

LIM MICROFINANCE COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31st DECEMBER 2022

LIM MICROFINANCE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

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1.0 GENERAL INFORMATION OF AN ORGANIZATION.

1.1 Background

The Board of Directors of LIM Microfinance Company Limited submits this report together with the Audited Financial Statements for the year ended 31st December 2022 which disclose the affairs of the company.

LIM Microfinance Company Limited is a public company limited by shares. The company was incorporated in 2019 under the Companies Act, CAP 212 of 2002, and commenced its operation in 2019 after obtaining the required business licenses to operate as a microfinance business.

The company is located at mwenge village; it is owned by two people with equal shares being Ms. Mr. Lilian Allen Mmari having 99% of shares and Mr. Jessica allen mmari with 1% of shares

1.2 REGISTERED OFFICE

Menge village

P.O. Box

Dar es Salaam

1.3 BANKERS

CRDB BANK

Dar Es Salaam

1.4 INDEPENDENT AUDITORS

Seba consulting services

Certified Public Accountants

P.o.Box : 3476

Dar es Salaam

1.5 DIRECTORS

The Directors, who served during the year ended 31th December, 202 are set out in the table below;

S/N o.	Name	Position	Nationality
1	Mrs. Lilian Allen Mmari	Director	Tanzanian
2.	Mrs. Jesca Allen Mmari	Director	

1. OPERATIONS

The company commenced operations on June, 2019 by dedicated to provision of microfinance products and services to the people of Mwenge village and nearby area of Dar es Salaam and up country. LIM Microfinance Company Limited provides microfinance products and services to individuals, or similar groups who may not be able to obtain such services from commercial banks or other financial institutions. The company is dedicated to provide microfinance services to low and middle-income earners, youth and to the needy.

2. VISION, MISSION and OBJECTIVES

3.1 VISION

'To become leading microfinance in the region of Dar es salaam

3.2 MISSION

To provide financial services at lowest possible cost to indigenous people of Mwenge village and nearby areas.

CORE OBJECTIVES:

- (i) To increase customer.
- (ii) To provide loans and other financial services at lower cost

SHAREHOLDING

Currently, LMCL has 2 shareholders with equal number of shares as detailed below:

NAME	% OF HOLDINGS
Mr. Lilian Allen Mmari	99%
Mr. Jesca Allen Mmari	1%
Total Share Capital	100.0%

3. CORPORATE GOVERNANCE STATEMENT

The Board of Directors is mandated to support and oversee efficiency of its management in discharging its duties. The members of the Board are aware of their obligation for good corporate governance at all times and the need to work for the best interest of the company. All Board members are non-executive directors and meet ordinarily after every three months. 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, including policies and procedures. The Board delegates the day-to-day management of the business to the Chief Executive Officer who is assisted by the management team. The management team is invited to attend board meetings and facilitate the effective control of the company's operational activities

4. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the company. It is the task of the directors 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:

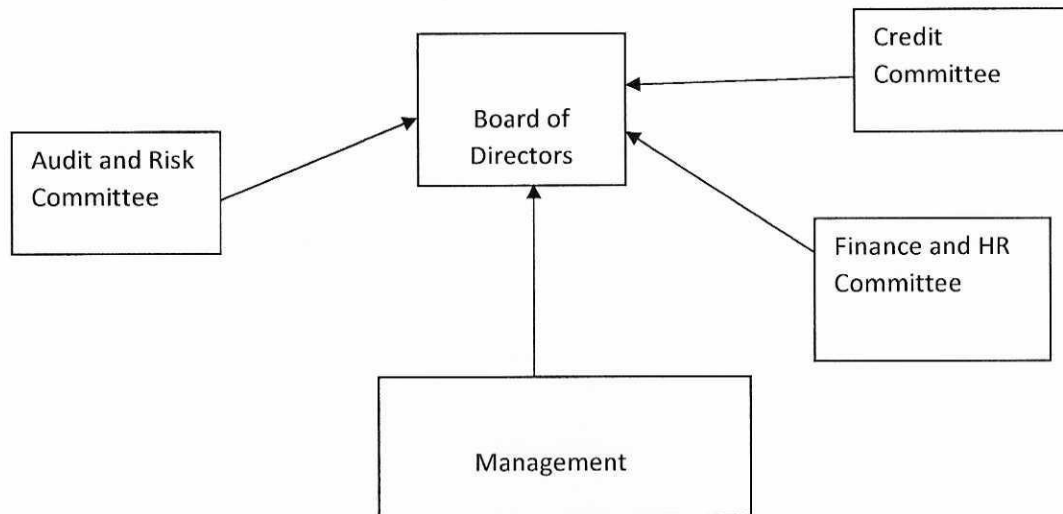
- a) The effectiveness and efficiency of operations;
- b) The safeguarding of the company's assets;
- c) Compliance with applicable laws and regulations;
- d) The reliability of accounting records;
- e) Business sustainability under normal as well as adverse conditions; and
- f) Responsible behavior towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 December 2019 and is of the opinion that they met accepted criteria. The Board carries risk and internal control assessment through the Board Audit and Risk Committee.

