LAINA FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

LAINA FINANCE LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY INFORMATION

Chief Executive Officer	Max Arne Arthur Gylling
Business Development Director	Tonny Missokia
General Manager	Mrisho Shomari
Accountant	Mathayo Kiwonyi
IT Manager	Nicholaus Ngolongolo

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITOR

Auditax International
PPF Tower, 7th Floor
P.O. Box 77949
Dar es Salaam

PRINCIPAL BANKER

National microfinance Bank (NMB)
Ohio Branch
P. O. Box 9213
Dar es Salaam
Tanzania

LAINA FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors submit this report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of the company.

1. 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).

2. PRINCIPAL ACTIVITY

The Company 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.

3. 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 the effective interest rates 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.

4. 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 the effective interest rates sales through unique financing services
- To make cash flow management easier by having fixed monthly payments instead of a single down payment
- To enable controllable and transparent risk structure.

5. MANAGEMENT

The management of the company is under the CEO, organized in 3 departments.

- Finance and Administration
- Marketing Department
- IT department

6. 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.

7. DIVIDEND

There have been no dividends declared or paid during period ended 31 December 2020.

8. RESULTS FOR THE YEAR

The results for the year are set out on page 12 of these financial statements

9. SOLVENCY

The Company's state of affairs as at 31 December 2020 is set out on page 13 of these financial statements. The Management considers the Company to be solvent and the financial statement has been prepared undergoing concerned basis

10. EMPLOYEE WELFARE

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 is eight (8) (Male 5 and female 3).

11. 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 minimizes the impact through the appropriate use of its premises and inbuilt facilities to ensure that there is proper waste management.

12. RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are disclosed from note 17 of the notes to the financial statements.

13. 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.

14. 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 2020 and is on opinion that the Company had adequate internal financial and operational control system.

15. CORPORATE GOVERNANCE

The board of directors consists of five 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 the CEO assisted by head of departments. The CEO 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 2020 are:

S/N	NAME OF DIRECTOR	NATIONALITY
1	Tonny Julius Missokia	Tanzanian
2	Tero Tapani Ylonen	Finnish
3	Max Arne Arthur Gylling	Finnish
4	Leonard Chacha Kitoki	Tanzanian
5	Elipina Frederick Mlaki	Tanzanian

16. CAPITAL STRUCTURE AND SHAREHOLDING

The capital structure of Laina Finance Limited consists of issued and paid-up shares for the Period ended 31st December 2020.

The company had authorized share capital of TZS 100,000 divided into 1,000 shares of TZS 100,000. During the Year 2020 the company had managed to issue new shares to new shareholders. The total of 600 share was issued with the total value of 1,339,500,000/=. Each of this share's worth 2,232,500/=
As at 31 December 2020 total shares amounting to TZS 365,000,000 was paid.

Directors' interests
All directors had an interest in the issued and paid up share capital of the company as at 31 December 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, 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:

....

Tonny Julius Missokia
Director

LAINA FINANCE LIMITED
30 JUL 2021
P.O. Box 77499
DAR ES SALAAM, TANZANIA

30 July 2021

LAINA FINANCE LIMITED

DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2020

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 ...AGAPITI BENJAMIN... 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 2020 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 and Administration Manager

NBAA Membership No: ...GA3778...

...30/07... 2021

AUDITAX International

PPF Tower, 7th Floor, Garden Avenue / Ohio Street
P.O.Box 77949, Dar es Salaam
M: +255 719 878 490 • T: +255 22 212 0692
E: info@auditaxinternational.co.tz
www.auditaxinternational.co.tz

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF LAINA FINANCE LIMITED

Opinion

We have audited the financial statements of Laina Finance Limited which comprise the balance sheet as at 31st December 2020, statement of comprehensive income, and the statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Company 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 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.

Key Audit Matters

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

Other Information included in the Company's Annual Report

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

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

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

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF LAINA FINANCE LIMITED (CONTINUED)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continued)

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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance 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.

