K-FINANCE LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

TABLE OF CONTENTS

LIST OF ABBREVIATIONS

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

COMPANY'S INFORMATION

Company Name **K-Finance Limited**

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

Principal bankers
CRDB Bank Plc
Kijitonyama Branch
Dar es Salaam
Tanzania

NMB Bank Plc
Mlimani City Branch
Dar es Salaam
Tanzania

Equity Bank Limited
Golden Jubilee Tower
Dar es Salaam
Tanzania

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

REPORT BY THOSE CHARGED WITH GOVERNANCE

1. INTRODUCTION

Those charged with governance of K-Finance Limited are pleased to submit their annual report and the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of the Company. This report by those charged with governance has been prepared in accordance with the Tanzania Financial Reporting Standards (TFRS) No. 1 issued by National Board of Accountants and Auditors (NBAA).

2. ESTABLISHMENT

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

3. NATURE OF OPERATION

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

4. OBJECTIVES AND STRATEGIES

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

5. ENTITY OPERATING MODEL

Inputs

The management of the Company is under the Chief Executive Officer, organized in five departments and one outsourced function.

- Credit and Business
- Marketing
- Risk and Compliance
- Legal, Human Resource and Administration
- Finance
- Internal audit – *(outsourced function)*

Operating

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

Outputs

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

- Business loans
    - Mjasiriamali loans
    - Tender loans
    - Gari Yako loans
    - IPF loans
- Salaried Loans
    - Personal salaried loans
    - Executive loans

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

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

5. ENTITY OPERATING MODEL (Continued)

Outcome

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

6. CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

With strong governance from the Board to the Management, the overall strategic objectives of the business have been achieved hence making the company stronger in the operating environment than before. K-Finance had made its operations sustainable by maintaining the same layouts-Dodoma and Main Office in Dar es Salaam, but with more volume released to benefits more Tanzanians, achieved Tzs3Billion as closing loan book, from TZS 2.3Billlon in a preceding year 2021. During the year managed to update its loaning price to at an average interest rate of 4.2% declining per month. For the sake of high reach and growth in its Insurance business, in June 2022 the company changed its Insurance Agency business to K-Finance Insurance Brokers Limited. As of 31st December 2022, K-Finance Limited possessed 58% of the paid-up share capital under such investment.

7. RESOURCES

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

8. PRINCIPLE RISKS, UNCERTAINTIES AND OPPORTUNITIES

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

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

The Company has exposure on the following risks

- Credit risks
- Interest rate risks

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables. The credit risk management process is part of the overall operational risk management framework of the Company and is reviewed continually with respect to its accuracy and appropriateness. The Company mitigates risk concentration through policy and portfolio diversification regarding loan products and economic sectors. Management evaluates credit risk relating to customers on an ongoing basis. K-finance has adopted various sound practices set out to specifically address the following areas:

a) Establishing an appropriate credit risk environment

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

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

8. PRINCIPLE RISKS, UNCERTAINTIES AND OPPORTUNITIES (Continued)

Credit risk (Continued)

b) Operating under a sound credit granting process

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

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

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

d) Ensuring adequate controls over credit risk

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

Interest rate risk

Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may reduce losses if unexpected movements arise. During the period, the intervention of Bank of Tanzania to lower class of financial institutions-Tier2 capital, had led to a downfall of the company's margin, this is due to enforcement to lower down lending rate, when compared to a level of business asset growth.

8. STAKEHOLDERS' RELATIONSHIP

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

9. DIVIDEND

The company declared 50% of the net profit to be allocated as dividend to shareholders for the year ended 31 December 2021. (2021: None)

10. CAPITAL STRUCTURE

The Company's capital structure for the year ended 31 December 2022 is as shown below.

	2022 TZS	2021 TZS
Authorized share capital		
10,000 shares of TZS 100,000 each (2021: 6,800 shares)	**1,000,000,000**	**680,000,000**
Issued and fully paid-up share Capital		
6,800 shares of TZS 100,000 each (2021: 6,800 shares)	680,000,000	680,000,000
	680,000,000	**680,000,000**

The Company capital structure is largely finance by equity from shareholders. Debt to equity ratio during the year was 1.23 (0.44 from Shareholder's facility).

