# Annual Report 2023

AMZ

AGORA MICROFINANCE ZAMBIA

BREAKING THE BARRIERS TO FINANCE

# Vision & Mission

**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.






# Contents

# AMZ's Principal Long-Term Goals

1 — Direct outreach to the poor at the national level

2 — Suitability of processes and products

3 — Creation of a dynamic, professional, value-based organization

4 — Long term financial health of the organization

5 — Improvement in clients' financial stability and incomes





# Code of Practice for Client Protection

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 significant risk of over-indebtedness. Besides, AMZ will strive to provide other financial products as demanded by the clients (insurance, deposits, etc.) that will mitigate the risk of over-indebtedness.
- **Dignified and Respectful Treatment of Clients at all times:** AMZ staff will treat clients with the utmost respect and dignity. Also, staff will not impose undue religious, political, or any other practices on clients during AMZ interactions.
- **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. The use of excessive force and/or abusive practices will not be tolerated.
- **No discrimination:** Clients are not to be discriminated against based on age, gender, tribe, or any other factor as long as they meet eligibility criteria for AMZ products. All clients have an equal opportunity to participate, speak, and express themselves. Women and minority groups will be encouraged to speak during village bank (VB) meetings and also take up leadership positions.
- **Transparent and responsible pricing:** AMZ is committed to 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. Also, AMZ prices its products considering affordability for the clients. All product costs will be transparently disclosed to clients.
- **Fair, transparent, and consistent complaint resolution:** All AMZ client complaints will be treated fairly, transparently, and consistently as per the AMZ policies and procedures without infringing on the clients' rights. AMZ to implement systems to ensure the clients' right to be heard as well as monitoring systems to assess the incidence and severity of customer complaints and grievances.

# Message from the Chair

## It gives me pleasure to summarise our far reaching work in Zambia for another year. AMZ continued its progress despite a challenging year, wherein we were impacted by high costs of supplies and operations and a sharp decline in the Kwacha's value.

Tanmay Chetan
Chairperson

Conditions of a severe drought in many parts of the country towards the end of the year added to the challenges, resulting in a dampening of demand and additional stress on farming families.

Despite these challenges, AMZ showed good geographic growth and coverage by establishing additional branches and extending its reach ever deeper into rural Zambia. Its six new branches extended the branch network to 36, with presence in several districts and all provinces in the country. Its client reach surpassed 150,000 which is quite an achievement from five years ago, when we were reaching less than half as many clients.

Despite the headwinds, much work was done during the year on strategy and systems.
The back-room of the organisation has been strengthened with new systems and solutions, and even though many of the upgrades are in trial or pilot test phases, they will prepare the organisation well for its next phase of development. These include, amongst other things, a new client facing application for onboarding and risk assessment of clients, redesigning of a data warehouse for efficient analysis and reporting, a USSD based transaction system to introduce mobile transactions, an in-house ticketing system, a fully functional call center, and testing of e-bikes, to name some of the projects underway.

Alongside, we are also progressing in the creation of a purpose driven social performance management framework, one that addresses the unique challenges faced by AMZ while benchmarking it to agreed international principles of social performance and impact, as well as environmental factors.

Our endeavour in developing these solutions is two-fold. First, it highlights our vision of creating a high-technology system that can provide better solutions to clients, and enable the staff and management to arrive at strong data-driven solutions in their work. Secondly, we try to create these solutions in-house as much as possible, which can limit our exposure to the volatility of currencies and allow us to have better control over our costs. The second objective is harder to achieve where many solutions are accessed from the overseas markets, nevertheless we evaluate all possible technologies with this dual lens.

Looking at 2024 and beyond, AMZ is likely to continue adancing its reach but also aims to doing so by improving efficiency and establishing stronger benchmarks for the financial inclusion industry in the country. Its scale now means that its work will determine not only its own (and its clients) well being, but will also set standards in the industry where competition benchmarks itself against how well AMZ does. It is a position of influence but also of immense responsibility – to always keep the client at the center of its decisions.

I thank all our colleagues for navigating a difficult year, and look forward to a strong response in 2024 to whatever challenges – and opportunities – might present themselves.

With best wishes

**Tanmay Chetan**
Chairperson

> Another area of work that saw substantial progress was the establishment of our research and social performance framework.

# CEO Report 2023

## Dear Colleagues, it is my privilege to provide an update on the progress of the organization and precisely its performance in 2023. The year was focused on driving product diversification, operational efficiency, talent management, and technology enhancements.

