

MABOTO MICROFINANCE LIMITED

**DIRECTORS' ANNUAL REPORT AND AUDITED
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER 2022**



MKOPO NAFUU NA WA HARAKA

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ABBREVIATIONS

AGM	Annual General Meeting
FAR	Fixed Asset Register
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
PAYE	Pay as You Earn
SDL	Skills and Development Levy
TRA	Tanzania Revenue Authority
TZS	Tanzania Shillings

COMPANY'S BASIC INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

MABOTO MICROFINANCE LIMITED
PLOT NO. 856, BLOCK HH, NYASAKA ROAD, ILEMELA DISTRICT
P.O. BOX 10316
MWANZA
TANZANIA

BANKERS
NMB BANK
BUNDA
TANZANIA

MAIN BRANCH
BOMA ROAD
P.O.BOX 8
BUNDA
TANZANIA

EXTERNAL AUDITORS
CMK ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, AUDITORS
& TAX CONSULTANTS IN PUBLIC PRACTICE
P.O.BOX 13077
DAR ES SALAAM.

DIRECTORS' ANNUAL REPORT.

1. INTRODUCTION

The Directors are pleased to submit herewith their Annual Report together with the Audited Financial Statements for the year ended 31st December 2022, which disclose the state of affairs of Maboto Microfinance Limited as at that date.

This Director's report has been prepared in accordance with the Tanzania Financial Reporting Standards (TFRS) No. 1, *Director's Report* issued by National Board of Accountants and Auditors (NBAA).

2. ESTABLISHMENT

The Company was incorporated on 04th July, 2003 under the Tanzania Company's Act 2002 as Maboto Enterprises Limited - Certificate of Incorporation No 46394.

However, on 14th April, 2020 having been licensed by the Bank of Tanzania (BOT), with the sanction of a special Board Resolution, changed its name to MABOTO MICROFINANCE LIMITED. Certificate of Change of Name No: 46394.

Maboto Microfinance Limited was licensed by BOT; Licence No. MSP2 - 0019; the licence to conduct microfinance business issued under Section 21 of the Microfinance Act, of 2018.

Its registered office however remained unchanged.

3. PRINCIPAL ACTIVITIES

The company's principal activities during the period under review remained to carry on microfinance business in Tanzania Mainland as a Non- Deposit Taking Microfinance Service Provider under Tier 2.

4. DIVIDENDS

The Directors do not recommend payment of dividends in respect of the year ended 31 December 2022. The gains and profits during the year have been added to Retained Earnings.

5. FINANCIAL PERFORMANCE

The company's financial performance for the year is set out here in the Financial Statement which is summarized as follows:

Details	<i>Current year</i> 31st Dec2022	<i>Previous year</i> 31st Dec2021
	TZS	TZS
Profit/ (loss) before taxation	527,298,763	452,387,158
Equity	27,618,053,960	27,350,440,738

6. SOLVENCY

The Company's state of affairs as at 31 December 2022 is set out here in the financial statements.

The Directors believe that the Going Concern status of the Company for the foreseeable future is strong and stable.

Accordingly, the Board of Directors confirms that applicable International Financial Reporting Standards have been followed in the preparation of financial statements and that the financial statements have been prepared on a Going Concern basis.

7. CORPORATE GOVERNANCE

Code of Corporate Practice and Conduct

MABOTO MICROFINANCE LIMITED is committed to the principles of effective corporate governance and the Board of Directors is of the opinion that the Company currently complies with all principles of good corporate governance.

The Board of Directors

The Board of Directors of Maboto Microfinance Limited during the period under review remained unchanged as follows:

Name	Nationality	Position
1. Mr. Robert Chacha Maboto	Tanzanian	Managing Director
2. Mrs. Scholastica Robert Maboto	Tanzanian	Director
3. Mr. Alex Mugisha Rwebogora	Tanzanian	Director
4. Ms. Hadija Hassan Mshamu	Tanzanian	Director
5. Elisante Joseph Makala	Tanzanian	Director

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 against budgets and business plans.