Report on other legal and regulatory requirements

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

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

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

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

AUDITAX INTERNATIONAL
30 JUL 2021
P. O. Box 77949
DAR ES SALAAM

Auditax International
Certified Public Accountants
Dar es Salaam, Tanzania

Signed by Khalfani Mbwambo: (ACPA 3224)

Date...30 JULY.........2021

LAINA FINANCE LIMITED

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

	Notes	2020 TZS	2019 TZS
Income			
Income from business	5	**22,704,778**	43,706,936
Interest Expense		**-**	(35,338,905)
		22,704,778	8,368,031
Direct Cost	6	**(232,263,421)**	(130,253,261)
Gross profit		**(209,558,643)**	(121,885,230)
Administrative Cost	7	**(106,784,868)**	(187,706,764)
Depreciation and amortization	14&15	**(20,747,274)**	(14,315,593)
Impairment Allowance	13	**(127,606,159)**	(24,984,522)
(Loss)/profit before tax		**(464,696,944)**	(348,892,109)
Tax (charge)/Credit		**(113,479)**	-
Profit after tax		**(464,810,423)**	(348,892,109)

Notes and related statements forming part of these financial statements appear on pages 16 to 34

LAINA FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	TZS 2020	TZS 2019
Non-Current Asset			
Property and equipment	14	**12,040,247**	19,716,765
Intangible asset	15	**163,582,231**	176,649,484
Total Non-Current Assets		**175,622,478**	196,366,249
Current Asset			
Trade and other receivables	8	**1,116,470,453**	132,949,409
Cash and cash equivalent	10	**80,982,415**	5,901,948
Advance tax paid	12	**1,986,521**	900,000
Total Current Assets		**1,199,439,389**	139,751,357
Total Assets		**1,375,061,867**	336,117,606
Equity and Liabilities			
Equity		**1,090,565,538**	(303,695,389)
Liabilities			
Non-Current Liabilities		**-**	468,726,575
Current Liabilities	11	**284,496,329**	171,086,420
Total Equity and Liabilities		**1,375,061,867**	336,117,606

These financial statements from page 16 to 34 were approved by the Board of Directors for issue on......30 July.....2021 and were signed on the effective interest rates behalf by:

....

Tonny Julius Missokia
Director

LAINA FINANCE LIMITED
30 JUL 2021
P. O. Box 77499
DAR ES SALAAM, TANZANIA

LAINA FINANCE LIMITED

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

	Notes	Capital TZS	Accumulated Loss TZS	Total TZS
At 01.01.2019		75,688,909	(54,803,280)	20,885,629
Additional capital		24,311,091	-	24,311,091
Loss for the period		-	(348,892,109)	(348,892,109)
At 31 December 2019		100,000,000	(403,695,389)	(303,695,389)
At 01.01.2020		**100,000,000**	**(403,695,389)**	**(303,695,389)**
Additional capital	9	**265,000,000**	**-**	**265,000,000**
Provision for Capital	9	**1,594,071,350**	**-**	**1,594,071,350**
Loss for the period		**-**	**(464,810,423)**	**(464,810,423)**
At 31 December 2020		**1,959,071,350**	**(868,505,812)**	**1,090,565,538**

Notes and related statements forming part of these financial statements appear on pages 16 to 34

LAINA FINANCE LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 TZS	2019 TZS
Operating activities			
Profit/(Loss) before tax		**(464,696,944)**	(348,892,109)
Adjust for:			
Depreciation and amortization		**20,747,274**	14,315,593
Prior period adjustments		**(3,503)**	
Working capital changes:			
Decrease/(Increase) in trade and other receivables		**90,978,956**	(109,620,623)
Capital Receivables		**(1,074,500,000)**	
Increase in Trade and other payables		**190,612,948**	162,247,831
Cash flows from operating activities		**(1,236,861,269)**	(281,949,308)
Tax Paid		**(1,200,000)**	(750,000)
Cash flow from Investing activities			
Purchase of non-current assets		**-**	(18,304,004)
Purchase of intangible Asset		**-**	(186,666,271)
Cash flows from investing activities		**-**	(204,970,275)
Cash flow from Financing activities			
Paid up share capital		**265,000,000**	24,311,091
Increase Loan		**-**	468,726,575
Provisional for Capital		**1,074,500,000**	-
Loan Repayment		**(26,358,263)**	-
Cash flows from financing activities		**1,313,141,737**	493,037,667
Net increase/(decrease) in cash and cash equivalents		**75,080,467**	5,368,084
Cash and cash equivalent at the start of the year		**5,901,948**	533,863
Cash and cash equivalent at the end of the year		**80,982,415**	5,901,948

