

**LAINA FINANCE LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**



**JULY 2020**

CONTENTS	PAGE
Company information	1
Report of the directors	2 – 4
Statement of directors' responsibilities	5
Accountant declaration on financial statements	6
Independent auditors' report	7-9
Statement of profit or loss and other comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14–30



## COMPANY INFORMATION

### CHIEF OFFICERS

Mrisho Shomari  
Mathayo Kiwonyi  
Nicholaus Ngolongolo  
Alinagwe Mwaselela

General Manager  
Accountant  
IT Manager  
Marketing Manager

### REGISTERED OFFICE

Regent Estate, Plot No. 21  
Bagamoyo Road  
P. O. Box 77499  
Dar es salaam  
Tanzania

### INDEPENDENT AUDITORS

THORNFLEX  
Certified Public Accountants  
P.O. Box 70855  
Dar es salaam  
Tanzania  
[info@thornflex.co.tz](mailto:info@thornflex.co.tz)

### PRINCIPAL BANKERS

Stanbic Bank Tanzania  
Centre Branch  
P. O. Box 72647  
Dar es Salaam  
Tanzania



## REPORT OF THE DIRECTORS

### Introduction

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2019, which disclose the state of affairs of the company. This report has been prepared in accordance with the Tanzania Financial Reporting Standard (TFRS) No. 1, Directors' Report issued by the National Board of Accountants and Auditors (NBAA).

### Incorporation

Laina Finance Limited is a private company limited by shares under the Tanzanian Companies Act 2002. The company was incorporated on 14th March 2018 with certificate of registration no. 136095803 issued by the Business Registration and Licensing Agency (BRELA).

### Principal activities of the company

LAINA Finance is a financial service provider for consumers and businesses. Laina provides and develops a financing platform including risk management, credit decision engine and IT integrations to operational systems. Laina's platform enables microloan or purchase finance to be integrated to any transaction.

Laina aims to boost its business partner's sales by enabling flexible payment options and boosting sales. Laina's services are totally device and service independent and risk free for partner unless otherwise agreed.

### Vision and mission

#### To make better business environment

To increase a fast-financial business environment in conjunction with device stores and different companies in order to increase flexibility, transparency and trust in the market.

#### To help people in their everyday life

To make it possible for more people to get access to modern technology through increasing the uptake in devices and automated bundles thus promoting financial inclusion.

### Goals of the company

- To provide flexibility to our customers' purchase decisions by enabling access to financial services
- To enable new pricing models for resellers and boost for their sales through unique financing services
- To make cashflow management easier by having fixed monthly payments instead of a single down payment
- To enable controllable and transparent risk structure.

### Management

The management of the company is under the General Manager, organised in 3 departments.

- Finance and Administration
- Marketing department
- IT department

### Competence

Staff are recruited in formal process, provided with a clear Job description that is periodically reviewed through an established performance appraisal system. There are periodical trainings, both in house and externally, that helps to consolidate existing staff skills and competences.

### Results for the year

The results for the year are set out on page 12 of these financial statements. The results for the previous year to 31 December 2019 are also provided on page 12.

### Dividend



The directors did not propose any dividend during the year.

### **Solvency**

The Company's situation as of 31 December 2019 is set out on page 12 of these financial statements. The Board considers the Company to be solvent and the financial statement has been prepared on a going concern basis.

### **Employee welfare**

#### **Management and employee's relationship**

The relationship between management and employees was good throughout the year. There were no unresolved complaints received by management from employees during the year.

#### **Medical assistance**

Currently, the company has not involved in any medical insurance scheme.

### **Health and safety**

The Company takes all reasonable and practicable steps to safeguard health, safety and welfare of its employees. A safe working environment is ensured for all employees by providing adequate and proper personal protective gears, training and supervision as necessary.

### **Gender parity**

Laina Finance Limited 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 other factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties. The average number of persons employed during the year six (Male 3 and female 3).

### **Environmental control program**

Laina Finance Ltd monitors the impact of its operations on the environment, which is mainly using electricity, water, and the generation of waste. The Laina Finance minimises the impact through the appropriate use of its premises and inbuilt facilities to ensure that there is proper waste management.