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative for compliance with sound corporate governance principles.

The Board is confident that its members have the knowledge, talent and experience to lead the Company.

Ethical Behavior

Compliance with the Code of Conduct is the ultimate responsibility of the Managing Director with day-to-day monitoring delegated to line Management with the support of personnel officers. All staff is expected to maintain the highest level of integrity and honesty in dealing with customers, suppliers, service providers and colleagues.

The Company's Code of Conduct commits it to the highest standards of integrity, conduct and ethics in its dealings with all parties concerned, including its Directors, managers, employees, customers, suppliers, competitors, investors, shareholders and the public in general.

Financial Reporting and Auditing

The Directors accept the final responsibility for the preparation of the annual financial statements which fairly present:

- The financial position of the Company as at the end of the year under review;
- The financial results of operations and;
- The cash flows for that period.

The responsibility to prepare the financial statements is vested in the Board of Directors. The audit function of the financial statements is carried out by Independent External Auditors appointed by the Company at its Annual General Meeting held annually in accordance with the Memorandum and Articles of Association (MEMARTS).

The Directors are satisfied that during the year under review:

- Adequate accounting records were maintained;
- An effective system of internal control and risk Management, monitored by Management, was maintained;
- appropriate accounting policies, supported by reasonable and prudent judgments and estimates, were used consistently: and
- The financial statements were compiled in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002.

The Directors are also satisfied that no material event has occurred between the financial year-end and the date of this report which affects the business or has not been reported.

The Directors are of the opinion that the Company has sufficient resources and commitments at its disposal to operate the business in the foreseeable future.

9. MANAGEMENT

Management of Maboto Microfinance Limited is under the leadership of the Chief Executive Officer (CEO) Ms. Bukela Pius Guda.

The Company is organized in the following departments:

- Finance and Administration Department
- Sales and Marketing Department
- Lending and Recoveries Department

10. ADMINISTRATIVE MATTERS

The Company is capable of handling all administrative matters.

11. RESOURCES

Employees with appropriate skills and experience in running the business are a key resource available to the Organization and they assist in pursuing the Organization's objectives.

12. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts the final responsibility for the risk Management and internal control systems of the Company. It is the task of Management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations

- The safeguarding of the Company's assets
- Compliance with applicable laws and regulations
- The reliability of accounting records
- Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is depended on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff.

Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the year and is of the opinion that they met the accepted criteria.

13. EMPLOYEES' WELFARE

Management and employees' relationship

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

14. ACCOUNTING POLICIES

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

15. EVENTS AFTER REPORTING PERIOD

There were no material events, adjusting or non-adjusting, which occurred between the reporting date and the date when Financial Statements were authorized for issue.

16. AUDITORS

The Auditors, CMK Associates, were appointed during the year as External Auditors of the Company for the year ended 31 December 2022; they have expressed their willingness to continue in the next financial year 2023 and are eligible for reappointment.

A resolution proposing the re-appointment of the Auditors for the year 2023 will be tabled at the Annual General Meeting.


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BUKELA PIUS GUDA

CHIEF EXECUTIVE OFFICER



DECLARATION OF THE HEAD OF FINANCE

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

It is the duty of professional Accountant to assist the Board of Directors / Governing Body / Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity's position and performance in accordance with applicable International Accounting standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the board of Directors.

Responsibility statement

I Ntuli G. Noah being the Financial Accountant of Maboto Microfinance Limited hereby, acknowledge my responsibility of ensuring that Financial Statement for the year ended 31 December 2019 have been prepared in compliance with applicable Accounting Standards and Statutory Requirements.

I thus confirm that the Financial Statements give a true and fair view position of the Company as on that date and that they have been prepared based on properly maintained financial records.

Signed by:

Name: Ntuli G. Noah

Signature: 

NBAA Registration No. GA 9453.



Date: 

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Company's Directors are responsible for the preparation and fair presentation of the annual financial statements, comprising the Statement of Financial Position at 31 December 2022, and the Statements of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows 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 Tanzanian Companies Act.

