AMZ
AGORA MICROFINANCE ZAMBIA

AGORA MICROFINANCE ZAMBIA (AMZ)
Annual Report
2015

TABLE OF CONTENTS

Vision:

A Zambia where economic opportunities for the poor enable them to improve their livelihoods, move out of poverty and be equal members of society.

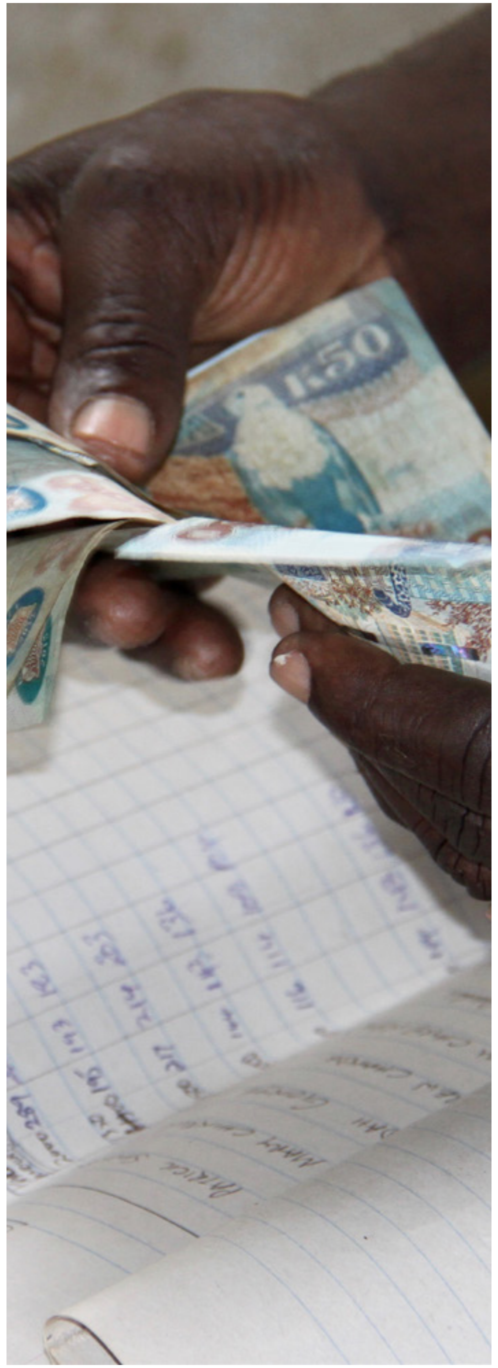
Mission:

To contribute to the economic well-being of the poor through effective provision of appropriate financial services.

Agora Microfinance Zambia Limited, a company limited by shares, was established during 2011 with the objective of providing financial service to the financially excluded (largely rural) population of Zambia. With a view to creating a high quality financial institution for the unbanked, the following principles were established.

CODE OF PRACTICE FOR CLIENT PROTECTION

- **Avoidance of over-indebtedness** – AMZ staff will take reasonable steps to ensure that credit will be extended only to borrowers who have demonstrated an adequate ability to repay and that loans will not put borrowers at a significant risk of over-indebtedness.
- **Dignified and respectful treatment** of Clients at all times.
- **Client data privacy/confidentiality** – Sharing of individual client information only as part of a credit bureau, any mandatory requirements by law, or upon receiving explicit consent from the client.
- **Ethical collection practices** – Collection practices that do not harass or create undue pressure for loan repayments from clients who are not wilful defaulters, that is, who have had a genuine loss in livelihood or any other crisis in the household.
- **No discrimination** – Clients are not to be discriminated against on the basis of age, gender, tribe or any other factor as long as they meet eligibility criteria for AMZ products.
- **Transparent and responsible pricing** – AMZ is committed to a full disclosure of product information to clients. Clients must be fully aware of the terms and conditions of the available financial services so that they can make informed decisions. AMZ prices its products taking into account affordability to the client.



CHAIR'S REPORT

I am pleased to report on a successful year for AMZ. Despite various challenges, we have been able to overcome the downturn in our operations and are strongly on the path of growth and development. As outlined in the CEO's report, AMZ's turnaround can said to have been concluded successfully during 2015 and we collectively look forward to substantial progress in the years to come.

A number of individuals spearheaded this turnaround and I would like to extend my congratulations to them on behalf of the Board. Irina Ignatieva and David Payling both completed their tenure with AMZ in early 2015 and I thank them for their immense dedication and contribution to the success of the institution. Olga Torres, who took over from Irina as the CEO had a tough challenge to keep the institution progressing despite fewer resources at hand, and performed commendably to lead AMZ to this stable state. Likewise, the senior and branch management as well as other staff members, especially our Client Officers, have all made a significant contribution to the improvement of AMZ and the Board of Directors congratulates them for this success.

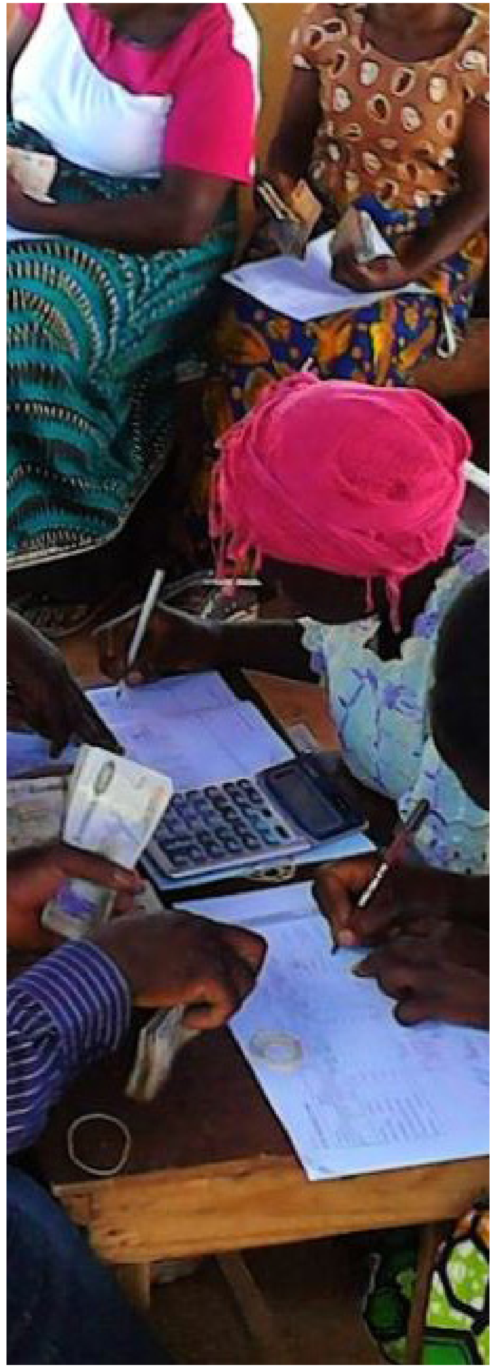
In February 2015, we appointed Tanmay Chetan as Managing Director to support and oversee the turnaround of the institution, and I would like to thank him for his work with the management during the year.

The Board of Directors and its committees met 5 times during the year and carried out its oversight and statutory duties.

I would like to further thank the shareholders, Directors, the central bank, lenders to AMZ and other stakeholders for their continued support as we embark upon the path to further growth, diversification and stability of AMZ and its clients.

With regards,

Rebecca McKenzie



REPORT FROM THE CEO

Despite a turbulent macro-economic environment in Zambia, AMZ registered a strong recovery in its operations during the year. The recovery was made possible due to excellent asset quality, reduced operating costs and greater efficiencies in operations.

As a result, AMZ's net losses improved by over 60% during the year, with net losses for the year reducing by over ZMW 5 million over the previous year to ZMW 3.2 million. Led by an organisational restructuring that began in 2014 and was concluded by March 2015, AMZ's operating costs reduced by over ZMW 3.0 million for the year (ZMW 7.0 million versus ZMW 10.0 million in 2014).

Alongside cost reductions, two aspects of operations stood out during the year. The first was a 50%+ increase in the performing loan portfolio of the institution, which increased from ZMW 4.6 million in 2014 to ZMW 7.0 million by end 2015. The second was its portfolio quality, which remained impeccable throughout the year to finish at PAR30 of 0.41% as on 31 Dec 2015. The fact that both of these were achieved while the staff strength of the company continued reducing from 74 (March 2014) to 52 (Dec 2014) and to 44 (Dec 2015) is a testament to the greater efficiencies in our operations and to my colleagues' commitment to make the institution viable.

As at year end we had also crossed 10,000 active clients in our 4 branches of operation. Branches have been (on the aggregate) consistently profitable from March 2015 onwards.

Other main highlights of the year include the phase out of cash collateral (started on 1 April 2015 and finalized by 31 March 2016) which proved to be too costly to administer and not as effective in preventing arrears, and the upgrade to OpenCBS as our loan tracking system, which helped towards more efficient operations.