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

11. CASH FLOWS

The Company had sufficient cash balances during the period, mainly raised from financing activities attributed by Capital injection, a term loan from director and overdraft facilities from commercial banks, significantly used to finance loan issued to customers. The Board confirms that the Company has a sufficient cashflow to finance its operations.

12. LIQUIDITY

Operational activities of the Company were financed by incomes from loans issued to customers, overdraft facilities from CRDB and Equity Bank as well as term loan from Director. There was no liquidity challenge faced by the Company during the year.

13. KEY PERFORMANCE INDICATORS

	Benchmark	2022	2021
Profit margin (Net income/Total income)		16.0%	7.2%
Cash balances/Total Assets	<=5%	1.0%	0.2%
Net Loans/ Total Assets	70%-80%	87.7%	91.1%
Net Institution Capital/ Total Assets	>=10%	40.6%	50.6%
Return on Equity (Net Income/Equity	>15%	15.3%	6.5%
Return on Asset (Net Income/Total Assets)	>10%	6.8%	4.0%
Cost-income ratio (operation costs/Operating income)	<80%	80.7%	93.3%
Operating Expenses / Average Total Assets	<=5%	33.6%	50.9%
Non-Earnings Assets / Total Assets	<=5%	4.4%	4.7%
OSS (Operating Revenue/Operating expenses)	>100	127.1%	108.5%

14. CORPORATE GOVERNANCE

The Board of Directors consists of five (5) Directors. Five (5) Directors are non-executive. The Chief Executive Officer is the Secretary of the Board. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to Chief Executive Officer assisted by senior management. Senior Management where necessary is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between various business units.

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

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

14. CORPORATE GOVERNANCE (Continued)

S/n	Name	Gender	Designation	Nationality	Qualification	Appointment
1	Devotha Minzi	Female	Board Chairperson	Tanzanian	Economist and statistician and entrepreneur	March 2017
2	CPA Frederick Msumali	Male	Member	Tanzanian	Accounting and Finance (CPA_T), Advocate	February 2018
3	Francis Ndikumwami	Male	Member	Tanzanian	Engineering, Fintech and Business Administration	January 2021
4	CPA Isaac Saburi	Male	Member	Tanzanian	Accounting and Finance ACCA, CIA and Tax consultant	August 2018
5	Mercy Msuya	Female	Member	Tanzanian	Banking and Human resource	March 2017
6	CPA Judith Minzi	Female	Board Secretary	Tanzanian	Accounting and Finance (CPA-T)	November 2018

During the year 2022, the Board of Directors of the Company had the following board sub-committees to ensure a high standard of corporate governance throughout the Company.

Risk and Audit Committee

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

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

Governance and Remunerations Committee

The Governance and Remunerations Committee reports to the full Board of Directors. The Board Governance and Remunerations Committee met four times during the year. The meeting of the committee discussed staff welfare including staff training, staff appraisal, bonus proposal, and performance management plan. The Board Governance and Remunerations Committee has the following members:

S/n	Name	Position	Nationality
1	Mercy Msuya	Chairperson	Tanzanian
2	Francis Ndikumwami	Member	Tanzanian
3	Devotha Minzi	Member	Tanzanian
4	CPA Judith Minzi	Secretary	Tanzanian

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

14. CORPORATE GOVERNANCE (Continued)

Attendance of Board and committees' meetings

The Board of Directors met four times during the year under review. The Audit and Risk Committee met three times whilst the Governance and Remunerations Committee met three times during the period under review. The attendance to these Board and Committee meetings by the Directors in 2022 is tabulated below:

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

Key:
N/a – Not a member in the respective committee

15. STATEMENT OF GOVERNANCE

The Board is committed to the maintenance of high standards of governance by supporting and implementing the prescription of principals and best practices set out in the K-Finance Limited Memorandum and articles of Association.

16. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control system 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 behaviours towards all stakeholders.

The efficiency of any internal control system depends on 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.

17. MANAGEMENT TEAM

The Management of the Company is under the Chief Executive Officer who is assisted by Finance Manager, Legal, Human Resource and Administrative Manager, Chief Operating Officer in line with Credit and Business Manager, Marketing Manager and Risk and Compliance Manager.

18. ADMINISTRATIVE MATTERS

The Company is capable of handling all administrative matters.

19. POLITICAL AND CHARITABLE DONATIONS

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

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

20. EMPLOYEE WELFARE

Management and employee relationship

There was a continued good relationship between employees and management during the year 2022. There were no unresolved complaints received by Management from the employees during the year. A healthy relationship continues to exist between management and staff.