5. EXECUTIVE MANAGEMENT

To enhance good governance, the company structure is made up of the following structure:-



The management of LIM Microfinance Company Limited is made up of Managing Director assisted by Head of Finance, Head of Operation, and Credit Manager and operational staffs and Marketing Manager.

Managing Director

The managing director of LIM Microfinance Company Limited is the chief executive of the company. He/ she is responsible for daily operations of the company including developing policies and procedures, setting short term and long term target and implementation of Board of Director recommendations.

Head of Finance

He is responsible for the management of all finance of the company, he ensures financial records are kept properly and produce various financial reports to assist the Managing Director and the Board in decision making.

Head of Operations

The head of operations is responsible for Hr matters including performance evaluations as well as promotions and incentives, he/ she is also responsible for records keeping of the customers as well as customer cares.

Credit Manager

The core functions of the company is provision of credit to the client, the credit manager is responsible for assessment of loan request form to ensure only eligible clients are provided with loan, he/ she is also responsible for recovering of the aid loan as well as marketing of the product available.

Marketing Manager

Looking for customer is a challenge task which needs a very talented personnel, Lomalu Company limited has a marketing manager whose task is to look for new customer and advertisement of available product.

Operational staff

They are responsible for daily attending customers as well as other activities in the office, they ensure all clients are attended well and records of the clients are intact.

6. FINANCIAL RESULTS

The performance of the company during the year is set out on the financial performance statements.

7. SOLVENCY

The Board of Directors has reviewed the financial position of the company for the year ended 31st December 2022 and the existing long term and short-term obligations and considers the company to be a going concern.

8. EMPLOYEE WELFARE

During the year, the company offered its employees with transport allowance as well as lunch and communication allowance.

9. MEDICAL BENEFITS

During the year, the company continued to offer its labour and internship with medical allowance while the process of offering medical cover is in progress

10. MANAGEMENT/EMPLOYEE RELATIONSHIP

During the year, the relationship between management and labour and internship remain good with sound collaboration and teamwork.

11. GENDER PARITY

The company is an equal opportunity employer as at 31 December, 2022, the company had the following distribution of labour and internship by gender.

GENDER	2020	2019
Female	2	2
Total	2	2

12. FUTURE DEVELOPMENT PLANS

The company is putting emphasis on the rural market to support the rural communities especially on agriculture and poultry financing products. The company also plans to implement an automation of its lending operation to create a paperless environment that will see an increased efficiency and reduction of cost in our main line of operations. The integration of our payment systems and digital financial solution is also on the drawing board.

13. DIVIDEND

The Directors did not recommend a dividend payment for the year ended 31st December 2022 but recommended that profit realized in year 2022 be re-invested to finance the company's growth planned for 2023 and beyond. The Directors are continuing to mobilize both equity and debt finance for lending to new products and for strategic technological initiatives.

14. SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious prejudicial matters that can affect the company.

15. POLITICAL DONATIONS

The company did not make any political donations during the year.

16. RELATIONSHIP WITH STAKEHOLDERS

The company continued to maintain good relationship with all stakeholders including customers, banks, microfinance Institutions, vendors and regulators such as Tanzania Revenues Authority, Social Security Funds, and Tanzania Insurance Regulatory Authority Municipal Council, Higher Educational Students' Loans Board, BRELA, OSHA, Workers Compensation Fund, and Ministry of Trade.

17. RELATED PARTY

No transaction has been conducted with third part related personnel.

18. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Corporate Social responsibility is an integral part of our operations. As a corporate citizen, RCL believes that by giving back to our communities, we get a chance to get closer to our customers and create a lasting bond. The company plan to give back to the nearby community during the financial year 2022 after conducting a situation analysis of the nearby community.

19. EVENTS AFTER REPORTING PERIOD

There are no material events, adjusting or no adjusting, which have occurred between the reporting date and the date when financial statements are authorized for issue.

20. AUDITORS

During the year 2022, the Auditor SEBA Consulting Services were appointed as company's auditors for the first time. The auditor has indicated their willingness and is eligible for reappointment.