During the coming year, AMZ plans further growth and some geographical expansion, alongside making sustained efforts to widen its product range with the introduction of micro-insurance as well as enterprise loans. AMZ will also start a tablet pilot to digitize loan application processes during the coming year. We expect to continue the improvement that saw us turn an operating surplus in December 2015.

I would like to thank my predecessor Irina Ignatieva for leading the critical restructuring of AMZ, as well as Chairperson Rebecca McKenzie and Managing Director Tanmay Chetan for their continued support as I took over the role of the CEO in February 2015. I would also like to thank the funders and lenders who have remained engaged with AMZ while we slowly but surely emerge out of a challenging phase in the life of the institution. Lastly but not the least, I extend my sincere gratitude to my colleagues who have led the turnaround on the ground and put AMZ back on track for further progress and development.

With best regards

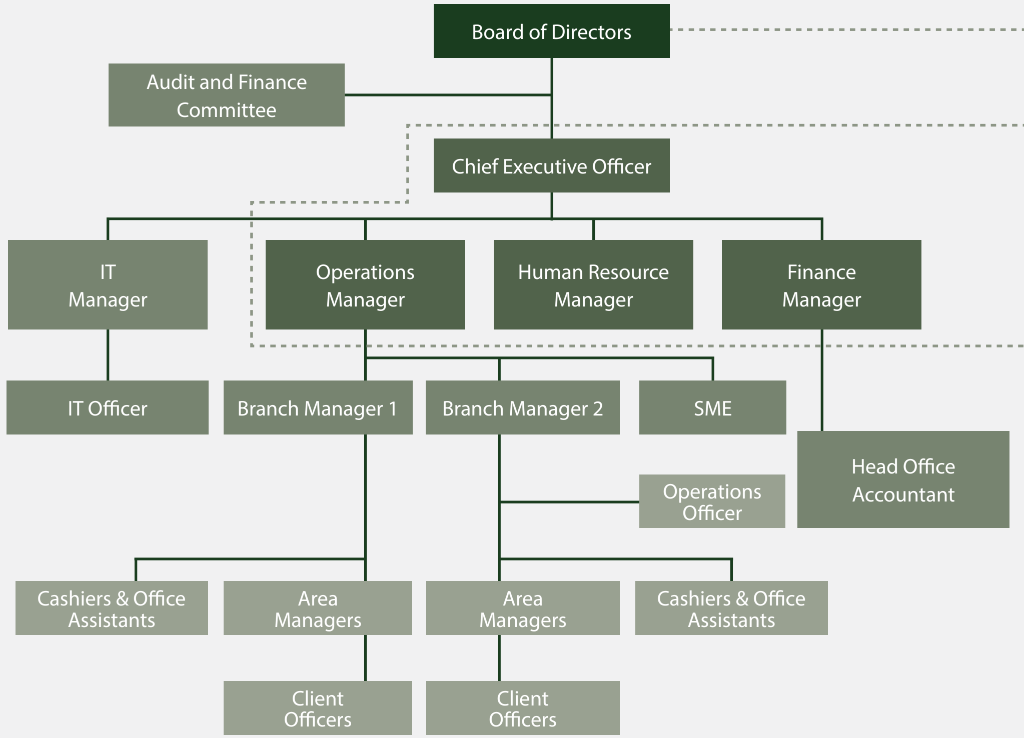
Olga Torres

COMPANY STRUCTURE

COMPANY STRUCTURE

AMZ's shareholders appoint the Board of Directors. The Board of Directors governs the operations of AMZ, ensuring adherence to the mission and objectives by guiding AMZ's strategic direction. The Board members meet at least once per quarter and comprise expertise in microfinance, banking, legal and development fields. The Board is supported the Audit and Finance Committee. The Board of Directors appoints the Chief Executive Officer (CEO), who heads the management team, which includes four departments (Operations, Finance, Human Resources, and Information Technology). AMZ's organisation structure consists of senior management and back-office support functions at the head office, and front-office sales and support staff in its 4 branch/sub-branch locations.

THE OVERALL ORGANISATION STRUCTURE AS IN 2015 IS SHOWN BELOW:



BOARD OF DIRECTORS

Rebecca McKenzie
Chairperson

Musa Mwenye
Director

Maluba Wakunguma
Director

Glenda Mazakaza
Director, Chair RNC

Tanmay Chetan
Managing Director, Chair AFC

Olga Torres
Chief Executive Officer

SENIOR MANAGEMENT

Olga Torres
Chief Executive Officer

O'Brein Njebe
Operations Manager

Samba Kapambwe
Human Resource Manager

Susan Chibanga
Finance Manager

AREAS OF OPERATION

AMZ is headquartered in Lusaka and currently operates four branches in the Westerns and Central Provinces. In 2011, two branches opened simultaneously in Mongu in the Western Province and in Mumbwa in the Central Province. In November 2012, a new branch opened in Kaoma, also in the Western province. In October 2013, AMZ began working in Chibombo, located in the Central Province.

CONTACT DETAILS:

Lusaka, Head Office
Stand No. 6085, Chituli Road, Northmead, Lusaka
www.amz.co.zm
info@agoramicrofinance.co.zm
Tel:+260 211 847838

Chibombo
Along Great North Road,
Plot No. 11, New Boma
Opening Hours:
Monday - Friday 8:00 - 17:00

Mumbwa
Plot #269, New Bus Station Road
Telephone: +260 211 800003
Opening Hours:
Monday - Friday 8:00 - 17:00

Kaoma
P.O. Box 170
Plot # 1762, Church Road
Telephone: +260 217 360127
Opening Hours:
Monday - Friday 8:00 - 17:00

Mongu
P.O. Box K104
Mubonda House, Independence Road
Telephone: +260 217 221262
Opening Hours:
Monday - Friday 8:00 - 17:00

PRODUCTS AND SERVICES

AMZ aims to serve clients who have previously been excluded from the formal financial market, predominantly due to poverty or location. With the objective of "finance on your doorstep", our staff work in the local communities of our clients, visiting them near their homes to provide previously inaccessible services.

As many rural households either lack or cannot risk suitable assets as collateral for their loans, AMZ's loans are unsecured: communities are organized into 'Village Banks' which act to mutually guarantee the loans of all members.

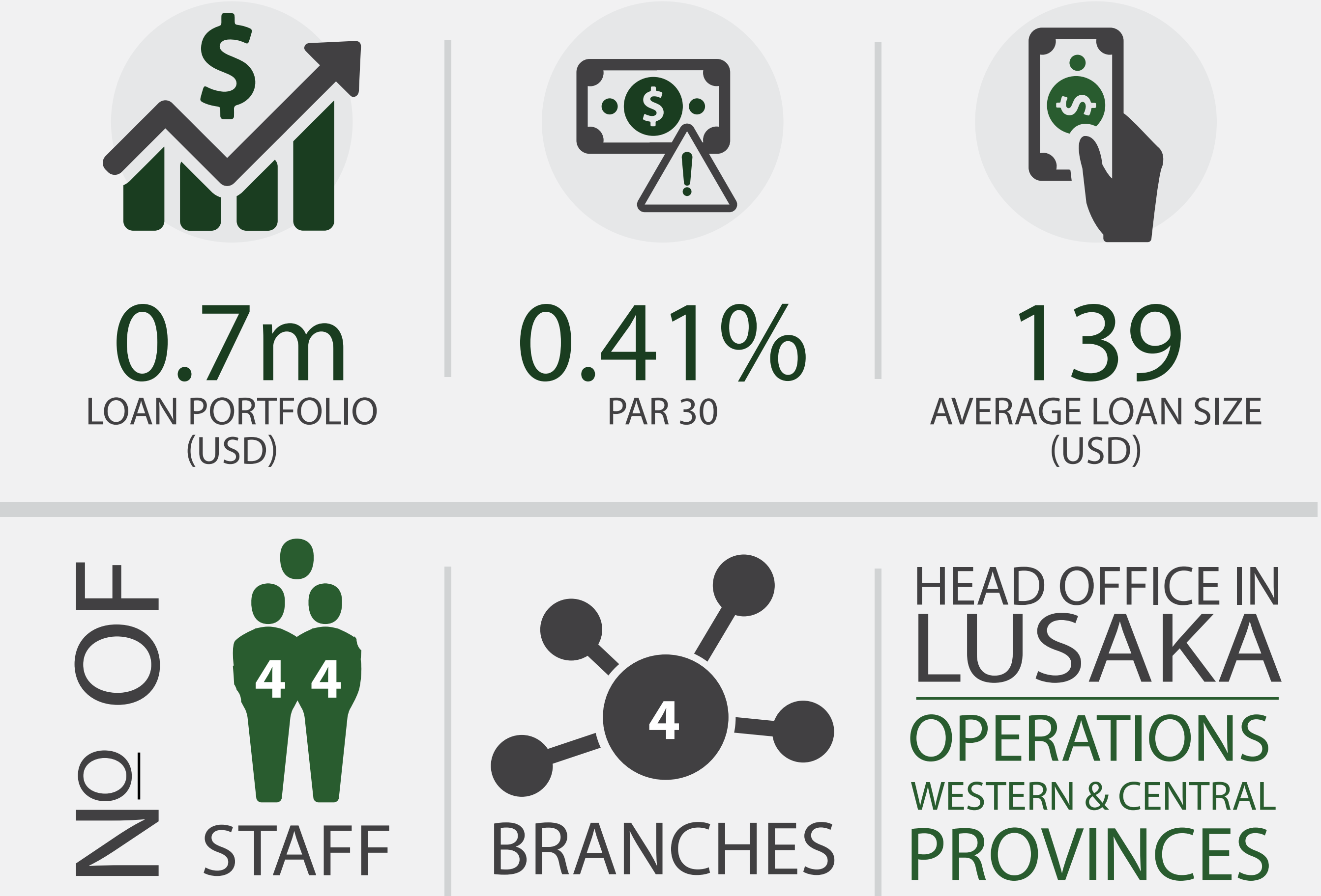
Products are designed to meet the specific financial needs and cash flow pattern of AMZ's target clients. We currently offer three categories of products, each of which has specific characteristics designed to match different types of rural livelihoods. In the future, AMZ aims to expand its product offering with a wider variety of loans and seek a deposit-taking license.