Training facilities

The Company provide on-the-job training to all its employees in order to improve their technical skills and effectiveness. Where necessary, employees are also considered for external training courses that upgrade skills and enhance development. During the year the Company spent Tzs 15.9Million (2021: TZS 3.5Million) on staff training.

Health and safety

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

Financial assistance to staff

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

Employees Benefit Plan

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

21. DISABLED PERSONS

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The Company has a statutory requirement to contribute to the Workers Compensation Fund with effect from 1 July 2015. The main purpose of the Fund is to provide compensation benefits when employees suffer occupational injuries, contract occupational diseases or die as a result of employment related reason(s). The Company contributed 1% (Jan-June) and 0.6% (Jul-Dec) of the annual employees` earnings to the Workers Compensation Fund. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged.

22. GENDER

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion, disability, person's race, ethnicity, creed, social or political background or affiliation, colour, nationality, age, physical attributes, family size, social origin, class, or any other status which does not impair ability to discharge duties.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

22. GENDER PARITY (Continued)

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

Gender	2022	2021
Female	14	16
Male	10	6
Total	**24**	**22**

23. COMPLIANCE WITH LAWS AND REGULATIONS

The Company is in compliance with statutory laws and regulations. There are no known incidences of breach of law that resulted to fines or penalties in the year under review.

24. SERIOUS PREJUDICIAL ISSUES

There were no serious prejudicial issues at the reporting time.

25. FIDUCIARY RESPONSIBILITY

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

26. ENVIRONMENTAL MATTERS

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

27. CORPORATE SOCIAL RESPONSIBILITY

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

28. ACCOUNTING POLICIES AND CRITICAL JUDGEMENT AND ESTIMATES

Results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. When preparing the financial statements, it is the Directors' responsibility under the Tanzania Companies Act 2002 to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent.

The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgment involved, including the use of assumptions and estimation, are described in Notes 3 to the financial statements.

29. EVENTS AFTER REPORTING PERIOD

The Directors are not aware of any other events after the reporting date of 31 December 2022 and the date of authorisation of these audited financial statements.

30. STATEMENT OF COMPLIANCE

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

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

31. AUDITORS

EVK Certified Public Accountants were appointed by the Board of Director as the Company's external auditors for the year ended 31 December 2022. The Auditors have expressed willingness to continue in office and are eligible for re-appointment.

The audit firm is registered by National Board of Accountants and Auditors (NBAA) and issued with registration number PF 210, the firm is also registered by Tanzania Revenue Authority and issued with Tax Identification Number 127-089-032. The office location of the auditors is PSSSF Commercial Complex, 10th Floor, Sam Nujoma Road

Approved by Board of Directors for issue on 19. 04. 2023 **and signed on its behalf by:**

Devotha Ntuke Minzi	Judith Minzi
Chairperson	**Chief Executive Officer**

STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

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

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Approved by Board of Directors for issue on 19.04.2023 **and signed on its behalf by:**

Devotha Ntuke Minzi
Chairperson

Judith Minzi
Chief Executive Officer

DECLARATION OF THE HEAD OF FINANCE

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

It is the duty of professional accountant to assist the Board of Directors and Management to discharge the responsibility of preparing financial statements of the K-Finance Limited showing true and fair view of the entity's position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as set out in the Statement of responsibility by those charged with governance in the earlier page.

Responsibility statement

I JUDITH MINZI being the Head of Finance of the K-Finance Limited hereby, acknowledge my responsibility of ensuring that the financial statement for the year ended 31 December 2022 have been prepared in compliance with applicable Accounting Standards and Statutory Requirements.

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

Signed by:

Name: JUDITH MINZI

Signature: ....

Position: / Head of Finance

NBAA Membership No: GA 6404

Date 19/04/2023

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

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the K-Finance Limited set out on pages 17 to 39 which comprise the statement of financial position as at 31 December 2022, statement of profit or loss and other comprehensive income, statement of cash flows, and statement of changes in equity for the year ended 31 December 2022 and summary of significant accounting policies as well as other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the K-Finance Limited as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 and the Microfinance Act, 2019.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the K-Finance Limited in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in United Republic of Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information included in the financial statements

The other information comprises the Those Charged with Governance's Report, Statement of Those Charged with Governances' Responsibilities and Declaration of the Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

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

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Partners: Abel Minja & Efrem Kimaro

Responsibilities of Directors for the Financial Statements

Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and requirements of the Companies Act, 2002, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Partners: Abel Minja & Efrem Kimaro

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

In our opinion, proper accounting records have been kept by K-Finance Limited and the financial statements are in agreement with the accounting records and are in compliance with the Companies Act, 2002 and the Microfinance Act, 2019. We have no matter to report.