The Directors are also responsible for such internal control as the 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 risk Management.

The Directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.


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CHIEF EXECUTIVE OFFICER



07/01/2023

Date

**INDEPENDENT AUDITORS' REPORT TO:
THE MEMBERS OF MABOTO MICROFINANCE LIMITED
PLOT NO. 856, BLOCK HH, NYASAKA ROAD
ILEMELA DISTRICT
P.O. BOX 10316
MWANZA
TANZANIA**

**REPORT OF THE AUDITORS ON THE FINANCIAL STATEMENTS OF THE COMPANY FOR THE
YEAR ENDED 31ST DECEMBER, 2022.**

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Maboto Microfinance Limited as at 31ST December 2022, its financial performance and its cash flows for the financial year under review in accordance with International Financial Reporting Standards (IFRS) and comply with Companies Act 2002.

What we have audited

We have audited the Annual Financial Statements of Maboto Microfinance Limited for the year ended 31ST December 2022 set out here in this report.

We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA).

Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free from material misstatements.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by the management, and
- Evaluating the overall financial statements presentation.

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 the audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in

the matters described below to be the key audit matters to be communicated in our report.

We have determined that there are no key audit matters to communicate in this report

Independence

We are independent of the Institution in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania.

We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA

Information Other than the Financial Statements and the Auditor's Report Thereon

Management is responsible for the other information. The other information comprises of the Director's Report and the Declaration by the Head of Finance but does not include the financial statements and the Auditor's 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 we have performed on the other information that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditors' Responsibility for the Audit of the Company's Financial Statements

Our objectives are to obtain reasonable assurance about whether the company 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 the company 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 company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the company financial statements, including the disclosures, and whether the company 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 Company 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 the 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 the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the company's financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes. As required by the Companies Act, No. 12 of 2002, we are also required to report to you if, in our opinion, the Director's Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed.

In respect of the foregoing requirements, we have no matter to report.

CMK ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
AUDITORS & TAX CONSULTANTS
P. O. Box 13077, DAR ES SALAAM
.....**PARTNER**

CPA Christopher M. Kazalla - ACPA - PP No. 945

MANAGING PARTNER

CMK ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, AUDITORS
& TAX CONSULTANTS IN PUBLIC PRACTICE
P.O.BOX 13077
DAR ES SALAAM.

09-01-.....2023.

MABOTO MICROFINANCE LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
YEAR ENDED 31ST DECEMBER, 2022.

PARTICULARS OF INCOME STATEMENT	Note	2022 TZS	2021 TZS
REVENUE			
Interest Income	2	5,683,250,780	5,089,994,711
Less: Direct Cost		2,449,144,099	1,904,816,765
GROSS PROFIT		3,234,106,680	3,185,177,945
Other Income		331,433,649	226,341,039
TOTAL GROSS INCOME		3,565,540,329	3,411,518,984
OPERATIONS EXPENSES			
Administrative expenses	5	2,719,117,354	2,714,948,024
Selling & Distribution	6	160,674,235	171,383,025
Depreciation	13	27,732,746	31,584,908
TOTAL OPERATIONS EXPENSES		2,907,524,335	2,917,915,958
OPERATING PROFIT OR (LOSS) BEFORE FINANCE COSTS		658,015,994	493,603,026
FINANCE COSTS			
Bank Charges & Processing fees	7	130,717,231	41,215,868
GROSS OPERATING PROFIT OR (LOSS) BEFORE TAX EXPENSE		527,298,763	452,387,158
OPERATING PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE		527,298,763	452,387,158
Corporate Tax		158,189,629	135,716,148
NET PROFIT / (LOSS) AFTER TAX		369,109,134	316,671,011
Add: Other Comprehensive Income		-	-
TOTAL NET PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		369,109,134	316,671,011

Buda


 BUKELA PIUS GUDA
 CHIEF EXECUTIVE OFFICER



Date *07/01/2023*

MABOTO MICROFINANCE LIMITED
 STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022