1 2 3

END OF TERM LOAN
This loan is aimed at predominantly farming households with seasonal cash flows to stimulate agribusiness activities. This product will only be offered to households that can demonstrate the seasonal nature of their primary livelihood and offers a term of up to 12 months.

FLEXI LOAN
This loan is aimed at households with more stable businesses and flexible cash flows. These will primarily be traders with consistent daily, weekly and monthly cash flows. Repayments allow for flexibility according to the cash flow patterns of the business and the maximum term is 12 months.

EMERGENCY LOAN
This loan is available to existing clients for serious health emergencies that require immediate action (accidents and hospitalization). Turn-around time from application to disbursement is as little as a few hours.



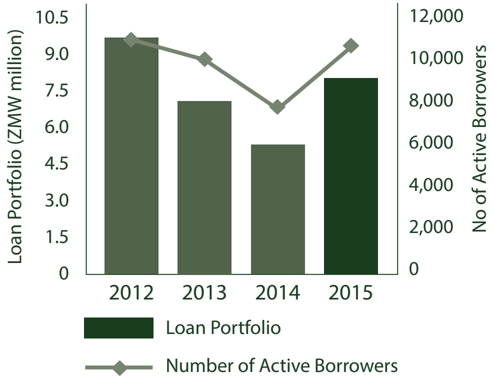
OPERATIONAL & FINANCIAL HIGHLIGHTS

DESCRIPTION	2012	2013	2014	2015
No of Branches	3	4	4	**4**
No of Village Banks	212	312	263	**261**
Number of Active Borrowers	10,579	9,608	7,381	**10,330**
- Women Borrowers (%)	49%	51%	55%	**58%**
- No of Rural borrowers (%)	~ 59%	~ 67%	~ 70%	**74%**
Loan Portfolio (USD)	1,761,482	1,219,111	788,045	**701,272**
Loan Portfolio (ZMW)	9,270,956	6,788,300	5,066,839	**7,714,767**
PAR 30 Days	1.66%	16.03%	3.94%	**0.41%**
Average Loan Size (USD)	175	158	186	**139**
Average Loan Size (ZMW)	1,256	859	1,011	**1,150**
Average Loan Size / Estimated GNI per capita	12.96%	11.14%	10.57%	**8.29%**

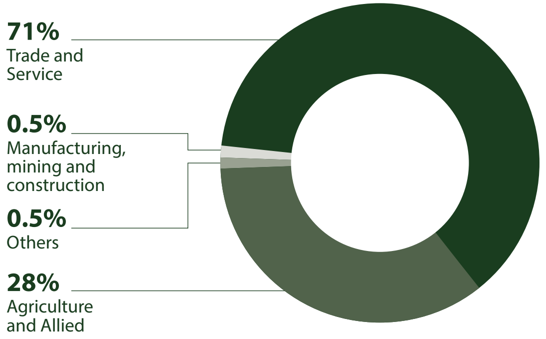
FINANCIAL RATIOS	2012	2013	2014	2015
Loan interest yield ratio	52.44%	50.73%	41.66%	**46.26%**
Loan fee income ratio	8.08%	10.41%	14.77%	**19.47%**
Portfolio yield	60.52%	61.14%	56.43%	**65.73%**
Provision expense ratio	2.86%	14.79%	13.14%	**1.79%**
Financial cost ratio	6.51%	11.56%	16.46%	**11.85%**
Total	9.37%	26.34%	29.60%	**13.64%**
Personnel cost ratio	34.83%	48.33%	96.53%	**51.29%**
Admin cost ratio	34.35%	47.29%	74.68%	**59.46%**
Total operating cost ratio	69.18%	95.62%	171.21%	**110.75%**
Total expense ratio	78.55%	121.96%	200.81%	**124.39%**
Margin analysis/Average loan portfolio	-18.03%	-60.82%	-144.39%	**-58.66%**
Return on total assets	-6.40%	-48.36%	-103.96%	**-39.39%**
Operating self sufficiency	79.48%	50.84%	28.93%	**60.11%**
Debt/Equity	0.79	2.49	*2.07	**1.98**
Capital Adequacy	81.10%	35.90%	41.80%	**39.30%**

* Quasi-equity in 2014 has been included as equity for calculation of this ratio.

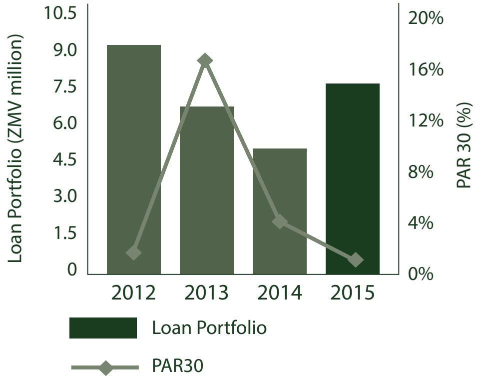
LOAN PORTFOLIO (ZMW, M) VS NO OF ACTIVE BORROWERS



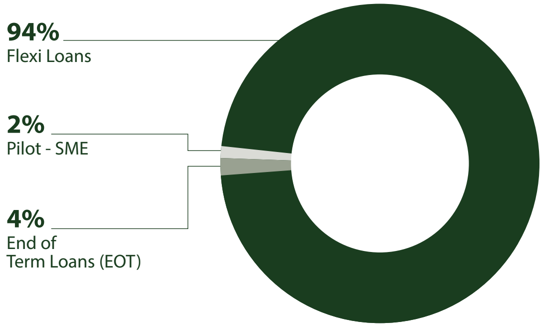
PORTFOLIO EXPOSURE BY ECONOMIC SECTOR



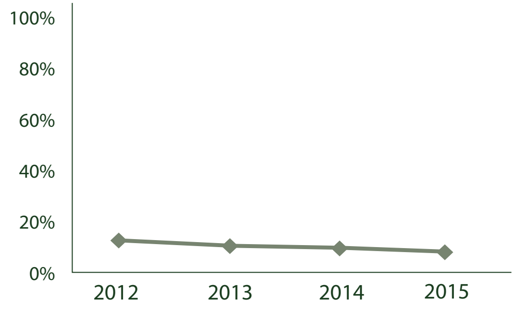
LOAN PORTFOLIO (ZMW, M) VS PAR 30 (%)



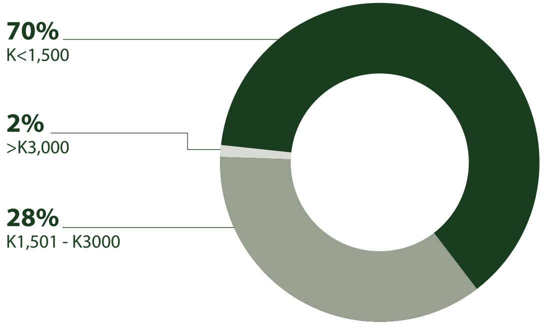
PORTFOLIO EXPOSURE BY TYPE OF PRODUCT



AVERAGE LOAN SIZE / ESTIMATED GNI PER CAPITA



LOAN PORTFOLIO BY LOAN SIZE



DIRECTORS' REPORT

The Directors present their report on the activities of Agora Microfinance Zambia ("AMZ" or "the Company"), together with the audited financial statements for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND DEVELOPMENTS DURING THE YEAR

The principal activity of the Company is to provide financial services among the rural and urban poor in Zambia. All significant developments during the year have been highlighted below.

THE COMPANY

On 7 May 2010, the Company was incorporated under the Zambian Companies Act 1994 as a private company limited by shares.

Business address	**Postal address**
Agora Microfinance Zambia Limited	Agora Microfinance Zambia Limited
Stand 6085	P O Box 745 Post Net
Chituli Road, Northmead	Manda Hill
Lusaka Lusaka	

SHARE CAPITAL

The total authorised number of ordinary shares is 2,310,000 with a par value of K10 per share. The authorised share capital is split between A class ordinary shares attached to which are voting rights and B class ordinary shares which do not have voting rights. There are 95,000 authorised A class ordinary shares, 2,187,464 authorised B class ordinary shares and 27,536 unissued shares.