EVK CERTIFIED PUBLIC ACCOUNTANTS
20 APR 2023
P.O. Box 53789
DAR-ES-SALAAM

Efrem Kimaro – ACPA 1620
For and on behalf of;
EVK Certified Public Accountants
Dar es Salaam

Date: 20.04.2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
INCOME	**Notes**	**TZS**	**TZS**
Interest income	4	1,123,494,550	977,337,876
Interest expense	5	(199,813,296)	(67,154,839)
Net interest income		**923,681,254**	**910,183,037**
Loan impairment charges	6	(95,549,366)	(136,089,932)
Net interest income after loan impairment		**828,131,888**	**774,093,105**
Fees on commission income	7	227,829,080	96,478,302
Fees and commission expenses	8	(29,143,297)	(21,041,044)
Net fee and commission income		**198,685,783**	**75,437,258**
Total operating income		**1,026,817,671**	**849,530,363**
Other income	9	184,872,978	41,663,974
Total income		**1,211,690,649**	**891,194,337**
EXPENSES			
Personnel costs	10	519,805,693	398,589,737
Administrative expenses	11	382,498,378	404,554,467
Depreciation and amortization	12	50,992,917	18,118,981
Total operating expenses		**953,296,988**	**821,263,185**
Profit before tax		**258,393,661**	**69,931,152**
Tax expense	13	(64,770,577)	(5,722,521)
Net profit after tax		**193,623,084**	**64,208,631**

The accompanying notes on pages 22 to 41 form an integral part of these financial statements. The financial statements on pages 18 to 21 were approved by the Board of Directors on....19.04......... 2023 and were signed on its behalf by:

Devotha Ntuke Minzi
Chairperson

Judith Minzi
Chief Executive Officer

The independent auditor's report is on pages 15 to 17.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 TZS	2021 TZS
ASSETS			
Non-current assets			
Property and equipment	14	138,737,099	73,940,192
Intangible assets	15	9,638,916	9,295,106
Deferred tax assets	16	101,760,105	76,438,967
Total non-current assets		**250,136,120**	**159,674,265**
Current assets			
Cash and cash equivalents	17	38,089,446	3,609,073
Loan to customers	18	2,866,337,874	2,185,242,716
Receivables and prepayments	19	42,158,268	37,059,917
Financial investment assets	20	77,370,489	3,416,276
Total current assets		**3,023,956,077**	**2,239,327,982**
Total Assets		**3,274,092,197**	**2,399,002,247**
LIABILITIES AND EQUITY			
Non-current liabilities			
Term loans	22	830,228,632	318,046,733
Total non-current liabilities		**830,228,632**	**318,046,733**
Current Liabilities			
Trade and other payables	23	73,109,237	44,300,780
Loan security refundable	24	72,596	16,843,050
Bank overdraft	25	893,576,398	800,005,666
Tax payable	21	55,591,714	7,090,188
Total current liabilities		**1,022,349,945**	**868,239,684**
Total Liabilities		**1,852,578,577**	**1,186,286,417**
EQUITY			
Issued and paid-up ordinary shares		680,000,000	680,000,000
Retain earnings		741,513,620	532,715,830
Total Equity		**1,421,513,620**	**1,212,715,830**
Total Equity and Liabilities		**3,274,092,197**	**2,399,002,247**

The accompanying notes on pages 22 to 41 form an integral part of these financial statements. The financial statements on pages 18 to 21 were approved by the Board of Directors on 19 ' 04 . 2023 and were signed on its behalf by:

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STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2022

	Share capital	Retained earnings	Total equity
Year ended 31 December 2022	**TZS**	**TZS**	**TZS**
At start of year	680,000,000	532,715,830	1,212,715,830
Profit for the year	-	193,623,084	193,623,084
Retrospective adjustments	-	15,174,706	15,174,706
At end of year	**680,000,000**	**741,513,620**	**1,421,513,620**
Year ended 31 December 2021			
At start of year	280,000,000	468,507,199	748,507,199
Capital injection	400,000,000	-	400,000,000
Profit for the year	-	64,208,631	64,208,631
At end of year	**680,000,000**	**532,715,830**	**1,212,715,830**