### **Related party transactions**

Details of transactions and balances with related parties are disclosed in note 16 of the notes to the financial statements.

### **Going concern assumption**

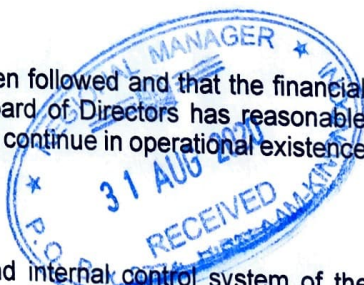
The Directors confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Laina Finance Limited has adequate resources to continue in operational existence for the foreseeable future.

### **Risk management and internal control**

The Board accepts final responsibility for the risk management and internal control system of the Company. The Board assessed the internal control system throughout the financial year ended 31 December 2019 and is of opinion that the Company had adequate internal financial and operational control system.

### **Corporate governance**

The board of directors consists of three non-executive directors. 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 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 of directors' delegates the day to day management of the business to General Manager assisted by head of departments. The General Manager and Senior Management team are invited to attend board meetings and facilitates the effective control of all the company's operational activities, acting as medium of communication and coordination between all the 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.

Directors who served during the period ended 31 December 2019 are:

S/n	Name	Position	Nationality
1	Judith Julius Missokia	Director	Tanzanian
2	Max Arne Arthur Gylling	Secretary	Finn
3	Tero Tapani Ylonen	Chairman	Finn

#### Capital structure and shareholding

The capital structure is made up of 1,000 ordinary shares of TZS 100,000 each. Below is the analysis of authorized and fully paid share capital as at 31 December 2019.

	TZS
<b>Authorized</b>	
1,000 ordinary shares of TZS 100,000 each	100,000,000
<b>Issued and fully paid</b>	
1,000 ordinary shares of TZS 100,000 each	100,000,000

As at 31 December 2019, the shareholding structure was as follows:

S/n	Name	No. of shares issued	Percentage shareholding	Value of shares TZS
1	Julius Antony Missokia	410	41%	41,000,000
2	Max Arne Arthur Gylling	220	22%	22,000,000
3	Tero Tapani Ylonen	220	22%	22,000,000
4	Judith Julius Missokia	150	15%	15,000,000
		<b>1,000</b>	<b>100%</b>	<b>100,000,000</b>

#### Directors' interests

All directors had an interest in the issued and paid up share capital of the company as at 31 December 2019.

#### Auditors

The company's auditor, Thornflex (CPA), has indicated willingness to continue in accordance with the Tanzania companies Act (Cap. 212).

#### By order of directors

  
Max Arne Arthur Gylling  
Secretary



30th of July .....2020



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows statement 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 Companies Act, 2002.

The Company's directors are also responsible for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risks management.

The directors have assessed the Company'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 auditor is 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 of the Company, as indicated above, were approved by the Board of Directors on and are signed on its behalf by:



**Max Arne Arthur Gylling**  
Secretary

..... 30th of July ..... 2020



## ACCOUNTANT DECLARATION ON FINANCIAL STATEMENTS

The National Board of Accountants and Auditors (NBAA) according to the power conferred to it 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 the statement of declaration issued by the Head of Finance 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 to discharge the responsibility of preparing the financial statement of the Company showing true and fair view position of the Company in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania. Full legal responsibility for the financial statement's rests with the Board of Directors as indicated in the Statement of Directors' Responsibilities on the previous page.

I, GEORGE MAKWABA being the Head of finance of Laina Finance Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 December 2019 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

I thus confirm that the financial statements give true and fair view position of Laina finance Limited in Tanzania as on that date and that they have been prepared based on properly maintained financial records.

Signature: 

Position: FINANCE OFFICER

NBAA Membership No.: GA 7176

30/07/ 2020





## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

To Members of the company  
Laina Finance Limited  
P. O. Box 77499  
Dar es Salaam

### Opinion

We have audited the financial statements of Laina Finance Limited, which comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, except for the going concern doubt discuss in the preceding paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### 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 Laina Finance Limited in accordance with the International Ethics Standard 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. We believe that the audit evidence we have obtained is enough and appropriate to provide a basis for our opinion.