PARTICULARS OF THE FINANCIAL POSITION STATEMENT	Note	2022 TZS	2021 TZS
ASSETS			
Non-Current Assets			
Property, plant and equipment (PPE)	14	115,086,634	129,176,380
Total Non-Current Assets		115,086,634	129,176,380
Current Assets			
Trade & Other Receivables	8	50,576,002,056	36,712,290,188
Cash & Cash Equivalents	9	1,757,813,829	1,138,362,553
Deferred Tax asset	13.1	153,260,612	111,249,364
Tax Receivable	13.0	-	-
Total Current Assets		52,487,076,498	37,961,902,105
TOTAL ASSETS		52,602,163,131	38,091,078,485
LIABILITIES			
Non- Current Liabilities			
Loans from Related Parties	11	19,595,193,598	9,615,495,981
Self MF-Term Loan	11	4,014,357,154	788,664,000
Total Non-Current Liabilities		23,609,550,752	10,404,159,981
Current Liabilities			
Trade & Other Payables	10	202,922,115	159,691,530
Tax Payable	13.0	162,946,153	176,786,236
Bank Overdraft	12	1,008,690,150	
Total Current Liabilities		1,374,558,418	336,477,766
TOTAL LIABILITIES		24,984,109,171	10,740,637,747
SHAREHOLDERS EQUITY			
Paid up Share Capital		5,000,000,000	5,000,000,000
Retained Earnings		22,507,143,215	22,239,529,993
Capital Reserves		110,910,745	110,910,745
TOTAL EQUITY		27,618,053,960	27,350,440,738
TOTAL EQUITY & LIABILITES		52,602,163,131	38,091,078,485



 BUKELAPIUS GUDA
 CHIEF EXECUTIVE OFFICER



Date 07/01/2023

MABOTO MICROFINANCE LIMITED
STATEMENT OF CHANGES IN OWNER'S EQUITY FOR THE YEAR ENDED
31ST DECEMBER 2022

PARTICULARS	Share Capital	Retained Earnings	Capital Reserve	Total
	TZS	TZS	TZS	TZS
1st January 2021	5,000,000,000	22,063,788,583	110,910,745	27,174,699,328
Additions during the year	-	316,671,011	-	316,671,011
Prior year taxes		(140,929,601)		(140,929,601)
31st December 2021	5,000,000,000	22,239,529,993	110,910,745	27,350,440,738
1st January 2022	5,000,000,000	22,239,529,993	110,910,745	27,350,440,738
Additions during the year	-	369,109,134	-	369,109,134
Prior year taxes		(101,495,912)		(101,495,912)
At 31st December 2022	5,000,000,000	22,507,143,215	110,910,745	27,618,053,960

MABOTO MICROFINANCE LIMITED
 CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2022

	Note	2022 TZS	2021 TZS
Cash Flows from Operating Activities:			
Profit / (Loss) Before Tax		527,298,763	452,387,158
Non Cash transactions			
deferred tax asset		111,249,364	-
Add: Depreciation		27,732,746	31,584,908
Net Cash flow Before Working Capital Adjustments		666,280,873	483,972,067
Changes in Current Accounts:			
Trade and other receivables		(13,863,711,868)	(4,512,143,877)
Trade and other payables		43,230,585	33,812,610
Cash Provided / Used from / in Operating activities		(13,154,200,410)	(3,994,359,200)
Prior year tax liability		(176,786,236)	
Tax		(250,000,000)	(160,000,000)
Net Cash Flows From Operating Activities		(13,580,986,646)	(4,154,359,200)
Cash flows from Investing Activities			
Purchase of property and equipment		(13,643,000)	(24,600,000)
Disposal		-	-
Net Cash provided /used/ from/ in Investing Activities		(13,643,000)	(24,600,000)
Cash Flows from Financing Activities			
Overdraft		1,008,690,150	
Loan addition (Repayment)		3,225,693,154	(659,630,275)
Related Party Loan Additions / (Repayments)		9,979,697,617	3,622,453,873
Net Cash used / provided in / from Financing Activities		14,214,080,921	2,962,823,598
Net Increase / (Decrease) in Cash & Cash Equivalents		619,451,276	(1,216,135,602)
Cash at beginning of the Year		1,138,362,553	2,354,498,155
Cash & Cash Equivalents at end of the Year		1,757,813,829	1,138,362,553