The accompanying notes on pages 22 to 41 form an integral part of these financial statements. The financial statements on pages 18 to 21 were approved by the Board of Directors on.........19.04........ 2023 and were signed on its behalf by:

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STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 TZS	2021 TZS
Cashflows from operating activities		
Profit before income tax	258,393,661	69,931,152
Adjustment for		
Depreciation and amortisation	50,992,917	18,118,981
Gain on disposal of property and equipment	(200,000)	(13,059,396)
Increase in impairment charges	95,549,366	136,089,932
Retrospective Adjustments	(15,174,706)	-
Cash flows from operating profit before changes in working capital	**389,561,238**	**211,080,669**
Movement in working capital items		
Increase in loans to customers	(745,897,914)	(1,879,703,246)
Increase in receivables and prepayments	(5,098,352)	(19,553,144)
Increase in investment assets	(63,954,213)	(416,276)
Increase/(Decrease) in creditors and accruals	28,808,457	(16,389,401)
Decrease in loan security refundable	(16,770,454)	-
Cash generated from operating activities	**(413,351,238)**	**(1,704,981,398)**
Tax paid	(34,500,000)	(21,000,000)
Net cash from Operating Activities	(447,851,238)	(1,725,981,398)
Cashflows from investing activities		
Acquisition of property and equipment	(121,767,020)	(36,015,620)
Acquisition of intangible assets	(2,354,000)	-
Proceeds from disposal of property and equipment	700,000	24,150,000
Net cash used in investing activities	**(123,421,020)**	**(11,865,620)**
Cashflows from financing activities		
Increase in term loan	512,181,899	314,687,860
Capital injection	-	400,000,000
Net cashflows from financing activities	**512,181,899**	**714,687,860**
Net decrease in cash and cash equivalent	**(59,090,359)**	**(1,023,159,158)**
Cash and cash equivalent at start of year	3,609,073	226,762,564
Overdraft facility	93,570,732	800,005,666
Cash and cash equivalent at end of year	**38,089,446**	**3,609,073**

The accompanying notes on pages 22 to 41 form an integral part of these financial statements. The financial statements on pages 18 to 21 were approved by the Board of Directors on.....19. 04...... 2023 and were signed on its behalf by:

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NOTES TO THE FINANCIALSTATEMENTS

1. REPORTING ENTITY

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by International Accounting Standards Board (IASB), requirements of the Companies Act, 2002 and the Microfinance Act, 2019.

b) Basis of preparation

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

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

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

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

NOTES TO THE FINANCIALSTATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Improvements to IFRSs

i. Accounting standards and interpretations adopted impacting the financial statements

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

Standard	Effective date	Summary
IFRS 17 Insurance Contracts	1 January 2023	The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17.
Amendments to References to Conceptual Framework in IFRS Standards.	1 January 2022	The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

NOTES TO THE FINANCIALSTATEMENTS (Continued)

Standard	Effective date	Summary
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022	The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii. Standards and interpretations in issue but not yet effective

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

Standard	Effective date	Summary
Classification of Liabilities as Current or Non- current - Amendments to IAS 1	1 January 2024	The combined impact of the 2020 amendments and the 2022 amendments will have implications for entities applying them. Entities will, therefore, need to carefully consider the impact of the amendments on existing and planned loan agreements. In this context, it is important to highlight that the amendments must be applied retrospectively.
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023	The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	1 January 2023	The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the

NOTES TO THE FINANCIALSTATEMENTS (Continued)

Standard	Effective date	Summary
		applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024	The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Interest income and expenses

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

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

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

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

d) Fees and commission

Fees and commission income and expense are that integral to the effective interest rate on the financial assets or financial liabilities are included in measurement of effective interest rate. Other fees and commission income, including accounting servicing fees are reorganized as the related services

NOTES TO THE FINANCIALSTATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

e) Functional and presentation currency

These financial statements are presented in Tanzanian Shillings, which is the Company's functional currency. Items included in the financial statements of each Transaction that are denominated in foreign currencies during the year are converted into Tanzania Shillings (functional currency) at rates ruling at the transaction dates.