### Emphasis of matter- substantial doubt as to going concern

We draw attention on the going concern issues. The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As part of our audit, we are required to conclude regarding the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements in the context of the applicable financial reporting framework. The company has suffered negative cash flows from operations and has accumulated deficient, the condition that raise substantial doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusions are based on information available to us at the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

### Other Information

The directors are responsible for the other information set out on page 2 to 4. The other information comprises the information included in the company information, report of the directors and the statement of directors' responsibilities, declaration of head of finance on the financial statements but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the 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 that we have performed, we conclude that there is a material misstatement of this other information, and then we are required to report that fact. We have nothing to report in this regard.



### **Responsibilities of directors for the financial statements**

Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 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. Directors are responsible for overseeing the company's financial reporting process.

### **Auditors' responsibilities for the audit of the financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment 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 enough 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 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 directors.
- 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, then we are required to draw attention in our auditors' 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with directors 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 directors with a statement that we have complied with relevant ethical requirements regarding independence and 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 directors, 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 auditors' 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 requirements

The Tanzania Companies Act, 2002 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- (i). We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (ii). In our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books.
- (iii). The directors report is consistent with the financial statements.
- (iv). Information specified by the Tanzanian Companies Act, 2002 regarding director's remuneration and transactions with the company is disclosed; and
- (v). The company's statement of financial position and profit or loss and other comprehensive income agree with the books of accounts.

**THORNFLEX**

**Certified Public Accountant (T)**

Signed by: CPA Ramadhani Vishindo (ACPA 21145)  
Dar es Salaam



30/07 2020



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2019 TZS	2018 TZS
<b>INCOME</b>			
Interest income	3	43,706,936	-
Interest expense		(35,338,905)	-
<b>Net interest income</b>		<b>8,368,031</b>	-
Loan impairment charges		(24,984,522)	-
<b>Net interest income after loan impairment</b>		<b>(16,616,491)</b>	-
<b>Operating expenses</b>			
Staff costs	4	130,253,261	11,452,425
Marketing and promotion expenses	5	127,423,853	-
Administrative expenses	6	60,282,911	10,405,973
Depreciation and amortisation	7	14,315,593	7,358,482
<b>Total expenses</b>		<b>332,275,618</b>	<b>29,216,880</b>
<b>Loss before tax</b>		<b>(348,892,109)</b>	<b>(29,216,880)</b>
Tax expense		-	-
<b>Loss after tax</b>		<b>(348,892,109)</b>	<b>(29,216,880)</b>
Other comprehensive income net of tax		-	-
<b>Total comprehensive loss for the year</b>		<b>(348,892,109)</b>	<b>(29,216,880)</b>

Notes and related statements forming part of these financial statements appear on pages 14 to 30



Report of the auditors – pages 7-9



STATEMENT OF FINANCIAL POSITION

		TZS 2019	TZS 2018
<b>Noncurrent asset</b>			
Property, plant and equipment	8	19,716,765	5,711,567
Intangible asset	9	176,649,484	25,586,400
<b>Total noncurrent asset</b>		<b>196,366,249</b>	<b>31,297,967</b>
<b>Current asset</b>			
Receivables	10	132,949,409	23,328,786
Cash and cash equivalent	11	5,901,948	533,864
Advance tax paid	12	900,000	150,000
<b>Total current asset</b>		<b>139,751,357</b>	<b>24,012,650</b>
<b>Total asset</b>		<b>336,117,606</b>	<b>55,310,617</b>
<b>Equity and liabilities</b>			
<b>Non-current liabilities</b>			
Borrowing	13	468,726,575	-
<b>Current liabilities</b>			
Trade and other payables	14	171,086,420	8,838,589
<b>Equity</b>			
Capital	15	100,000,000	75,688,909
Retained earnings		(403,695,389)	(29,216,880)
<b>Total equity</b>		<b>(303,695,389)</b>	<b>46,472,029</b>
<b>Total equity and liabilities</b>		<b>336,117,606</b>	<b>55,310,617</b>

  
Max Arne Arthur Gylling  
Secretary

30th of July  
.....2020



Notes and related statements forming part of these financial statements appear on pages 14 to 30