1. COMPANY INFORMATION

Laina Finance (T) Limited (the "Company") is a company domiciled in Tanzania. The company was incorporated on 14th March 2018 with certificate of registration no. 136095803 issued by the Business Registration and Licensing Agency (BRELA).

BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and Tanzanian Company Act, 2002.

(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 3 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.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

a) New and amended standards and interpretations adopted by the Company for the year ended 31 December 2020.

The following are the standards and amendments that becomes effective for the first time for the annual reporting period commencing 1st January 2020.

Conceptual Framework for Financial Reporting

The revised Conceptual Framework now sets out a more complete set of concepts in eight chapters

- The objective of general-purpose financial reporting
- The qualitative characteristics of useful financial information
- Financial statements and the reporting entity
- The elements of financial statements
- Recognition and derecognition
- Measurement
- Presentation and disclosure

Concepts of capital and capital maintenance.

The guidance on measurement, financial performance, derecognition, and the reporting entity is new to the Conceptual Framework. In addition, some of the existing guidance was updated. For example, the IASB has reintroduced the concept of prudence to support a faithful representation and clarified that measurement uncertainty can impact a faithful representation.

The revised Conceptual Framework also updates some existing concepts like the definitions of assets and liabilities. Although both definitions worked well in the past, the

Revised definitions now focus more on describing an asset as an economic resource and a liability as an obligation to transfer an economic resource rather than describing both in terms of a flow of benefits

The Conceptual Framework is not a Standard and will not change or override any existing Standards. It is primarily a tool for the IASB and entities to help them develop Standards and policies based on consistent concept.

Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments are a response to findings that some companies experienced difficulties using the previous definition when judging whether information was material for inclusion in the financial statements. In fact, up to now, the wording of the definition of material in the Conceptual Framework for Financial Reporting differed from the wording used in IAS 1 and IAS 8. The existence of more than one definition of material was potentially confusing, leading to questions over whether the definitions had different meanings or should be applied differently.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Definition of Material (Amendments to IAS 1 and IAS 8)- Continued

The old definition was Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Now the amendment introduces new definition where by Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are designed to rectify this problem and make it easier for companies to define materiality judgements. They do this by:

- Including in the definition guidance that until now has featured elsewhere in IFRS
- Improving the explanations that accompany the definition
- Ensuring that the definition of material is consistent across all IFRS.

The amendments are intended to make the definition easier to understand and are not intended to alter the concept of materiality in IFRS, however the expectation is the amendment will improve the understanding of this important area.

Definition of a Business (Amendments to IFRS 3)

The amendments are a response to feedback received from the post-implementation review of IFRS 3. They clarify the definition of a business, with the aim of helping entities to determine whether a transaction should be accounted for as an asset acquisition or a business combination.

New definition state that, business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities

Under the new definition, the amendments acknowledge the minimum requirements to meet the definition of a business, i.e., despite most businesses having outputs, outputs are not necessary for an integrated set of assets and activities to qualify as a business. In order to meet the definition of a business the acquired set of activities and assets must have inputs and substantive processes that can collectively significantly contribute to the creation of outputs

It is important to distinguish business combinations from asset purchases because the IFRS requirements are very different. The changes are to be applied prospectively to business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Companies can apply them earlier if they disclose this fact

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 31st December, 2020

At the date of authorization of these financial statements, the following standards and interpretations relevant to the entity's operations and which have not been applied in the financial statements, were in issue but were not yet effective.