Susan Chibanga
Chief Executive Officer

On the macroeconomic front, in the first half of the year, AMZ chronicled slow growth owing to constricted business activity in various economic sectors. Although this narrative was improved later in the year, the economic pressures in the country caused by global forces led to significant devaluations in the local currency (>45%), higher inflation, an increase in prices of major commodities such as fuel, and tightened liquidity in the market. This position produced an unfavorable outcome for the year with ROE closing at -2.7% while the operating costs were equally above board (OCR 48.7%).

Despite the aforementioned factors, portfolio and clientele recorded a 37% and a 17% increase respectively, albeit below the set projections. Management was elated to crown the years ending with a ZMW 300.8M loan book held with over 152,000 clients. Similarly, the non-credit business lines recorded growth, with voluntary funeral and hospital coverage at 25% growth.

> Geographically, the organization extended its reach into six new locations. The diversification strategy has leveraged growth prospects, in reaching the unbanked and underserved communities.





As the macro landscape is not anticipated to significantly change in 2024, Management in its strategy will focus on driving efficiency within the operations. It is imperative to note that cost management will be considered with minimal impact on strategic objectives and implementations.

### Strategy

The Board and Senior Management came together to co-create a road map for the next phase of the organization's life. The session was driven by passion and ambition for a more impactful operation. We were fortunate to host our shareholders Gerhard and Cindy, whose immense contribution we greatly value. We drew a lot of insights from one another as we envisioned what the AMZ future would be. Ideas and wish lists ranged from constituency footprint to greater diversification in service delivery, greater levels of process efficiency, deeper client relationships and engagements as well as enhanced capacity building for staff. With the benefit of hindsight, I am confident this marked the beginning of a profound review of our model after more than a decade of operations.

It was through this thought-provoking session that we deep-dived into the reasons for our strategic position and differentiation thus far, detailing the bottlenecks that impede our progress and outlining possible solutions. It was worth noting that our strong focus on the overarching goals, core values, and aspirations has been fundamental in the lifetime of our operations and remains pivotal in determining the outcomes of the next phase. Ladies and gentlemen, this was indeed a tail event. Some of the key strategies began to unfold immediately while others would take shape as part of the long-term strategy. As an institution, we remain alive to the fact that change will certainly come. The way we operate will require tweaks here and there to improve ourselves and keep evolving as a center of excellence.

**Among the success stories chronicled, below are the key highlights:**

### Strengthened Partnerships:

Our collaboration with various partners has strengthened the value proposition to our clients. In addition to the existing weather insurance cover offered by Mayfair, Management partnered with Acre Africa to offer a hybrid weather index and Area yield cover on the Lima loans. This strategic partnership supported smallholder farmers with climate risk mitigation during the year's farming season. What a timely engagement! As Zambia is experiencing a drought that has materially affected production this year, our farmers' loss has been managed, the dots simply connect backward. Our partnerships were further heightened with the introduction of a climate risk assessment tool in the climber project. The tool uses historical satellite climate information to assess the risk of climate change in a particular season. With this tool, AMZ is poised to strengthen climate risk assessment on its agriculture lending portfolio.

Furthermore, we signed other MoUs with equipment suppliers located in the provinces. This was a drive to enhance efficiency in service delivery and offer affordable farm equipment through our Makina lease product. The result of this initiative was an increase in demand and ultimately more than two-fold increase in sales.


### Technology enhancements

The introduction of our customer contact center was simply another feather in our cap.

Our call center ensures clients receive prompt and reliable support, enhancing their experience and satisfaction. It is designed to empower our clients, through information dissemination and a timely resolution of their complaints. The contact center also targets leads for business growth. By improving communication channels, we're deepening our connection with the communities we serve and creating a reliable way to add the customers' voices to our product and service delivery initiatives.

In a quest to adequately address internal efficiency, Management introduced JIRA, a ticketing system with the possibility of tracking and monitoring internal requests and enhancing accountability levels within our departments.

### Research and Social Performance

As a key focus area, earlier in the year, AMZ participated in the 60 Decibels review of client satisfaction. With an overall net promoter score of 70, the positive results are a testament to an unyielding dedication to Zambia's underserved and unbanked communities. Agora Microfinance Zambia achieved an impressive ranking, securing a position in the top 10 Financial Service Providers in Africa, positioning 6th among 36 providers, this accolade signifies AMZ's relentless pursuit of adding value to the livelihoods of its esteemed clients. Our principal mission, beyond organizational sustainability, is the economic well-being of our clients. It is heartwarming to see our efforts being recognized in the broader African context.