Report of the auditors – pages 7-9

**STATEMENT OF CHANGE IN EQUITY**

	<b>Capital TZS</b>	<b>Retained Earnings TZS</b>	<b>Total TZS</b>
<b>Year ended 31 December 2019</b>			
At start of year	75,688,909	(54,803,280)	20,885,629
Addition	24,311,091	-	24,311,091
Loss for the year		(348,892,109)	(348,892,109)
<b>At end of year</b>	<b><u>100,000,000</u></b>	<b><u>(403,695,389)</u></b>	<b><u>(303,695,389)</u></b>

**Year ended 31 December 2018**

At the start of the period	-	-	-
Paid up capital	75,688,909	-	75,688,909
Loss for the period	-	(29,216,880)	(29,216,880)
As previously reported	<b><u>75,688,909</u></b>	<b><u>(29,216,880)</u></b>	<b><u>46,472,029</u></b>
Prior year adjustments (note 15)	-	(25,586,400)	(25,586,400)
Restated balance as at 31 December 2018	<b><u>75,688,909</u></b>	<b><u>(54,803,280)</u></b>	<b><u>20,885,629</u></b>

Notes and related statements forming part of these financial statements appear on pages 14 to 30



Report of the auditors – pages 7-9

**STATEMENT OF CASHFLOWS**

	Note	2019 TZS	2018 TZS
<b>Operating activities</b>			
Loss before tax		(348,892,109)	(29,216,880)
<b>Adjustments for:</b>			
Depreciation and amortisation		14,315,593	7,358,482
<b>Working capital changes:</b>			
Increase in trade and other receivables		(109,620,623)	(23,328,786)
Increase in trade and other payables		162,247,831	8,838,589
<b>Cash flows from operating activities</b>		<b>(281,949,308)</b>	<b>(36,348,595)</b>
Tax paid		(750,000)	(150,000)
<b>Cashflows from investing activities</b>			
Purchase of noncurrent assets		(18,304,004)	(6,673,450)
Purchase of Intangible assets		(186,666,271)	-
Pre-operating expense		-	(31,983,000)
<b>Cash flows used in investing activities</b>		<b>(204,970,275)</b>	<b>(38,656,450)</b>
<b>Cashflows from financing activities</b>			
Increase in capital		24,311,091	75,688,909
Increase in loan		468,726,575	-
<b>Cash flows from financing activities</b>		<b>493,037,667</b>	<b>75,688,909</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,368,084</b>	<b>533,864</b>
Cash and cash equivalent at the start of the year		533,863	-
<b>Cash and cash equivalent at the end of the year</b>		<b>5,901,948</b>	<b>533,863</b>

Notes and related statements forming part of these financial statements appear on pages 14 to 30





## NOTES TO FINANCIAL STATEMENTS

### 1. REPORTING ENTITY

Laina Finance (T) Limited (the "Company") is a company domiciled in Tanzania. The financial statements of the Company are for the year ended 31 December 2019. The comparative period information has been made up for a 12-month period ending 31 December 2018.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

#### (b) Basis of measurements

The financial statements are prepared on the historical cost basis except for the financial instruments which is measured at fair value through profit. The methods used to measure fair value are discussed further in note 3d of these financial statements.

#### (c) Functional and presentation currency

The financial statements are presented in Tanzanian Shillings (TZS), which is the Company's functional currency.

#### (d) Use of estimate and judgment

The preparation of the financial statements in conformity with IFRSs requires management to make judgment, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (a) Foreign currencies

Transactions in foreign currencies (if any) are translated to the functional currency (Tanzanian Shillings) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss in the period in which they arise.

#### (b) Interest income and expense

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 EIR (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 EIR.

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 EIR 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.

**(c) Fees and commissions**

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.