IFRS 17 *Insurance Contracts*	Effective for accounting periods beginning on or after January 1, 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	Effective for accounting periods beginning on or after January 1, 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	Effective for accounting periods beginning on or after January 1, 2022
Onerous Contracts — Cost of fulfilling a contract (Amendment to IAS 37)	Effective for accounting periods beginning on or after January 1, 2022

3. SUMMARY OF 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Interest income and expense

Fees and commission income are recognized when each performance obligation is satisfied per each distinctive obligation recognition over time. Applies when the customer simultaneously receives and consumes the service (IFRS 15).

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 rates (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 rates.

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 rates 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 cure 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 the effective interest rates 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Motor vehicles and equipment (Continued)

i) Recognition and measurement (Continued)

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 Straight-Line 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

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 the effective interest rates performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

The liabilities 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.

i. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Laina Finance LTD 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'.

iii. 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.

iv. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 the effective interest rates carrying amounts.

iii. 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 the effective interest rates fair values.

iv. 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 the effective interest rates 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.

v. De-recognition 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.

vi. 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 the effective interest rates 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- The segmentation of financial assets when the effective interest rates 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 the effective interest rates probability weightings, to derive the economic inputs into the ECL models

vii. 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.

viii. 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 the effective interest rates 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.

ix. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the effective interest rates 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.

(g) Employee benefit

i) Defined contribution plans

Laina Finance makes statutory contributions to the National Social Security Fund NSSF. 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.

(h) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

(j) 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.

(k) 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 the effective interest rates 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.

(l) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

4. RISK MANAGEMENT

The company board of Directors has the overall responsibility to the establishment and oversight of the company risk management framework. The risk management policies are established to identify and analyse risk that faced the company. To set appropriate risk limits and controls and monitor risk adherence to limits. The risk management policies and system are reviewed regularly to reflect changes in the market conditions and the company activities.

The company has exposed on the following risks:

- Credits risks; - management evaluates credit risk relating to customers on an going bases through studying the repayment behaviour of customers and adjust the score card to minimize risk on loans disbursed.
- 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 ensures it has cash on demand to meet expected operations expenses.

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period on 31st December 2020 to the contractual maturity date

	Up to 1 Month	1 - 3 Month	3 - 12 Month	1 - 5 Years	Total
As at 31st December 2020	**TZS**	**TZS**	**TZS**	**TZS**	**TZS**
Assets					
Cash and cash equivalent	80,982,415	-	-	-	80,982,415
Loan to customer	14,756,909	1,495,094	127,606,159	-	143,858,162
Receivables	8,326,000	17,265,450		-	25,591,450
Capital		522,980,000	551,520,000		1,074,500,000
Total Financial Asset	**104,065,324**	**541,740,544**	**679,126,159**	**-**	**1,324,932,027**

	Up to 1 Month	1 - 3 Month	3 - 12 Month	1 - 5 Years	Total
As at 31st December 2020	**TZS**	**TZS**	**TZS**	**TZS**	**TZS**
Liabilities					
Payables		284,496,329			284,496,329
Total Liabilities	**-**	**284,496,329**	**-**	**-**	**284,496,329**
	104,065,324	**257,244,215**	**679,126,159**	**-**	**1,040,435,698**

		2020 TZS	2019 TZS
5	**INCOME**		
	Revenue from device financing	**22,487,832**	43,706,936
	Revenue from IPF	**207,975**	-
	Other income	**8,971**	-
		22,704,778	43,706,936
6	**DIRECT COSTS**		
	Gross salaries	**201,519,129**	113,002,325
	Skills and Development Levy (SDL)	**8,577,188**	5,008,336
	Workers Compensation Fund (WCF)	**2,015,191**	1,112,964
	Employer contribution (NSSF)	**20,151,914**	11,129,636
		232,263,421	130,253,261
7	**ADMINISTRATIVE EXPENSES**		
	Bank fees	**1,062,863**	1,883,302
	Electricity	**3,320,000**	2,780,000
	Transportation & accommodation	**2,950,500**	6,748,650
	Stationaries	**869,350**	1,328,000
	Expendables	**14,834,750**	6,799,550
	Legal fees	**14,580,000**	1,380,000
	Cleaning expenses	**171,600**	344,499
	Office refreshment	**1,113,900**	1,343,653
	TTCL server fees	**5,758,044**	7,358,044
	Office rent	**14,766,800**	9,703,586
	Phone bill	**3,576,464**	4,554,377
	Office internet	**2,079,097**	1,489,250
	NIDC tunnels fees	**4,320,000**	-
	Radio marketing	**1,500,000**	-
	Other marketing	**7,063,100**	30,829,999
	Marketing material IPF	**-**	20,835,830
	Audit fees	**2,000,000**	4,500,000
	Fees and charges	**6,922,243**	1,810,000
	Withholding tax	**2,355,860**	-
	Consultations fees	**3,000,000**	75,758,024
	Credit Info monthly subscription fees	**14,478,297**	8,260,000
	Commissions on sales	**62,000**	-
		106,784,868	187,706,764