Buda

 BUKELA PIUS GUDA
 CHIEF EXECUTIVE OFFICER



Date *07/01/2023*

NOTES TO FINANCIAL STATEMENTS

1. REPORTING ENTITY

The Company was incorporated on 23rd August 2018 under the Tanzanian Companies Act 2002 and commenced its operation in the same year.

The registered address of the company is as follows:

MABOTO MICROFINANCE LIMITED
NYASAKA ROAD, ILEMELA DISTRICT
P.O. BOX 10316
MWANZA, TANZANIA

SIGNIFICANT ACCOUNTING POLICIES

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

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by International Accounting Standards Board (IASB).

b) Basis of preparation

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

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

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

c) Current Versus Non-Current Classification

The Company presents Assets and Liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be used or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be used within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d) Revenue Recognition

Revenue is recognized when revenue and associated costs can be measured reliably and future economic benefits are probable. Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other related taxes.

e) Property and Equipment

Recognition and Measurement

Items of Property and Equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation

Depreciation is calculated on a reducing balance method over the estimated useful lives of each part of an item of property and equipment.

Rates of Depreciation charge are as follows:

Asset category	Rate
Motor vehicles	37.5%
Motorcycle	37.5%
Furniture and fittings	12.5%
Office Equipment	12.5%
Computer	37.5%

h) Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined on a first-in-first-out basis.

i) Trade Receivables

Trade Receivables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method, less provision for impairment. A provision for impairment of the Trade Receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit and loss account.

j) Cash and Cash Equivalents

Cash and Cash Equivalents in the Statement Of Financial Position comprises of cash at bank and in hand and other short-term highly liquid investments that are readily convertible to known amount of cash which are subject to an insignificant risk of change in their values and are used by the Company in the Management of its short term commitments with original maturities of three months or less.

For the purposes of The Statement of Cash Flows, cash and cash equivalents consists of cash and cash equivalents, net of outstanding bank overdrafts

l) Income Tax

Income tax expense comprises current and deferred tax. It is recognized in the profit or loss account except to the extent that it relates to items recognized directly to equity or other comprehensive income.

Current tax

Current income tax is the expected amount of income tax payable or receivable on the taxable profit income or loss for the year determined in accordance with the Tanzanian Income Tax Act and any adjustment to the tax payable or receivable in respect of the previous years. It is measured using tax rates enacted or substantially enacted at the reporting date.