**(d) Financial instruments**

**i. Non derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables. Non-derivative financial instruments are initially recognized at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. After initial recognition non-derivative financial instruments are measured as described below:

**ii. Cash and cash equivalent**

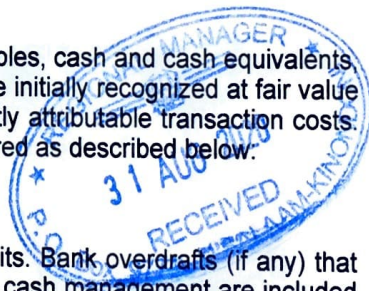
Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts (if any) that are repayable on demand and form an integral part of the Company's cash management are included as component of cash and cash equivalents for the purpose of the statement of cash flows.

**iii. Financial asset at fair value through profit or loss**

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and make purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in statement of profit or loss and other comprehensive income.

**iv. Other**

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.





**v. Share capital**

Ordinary shares are classified as equity.

**(e) Motor vehicles and equipment**

**i) Recognition and measurement**

Items of motor vehicles and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is 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 the working condition for its intended use, and the costs of dismantling and

removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets is recognized in profit or loss as incurred.

When parts of an item of motor vehicles and equipment have different useful lives, they are accounted for as separate items (major components) of motor vehicles and equipment. Gains and losses on disposal of an item of motor vehicles and equipment are determined by comparing the proceeds from disposal with the carrying amount of motor vehicles and equipment and are recognized net within the income statement.

**ii) Subsequent cost**

The cost of replacing part of an item of equipment is recognized 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 costs can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of day to day servicing of motor vehicles and equipment are recognized in the income statement as incurred.

**iii) Depreciation**

Depreciation is recognized in the income statement on a reducing balance basis over the estimated useful lives of each part of an item of motor vehicles and equipment.

The annual reducing balance for the current and comparative periods is as follows:

- |                                  |       |
|----------------------------------|-------|
| • Office equipment               | 12.5% |
| • Computer and related equipment | 37.5% |



**(e) Intangible assets**

Other intangible assets that are acquired by the Company and have finite useful life of 15 years are measured at cost less accumulated amortisation and any accumulated impairment losses.

**(f) 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).

**(g) 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.

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.

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

Laina 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.

**iii. Loans and advances to customers, financial investments at amortised cost (Continued)**

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. 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.

**2.17 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.

**2.18 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.

**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.

**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. 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

**viii. Impairment of financial assets**

- 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.

**i) 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. 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.

**(f) Employee benefit**

**i) Defined contribution plans**

Laina Finance makes statutory contributions to the National Social Security Fund (NSSF) and GEPF. The Company's obligations in respect of contributions to such funds are 10% of the employees' gross emoluments. Contributions to these pension funds are recognized as an expense in the period the employees render the related services.

**ii) 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.

**iii) 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.

**(g) Provision**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability.

**(h) Operating lease payments**

Lease payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

**(i) 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.

**(j) Income 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 Cap 332 as revised.

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.

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.

**(k) Adoption of new and revised International Financial Reporting Standard**

**i. New and revised IFRSs mandatorily effective at the end of the reporting period**

The following new or revised IFRSs were mandatorily effective and adopted by Laina Finance Limited as at the end of the reporting period but did not have a material effect on the current or previously reported financial performance or financial position.

**Name of standard**

**Changes made to the standard**

IFRS 16 Leases

**Key requirements**

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

**Transition**

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies IFRS 15.

**Impact**

The lease expense recognition pattern for lessees will generally be accelerated as compared to today. Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation, and



Name of standard	Changes made to the standard
	<p>amortisation (EBITDA), could be impacted. Also, the cash flow statement for lessees could be affected as payments for the principal portion of the lease liability will be presented within financing activities. Lessor accounting will result in little change compared to today's lessor accounting. The standard requires lessees and lessors to make more extensive disclosures than under IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019.</p>
IAS 19 Employee Benefits	<p><b>Discount rate: regional market issue</b></p> <p>The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:</p> <p>If a plan amendment, curtailment, or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement.</p> <p>In addition, amendments have been included to clarify the effect of a plan amendment, curtailment, or settlement on the requirements regarding the asset ceiling. Effective for annual periods beginning on or after 1 January 2019</p>
Prepayment Features with Negative Compensation - Amendments to IFRS 9	<p><b>Key requirements</b></p> <p>Under IFRS 9, a debt instrument can be measured at amortised 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.</p> <p>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. The basis for conclusions to the amendments clarified that the 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.</p> <p><b>Transition</b></p> <p>The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9.</p> <p><b>Impact</b></p> <p>The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate.</p> <p>This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, to minimise the credit risks for the parties to the swap, will meet this requirement.</p>