f) Translation of foreign currencies

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

g) Operating expenses

Operating expenses are recognized on accrual basis.

h) Property and Equipment

Recognition and measurement

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

Subsequent costs

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

Depreciation

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

NOTES TO THE FINANCIALSTATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Asset category	Rate
Motor vehicles	25%
Office equipment	12.5%
Equipment	12.5%
Computers	37.5%

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

De- recognition

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

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

j) Intangible asset

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

Amortization

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

k) Operating lease

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

l) Cash and cash equivalents

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

NOTES TO THE FINANCIALSTATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Trade and other receivables

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

n) Employee Benefits

1. Retirement benefit obligations

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

2. Termination benefits

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

3. Short term benefit

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

o) Provisions

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

p) Finance expenses

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

q) Financial instruments

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

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

NOTES TO THE FINANCIALSTATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Financial instruments (Continued)

transferred to the customers' accounts and the company recognizes balances due to customers when funds are transferred to the Bank.

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

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

i. Financial instruments at fair value through profit or loss

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIALSTATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Financial instruments (Continued)

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

iv. Recognition of financial assets

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

v. Determination of fair value

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

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

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

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

vi. Derecognition of financial assets and liabilities

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

NOTES TO THE FINANCIALSTATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Financial instruments (Continued)

vii. Classes of financial instruments

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

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

viii. Impairment of financial assets

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

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

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

ix. Offsetting financial instruments

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

xi. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets (if any) that have indefinite useful

NOTES TO THE FINANCIALSTATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Financial instruments (Continued)

lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

r) Non-financial assets

The carrying amount of Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

s) Financial liabilities

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

t) Derivative financial instruments

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

NOTES TO THE FINANCIALSTATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Income Tax

Current tax

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

Deferred tax

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

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

Tax expenses

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

u) Dividends

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

NOTES TO THE FINANCIALSTATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements

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

Functional currency

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

Going concern

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

Estimates and Assumptions

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

3.1 Income taxes

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

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

3.2 Impairment losses on loan and advances

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

NOTES TO THE FINANCIALSTATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.3 Fair value of financial instruments

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

3.4 Property, equipment and intangible assets

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

	2022 TZS	2021 TZS
4. INTEREST INCOME		
Interest on loan	1,013,563,357	884,573,105
Overdue interest	62,407,368	65,748,163
Accrued interest income	47,523,825	27,016,608
	1,123,494,550	**977,337,876**
5. INTEREST EXPENSE		
Interest on bank loans	127,422,557	54,910,607
Interest on internal loans	72,390,739	12,244,232
	199,813,296	**67,154,839**
6. IMPAIRMENT LOAN CHARGES		
Specific Impairment (Note 18)	**95,549,366**	**136,089,932**
7. FEE AND COMMISSION INCOME		
Processing fee	209,600,877	73,064,500
Loan registration fee	14,310,000	13,162,000
Insurance commission	-	8,298,449
CRDB agency commission	2,421,561	1,710,056
NMB Wakala commission	109,250	11,610
Mobile Money commission	1,387,392	231,687
	227,829,080	**96,478,302**
8. FEES AND COMMISSION EXPENSES		
Loan processing cost	24,206,077	15,437,100
Insurance agency expenses	-	1,725,575
Bank charges	4,937,220	3,878,369
	29,143,297	**21,041,044**

NOTES TO THE FINANCIALSTATEMENTS (Continued)