LAINA FINANCE LIMITED

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

		2020	2019
8	**TRADE AND OTHER RECEIVABLES**	**TZS**	TZS
	Client Loans Outstanding		
	DF receivables	**16,252,003**	111,319,409
	IPF receivables	**127,000**	-
		16,379,003	111,319,409
	Salaries and staff Loans		
	Staff salary advance	**8,326,000**	5,970,000
	Staff loan	**17,265,450**	15,660,000
		25,591,450	21,630,000
	Provisional for capital	**1,074,500,000**	-
	Total trade and other receivables	**1,116,470,453**	132,949,409
9	**CAPITAL**		
	Total share issued	**1,339,500,000**	-
	Share paid from issued share	**(265,000,000)**	-
		1,074,500,000	
	Total provision of capital outstanding		
	Provision for Capital from Share issued	**1,074,500,000**	-
	Provision for Capital from Loan	**468,726,575**	-
	Provision for Capital from Asset Loan	**50,844,775**	-
		1,594,071,350	-
10	**CASH AND CASH EQUIVALENTS**		
	Cash at hand	**96,900**	1,565,800
	Cash at bank	**80,885,515**	4,336,148
		80,982,415	5,901,948
11	**CURRENT LIABILITIES**		
	Trade and other payables	**210,391,441**	76,472,104
	Short term loan	**70,963,888**	12,799,000
	Shop outstanding payables	**1,141,000**	112,277
	Provision for audit fees	**2,000,000**	4,500,000
	Asset loan	**-**	77,203,039
		284,496,329	171,086,420
12	**CURRENT TAX PAYABLE/(RECEIVABLE)**		
	At start of the year	**900,000**	-
	Add: Provisional tax paid during the year	**1,200,000**	900,000
	Less: Corporate tax payable for the year-Alternative Minimum Tax	**(113,479)**	-
		1,986,521	900,000

13 IMPAIRMENT ALLOWANCE

Loan portfolio classification as at 31st December 2020

Days past Due	Portfolio	Impairment	No of Loans	Rate	Classification
0-5 Days	11,412,744	114,127.44	86	1%	Current
6-30 Days	3,344,165	167,208	22	5%	Especially Mentioned
31-60 Days	508,144	127,036	5	25%	Substandard
60-90 Days	986,950	493,475	6	50%	Doubtful
Above 90 Days	127,606,159	127,606,159	385	100%	Loss
Total	**143,858,162**	**128,508,006**	**504**		

IMPAIRMENT ALLOWANCES

	2020	2019
	TZS	TZS
Receivables as at 31st December 2020	**143,858,162**	136,303,931
Less: Impairment Allowance	**127,606,159**	24,984,522
Balance as at 31st December 2020	**16,252,003**	111,319,409

14 PROPERTY AND EQUIPMENT

	Computer and related equipment	**Furniture and fittings**	**Total**
	TZS	**TZS**	**TZS**
Year Ended 31 December 2020			
Cost			
At start of year	18,234,004	6,743,450	24,977,454
Additions 2020	-	-	-
At end of year	**18,234,004**	**6,743,450**	**24,977,454**
Depreciation/Amortization			
At start of year	4,213,688	1,047,001	5,260,689
Charge for the Year 2020	6,837,750	842,931	7,680,681
At end of year 2020	**11,051,438**	**1,889,932**	**12,941,370**
Net book value	**7,182,566**	**4,853,518**	**12,036,084**
Year ended 31 December 2019			
Cost			
At start of year	3,275,000	3,398,450	6,673,450
Additions	14,959,004	3,345,000	18,304,004
At end of year	**18,234,004**	**6,743,450**	**24,977,454**
Depreciation/Amortization			
At start of year	757,813	204,070	961,882
Charge for the year	3,455,875	842,931	4,298,806
At end of year	**4,213,688**	**1,047,001**	**5,260,689**
Net book value	**14,020,317**	**5,696,449**	**19,716,765**