There following movements in issued share capital occurred during the period:

	Number of A class shares	Number of B class shares	Total
At 31 December 2014	95,000	1,605,000	17,000,000
Issued during the period	-	582,464	5,824,640
At 31 December 2015	**95,000**	**2,187,464**	**22,824,640**

All issued shares are fully paid up.

RESULTS AND DIVIDENDS

The Company's results for the year are shown on page 9. The Directors do not propose that a dividend be declared in respect of the 2015 financial year.

DIRECTORS' AND SECRETARY

The names of the directors and the secretary are as follows:

DIRECTORS

Rebecca McKenzie - Chairperson
Maluba Wakung'uma
Tanmay Chetan (appointed Managing Director 17 February 2015)
Irina Ignatieva (resigned 15 May 2015)
Glenda Mazakaza
Musa Mwenye (re-appointed 15 May 2015 after his proxy, Mr. Eddie Mwenye, stepped down)
Olga Torres (appointed Acting CEO on 17 February and CEO 14 July 2015)

COMPANY SECRETARY

David Payling (resigned 17 February 2015)
Samba Kapambwe (from 17 February 2015 to 9 March 2016)
Olga Torres (appointed 9 March 2016)

DIRECTORS' REMUNERATION

A total of ZMW 15,500 was spent on director's fees during the year (2014: ZMW 27,000).

AVERAGE NUMBER AND REMUNERATION OF EMPLOYEES

Total employee benefits expense for the year was ZMW 3,277,857 (2014: ZMW 5,721,976). The average number of employees throughout the year was 49 (2014: 66).

GIFTS AND DONATIONS

A memorandum of understanding for Technical Assistance was signed with Grameen Credit-Agricole in July 2015. Under the agreement, Grameen Credit-Agricole, a Paris based microfinance investor, shared the costs of an MIS upgrade and a key human resource, totalling ZMW 201,125 in value for the year (2014: ZMW nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment are included within Note 13 to the financial statements. In the opinion of the Directors, the fair values of the property, plant and equipment are not less than the amount at which they are included in the financial statements.

RESEARCH AND DEVELOPMENT

There was no expenditure incurred for research and development during the period.

RELATED PARTY TRANSACTIONS

Related party transactions during the period consisted of a series of loan agreements with a shareholder. Further information about these loan agreements are included within Notes 16 and 18 to the financial statements. Additionally, the remuneration of key management personnel is also disclosed within Note 18.

PROHIBITED BORROWINGS OR LENDING

There were no prohibited borrowings during the year (2014: ZMW nil).

RISK MANAGEMENT AND CONTROL

AMZ has a risk management framework defined in its Business and Strategic Plan which defines the main risk areas and the mitigating strategies. Internal control systems are outlined in the organisation's policies and procedures. As at the 31 December 2015 the following policies were in place:

i. Operations Policy - approved
ii. Human Resource Policy - approved
iii. Finance Policy - approved

INTERNAL CONTROL FUNCTION

An internal control function sits within the Finance department.

KNOW YOUR CUSTOMER ("KYC") AND MONEY LAUNDERING POLICIES

All KYC requirements are conducted by the branch and filed in hard copy at branch level. Additionally, all potential borrowers are checked using the Credit Reference Bureau.

FINANCIAL STATEMENTS

The financial statements set out on pages 9 to 34 have been approved by the directors.

AUDITORS

Ernst & Young, Trinity Office Park, Stand No. 16806, Alick Nkhata Road, P.O Box 35483, Lusaka. In accordance with the provisions of the Articles of Association of the Company, the auditors, Messrs Ernst & Young, will retire as auditors of the Company at the forthcoming Annual General Meeting and, having expressed their willingness to continue in office, a resolution proposing their re-appointment will be presented at the Annual General Meeting.

GOING CONCERN

The company continues to incur losses, but at a significantly lesser scale than in the past: the net loss for the year ended 31 December 2015 was ZMW 3,177,998 (2014: ZMW 8,460,155).

These conditions however give rise to a material uncertainty which may cast doubt about the com-panies' ability to continue as a going concern and, therefore that it may be unable to realise its as-sets and discharge its liabilities in the normal course of business.

The Directors believe that the Company's asset quality remains very strong. The company is at-tracting lender funds to expand its operations and there is an expectation to obtain funding in ex-cess of ZMW 9 million with some of the facilities having been signed already. Furthermore, the shareholder is going to invest Equity amounting to ZMW 1.1 million and has pledged to support the company in the coming 12 months.

The financial statements are prepared on the basis of accounting policies applicable to a going con-cern. This basis presumes that the company will continue to receive the support from its holding company and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

By order of the Board

COMPANY SECRETARY
31 March 2016

CORPORATE GOVERNANCE STATEMENT

IMPORTANCE OF CORPORATE GOVERNANCE

AMZ is governed by the Articles of Association as revised on 1 July 2011. The 'Articles' define the corporate governance structure and mandate of directors and senior management. The AMZ Business and Strategic Plan also outlines in detail, the governance structure which includes the shareholders, a Board of Directors and an Audit and Finance Committee.

BOARD COMMITTEES

During the 19 October 2015 meeting, the Board members approved that Committees' agendas would be merged with the Board of Directors' main agenda until the company grows enough to warrant separate agendas.

Audit and Finance Committee (AFC)

The AFC met 4 times during 2015. Membership of the Board's AFC during the year was as follows:

Tanmay Chetan	Chairperson
Rebecca McKenzie	Member
Glenda Mazakaza	Member

Remuneration and Nominations Committee (RNC)

The RNC met 2 times during 2015. Membership of the Board's RNC during the year was as follows:

Glenda Mazakaza	Chairperson
Rebecca McKenzie	Member
Tanmay Chetan	Member

Owing to the limited issues for the RNC to address, this committee was dissolved and its responsibilities were merged into the Board of Directors' responsibilities effective from 19 October 2015.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act and the Banking and Financial Services Act require the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of Agora Microfinance Zambia Limited and of its financial performance and its cash flows for the year then ended. In preparing such financial statements, the Directors are responsible for:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error;
- selecting appropriate accounting policies and applying them consistently;
- making judgments and accounting estimates that are reasonable in the circumstances; and
- preparing the financial statements in accordance with the applicable financial reporting framework, and on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1994 and the Banking and Financial Services Act, cap 387 1994, as amended. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirm that in their opinion:

(a) the financial statements give a true and fair view of the financial position of Agora Microfinance Zambia Limited as of 31 December 2015, and of its financial performance and its cash flows for the year then ended;
(b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when these fall due; and
(c) the financial statements are drawn up in accordance with International Financial Reporting Standards.

This statement is made in accordance with a resolution of the Board of Directors.

Signed at Lusaka on 31 March 2016

Director

Director

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF AGORA MICROFINANCE ZAMBIA LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Agora Microfinance Zambia Limited, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 22 to 50.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Zambia, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material mis-statement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards re-quire that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of ex-pressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Agora Microfinance Zambia Limited as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Re-porting Standards and in the manner required by the Companies Act, 1994.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to the directors' report which indicates that the company incurred a net loss of ZMW 3,177,998 (2014: ZMW 8,460,155) for the year ended 31 December 2015 and it has continued to incur losses after year end. The director's report also notes that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast doubt on the company's ability to continue as a going concern.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
(b) in our opinion proper books of accounts, other records and registers have been kept by the company, so far as appears from our examination of those books and registers; and
(c) the company's statement of financial position and profit and loss account are in agreement with the books of account.

Ernst & Young
Chartered Accountants

Timothy Courtis Rutherford
Partner
Practicing certificate number AUD/A008363

27 April 2016
Lusaka

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Interest income	5	4,206,243	3,344,795
Interest expense	6	(757,225)	(975,618)
Net interest income		**3,449,018**	2,369,177
Impairment losses on loans and advances	11	(114,653)	(779,042)
Net interest income after impairment losses on loans and advances		**3,334,365**	1,590,135
Foreign exchange gain/(loss)		314,266	20,519
Other operating income	7	257,908	77,930
Operating expenses	8	(7,077,814)	(10,148,739)
Loss before income tax		**(3,171,275)**	(8,460,155)
Income tax expense	9	(6,723)	-
Profit after tax		**(3,177,998)**	(8,460,155)
Other comprehensive income		-	-
Total comprehensive income		**(3,177,998)**	(8,460,155)

STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2015

	Notes	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Assests			
Cash and cash equivalents	10	1,410,123	1,513,559
Loans and advances to customers	11	6,918,886	4,668,392
Other assets	12	278,810	371,538
Property and equipment	13	516,884	458,266
Deferred income tax assets	14	-	-
Total assets		**9,124,703**	7,011,755
Liabilities			
Other liabilities	15	391,668	1,506,854
Income tax payable	9.1	6,723	-
Borrowings	16	5,659,503	5,084,734
Total liabilities		**6,057,894**	6,591,588
Shareholders' equity			
Share capital	17	22,824,640	17,000,000
Retained earnings / (loss)		(19,757,831)	(16,579,833)
Total shareholders' equity		**3,066,809**	420,167
Total equity and liabilities		**9,124,703**	7,011,755