	2022 TZS	2021 TZS
9. OTHER INCOME		
Sundry income	32,105,067	26,487,336
Car Track Incomes	127,608,650	-
Write off	7,528,400	2,000,000
Brokerage Contributing Costs	17,430,861	-
Interest received	-	117,242
Gain in disposal	200,000	13,059,396
	184,872,978	**41,663,974**
10. PERSONNEL COSTS		
Salaries and wages	437,816,561	335,644,679
NSSF-Employer contribution	44,260,825	33,474,131
SDL expenses	17,772,768	14,800,024
Other staff benefits	9,596,000	9,054,880
NHIF-employer contribution	7,056,518	2,753,579
Workman's compensation	3,303,021	2,862,444
	519,805,693	**398,589,737**
11. ADMINISTRATIVE EXPENSES		
Communication expenses	17,039,918	16,401,000
Fuel expenses	16,198,600	12,798,000
Travel and transport	57,162,700	50,330,028
Printing and stationery	6,293,652	3,903,860
Office Utilities	15,252,986	13,782,041
Repair and Maintenance	11,310,200	10,823,348
Staff Training expenses	15,925,325	3,572,800
Accounting and Audit fee	-	8,496,246
Security guards	6,540,000	7,129,994
Directors meeting expenses	23,481,000	15,784,200
Legal and Professional expenses	6,840,000	21,132,300
Office rent	36,760,000	35,400,000
Loan recovery expenses	11,023,686	33,697,594
Software & License expenses	5,101,871	2,931,970
Insurance expenses	24,861,589	17,988,528
Subscription expenses	8,285,000	8,439,200
Market Development	20,557,163	32,575,543
Consultancy Expenses	20,280,570	21,193,500
Service levy	4,425,295	1,205,426
Previous year tax	-	7,144,518
Audit fee	6,545,000	6,490,000
Staff welfare expenses	2,555,000	12,838,333
Directors fees	66,058,823	60,496,038
	382,498,378	**404,554,467**
12. DEPRECIATION AND AMORTIZATION		
Depreciation expenses (Note 14)	48,982,727	15,987,093
Amortization charge (Note 15)	2,010,190	2,131,888
	50,992,917	**18,118,981**

NOTES TO THE FINANCIALSTATEMENTS (Continued)

13. TAX CREDIT/EXPENSES

	2022 TZS	2021 TZS
Tax expenses (Note 21)	(90,091,714)	(42,938,441)
Deferred tax asset (Note 16)	25,321,137	37,215,920
Tax expense	**(64,770,577)**	**(5,722,521)**
Reconciliation of tax expenses		
Profit before tax	**258,393,661**	**69,931,152**
Tax rate 30%	77,518,098	20,979,346
Add: Disallowable deductions	22,679,163	51,419,339
Less: Allowable deductions	(10,105,547)	(29,460,244)
Tax charge for the year	**90,091,714**	**42,938,441**

NOTES TO THE FINANCIALSTATEMENTS (Continued)

14. PROPERTY AND EQUIPMENT

	Computers and Equipment TZS	Motor Vehicles TZS	Furniture and Fittings TZS	Office Equipment TZS	Leasehold improvement TZS	Car Track Devices	Total TZS
COST							
As at 1 January, 2022	46,173,270	13,000,000	28,505,250	56,850,422	6,139,000	-	**150,667,942**
Addition	8,612,740	-	4,150,000	11,665,000	8,294,280	89,045,000	**121,767,020**
Transfer to Brokerage Investment	(2,573,333)	-	(1,725,000)	(1,530,000)	(1,864,400)	-	**(7,692,733)**
Disposal	-	-	-	-	-	(500,000)	**(500,000)**
As at 31 December, 2022	52,212,677	13,000,000	30,930,250	66,985,422	12,568,880	88,545,000	264,242,229
DEPRECIATION							
As at 1 January, 2022	31,224,692	6,423,014	12,033,488	23,513,109	3,533,447	-	**76,727,750**
Charge for the year	5,764,978	1,430,953	2,123,691	4,588,145	4,403,079	30,671,882	**48,982,727**
Transfer to Brokerage Investment	-	-	-	(205,347)	-	-	**(205,347)**
Disposal	-	-	-	-	-	-	-
As at 31 December, 2022	36,989,670	7,853,967	14,157,179	27,895,907	7,936,526	30,671,882	125,505,130
NET BOOK VALUE							
As at 31 December, 2022	15,223,007	5,146,033	16,773,071	39,089,515	4,632,354	57,873,118	138,737,099
As at 31 December, 2021	14,948,578	6,576,986	16,471,762	33,337,313	2,605,553	-	73,940,192

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

NOTES TO THE FINANCIALSTATEMENTS (Continued)

15. INTANGIBLE ASSET

	2022 TZS	2021 TZS
Cost		
As at 01 Jan	14,005,550	14,005,550
Additions	2,354,000	-
As at 31 Dec	**16,359,550**	**14,005,550**
Depreciation		
As at 01 Jan	4,710,444	2,578,556
Charge for the year	2,010,190	2,131,888
As at 31 Dec	**6,720,634**	**4,710,444**
Net Book Value as for the year	**9,638,916**	**9,295,106**

The intangible asset stands for the SIGMA DATA Finance Solution-core banking software purchased by K Finance Limited in year 2020, to keep properly its business and financial records.