15 INTANGIBLE ASSET

	2020 TZS	2019 TZS
Year Ended 31 December 2020		
Cost		
At start of year	218,649,271	31,983,000
Additions	-	186,666,271
At end of year	**218,649,271**	**218,649,271**
Amortization		
At start of year	41,999,787	6,396,600
Correction of prior year error	(660)	25,586,400
Charge for the year	13,066,593	10,016,787
At end of year 2020	**55,066,380**	**41,999,787**
Net book value	**163,582,231**	**176,649,484**

16. INCOME TAX EXPENSE/(CREDIT) AND DEFERRED TAX

INCOME TAX CHANGE/(CREDIT)	**2020 TZS**	2019 TZS
Current income tax charge	**-**	-
Prior year tax	**-**	-
Deferred tax (credit)/charge		
- current year	**(136,859,575)**	-
- prior year	**-**	-
Tax credit	**(136,859,575)**	-

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit before tax	**(464,696,944)**	-
Tax calculated at a tax rate of 30%	**(139,409,083)**	-
Prior year under-provision - income tax	**-**	-
-deferred income tax	**-**	-
Other adjustments	**113,479**	-
Non qualifying assets	**-**	-
Expenses not deductible for tax purposes	**2,549,508**	-
Tax charge/(Credit)	**(136,746,096)**	-

DEFERRED TAXATION

	2020 TZS	2019 TZS
At beginning of the period	**-**	-
Property and equipment	**(214,614)**	-
General provisions	**(38,281,848)**	-
Estimated tax losses	**(98,792,341)**	-
At end of year	**(136,859,575)**	-

There is a potential deferred tax asset of TZS 136,859,575 (2019: Nil) mainly arising on account of tax losses, and general provisions. In the opinion of directors, it is prudent not to recognize the deferred asset due to the fact that the directors are uncertain whether sufficient taxable profits will be generated in the foreseeable future against which the asset can be utilized.

17. RELATED PARTY TRANSACTIONS AND BALANCES

During the year 2020 the company had repaid part of the asset loan amounting to TZS 26,758,205 million Tanzania shillings. The outstanding loan from Busara solutions OY, Gasso Finland Oy and Asset have been transfers to capital receivables with the agreement that; if the company will not make profit within three years, the loan will be transferred to Capital. These terms have been legally presented on the shareholder's agreement.

	2020 TZS	2019 TZS
i. Balances of the related party		
Loan from Bussara Solutions Oy	-	396,891,750
Loan from Gaso Finland Oy	-	71,834,825
Asset Payable	-	77,203,039
	-	**545,929,614**
ii. Capital Receivables		
Loan from Busara Oy	396,891,750	-
Loan from Gaso Finland Oy	71,834,825	-
Asset Payables	50,844,775	-
	519,571,350	**-**

18. IMPACT OF COVID 19

The directors of Laina finance Ltd would like to take note of the Covid – 19 pandemics that arose because of the novel corona virus. This disease has resulted into adverse economic effects on Laina Operations, Tanzania economy and the world at large. Laina Finance has suffered a significant decline in business in year 2020, that has lead into significant loss during the year 2020

19. EVENTS AFTER THE REPORTING PERIOD

There have been no material adjusting and other non-adjusting events after the reporting date which requires further disclosure and/or being accounted in the financial statements.

20. EQUITY INVESTMENT

During the Year 2020 the company had managed to issue new shares to new shareholders. The total of 600 share was issued with the total value of 1,339,500,000/=. Each of this share's worth 2,232,500/=