The financial statements on pages 9 to 34 were approved for issue by the Board of Directors on 31 March 2016 and signed on its behalf by:

Director

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Share capital ZMW	Retained earnings ZMW	Total ZMW
Year ended 31 December 2014				
At 1 January 2014		10,773,480	(8,119,678)	2,653,802
Issued during the year	17	6,226,520	-	6,226,520
Comprehensive loss / loss for the year		-	(8,460,155)	(8,460,155)
At 31 December 2014		**17,000,000**	**(16,579,833)**	**420,167**
Year ended 31 December 2015				
At 1 January 2015		17,000,000	(16,579,833)	420,167
Issued during the year	17	5,824,640	-	5,824,640
Comprehensive loss / loss for the year		-	(3,177,998)	(3,177,998)
At 31 December 2015		**22,824,640**	**(19,757,831)**	**3,066,809**

There was an increase in share capital as a result of conversion of sub-debt to equity that occurred during the year.
No new cash was received for the issued shares. Further details available in note 17.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)

	Notes	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Cash flows from operating activities			
Loss for the year before taxation		(3,171,275)	(8,460,155)
Interest accrued not received	11	(164,082)	(94,456)
Bad debts provided and written off	11	167,936	1,291,099
Impairment charge not written off	11	(114,653)	(779,042)
Depreciation	13	291,140	481,060
Asset write offs	8	1,075	60
Cash outflow from operating activities before changes in operating assets and liabilities		**(2,989,859)**	(7,561,434)
Changes in operating assets and liabilities			
- loans and advances		(2,139,695)	807,198
- other assets		92,728	36,840
- other liabilities		(1,115,186)	313,925
Net cash used in operating activities		**(6,152,012)**	(6,403,471)
Cash flows from investing activities			
Purchase of property and equipment	13	(350,833)	(8,301)
Net cash used in investing activities		**(350,833)**	(8,301)
Cash flows from financing activities			
Increase in borrowings		6,897,852	7,814,588
Repayments of borrowings		(498,443)	(1,921,234)
Net cash generated by financing activities		**6,399,409**	5,893,354
Net (decrease)/increase in cash and cash equivalents		(103,436)	(518,418)
Cash and cash equivalents at start of period		1,513,559	2,031,977
Cash and cash equivalents at end of period		1,410,123	1,513,559
Disclosed as:			
Cash and cash equivalents	10	**1,410,123**	1,513,559

The debt to equity conversion was correctly accounted for as a non-cash flow item.
Interest received in 2015 was ZMW 4,042,161 (2014: ZMW 3,250,339)

1. CORPORATE INFORMATION

The Company is incorporated in Zambia under the Companies Act 1994 (as amended) as a Company Limited by shares, and is domiciled in Zambia. The address of its registered office is:

P.O. Box 745 Post Net Manda Hill
Stand 6085, Chituli Road
Northmead, Lusaka

The principal activity of the company is to provide financial services among the rural and urban poor in Zambia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, un-less otherwise stated.

(2.a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in accordance with IAS 1 "presentation of financial statements". The company has elected to present the "Statement of Comprehensive Income" in one statement namely "Statement of Comprehensive In-come". The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Zambia Kwacha (ZMW). The statement of financial position is presented in the order of liquidity of the various categories of assets and liabilities.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

New accounting standards and interpretations effective in 2015

The accounting policies adopted by the Company are consistent with those of the prior year. Amendments and improvements to standards that became effective for the Company in the current year did not have a material impact on the company's financial results.

New accounting standards and interpretations not yet effective in 2015

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015, and have not been applied in preparing these financial statements:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any im-pact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify thhe materiality requirements in IAS 1

- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company, but the Company will consider the flexibility offered by the amendments when preparing its financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects

of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. During 2015, the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and sup-portable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under IFRS 9. However, the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to deter-mine the extent of the impact.

IFRS 16 - Leases

The International Accounting Standards board (IASB) issued IFRS 16 in January 2016 which requires lessees to recognize assets and liabilities for most leases on their balance sheets. Under the new standard, a lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration. To be a lease, a contract must convey the right to control the use of the identified asset, which could be a physically distinct portion of an asset. The standard will be effective for annual periods beginning on or after 1 January 2019. The Company is still assessing the impact of the standard.

(2.b) Revenue recognition

Revenue comprises interest income, fee and commission income and is recognised to the extent that it is probable that the economic benefits will accrue to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the Principal in all of its revenue arrangements (excluding credit life insurance) since it is the primary obligor in all the revenue arrangements, has pricing latitude and is exposed to the credit risk.

In addition, a Micro-insurance credit life pilot was launched as a pilot in Chibombo branch in December 2015 (as disclosed in 3.a Credit Risk). Income fee from this micro-insurance pilot is detailed in note number 5.

i) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the statement of comprehensive income using the effective interest method.

For loans originated by the Company, where the interest is calculated on a daily basis by applying contracted interest rate to the loan amount, the interest is effected on the total amount before deduction of processing fees.

The recognition of interest income ceases when payment of interest or principal is overdue for more than 30 days or when a client has died. Interest is included in income thereafter only when it is received.

ii) Fees and commission income

Fees and commissions are recognised as an adjustment to the effective interest rate and are included within "interest income" in the statement of comprehensive income.

(2.c) Translation of foreign currencies

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Kwacha (ZMW) which is the Company's functional currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the ex-change rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end ex-change rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(2.d) Financial Instruments

A 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.

i) Financial assets

The Company classifies its financial assets into the following categories: loans and advances and other receivables. Management determines the appropriate classification of its financial assets at initial recognition. There is no difference between trade date and settlement date in the Company's ordinary business.

Loans and advances and other receivables

Loans and advances and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances and other receivables are carried at amortised cost using the effective interest method. Inter-est calculated using the effective interest method is recognised in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and re-wards of ownership.

Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

a) significant financial difficulty of the borrower;
b) a breach of contract, such as default or delinquency in interest or principal repayments;
c) the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Company would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
   - adverse changes in the payment status of borrowers in the group; or
   - national or local economic conditions that correlate with defaults on the assets in the group.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between 1 month and 3 months. At a minimum, the impairment losses on loans and advances must cover the minimum loan loss provision required by the regulatory authority (Bank of Zambia), and is established as a function of the standard definition of Portfolio at Risk.

Assets carried at amortised cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for finan-cial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference be-tween the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income as other income.

ii) Financial liabilities

Borrowings and other financial liabilities

Interest-bearing borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. The cost of transaction is borne by the remitter and not included in the borrowing value. After initial recognition, they are subsequently measured at amortised costs using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the statement of comprehensive income. Borrowings are derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

During the year the Company's financial liabilities consisted primarily of borrowed funds and cash collateral on loans provided. Both of these were in the form of fixed term liabilities with pre-agreed payment schedules. Cash collateral was charged by the Company until early 2015, after which it stopped charging any cash collateral on loans to customers. This year's statements carry a small value of outstanding payable of cash collateral on loans provided in the first quarter of 2015, all of which will be paid to customers before 31 March 2016.

Fair value measurement

The Company's financial assets and liabilities are measured at either fair value or amortised cost. For assets and liabilities measured at amortised cost, the Directors do not believe there are any material differences between the carrying value and the fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

(2.e) Property and equipment

All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets. Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to 'operating expenses' during the period in which they are incurred.

Depreciation on other assets is calculated on the straight line basis to write down their cost to their residual values over their estimated useful lives, as follows:

Fixtures, fittings	4 - 5 years
Motor vehicles	4 years
Motor bikes	3 years
Computer and office equipment	3 - 4 years
Leasehold improvements	length of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date, as is the depreciation method. The Company assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Company estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

(2.f) Income tax

Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled or the related deferred income tax asset is realised.

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. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

(2.g) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks and are measured at amortised cost.

(2.h) Employee benefits

All employees are members of the National Pension Scheme Authority to which both employees and the Company contribute. During 2015, the Company operated a mandatory private pension scheme with Madison Life Insurance through the Madison Pension Trust Fund. Employer contribution is 4% of basic salary and employee contribution is 3% of basic salary. Obligations for both public and private contributions are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees. In addition, employees may qualify for performance based incentives as per the company's internal rules.

There are no expected gratuity payments as per employees' contracts of employment.

(2.i) 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.

The company issues 2 types of ordinary shares: Class A shares with voting rights and Class B shares with no voting rights.

(2.j) Dividends payable

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability at year end.

3. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Company's business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

Risk management is carried out by the Audit and Finance Committee, under policies approved by the Board of Directors. The Committee identifies, evaluates and hedges financial risks in close cooperation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk and credit risk. The most important types of financial risk affecting the Company are credit risk, liquidity risk and market risk (including currency and interest rate risk).

(3.a) Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Company by failing to pay amounts in full when due. Credit risk is the most important risk for the Company's business: management therefore carefully manages the exposure to credit risk. The key area where the Company is exposed to credit risk is through loans and advances to customers.