16. DEFERRED TAX ASSETS

Deferred tax asset	**101,760,105**	**76,438,967**

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2021: 30%). The movement on the deferred income tax account is as follows:

Movement in deferred income	2022 TZS	2021 TZS
At start or year	76,438,968	39,223,047
Credit for the period (Note 13)	25,321,137	37,215,920
At end of year	**101,760,105**	**76,438,967**

The composition and movement of the deferred tax asset as at 31 Dec 2022 is as shown below:

Composition of deferred tax asset	2022 TZS	2021 TZS
Accelerated capital allowances	1,783,162	(3,619,167)
Provision for impairment charges for credit losses	99,976,943	80,058,134
	101,760,105	**76,438,967**

17. CASH AND CASH EQUIVALENTS

NMB A/C	6,359,625	1,668,173
CRDB Bank Plc	5,498,511	-
Petty cash	62,700	106,400
M-Pesa & Tigo pesa account	26,168,610	1,834,500
	38,089,446	**3,609,073**

18. LOAN TO CUSTOMERS

Portfolio outstanding	3,199,594,349	2,452,103,162
Less: Allowance for impairment**	(333,256,475)	(266,860,446)
Net loans to customers	**2,866,337,874**	**2,185,242,716**

***Movement in allowance for impairment*

Balance as at 01 Jan	266,860,446	130,770,514
Movement during the year	95,549,366	136,089,932
Write off loans	(29,153,337)	-
	333,256,475	**266,860,446**

NOTES TO THE FINANCIALSTATEMENTS (Continued)

	2022 TZS	2021 TZS
19. RECEIVABLES AND PREPAYMENTS		
Other receivables	18,087,040	20,776,715
Prepaid expenses	21,090,562	15,778,702
Staff advances	2,980,666	504,500
	42,158,268	**37,059,917**
20. FINANCIAL INVESTMENT ASSETS		
CRDB Agency account	21,996,500	5,872,240
Fixed Deposit	52,370,489	4,540,536
Equity Agency account	3,500	3,500
NMB Agency account	3,000,000	3,000,000
	77,370,489	**13,416,276**
21. CORPORATE TAX PAYABLE		
At start of year	-	(14,848,255)
Add tax charge during the year	90,091,714	42,938,441
Less tax paid	(34,500,000)	(21,000,000)
	55,591,714	**7,090,188**
22. TERM LOANS		
Loan from Director	607,442,992	318,046,733
Loan from CRDB	222,785,640	-
	830,228,632	**318,046,733**
23. TRADE AND OTHER PAYABLES		
Audit fee payable	6,490,000	6,490,000
Interest on loans payable	5,274,214	3,021,661
PAYE &SDL payable	10,350,289	6,486,850
NSSF payable	7,838,858	2,712,555
HELSB payable	435,000	525,000
Withholding tax payable	8,729,816	4,113,375
Other payable	19,805,422	13,230,134
Medical Payable	2,861,708	-
WCF Payable	656,841	-
Unidentified customer's deposits	10,667,089	7,721,205
	73,109,237	**44,300,780**
24. LOAN SECURITY REFUNDABLE		
Amana Saving	3,648	16,774,102
Maendeleo Saving	68,948	68,948
	72,596	**16,843,050**
25. BANK OVERDRAFT		
CRDB Bank Plc	(635,660,862)	343,377,637
Equity Bank	(257,915,536)	456,628,030
	(893,576,398)	**800,005,666**

NOTES TO THE FINANCIALSTATEMENTS (Continued)

26. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Key management during the year was Chief Executive Director and Members of the Board of Directors. Related party transactions for the year under review consist salary to key management personnel and renumeration to the Board members as stipulated below.

	2022	2021
Key management renumeration	**TZS**	**TZS**
Salary and other short-term benefits	84,000,000	92,400,000
	84,000,000	**92,400,000**
Directors' renumerations		
Director's fees	63,415,169	50,330,028
Directors sitting allowance and other meeting expenses	23,481,000	15,784,200
	86,896,169	**66,114,228**

27. COMMITMENTS AND CONTINGENT LIABLITIES

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

28. EVENTS AFTER THE REPORTING DATE

There was no subsequent event to be reported in the financial statements.

29. COMPARATIVE FIGURES

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