**Name of standard**

**Changes made to the standard**

Modification or exchange of a financial liability that does not result in derecognition. In the basis for conclusions to the amendments, the IASB also clarified that the requirements in IFRS 9 for adjusting the amortised cost of a financial liability, when a modification (or exchange) does not result in derecognition, are consistent with those applied to the modification of a financial asset that does not result in derecognition. This means that the gain or loss arising on modification of a financial liability that does not result in derecognition, calculated by discounting the change in contractual cash flows at the original effective interest rate, is immediately recognised in profit or loss.

The IASB made this comment in the basis for conclusions to the amendments as it believes that the existing requirements in IFRS 9 provided an adequate basis for entities to account for modifications and exchanges of financial liabilities and that no formal amendment to IFRS 9 was needed in respect of this issue.

**Impact**

The IASB stated specifically that this clarification relates to the application of IFRS 9. As such, this clarification does not need to be applied to the accounting for modification of liabilities under IAS 39 Financial Instruments: Recognition and Measurement. Any entities that have not applied this accounting under IAS 39 are therefore likely to have a change of accounting on transition. The standard is effective for annual periods beginning on or after 1 January 2019.

**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. Laina Finance Limited has not yet assessed the impact of these changes on their financial statements when they become effective:

**i) 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.

**ii) Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.



**2019**  
**TZS**

**2018**  
**TZS**

**3. Income**

Interest income

<b>43,706,936</b>	<b>-</b>
<b>43,706,936</b>	<b>-</b>



	2019 TZS	2018 TZS
<b>4. STAFF COSTS</b>		
Salaries	113,002,325	9,915,639
Pensions	11,129,636	991,476
Skills and development levy	5,008,336	446,163
Workers compensation fund	1,112,964	99,147
	<u>130,253,261</u>	<u>11,452,425</u>

#### 5. MARKETING AND PROMOTION

Marketing design & printing of materials	30,829,999	-
Product designing	44,412,660	-
Communication material development and design	20,835,830	-
Other marketing consultancy expenses	31,345,364	-
	<u>127,423,853</u>	<u>-</u>

#### 6. ADMINISTRATIVE EXPENSES

Stationaries	1,328,000	47,000
Bank charges	1,883,302	498,200
Electricity	2,780,000	450,000
Transportation	6,748,650	300,000
Office refreshment	1,343,653	75,000
Office Internet	1,489,250	35,000
Server fees	7,358,044	2,994,022
Marketing design & printing of materials	30,829,999	-
Monthly subscriptions fees	4,554,377	-
Expendables	6,799,550	-
Office rent	9,703,586	3,616,751
Legal fees	1,380,000	-
Cleaning expenses	344,499	30,000
Fees and charges	1,810,000	-
Audit fees	4,500,000	2,360,000
Pre-operating expenses	25,586,400	-
Credit Info monthly subscription fees	8,260,000	-
Consultancy fees	75,758,024	-
IPF Communication Material and fees	20,835,830	-
	<u>213,293,164</u>	<u>10,405,973</u>

#### 7. DEPRECIATION AND AMORTISATION

Depreciation (note 8)	4,298,806	961,883
Amortisation (note 9)	10,016,787	6,396,600
	<u>14,315,593</u>	<u>7,358,483</u>





