u>21,882,486</u>	<u>-</u>
10. PERSONNEL COSTS		
Salaries and wages	260,806,660	262,603,592
NSSF-Employer contribution	25,040,066	23,762,693
SDL expenses	11,092,492	13,406,764
Other staff benefits	400,000	21,526,978
NHIF-employer contribution	6,434,902	5,238,408
Workman's compensation	<u>2,497,167</u>	<u>2,376,270</u>
	<u>306,271,287</u>	<u>328,914,705</u>

K-FINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
	TZS	TZS
11. ADMINISTRATIVE EXPENSES		
Communication expenses	7,740,000	8,630,000
Fuel expenses	11,850,000	8,170,000
Travel and transport	18,131,940	5,661,250
Printing and stationery	5,284,850	3,989,700
Office utilities	8,204,006	11,420,148
Repair and maintenance	9,923,000	18,843,738
Staff training expenses	15,268,500	16,028,000
Accounting fee	4,500,000	6,000,000
Security guards	6,629,000	7,285,000
Directors meeting expenses	14,556,000	11,459,950
Legal and professional expenses	8,760,000	10,652,500
Office rent	30,620,398	25,336,600
Loan recovery expenses	53,992,137	40,406,913
Software & license expenses	2,303,841	1,657,000
Insurance expenses	16,505,131	2,478,632
Subscription expenses	4,559,040	5,168,200
Market development	17,745,704	34,273,100
Consultancy expenses	18,609,300	22,530,600
Office expenses	78,000	3,112,790
Service levy	5,598,819	-
Previous year tax	9,855,578	-
Stamp duty expense	-	425,796
Loss on asset disposal	-	1,378,700
Audit fee	6,490,000	9,800,000
Travel costs	-	22,001,471
Business clinic expense	2,619,000	8,497,050
Staff welfare expenses	4,141,500	2,320,600
Directors fees	<u>53,050,000</u>	<u>51,187,500</u>
	<u>337,015,744</u>	<u>338,715,238</u>
12. DEPRECIATION AND AMORTIZATION		
Depreciation expenses (Note 14)	15,961,446	15,311,840
Amortization charge (Note 15)	<u>2,578,556</u>	-
	<u>18,540,002</u>	<u>15,311,840</u>
13. TAX CREDIT/EXPENSES		
Tax expenses (Note 21)	(24,151,746)	(53,770,558)
Deferred tax asset (Note 16)	<u>65,065,156</u>	-
Tax credit/ (tax expense)	<u>40,913,410</u>	<u>(53,770,558)</u>
<i>Reconciliation of tax expenses</i>		
Profit before tax	<u>199,951,097</u>	
Tax rate 30%	59,985,329	
Add: Disallowable deductions	6,647,626	
Less: Allowable deductions	<u>(42,481,208)</u>	
Tax charge for the year	<u>24,151,746</u>	

K-FINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PROPERTY AND EQUIPMENT COST	Computers and Equipment TZS	Motor Vehicles TZS	Furniture and Fittings TZS	Office Equipment TZS	Total TZS
As at 1 Jan, 2020	31,597,000	75,965,489	16,750,900	39,005,922	163,319,311
Addition	<u>4,770,000</u>	-	<u>1,600,000</u>	<u>7,928,500</u>	<u>14,298,500</u>
As at 31 December, 2020	<u>36,367,000</u>	<u>75,965,489</u>	<u>18,350,900</u>	<u>46,934,422</u>	<u>177,617,811</u>
DEPRECIATION					
As at 1 January, 2020	22,849,193	45,906,951	9,550,335	18,347,617	96,654,096
Charge for the year	<u>4,142,511</u>	<u>7,514,634</u>	<u>1,188,615</u>	<u>3,115,686</u>	<u>15,961,446</u>
As at 31 December, 2020	<u>26,991,704</u>	<u>53,421,585</u>	<u>10,738,950</u>	<u>21,463,303</u>	<u>112,615,542</u>
NET BOOK VALUE					
As at 31 December, 2020	<u>9,375,296</u>	<u>22,543,904</u>	<u>7,611,950</u>	<u>25,471,119</u>	<u>65,002,269</u>
As at 31 December, 2019	<u>8,747,807</u>	<u>30,058,538</u>	<u>7,200,565</u>	<u>20,658,305</u>	<u>66,665,215</u>

None of the asset has been pledged as a collateral for the loan.

K-FINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
	TZS	TZS
19. RECEIVABLES AND PREPAYMENTS		
Other receivables	282,848	5,966,500
Prepaid expenses	14,588,971	15,558,752
Staff advances	<u>2,634,953</u>	<u>3,285,453</u>
	<u>17,506,772</u>	<u>24,810,705</u>
20. FINANCIAL INVESTMENT ASSETS		
CRDB Agency account	5,872,240	5,872,240
Fixed Deposit	4,127,760	4,127,760
NMB Agency account	<u>3,000,000</u>	<u>3,000,000</u>
	<u>13,000,000</u>	<u>13,000,000</u>
21. CORPORATE TAX RECEIVABLE		
At start of year	58,470,557	38,251,305
Add tax charge during the year (Note 13)	24,151,746	53,770,558
Less tax paid	<u>(97,470,558)</u>	<u>(33,551,306)</u>
	<u>(14,848,255)</u>	<u>58,470,557</u>
22. TERM LOANS		
Loan from CRDB	<u>3,358,873</u>	<u>21,955,022</u>
23. TRADE AND OTHER PAYABLES		
Audit fee payable	6,490,000	9,800,000
PAYE & SDL payable	4,410,264	12,138,831
NSSF payable	7,348,890	7,492,891
Withholding tax payable	1,145,883	2,995,490
Other payable	28,616,679	28,208,528
Medical Payable	1,006,416	-
Trace IT payable	10,122,043	17,944,043
General expenses provision	<u>1,550,006</u>	<u>3,000,006</u>
	<u>60,690,181</u>	<u>81,579,789</u>
24. LOAN SECURITY REFUNDABLE		
Amana Saving	16,774,102	16,774,102
Maendeleo Saving	<u>68,948</u>	<u>68,948</u>
	<u>16,843,050</u>	<u>16,843,050</u>
25. RELATED PARTY TRANSACTIONS AND BALANCES		
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Key management during the year was Chief Executive Director and Members of the Board of Directors. Related party transactions for the year under review consist salary to key management personnel and remuneration to the Board members as stipulated below.		
	2020	2019
Key management remuneration	TZS	TZS
Salary and other short-term benefits	<u>66,000,000</u>	<u>56,800,000</u>
	<u>66,000,000</u>	<u>56,800,000</u>
Directors' remunerations		
Director's fees	53,050,000	51,187,500
Directors sitting allowance and other meeting expenses	<u>14,556,000</u>	<u>11,459,950</u>
	<u>67,606,000</u>	<u>62,647,450</u>

K-FINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. COMMITMENTS AND CONTINGENT LIABILITIES

The Directors confirm that there are no capital commitments or contingent liabilities involving the Company as at the date of this report.

27. EVENTS AFTER THE REPORTING DATE

The Company acquired Microfinance certificate from Bank of Tanzania on 17th February 2021. Apart from that, there was no subsequent event to be reported in the financial statements.

28. COMPARATIVE FIGURES

Wherever necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.