The Company structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored and subject to frequent review. Limits on the level of credit risk by product are approved by management and the Board of Directors. Other specific control and mitigation measures are outlined below.

Collateral and other credit enhancements

During previous years, cash collateral was deducted as an up-front fee at the time of disbursement and kept during the full loan term as a guarantee in case of default. Since 1 April 2015 cash collateral is no longer deducted from the loans upon disbursement. The current cash collateral balance (from loans disbursed before 31 March 2015) is being slowly phased out as the loans mature.

In addition, a Micro-insurance credit life pilot was launched as a pilot in Chibombo branch in the last month of 2015. The first 411 AMZ clients are now insured in the event of death and disability up to their disbursed amount, with the difference between outstanding loan balance and the disbursed amount earmarked for the client's family.

Group / Solidarity Lending Guarantee

Loans are disbursed under the Solidarity Group concept using structures called Village Banks ("VB"). Within a VB there are 5-10 borrowing groups each of which comprises 5-10 individual borrowers. All borrowers within the VB are jointly liable for the borrowings of the entire VB.

Maximum exposure to credit risk

The table below present's the Company's maximum exposure to credit risk, before taking account of any collateral and credit risk mitigation, arising from its on-balance sheet financial assets.

	31 December 2015 ZMW	31 December 2014 ZMW
Cash and cash equivalents	1,410,123	1,513,559
Loans and advances to customers	6,918,886	4,668,392
Other assets	221,355	294,218
	8,550,364	6,476,169

The exposures set out above are based on carrying amounts as reported in the statement of financial position. 81% of the total maximum exposure is derived from loans and advances to customers (2014: 72.1 %).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company resulting from its loan and advances portfolio based on the following:

- the Company exercises stringent controls over the granting of new loans;
- 99.53% of the loans and advances portfolio are neither past due nor impaired (2014: 93.7%);
- 98% of the loans and advances portfolio are backed by mutual/group guaranteed or other personal guarantees, while 2% of the portfolio is guaranteed by physical collateral (this is the case of for SME loans being piloted during November and December 2015) (2014: 100% group guaranteed).

Financial assets that are past due or impaired
Loans and advances are summarised as follows:

	31 December 2015 ZMW	31 December 2014 ZMW
Neither past due nor impaired	7,689,371	4,746,639
Past due 1-29 days	4,073	120,695
Past due 30-59 days	1,365	50,950
Past due 60-89 days	405	68,410
Past due 90-119 days	2,758	57,807
Past due >120 days	16,795	22,338
Gross	7,714,767	5,066,839
Plus: accrued interest	164,082	94,456
Less: deferred income	(900,288)	(379,945)
allowance for impairment	(59,675)	(112,958)
	6,918,886	4,668,392

No other financial assets are either past due or impaired.

Loans and advances less than 120 days past due are not impaired, unless other information is available to indicate the contrary. However, all loans are assessed for impairment on a collective basis. Collectively assessed provisions are considered on a portfolio basis, to reflect the homogeneous nature of the assets. A percentage of the portfolio is impaired by evaluating the ageing of missed payments combined with the historical recovery rates for that particular portfolio.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2015 (Continued)

Concentrations of risk of financial assets with credit risk exposure
Industry sector risk concentrations within the customer loan portfolio was as follows:

	31 December 2015 ZMW	31 December 2014 ZMW
Agriculture and allied	2,173,933	1,907,771
Manufacturing, mining and production	31,820	7,972
Trade and services	5,485,878	3,114,743
Other	23,136	36,353
	7,714,767	5,066,839

(3.b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities as they fall due or is unable to replace funds when they are withdrawn.

The following table presents the contractual maturities of the Company's financial liabilities on an undiscounted cash flow basis.

	On demand ZMW	Less than 3 months ZMW	More than 3 months but not more than 1 year ZMW	More than 1 year ZMW	Total ZMW
31 December 2015					
Other liabilities	-	391,668		-	391,668
Borrowings	-	272,139	5,387,364	-	5,659,503
	-	663,807	5,387,364	-	6,051,171
31 December 2014					
Other liabilities	-	771,143	41,350	694,361	1,506,854
Borrowings	-	1,221,834	2,000,000	1,862,900	5,084,734
	-	1,992,977	2,041,350	2,557,261	6,591,588

(3.c) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign n currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibil-ity for managing market risk rests with the Audit and Finance Committee. Management is responsible for the development of detailed risk management policies and for the day to day implementation of those policies.

Currency risk

The Company has material currency assets and liabilities resulting from its funding structure whereby it sometimes obtains US$ and Euro denominated loans as financing. The Compa-ny maintains US$ assets to match these liabilities as long as possible, although at this start up stage of operations, the Company's requirement for Kwacha means that it translates the majority of these US$ balances into Kwacha in order to fund the expansion of its loan portfolio. As the Company expands it anticipates developing its hedging strategy. The for-eign currency that the company deals in are United States Dollars (US$) and Euro.

The table below summarises the Company's exposure to USD and Euro, exchange rate risk at 31 December:

	31 December 2015	31 December 2014
	ZMW	ZMW
Assets		
Cash and cash equivalents	345,996	655,072
Other receivables	114,374	200,368
Liabilities		
Other liabilities	-	189,113
Borrowings	65,955	325,458
Net assets on-balance sheet position	**394,415**	340,869

Based on the Company's year-end net assets denominated in US$ and Euro the impact of a 10% strengthening or weakening of the Kwacha would result in a gain or loss (and corresponding impact on equity) of ZMW 39,441 (2014: ZMW 34,087).

Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates. Interest margins may increase or decrease as a result of such changes.

The table below summarises the Company's maturity profile at 31 December:

	Up to 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 1 year	More than 1 year	Total
	ZMW	ZMW	ZMW	ZMW	ZMW
31 December 2015					
Liabilities					
Borrowings	-	-	5,659,503	-	5,659,503
31 December 2014					
Liabilities					
Borrowings	2,000,000	1,098,886	-	1,985,848	5,084,734

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Company. It is unusual for financial in-stitutions ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

(3.d) Capital management

The Company's objectives when managing regulatory capital, which is a broader concept than the 'equity' on the statement of financial position, are:

- to comply with the capital requirements set by the Banking and Financial Services Act;
- to safeguard the Company'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 maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines issued by the Bank of Zambia for supervisory purposes. The required information is filed with the Bank of Zambia on a quarterly basis.

The Bank of Zambia requires each Non Bank Financial Institution / Non-Deposit Taking including the Company, to: (a) hold the minimum level of regulatory capital of the higher of ZMW 100,000 and 15% of the risk weighted assets; (b) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 10%; (c) maintain primary or tier 1 capital of not less than 5% of total risk weighted assets; and (d) maintain total capital of not less than 10% of risk-weighted assets plus risk-weighted off-balance sheet items.

The Company's total regulatory capital is divided into two tiers:

- Tier 1 capital (primary capital): common shareholders' equity, qualifying preferred shares, retained earnings and minority interests in the equity of subsidiaries that are less than wholly owned, adjusted for assets of no realizable value such as prepayments.
- Tier 2 capital (secondary): qualifying preferred shares, 40% of revaluation reserves, subordinate term debt or loan stock with a minimum original term of maturity of over five years (subject to straight line amortisation during the last five years leaving no more than 20% or the original amount outstanding in the final year before redemption) and other capital instruments which the Bank of Zambia may allow.

Risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of – and reflecting an estimate of the credit risk associated with – each asset and counterparty.

The table below summarises the composition of regulatory capital, total risk weighted assets and the relevant ratios for the Company as at 31 December 2015 and 2014:

	31 December 2015 ZMW	31 December 2014 ZMW
Capital		
Tier 1 capital	3,009,349	291,114
Tier 2 capital	-	1,857,040
Total	**3,009,349**	2,148,154
Risk-weighted assets		
On-balance sheet	7,649,721	5,133,796
Off-balance sheet	-	-
Total	**7,649,721**	5,133,796
Bank of Zambia Capital Adequacy ratio		
Tier 1 (regulatory minimum: 5%)	39.3%	5.7%
Tier 1 + Tier 2 (regulatory minimum: 10%)	39.3%	41.8%

The following tables show the computation of both the capital position of the Company and its risk-weighted assets:

Computation of capital position	31 December 2015 ZMW	31 December 2014 ZMW
Primary (Tier 1) capital		
Paid up common shares	22,824,640	17,000,000
Retained earnings	(19,757,831)	(16,579,833)
Less		
Prepayments	(57,460)	(129,053)
Total primary capital	**3,009,349**	291,114
Secondary (Tier 2) capital	-	1,857,040
Eligible total regulatory capital	**3,009,349**	2,148,154
Minimum total capital requirement	**1,147,458**	770,069
Excess capital	**1,861,891**	1,378,085

Calculation of risk-weighted assets

	Risk weight	31 December 2015 Balance (net of allowance for losses) ZMW	Risk-weighted assets ZMW
Cash and cash equivalents			
- on hand	-	11,589	-
- at bank	-	1,398,534	-
Loans and advances to customers			
- portion secured by cash	-	124,539	-
- other	100%	7,590,228	7,590,228
Property and equipment	100%	516,885	516,885
Other assets	100%	(457,391)	(457,391)
Total risk weighted assets		**9,184,384**	7,649,722

	Risk weight	31 December 2015 Balance (net of allowance for losses) ZMW	Risk-weighted assets ZMW
Cash and cash equivalents	-	10,194	-
- on hand	20%	1,503,365	300,673
- at bank			
Loans and advances to customers	-		
- portion secured by cash		778,032	-
- other	100%	4,288,807	4,288,807
Property and equipment	100%	458,267	458,267
Other assets	100%	86,049	86,049
Total risk weighted assets		**7,124,714**	5,133,796

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions concerning the future. Estimates and judgements 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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment losses on loans and advances

The Company reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Income taxes and deferred tax asset

The Company is subject to income taxes. Judgement is required in determining the extent that it is probable that taxable profits will be available in the future against which deferred tax assets can be utilised.