## 8. PROPERTY, PLANT AND EQUIPMENT

	Computer and related equipment TZS	Furniture and fittings TZS	Total TZS
<b>Year ended 31 December 2019</b>			
<b>Cost</b>			
At start of year	3,275,000	3,398,450	6,673,450
Additions	14,959,004	3,345,000	18,304,004
<b>At end of year</b>	<b>18,234,004</b>	<b>6,743,450</b>	<b>24,977,454</b>
<b>Depreciation/Amortisation</b>			
At start of year	757,813	204,070	961,882
Charge for the year	3,455,875	842,931	4,298,806
<b>At end of year</b>	<b>4,213,688</b>	<b>1,047,001</b>	<b>5,260,689</b>
<b>Net book value</b>	<b>14,020,317</b>	<b>5,696,449</b>	<b>19,716,765</b>
<b>Year ended 31 December 2018</b>			
<b>Cost</b>			
At start of year	-	-	-
Addition	3,275,000	3,398,450	6,673,450
<b>At end of year</b>	<b>3,275,000</b>	<b>3,398,450</b>	<b>6,673,450</b>
<b>Depreciation/Amortisation</b>			
At start of year	-	-	-
Charge during the year	757,813	204,070	961,883
<b>At end of year</b>	<b>757,813</b>	<b>204,070</b>	<b>961,883</b>
<b>Net book value</b>	<b>2,517,187</b>	<b>3,194,380</b>	<b>5,711,567</b>



	2019 TZS	2018 TZS
<b>9. INTANGIBLE ASSET</b>		
<b>Cost</b>		
At the start of year	31,983,000	-
Additions during the year	186,666,271	31,983,000
<b>At end of year</b>	<b>218,649,271</b>	<b>31,983,000</b>
<b>Amortisation</b>		
At the start of the period	6,396,600	-
Correction of prior year error	25,586,400	-
Charge for the period	10,016,787	6,396,600
<b>As at 31 December</b>	<b>41,999,787</b>	<b>6,396,600</b>
<b>Net book value</b>	<b>176,649,484</b>	<b>25,586,400</b>
<b>10. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	111,319,409	23,328,786
Staff advances	5,970,000	-
Staff loan	15,660,000	-
	<b>132,949,409</b>	<b>23,328,786</b>
<b>11. CASH AND CASH EQUIVALENTS</b>		
Cash in hand	1,565,800	29,500
Mobile money	4,272,575	-
Cash at bank	63,573	504,364
	<b>5,901,948</b>	<b>533,864</b>
<b>12. ADVANCE TAX PAID</b>		
Provisional tax expense for the year	-	-
Less: Tax paid during the year	900,000	150,000
	<b>900,000</b>	<b>150,000</b>
<b>13. BORROWING</b>		
Loan from Bussara Solution oy	396,891,750	-
Loan from Gasso Finland oy	71,834,825	-
	<b>468,726,575</b>	<b>-</b>

During the year, the company received loans amounted to 433 million Tanzania shillings equivalent to euro 175,000 excluding interest and loan penalties from two related companies from Finland (150,000 euro from Bussara and 25,000 euro from Gasso) and Interest payable of TZS35 million. Both principal amount and interest amounting to 468 million remained unpaid as of 31 December 2019.

Both loans bear an interest rate of 15% per annum and loan penalties interest of 20% on the total amount including interest, calculated from the due date to the date when the full payment is made.



One of the directors of the company, Max Arne Arthur Gylling, is also a Chief Finance Officer in both companies Gasso Finland oy and Bussara Solution oy. Therefore, the loans are included in the related part transactions.

<b>14. TRADE AND OTHER PAYABLES</b>	<b>2019 TZS</b>	<b>2018 TZS</b>
Trade payables	76,472,104	6,478,589
Provision for audit fees	4,500,000	2,360,000
Short term loan	12,799,000	-
Shop outstanding payable	112,277	-
	<b>93,883,381</b>	<b>8,838,589</b>

During the year, the company purchased a Laina App Source Code amounting to 152 million. Total amount of 76 million remain unpaid at end of year.

#### 15. PRIOR YEAR ERROR

Preliminary expenses establishment costs such as legal and secretarial costs incurred in establishing a legal entity. they are operating expenses therefore do not satisfy the criteria of an asset and should be expensed off in the period they are incurred. These amounts were recognised as an asset in the financial year 2018. The error resulted in understated of expenses and overstatement of assets by the same amount of 25 million. Adjustment has been recorded in the current year's financial statements to rectify the error.

#### 16. RELATED PARTY TRANSACTIONS AND BALANCES

##### i. Identification of related parties

Parties are related if the party can control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, several company transactions are entered into with related parties i.e., key management personnel and directors.