We remain committed to delivering suitable products and services that speak to the needs of our clients. Our clients recognize the value of our offerings and their profound impact on their livelihoods. 93% of the respondents indicated an increase in income while 67% live under $3.2 per day signifying our reach to vulnerable communities. The majority of them spend the loans on the acquisition of agricultural supplies, livestock, and general working capital needs.

Similarly, the staff satisfaction survey revealed a satisfaction index of 74 with high scores in alignment, leadership, and development.

### Staff Initiatives

AMZ joined the world in commemorating Labor Day under the theme: "A safe and healthy working environment as a fundamental principle and right at work". This annual event presents an opportunity to recognize the efforts of the people and institutions that contribute to the GDP of their country in their various capacities. While the staff at AMZ celebrated their clientele by dressing up in the respective uniforms of the desired sector, Management leveraged this opportunity to acknowledge the outstanding performance of staff in diverse roles through the launch of the AMZ Labor Day annual awards and recognition scheme. The scheme is meant to highlight staff innovative ideas that contribute to a better service for our clients and greater operational efficiency—the second quarter also marked the unveiling of a staff E-learning platform. Staff capacity building is integral to the AMZ strategy as one of the ways of investing in the skill set as the organization grows.

### Geographical expansion and product diversification:

In driving our expansion and diversification strategy, management operationalized six branches across the country. The branches are poised to deepen our reach and leverage the opportunities of financial inclusion. This brings our branch network to forty, spread across the ten provinces.

### Key Initiatives for 2024

In looking ahead, Management draws from insights obtained through client feedback to improve service delivery and the suitability of products. The following key initiatives will be implemented in the coming year:

- **Product Diversification:** It is envisaged that two additional product lines will complement the current offerings. The introduction of general asset insurance which will cover the client's general assets in the unfortunate event of a loss, and a motorbike lease to address the mobility challenge in rural areas. We aim to appropriately respond to our client's needs and support their efforts in improving their livelihoods.
- **USSD Collection channel:** The channel will create an opportunity for the client to make their loan repayments at their convenience, access information about our products and services, and efficiently communicate with our staff.
- **Client-centric Assessment:** The new tool will take a client-centric approach to product delivery. Initial client KYC and financial assessments will be used to determine the product range that the client may access. The tool will be developed with a credit score for an objective client eligibility decision. It is envisaged that the tool will drive efficiency within our operations and create a stable base for further expansion.
- **Process Efficiency and Data Analytics:** In a quest to leverage data for decision-making, Management will be taking stock of business processes and the resultant decision-making guidelines to augment this.

Much appreciation goes to our customers for entrusting us with the responsibility to contribute to their economic well-being. We remain resolute in effectively providing you with the appropriate financial services. Likewise, we thank our partners who have believed and supported the AMZ mission over the years.

I also take this opportunity to thank our staff for their commitment and tenacity in driving the results. In expressing my profound gratitude to the Board of Directors and the Management for their support as we drive AMZ to become Zambia's preferred financial service provider, I am highly indebted.

Together, we are confident of continuing to support our customers, driving operational excellence, and delivering balanced outcomes.