By order of the Board

Director: 

Date: 20/11/2022

Director: 

Date: 20/11/2022

STATEMENT OF DIRECTORS' RESPONSIBILITY

The company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31st December 2022, and the statement of comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Tanzania Companies Act, CAP 212 of 2002.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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 have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors onand were signed on its behalf by:



Director



Director

To: DIRECTOR

LIM MICROFINANCE COMPANY LIMITED,

P. O. BOX: 77301,

DAR ES SALAAM,

TANZANIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF LIM MICROFINANCE COMPANY LIMITED FOR THE YEAR ENDED 31ST DECEMBER 2022

Opinion

We have audited the accompanying Financial Statements of LIM Microfinance Company Limited, set out on page 16 to 29 which comprise the Statement of Financial Position as at 31st December 2022, the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash flows for the year ended 31st December 2022, and the Summary of Significant Accounting Policies and other explanatory notes.

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of LIM Microfinance Company Limited as at 31st December 2022, its financial performance and its cash flows for the year ended 31st December 2022 in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, 2002.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion there on, and we do not provide separate opinion on these matters. We have fulfilled the responsibilities described in the auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to this matter. There were no key audit matters to report during the year ended 31st December 2022.

Other Information included in the Company's Annual Report

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements.

We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion. We communicate with 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.


Seba Consulting Services
Certified Public Accountants (T)
Dar es Salaam

SIGNED by: Ibrahim Balama (CPA-PP)
20/1/2023

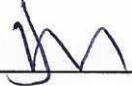
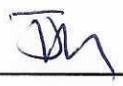


LIM MICROFINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2022

	NOTE	31-Dec-22 TZS	31-Dec-21 TZS
NON CURRENT ASSETS			
Property Plant & equipment	0		
CURRENT ASSETS			
Cash & Cash Equivalent	2	24,300	38,667
outstanding loan	3	18,752,273	17,186,074
Receivables	4	249,450	610,000
		19,026,023	17,834,741
TOTAL ASSETS		<u>19,026,023</u>	<u>17,834,741</u>
CAPITAL & LIABILITIES			
CURRENT LIABILITIES			
Payables	5	500,000	500,000
		<u>500,000</u>	<u>500,000</u>
CAPITAL			
share capital		20,000,000	20,000,000
Retained Earning		(1,473,977)	(2,665,259)
		18,526,023	17,334,741
Total Capital		<u>19,026,023</u>	<u>17,834,741</u>
Total Capital & Liabilities		<u>19,026,023</u>	<u>17,834,741</u>

These financial statements were approved for issue by the Board of Directors on ____
and were signed on its behalf by:

Name:  Title: DIRECTOR Signature: 

Name:  Title: DIRECTOR Signature: 

LIM MICROFINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	31-Dec-22 TZS	31-Dec-21 TZS
Interest from individual Loan		29,250,000	38,338,225
less Interest expenses			<u>10,260,541</u>
Net interest income		29,250,000	28,077,684
Other income	6	-	<u>140,000</u>
		<u>29,250,000</u>	<u>28,217,684</u>
Other expenses			
Personnel	7	9,420,000	12,090,000
Administrative	8	17,182,000	19,505,000
Business	9	946,168	938,251
Total Expenses		<u>27,548,168</u>	<u>32,533,251</u>
Profit/(Loss) for the year before Tax		1,701,832	(4,315,567)
Tax payable		510,550	-
Profit/(Loss) for the year After-tax		<u>1,191,282</u>	<u>(4,315,567)</u>

These financial statements were approved for issue by the Board of Directors on _____
and were signed on its behalf by:

Name: LILIAN MUMBEY Title: DIRECTOR Signature: LM

Name: JESCA MUMBEY Title: DIRECTOR Signature: JM

LIM MICROFINANCE COMPANY LIMITED
STATEMENT OF CASH FLOW
AS AT 31ST DECEMBER 2022

	NOTES	31-Dec-22 TZS	31-Dec-21 TZS
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/deficit		1,191,282	(4,315,567)
Depreciation			
Net surplus/deficit		<u>1,191,282</u>	<u>(4,315,567)</u>
Net working Capital			
Increase/ Decrease in Creditors		-	(17,560,541)
Increase/ Decrease in Debtors		360,550	(610,000)
Increase/ Decrease in Loan		(1,566,199)	<u>35,884,485</u>
		<u>(14,367)</u>	<u>13,398,377</u>
Net Cash Flow from Operating Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property Plant & Equipment			
Net Cash Flow From Investing Activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional Capital introduced			
LOAN			(13,450,000)
Net Cash from Financing Activities			<u>(13,450,000)</u>
Net Cash movement for the year		(14,367)	(51,623)
Cash & Cash Equivalent as at January 2022		38,667	<u>90,290</u>
Cash & Cash Equivalent as at December 2022		<u>24,300</u>	<u>38,667</u>