MABOTO MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2022

	NOTES	2022 TZS	2021 TZS
2	Revenue		
	Interest Income - Treasury Report	5,683,250,780	5,089,994,711
		5,683,250,780	5,089,994,711
3	Other Income		
	Gain from insurance	331,433,649	226,341,039
		331,433,649	226,341,039
4	DIRECT COST		
	Salaries & Wages	1,381,096,500	1,249,316,600
	Loan Interest	568,421,157	208,028,103
	Agency Fees	499,626,442	447,472,062
	COST OF SERVICES PROVIDED	2,449,144,099	1,904,816,765
5	Administrative Expenses		
	Salaries & wages	591,898,500	535,421,400
	Skills & Development Levy	78,919,800	71,389,520
	NSSF Employer's Contributions	164,910,440	134,804,000
	WCF	11,004,712	14,232,136
	Security guard	28,400,000	34,700,000
	Stationery & Printing	62,804,640	60,850,330
	Telephone & Postage	32,991,500	48,630,000
	Electricity & Water	24,109,800	30,663,750
	Marketing & Promotions	345,435,000	423,000,000
	Office rent	137,311,000	159,710,000
	Bad-debts Written off	380,946,502	373,476,963
	Subsistence Allowance	-	132,000,000
	Workmen compensation	18,520,510	20,605,220
	Office Cleaning	12,288,000	11,591,400
	Fire Fee	6,401,055	11,685,000
	Rent for employees	11,205,000	22,890,000
	Service Levy	64,142,247	46,624,491
	Withholding tax & Stamp duty	10,811,790	9,954,600
	Staff Welfare Expenses	20,440,000	16,140,000
	Trading License	56,600,000	49,400,000
	Repair & Maintenance(Building &Equipment)	28,423,850	24,753,000
	Donations & Contribution to the Public	6,070,000	10,000,000
	Data collection expenses	36,548,000	46,740,000
	Office Expenses	35,926,300	48,855,000
	Auditors' remuneration	7,180,000	6,000,000
	Provision for bad & doubtful debts	510,868,708	370,831,214
	Medical Insurance	34,960,000	
	TOTAL ADMINISTRATION EXPENSES	2,719,117,354	2,714,948,024
6	SELLING & DISTRIBUTION EXPENSE		
	Travelling	117,021,850	141,903,000
	Motor vehicle running	-	-
	<i>Repair & maintenance</i>	31,000,810	15,570,025
	<i>Fuel & Lubricants</i>	12,061,575	13,320,000
	<i>Insurance</i>	590,000	590,000
	TOTAL SELLING & DISTRIBUTION EPENSES	160,674,235	171,383,025

Maboto Microfinance Limited
Financial Statements
For The Year Ended 31st December 2022

7	Finance Expenses		
	Bank Charges	42,119,231	41,215,868
	Loan processing fee	88,598,000	-
	TOTAL FINANCE COSTS	130,717,231	41,215,868
8	Trade & Other Receivables		
	Loans & Advances	51,086,870,764	37,083,121,402
	Less: <i>Doubtful debt</i>	(510,868,708)	(370,831,214)
	Net-Loans & Advances	50,576,002,056	36,712,290,188
	TOTAL	50,576,002,056	36,712,290,188
9	Cash & Cash Equivalents		
	Cash at Bank	1,757,813,829	1,138,362,553
	TOTAL CASH & BANK BALANCES	1,757,813,829	1,138,362,553
10	Trade Creditors & Other Payables		
	TRA Tax assessment	101,495,912	-
	Accrued Expense		
	Audit fees	7,000,000	6,000,000
	Pension Contribution	14,987,800	12,661,000
	Over deducted Loans	64,592,297	127,733,250
	PAYE	8,101,066	7,239,640
	SDL	6,745,040	6,057,640
	TOTAL	202,922,115	159,691,530
11	Loans from Related Parties		
	Loans from Related Parties	19,595,193,598	9,615,495,981
	Self MF-Term Loan	4,014,357,154	788,664,000
	Total Loans from Related Parties	23,609,550,752	10,404,159,981
12	Bank Overdraft	1,008,690,150	-
	i. Loans from Related Parties		
	MML enjoys loans from Robert Chacha Maboto (RCM) who is a related Party to the Reporting entity in terms of IAS 24.		
	ii. Self MF Term Loan		
	In April, 2022 MML obtained a Term Loan of TZS. 4,400,000,000,00 (4.4 b) from SELF MICROFINANCE FUND (SELF MF) to finance its Working Capital requirements.		