5. INTEREST INCOME

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Arising on:		
Loans and advances to customers	2,956,576	2,469,566
Loan administration charges	1,244,167	875,229
Insurance Fees	5,500	-
	4,206,243	3,344,795

Insurance fees refers to the fees from the micro-insurance credit life pilot being piloted in Chibombo branch. AMZ sells a micro insurance product from Professional Life Assurance. Clients pay a non-refundable fee of ZMW 10 (for loans less than ZMW 1000), ZMW 20 (for loans from ZMW 1,001 to 2,000) and ZMW 30 (for loans over ZMW 2,001).

6. INTEREST EXPENSE

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Arising on:		
Interest bearing borrowings	757,225	975,618
	757,225	975,618

7. OTHER OPERATING INCOME

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Donations	201,125	-
Collection of loans Written Off	20,592	77,930
Research Income	18,025	-
SME Fee	900	-
Others	17,266	-
	257,908	77,930

Donations refer to the Technical Assistance grant received from Grameen Credit Agricole.
SME Fee refers to a non-refundable application fee for SME pilot.

8. OPERATING EXPENSES

The following items are included within operating expenses:

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Employee benefits expense (8.a)	3,277,857	5,721,976
Depreciation	291,319	481,060
Auditors' remuneration	285,987	189,925
Other operating expenses	3,221,576	3,755,778
Assets written off	1,075	-
	7,077,814	10,148,739

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2015 (Continued)

8.a Employee benefits expense

The following items are included within employee benefits expense:

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Wages and salaries	3,063,031	5,392,096
Retirement benefit costs:		
- National Social Security Fund (NAPSA)	129,935	191,303
- Madison Pension Trust Fund	84,891	138,577
	3,277,857	5,721,976

9. INCOME TAX EXPENSE

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Current tax	6,723	-
Deferred tax (note 14)	-	-
	6,723	-
Tax (charge)/credit reconciliation		
Loss before income tax	(3,171,275)	(8,460,155)
Tax at the statutory rate of 35%	(1,109,946)	(2,961,054)
Tax effect of:		
Permanent differences	341,321	32,560
Unrecognised deferred tax asset	768,625	2,928,494
Separate source income	6,723	-
	6,723	-

From 2013 the Company determined that it was no longer appropriate to recognize any deferred tax asset due to the on-going losses (see note 14 for details).

9.1 Income tax payable

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Opening balance	-	-
Charge for the year	6,723	-
Payments	-	-
Closing balance	**6,723**	-

10. CASH AND CASH EQUIVALENTS

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Cash on hand	11,589	10,194
Balances with banks	1,398,534	1,503,365
	1,410,123	1,513,559

11. LOANS AND ADVANCES TO CUSTOMERS

11.a) Summary

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Loans and advances	7,714,767	5,066,839
Accrued interest	164,082	94,456
Deferred income	(900,288)	(379,945)
Gross loans and advances	6,978,561	4,781,350
Less: Provision for impairment of loans and advances		
- Individually assessed	(59,675)	(112,958)
- Collectively assessed	-	-
	6,918,886	4,668,392

11.b) Maturity

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Due:		
Within 1 month	113,609	210,406
Between 1 to 3 months	439,552	221,451
Between 3 months and 1 year	7,161,606	4,634,982
	7,714,767	5,066,839

11.c) Movements in provisions for impairment of loans and advances are as follows:

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
At start of the year	112,958	624,655
Impairment for the year	114,653	779,042
Bad debts written off	(167,936)	(1,291,099)
At end of the year	**59,675**	112,958

11.d) All impaired loans have been written down to their estimated recoverable amount.

12. OTHER ASSETS

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Prepayments	57,460	77,320
Staff debtors	95,976	51,733
Other debtors	125,374	242,485
	278,810	371,538

The Directors consider that the carrying amount of other assets approximates to their fair value.

13. PROPERTY AND EQUIPMENT

	Motor vehicles	Computer and office equipment	Furniture and fittings	Leasehold improvements	Total
	ZMW	ZMW	ZMW	ZMW	ZMW
31 December 2014					
Cost					
At 1 January 2014	762,129	596,244	239,756	73,535	1,671,664
Additions	-	8,301	-	-	8,301
Asset write offs	-	-	(60)	-	(60)
At 31 December 2014	762,129	604,545	239,696	73,535	**1,679,905**
At 1 January 2015	762,129	604,545	239,696	73,535	1,679,905
Additions	231,590	119,243	-	-	350,833
Asset write offs	(10,500)	-	-	-	(10,500)
At 31 December 2015	983,219	723,787	239,696	73,535	**2,020,238**
Depreciation					
At 1 January 2014	380,861	284,278	65,314	10,126	740,579
Charge for the year	202,969	169,804	53,843	54,444	481,060
Asset write offs	-	-	-	-	-
At 31 December 2014	583,830	454,082	119,157	64,570	**1,221,639**
At 1 January 2015	583,830	454,082	119,157	64,570	1,221,639
Charge for the year	147,211	92,330	46,026	5,573	291,140
Asset write offs	(9,425)	-	-	-	(9,425)
At 31 December 2015	721,616	546,412	165,183	70,143	**1,503,354**
Net book value					
At 31 December 2015	261,603	177,376	74,513	3,392	**516,884**
At 31 December 2014	178,299	150,463	120,539	8,965	**458,266**

14. DEFERRED INCOME TAX ASSETS

14.a) Deferred income tax is calculated using the enacted income tax rate of 35%. The movement on the deferred income tax account is as follows:

	Year to 31 December 2015	Year to 31 December 2014
	ZMW	ZMW
At start of year	-	-
Income statement (charge) / credit (Note 9)	-	-
At end of year	**-**	-

From 2013 the Company determined that it was no longer appropriate to recognize any deferred tax asset due to the ongoing losses. The amount of the unrecognised deferred tax asset as at 31 December 2015 was ZMW 6,961,275 (2014: 5,726,779).

14.b) The deferred tax is arising from the following:

	Year to 31 December 2015	Year to 31 December 2014
	ZMW	ZMW
Property, plant and Equipment	(14,539)	(85,740)
Deferred income	315,101	132,981
Provisions	74,295	75,838
Assessed Losses	2,436,446	2,004,373
Derecognised deferred tax assets	(2,811,303)	(2,127,452)
Total	**-**	-

14.c) Deferred tax assets will expire as follows:

	Year to 31 December 2015	Year to 31 December 2014
	ZMW	ZMW
2015	-	297,124
2016	441,249	441,249
2017	284,456	284,456
2018	1,796,835	1,796,835
2019	2,907,115	2,907,115
2020	1,531,620	-
	6,961,275	5,726,779

15. OTHER LIABILITIES

	Year to 31 December 2015	Year to 31 December 2014
	ZMW	ZMW
Cash collateral	124,539	778,032
PAYE and pension contributions	53,936	115,774
Other creditors and accruals	213,193	613,048
	391,668	1,506,854

The Directors consider that the carrying amount of other liabilities approximates to their fair value.

16. BORROWINGS

	Year to 31 December 2015	Year to 31 December 2014
	ZMW	ZMW
Borrowings	5,659,503	5,084,734
	5,659,503	5,084,734

At 31 December 2015 the Company's borrowings were as follows:

	Principal	Maturity	Currency	Interest rate (net)	Carrying Value
					ZMW
Current					
Agora Microfinance N.V. (AMNV)					24,166
Moringaway Facility 1	2,530,105	1 Jun 2016	ZMW	20%	2,597,396
Moringaway Facility 2	792,713	1 Dec 2016	ZMW	20%	806,510
Hivos-Triodos Fonds	2,000,000	1 Aug 2016	ZMW	20%	2,165,475
Lendahand	€ 2,100	1 May 2016	EUR	7.5%	25,239
Lendahand	€ 1,300	1 June 2016	EUR	7.5%	15,677
Lendahand	€ 700	1 Nov 2016	EUR	7.5%	9,501
Lendahand	€ 1,300	1 Dec 2016	EUR	7.5%	15,539
					5,659,503

The interest rate on the Hivos-Triodos Fonds loans as well as the loans from Moringaway resets on a quarterly basis at 7.75% above the Zambian Government 91 day treasury bill, with a minimum of 13% and a maximum of 20%. The carrying value of AMNV relates to withholding tax payable in 2016. Lendahand is the lender for the SME pilot, with a loan denominated in euro at 7.5%

At 31 December 2014 the Company's borrowings were as follows:

	Principal	Maturity	Currency	Interest rate (net)	Carrying value
					ZMW
Current					
Access Africa Fund					28,288
AMNV	579,002	31 Mar 2015	ZMW	16%	590,205
AMNV	$50,000	31 Mar 2015	USD	8%	333,857
Hivos-Triodos Fonds	2,000,000	1 Aug 2015	ZMW	17.25%	2,146,536
					3,098,886
Non-current, subordinated					
AMNV	1,862,900	31 Jul 2020	ZMW	16%	1,985,848
					5,084,734

The interest rate on the AMNV and Hivos-Triodos Fonds loans reset on a quarterly basis at 7.75% above the Zambian Government 91 day treasury bill, with a minimum of 13% and a maximum of 20%. The interest rate on the Access Africa loans was fixed.