These financial statements were approved for issue by the Board of Directors on ____
and were signed on its behalf by:

Name: William Mwangi Title: Director Signature: [Signature]

Name: Joseph Mwangi Title: Director Signature: [Signature]

LIM MICROFINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2021

	PAID UP CAPITAL	RETAINED EARNING	TOTAL
	TZS	TZS	TZS
As at Jan 2021	20,000,000	1,650,308	21,650,308
Additional Profit/(Loss) for the year		(4,315,567)	(4,315,567)
Redeemed capital /drawing		-	-
As at Dec 2021	20,000,000	(2,665,259)	17,334,741
As at Jan 2022	20,000,000	(2,665,259)	17,334,741
Additional Profit/(Loss) for the year		1,191,282	1,191,282
Redeemed capital /drawing			
As at Dec 2022	<u>20,000,000</u>	<u>(1,473,977)</u>	<u>18,526,023</u>

These financial statements were approved for issue by the Board of Directors on ____ and were signed on its behalf by:

Name: LILIAN MUMU Title: Director Signature: [Signature]

Name: JESCA MUMU Title: Director Signature: [Signature]

LIM MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1.1 REPORTING ENTITY

LIM Microfinance Company limited is a company domiciled in Tanzania. The financial statements of the company are for year ended 31st December 2022. They have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

1.2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial statements have been prepared on a going concern basis in accordance with, and comply with International Financial Reporting Standards (IFRS). IFRS include International Accounting Standards (IAS), IFRS pronouncements, interpretations issued by the International Accounting Standards Board (IASB).

The Financial Statements are presented in Tanzanian Shillings, and have been prepared under the historical cost convention.

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are consistently applied in the preparation of the financial statements.

1.3.1 INCOME AND EXPENSE RECOGNITION

Interest income and expense are recognized in profit or loss using the cash method. Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method. Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service is provided.

When loans and advances have been written down as a result of an impairment loss interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.3.2 FEE AND COMMISSION INCOME

Fees and commissions are generally recognized on a cash basis when the service has been provided to the borrower or significant act performed.

1.3.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Tanzanian shillings, which is the Company functional currency and presentation currency. All amounts have been rounded to the nearest thousands ('000'), except when otherwise indicated.

LIM MICROFINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1.3.4 USE OF ESTIMATES AND JUDGMENT

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

1.4 OPEARTING FIXED ASSETS

1.4.1 PROPERTY AND EQUIPMENT

Property and equipment once acquired, will be stated at historical cost less accumulated depreciation. Depreciation is provided so as to write off the cost on a straight-line basis over the expected useful economic lives of the assets concerned.

The estimated useful lives of significant items of property and equipment are as follows:

Description of Items	Useful Life (Years)	Rate
Computers	4 years	25%
Office equipment	8 years	12.5%
Furniture	8 years	12.5%
Generator	8 years	12.5%
Network equipment	8 Years	12.5%
Electrical equipment	8 years	12.5%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset, (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognized. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted where appropriate at each financial year-end.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

1.4.2 INTANGIBLE ASSETS

Intangible assets with definite useful life are stated at cost less accumulated amortization and impairment (if any). These are amortization from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible assets is amortized on the basis of the estimated useful life over economic benefits are expected to flow to the Company. The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

LIM MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

The estimated useful lives of intangible assets are as follows

Description of Items	Useful Life (Years)	Rate
Software	3 years	33.5%

1.5 TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at normal value, less any write down for amounts expected to be irrecoverable.

1.6 PROVISIONS

A provision is recognized in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognized when the company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for. Provisions are not recognized for future operating losses.

1.7 SHARE CAPITAL

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

1.8 IMPAIRMENT OF ASSETS

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

1.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

LIM MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
1.10 LOANS AND RECEIVABLES

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 amortized cost using the effective interest method. Loans and receivables that are included in the statement of financial position are loans and advances to Banks and loans and advances to customers.

1.11 IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The calculation of impairment involves key judgments to be made by the company:

Loan loss provisions are management's best estimate of incurred loss in the loan portfolio at the balance sheet date. Management has to exercise judgment in making assumptions and estimates of the loan portfolio on both individually and collectively assessed loan and advances.