##### ii. Transactions with related parties

Transactions entered with related parties during the year, includes payments to directors and key management personnel working with the company. Key management personnel are described as those persons having authority and responsibility for planning, directing, and controlling the activities of the company, directly or indirectly, excluding non-executive directors of the company. They comprise the General manager and heads of departments who are reporting directly to the General manager.

The following transactions were carried out with related parties:	<b>2019 TZS</b>	<b>2018 TZS</b>
Key management remuneration	89,232,867	9,915,639
Key management consultancy fees	31,345,364	-
	<b>120,578,231</b>	<b>9,915,639</b>

##### iii. Balances with related parties

	<b>2019 TZS</b>	<b>2018 TZS</b>
Loan from Bussara Solution oy (note 13)	396,891,750	-
Loan from Gasso Finland oy (note 13)	71,834,825	-
Payable – from the related company (note 14)	76,472,104	-
	<b>545,929,614</b>	-



## 17. OPERATING LEASE EXPENSE

The total future minimum lease payment under non-cancellable operating leases are payable as follows:

Lease payments	2019 TZS	2018 TZS
Not later than one year	9,703,586	3,616,751
Over one year	17,483,939	27,187,525
	<b>27,187,525</b>	<b>30,804,276</b>

Lease rental expensed during the year amounts to TZS 9.7 million (2019: 3.6 million) as disclosed under note 6 to the financial statements.

## 18. EMPLOYEES BENEFITS

Laina finance has a defined contribution plan for its employees, under which the employees contribute 10% of their monthly salary and 10% is contributed by the company.

## 19. EVENTS AFTER THE REPORTING PERIOD

The Directors of Laina Finance Ltd would like to take note of the COVID-19 pandemic that arose because of the Novel coronavirus. This disease erupted in China and was announced officially by WHO in December 2019 and declared a pandemic in January 2020. It has resulted in adverse economic effects on the world and Tanzania has not been an exception.

Tanzania recorded our first case in March 2020 and from there on Laina finance has suffered a significant decline in repayment and overall business activities as the population is advised to stay in their homes as a safety measure against the spreading of infections. This has led to the closure of schools, colleges, and discouraged gatherings, which has affected the school industry and the entertainment industry. Also, many offices have activated working from home protocol. As these industries feed into the value chain of many other businesses, there has been a huge domino effect in the overall business environment.

## 20. RISKS MANAGEMENT

The company 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 analyses risks that 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 regularly and ad hoc reviews of the risks management and control procedure, the result of which reported to the board of directors.

The company has exposure on the following risks

- Credit risks
- Liquidity risks
- Interest rate risks

### 19.1 Credit risks

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. Laina 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.

**b. Operating under a sound credit granting process**

Laina Finance operates within a sound, well-defined credit-granting criteria. The criteria include a clear indication of the Laina finance's target market and a thorough understanding of the borrower or 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**

Laina finance uses information systems 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 Laina-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.

**19.2 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.

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period on 31 December 2019 to the contractual maturity date.



	Up to 1 month	1-3 months	3-12 months	1-5 Years	Total
As at 31 December 2019	TZS	TZS	TZS	TZS	TZS
<b>Assets</b>					
Cash and cash equivalents	5,901,948	-	-	-	5,901,948
Loan to customers	42,421,088	30,091,940	8,922,721	29,883,660	111,319,409
Receivables	8,224,994	13,405,006	-	-	21,630,000
<b>Total financial assets</b>	<b>56,548,030</b>	<b>43,496,946</b>	<b>8,922,721</b>	<b>29,883,660</b>	<b>117,242,987</b>

	Up to 1 month	1-3 months	3-12 months	1-5 Years	Total
As at 31 December 2019	TZS	TZS	TZS	TZS	TZS
<b>Liabilities</b>					
Borrowings	-	-	(468,726,575)	-	(468,726,575)
Trade payables	-	-	(76,472,104)	-	(76,472,104)
Others payable	-	-	(17,411,277)	-	(17,411,277)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(562,609,956)</b>	<b>-</b>	<b>(562,609,956)</b>
	<b>56,548,030</b>	<b>43,496,946</b>	<b>(553,687,235)</b>	<b>29,883,660</b>	<b>(445,366,969)</b>