17. SHARE CAPITAL

The total authorised number of ordinary shares is 2,310,000 with a par value of ZMW 10 per share (2014: 1,700,000). The authorised share capital is split between A class ordinary shares attached to which are voting rights and B class ordinary shares which do not have voting rights. There are 95,000 authorised A class ordinary shares (2013: 95,000) and 2,187,464 authorised B class ordinary shares (2013: 1,605,000). The following movements in issued share capital occurred during the period:

	Number of A class shares	Number of B class shares	Total ZMW
At 1 January 2014	95,000	982,348	10,773,480
Issued during the year	-	622,652	6,226,520
At 31 December 2014	95,000	1,605,000	17,000,000
Issued during the year	-	582,464	5,824,640
At 31 December 2015	95,000	2,187,464	**22,824,640**

All issued shares are fully paid.

On 28 January 2015, the Company issued 155,448 B class shares to AMNV, an existing shareholder, as a result of AMNV exercising the conversion clause in its loan agreement.

On 31 March 2015, the Company issued 299,000 B class shares to AMNV, an existing shareholder, as a result of AMNV exercising the conversion clause in its loan agreement.

On 29 May 2015, the Company issued 128,016 B class shares to AMNV, an existing shareholder, as a result of AMNV exercising the conversion clause in its loan agreement.

All share issuances were duly registered with PACRA during the year.

The company's shareholders do not expect to derive any dividends for the next 2-3 years as per its articles of association. After that, the policy will be reviewed on the basis of the performance of AMZ and its continued need for additional capital. There were no dividends to declare in 2015 (2014 – nil).

18. RELATED PARTY TRANSACTIONS

Moringaway and AMNV are shareholders in AMZ.

18. a) Borrowings

As at 31 December 2015, the Company had, as borrower, entered into the following loan agreements with a related party (shareholder loans):

	Type of Loan	Maturity	Interest Rate	Principal ZMW	Drawdown ZMW
Moringaway Liquidity 1	Senior	1 June 2016	20.00% (Floating. Max: 20%)	2,530,105	2,530,105
Moringaway Liquidity 2	Senior	1 Dec 2016	20.00% (Floating. Max: 20%)	806,510	806,510

As at 31 December 2014, the Company had, as borrower, entered into the following loan agreements with a related party (shareholder loans):

	Type of Loan	Maturity	Interest Rate	Principal ZMW	Drawdown ZMW
AMNV	Senior, Convertible	31 Mar 2015	16.00%	579,002	579,002
AMNV US$	Senior, Convertible	31 Mar 2015	8.00%	320,125	320,125
AMNV	Subordinated, Convertible	31 Jul 2020	16.00%	1,862,900	1,862,900

Interest charged on loans with AMNV was as follows:

	31 December 2015 ZMW	31 December 2014 ZMW
AMNV	**187,243**	365,182

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2015 (Continued)

18. b) Debt to equity conversion

AMNV converted all its outstanding debt during 2015 (in January, March and May as seen in Note 17) for a total of ZMW 5,824,640.

18.c) Key management compensation

For the purposes of related party disclosures key management comprises the CEO and CFO. The directors believe that CEO and CFO comprise the key management personnel of the company, with the authority and responsibility for planning, directing and controlling, directly or indirectly, its activities.

	Year to 31 December 2015 ZMW	Year to 31 December 2014 ZMW
Salaries and other short-term employment benefits	1,222,375	1,042,347
Company pension contributions	5,457	10,045
	1,227,832	1,052,392

19. Contingent liabilities and commitments

As at 31 December 2015 all of the Company's lease agreements were cancellable at between 1 and 3 months' notice.

There were no significant contingent liabilities or non-lease commitments during the year or at the reporting date.

The company may incur liabilities for failure to have paid some payments on a timely basis. The counterparty may calculate a penalty and interest on the outstanding amounts. The amount could however not be estimated with accuracy and is dependent on discussion between management and the counter party discussion.

20. Subsequent events

Management is not aware of any transactions that occurred subsequent to year end which require disclosure or which require an adjustment of the financial statements.

SCHEDULE 1 – AMZ'S MANAGEMENT ACCOUNTS (AS BOARD OF DIRECTORS REPORT) FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 1 does not form part of the financial statements and, as such, is not covered by the audit report.

The following pages show AMZ's management report on 31 Dec 2015, as per standard Management Accounts format, which is used by the Board of Directors and management to monitor the monthly progress of the Company.

The key difference between AMZ's Standard reporting template and the Audited Accounts previously presented is the treatment of the processing fee/charge: Loan processing fee charged to clients is recognised on a cash basis and not deferred as in the audited financial statements following IFRS.

Profit and loss account, ZMW ('000s)	Dec YTD Actual
Interest income	
Interest income on loan portfolio	2,956.6
Interest expense	
Other interest expenses (external borrowings)	757.2
Net interest income	**2,199.4**
Other financial expenses	
Loan loss provision	114.7
Other expenses (bank charges)	49.6
Total interest income less financial expenses	**2,035.1**
Non interest income	
Fee income *	1,764.5
Commissions	0
Other non-interest income	44.2
Financial income/loss	**3,843.8**
Operating expenses	
Total compensation and benefits	2,926
Total operating expenses	2,224
Total depreciation	291.1
Net operating income/(loss)	**(1,597.3)**
Non operating activities	
Non-operating income	219.1
Non-operating expenses	1,585.9
Net Non Operating Income/(Loss)	**(1,366.8)**
Exchange Loss	(73.5)
Exchange Gain	385.2
Net Foreign Exchange Gain/(Loss)	**311.7**
Net income (loss)	**(2,652.3)**
Taxation	**(6.7)**
Net income (loss) after taxation*	**(2,659)**

*Not including deferred interest income

SCHEDULE 1 (Continued)

Balance sheet, zmw ('000s)	As on 31-Dec-15
Current assets	
Cash and cash equivalent	1,410
Short-term investments	-
Total loan portfolio	7,715
Less loan loss provision	(59.7)
Net loans as per schedule 2 [1(c) - 1(d)]	7,655
Accounts receivable	279
Accrued Interest Income receivable	164
Total current assets	**9,508**
Fixed assets	
Land and buildings	-
Equipment	460
Vehicles	983
Others	577
Total fixed assets [Total 3(a) to 3(d)]	2,020
(Less accumulated depreciation)	(1,504)
Net fixed assets	**517**
Other assets	
Other assets	**-**
Total assets	**10,025**

SCHEDULE 1 (Continued)

Current liabilities	As on 31-Dec-15
Voluntary deposits	-
Income tax payable	7
Short-term debt	5,389
Accounts payable	250
Interest payable	271
Other short term liabilities (cash collateral)	142
Total current liabilities	**6,059**
Long term liabilities	
Long-term debt	-
Total long-term liabilities	-
Total liabilities	**6,059**
Equity	
Paid up capital	22,825
Retained earnings	(18,859)
Total equity	**3,966**
Total liabilities & equity	**10,025**

SCHEDULE 2 – DETAILS OF OPERATING EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2015

	Year to 31 December 2015 K'000	Year to 31 December 2014 K'000
Advertising and branding	3,100	-
Audit fees	285,987	189,925
Bank charges	49,565	60,189
Computer expenses	2,216	-
Consultancy fees	103,209	-
Depreciation and amortisation	291,319	481,060
Disposal of fixed asset	1,088	-
Directors' fees	15,500	27,000
General expenses	422,497	509,096
Insurance	28,268	32,667
Licensing expenses	19,731	84,658
Medical expenses	112,156	153,151
Office expenses	54,229	63,661
Professional fees	1,244,746	1,427,450
Recruitment and training	-	(11,253)
Registration expenses	153,778	-
Rent	266,286	410,751
Repairs and maintenance	163,085	203,811
Salary and wages	3,165,700	5,568,825
Security expenses	138,196	183,798
Stationery	37,853	49,007
Telephone expenses	87,485	116,804
Travel – local	431,819	598,139
Travel – foreign	-	-
	7,077,814	10,148,739

Schedules 1 and 2 do not form part of the financial statements and as such are not covered by the auditor's report.

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