MABOTO MICROFINANCE LIMITED		NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2022	
TAX COMPUTATION SCHEDULE			2022 TZS
13.0	Computation of Corporate Tax		
	Profit / (Loss) Before Tax per accounts		527,298,763
	Add: Disallowable Deductions		
	<i>Provision for Doubtful debt</i>	510,868,708	
	<i>Accounting Depreciation</i>	27,732,746	538,601,454
	Total		1,065,900,217
	Less: Allowable Deductions		
	Depreciation Allowance as per 3rd Schedule ITA	27,732,746	27,732,746
	Adjusted Profit Before Tax		1,038,167,471
	Corporate Tax - 30%		311,450,241
	Balance brought forward		-
	<i>13.2 Additional Assesment-2021</i>		101,495,912
	Tax Payable / (Refundable)		412,946,153
	Advance Tax Paid 2022		(250,000,000)
	Prior year Additional tax assessment paid-2021		-
	Tax Payable / (Refundable)		162,946,153
Note	13.1		2022 TZS
	PARTICULARS		
	Deferred tax is calculated on all temporary timing difference		
	Current tax liability as per tax laws		311,450,241
	Current Tax Expense as per accounting		(158,189,629)
	Deferred tax asset		153,260,612
Note	13.2		2021
	Additional Taxes Corporate Taxes-2021		67,843,957
	Penalties & Interest-2021		3,175,113
	SDL-2021		15,711,409
	WHT(Service)-2021		842,672
	Stamp Duty-2021		3,049,400
	WHT(Rental)-2021		10,873,362
	Total Additional Taxes		101,495,912

NOTE: 14 PROPERTY, PLANT AND EQUIPMENT AS AT 31ST DECEMBER, 2022

S/N	CLASS OF ASSET	CARRYING AMOUNT			RATE	NET BOOK VALUE		
		01/ JAN/ 2022	ADDITIONS	31/DEC/2022		CHARGE FOR THE YEAR	31/12/2022	31/12/2021
1	BUILDINGS							
	House at Bunda	27,730,974	-	27,730,974	5.0%	1,386,549	26,344,425	27,730,974
2	MOTOR VEHICLES							
	Vehicles	2,746,540	-	2,746,540	37.5%	1,029,953	1,716,588	2,746,540
	T 339 DHU	1,430,511	-	1,430,511	37.5%	536,442	894,070	1,430,511
	T 178 DHP							
	V/W	2,384,186	-	2,384,186	37.5%	894,070	1,490,116	2,384,186
	T 339 CXQ							
	KLUGER	813,032	-	813,032	37.5%	304,887	508,145	813,032
	T 642 DPC							
	Carina	1,907,349	-	1,907,349	37.5%	715,256	1,192,093	1,907,349
	Motor							
	Cycles	3,381,348	-	3,381,348	37.5%	1,268,005	2,113,342	3,381,348
3	ICT & OTHER EQUIPMENTS							
	CCTV Camera	3,051,758	-	3,051,758	37.5%	1,144,409	1,907,349	3,051,758
	System server	4,150,391	9,493,000	13,643,391	37.5%	5,116,271	8,527,119	4,150,391
	Computers & Printers	14,332,473	4,150,000	18,482,473	37.5%	6,930,927	11,551,546	14,332,473
4	FURNITURE & FITTINGS							
	Furniture & fittings	67,247,819	-	67,247,819	12.5%	8,405,977	58,841,842	67,247,819
	GRAND TOTAL	129,176,380	13,643,000	142,819,380		27,732,746	115,086,634	129,176,380

NOTE 15: DEPRECIATION ALLOWANCE AS PER 3RD SCHEDULE

15	Details	CLASS I	CLASS II	CLASS III	TOTAL
	Depreciation rate	37.5%	25%	12.50%	
	Tax Written Down Value b/f 01.01.2022	34,197,587	-	67,247,819	101,445,406
	Additions	13,643,000	-	-	13,643,000
	Disposal		-	-	-
	Depreciation Base	47,840,587	-	67,247,819	115,088,406
	Wear & Tear Deduction	17,940,220	-	8,405,977	26,346,198
	Tax Written Down Value c/f 31.12.2022	29,900,367	-	58,841,842	88,742,209
		CLASS V			
		5.0%			
	Cost				
	1. 1. 2022	30,726,841.00			
	Additions	-			
	31. 12. 2022	30,726,841.00			
	Accumulated Depreciation				
	01.01.2021	2,995,867.00			
	Depreciation Allowance	1,386,548.70			
	31.12.2022	4,382,415.70			
	TOTAL DEPRECIATION ALLOWANCE				27,732,746.24