The company will consider judgments that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geopolitical climate of the customer, quality of realizable value of collateral, the Group's legal position relative to other claimants and any renegotiation/forbearance options. Many of the key judgment factors have a degree of interdependency, therefore a higher level of judgment is required for loans to borrowers showing signs of financial difficulty/failure to pay in market sectors experiencing economic stress, particularly where the likelihood of repayment is affected by the ability of the client to refinance or sell a specified asset.

The difference between the loan carrying amount and the discounted expected future cash flows will result in the impairment amount. The future cash flow calculation involves significant judgments and estimates. As new information becomes available and further negotiations/forbearance measures are taken, the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis.

1.12 TAXATION

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the balance sheet date and that are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

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1.13 COMPARATIVES

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

1.14 EARNINGS PER ORDINARY SHARE

The company measures earnings per share on an underlying basis. This differs from earnings defined in IAS 33 Earnings per share. Underlying earnings is profit/(loss) attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the company normal business earnings for the period.

1.15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

1.16 PRINCIPAL FINANCIAL INSTRUMENTS

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Investments in quoted and unquoted equity securities
- Trade and other payables
- Forward currency contracts.

1.17 GENERAL OBJECTIVES, POLICIES AND PROCESSES

The Board has overall responsibility for the determination of the company risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board receives quarterly reports from the Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The company's internal auditors also review the risk management policies and processes and report their findings to the Board Risk and Audit Committee.

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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 and control are centralized in a credit risk management team, which reports to the Managing Director and the Board of Directors. Other receivables are not having standard credit characteristics; they differ depending on whether they are normal staff and sundry debtors or deposits, "governed by specific debtor and deposits terms" or the creditworthiness of entity/individual from which they are receivable.

Market risk

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risks).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its maturing obligations when they fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for micro finance organizations ever to be completely matched since business transacted is often of an uncertain term and of different types.

Capital Disclosures

The company monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, non-controlling interest, retained earnings, and revaluation reserve) other than amounts in the cash flow hedging reserve.

The Group's objectives when maintaining capital are: -

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The company sets the amount of capital it requires in proportion to risk. The company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure,

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NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2 CASH AND CASH
EQUIVALENTS**

	Dec-22	Dec-21
	<u>TZS</u>	<u>TZS</u>
Cash Balances		
Bank Balances	24,300	38,667
Total	<u>24,300</u>	<u>38,667</u>

NOTE 3 LOAN TO MEMBERS

INDIVIDUAL LOAN	36,402,273	34,586,075
PROVISION	(17,650,000)	(17,400,000)
Total	<u>18,752,273</u>	<u>17,186,075</u>

NOTE 4 Debtors

Tax Prepaid	249,450	160,000
Interest Receivable		450,000
Total	<u>249,450</u>	<u>610,000</u>

NOTE 5 PAYABLES

Audit fee Payable	500,000	500,000
Total	<u>500,000</u>	<u>500,000</u>

NOTE 6 OTHER INCOME

form fee		
penalti	-	140,000
Total	<u>=</u>	<u>140,000</u>

NOTE 7 PERSONNEL EXPENSES

Labour Charges		890,000
Internship Allowance	8,700,000	8,700,000
Medical expenses		-
Meal expenses	720,000	2,500,000
Total	<u>9,420,000</u>	<u>12,090,000</u>

NOTE 8: ADMINSTRATIVE EXPENSES

Field Assistance	5,762,000	9,000,000
Water	900,000	850,000
Stationery	700,000	500,000
Repair		1,940,000
Printing		400,000
Entertainment	600,000	600,000
Client visitation	2,650,000	650,000
Fuel Expenses	900,000	720,000
Telephone Voucher	1,920,000	745,000
Audit fee	500,000	500,000
Credit committee	1,200,000	1,200,000
Finance Commiittee		600,000
Board Commiittee	1,800,000	1,800,000
Bad debts prov	250,000	
Total	<u>17,182,000</u>	<u>19,505,000</u>

NOTE 9 BUSINESS EXPENSES

License Fee	220,000	220,000
Bank Charges	726,168	718,251
Legal Fee		
Total	<u>946,168</u>	<u>938,251</u>

NOTE 10: TAX COMPUTATION

Opening Balance	-160000	
TAX PAYABLE	510,550	0
TAX PAID	(600,000.00)	-160000
NET TAX	(249,450.50)	-160000

11. Comparative figure.

The figures have been shown in comparative amount for the better analysis of the financial statement

12. General

The figure has been rounded off to the nearest Tanzania shillings