**Susan Chibanga**
Chief Executive Officer

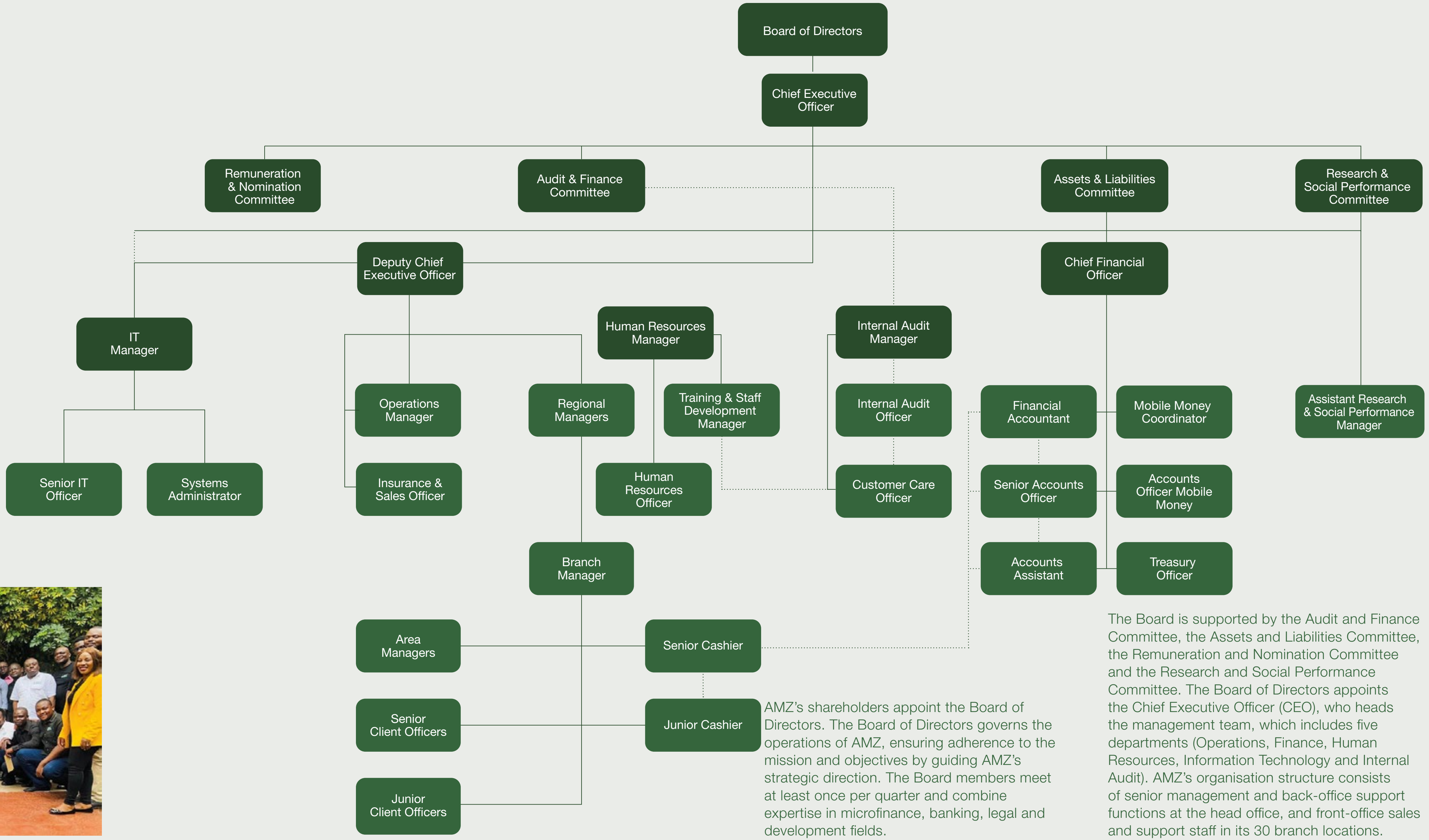
# Corporate Structure

## Board of Directors

**Tanmay Chetan** Chairperson
**Glenda Mazakaza** Director, Chair AFC
**Maluba Wakung'uma** Director, Chair RNC
**Jitske Cnossen** Director, Chair ALCO
**Susan Chibanga** Director, CEO

## Senior Management

**Susan Chibanga** Chief Executive Officer
**Mwape Mwila** Deputy Chief Executive Officer
**Mangani Muselema** Chief Financial Officer
**Milimo Silenga** Human Resource Manager
**Joseph Lungu** Internal Audit Manager
**Gerald Kalyondo** IT Manager




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 combine expertise in microfinance, banking, legal and development fields.

The Board is supported by the Audit and Finance Committee, the Assets and Liabilities Committee, the Remuneration and Nomination Committee and the Research and Social Performance Committee. The Board of Directors appoints the Chief Executive Officer (CEO), who heads the management team, which includes five departments (Operations, Finance, Human Resources, Information Technology and Internal Audit). 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 30 branch locations.

# Areas of Operation

## AMZ is headquartered in Lusaka and currently operates from the following branches:

**Head Office**
Plot 57A Lukanga Road,
Off Zambezi Road, Roma, Lusaka.
Post net 745, Manda Hill, Lusaka
Telephone: +260 968 820 574


**Central Province**
Chibombo
Kabwe
Mkushi
Mumbwa

**Copperbelt Province**
Kitwe
Ndola

**Eastern Province**
Lundazi
Chipata
Petauke

**Luapula Province**
Kawambwa
Mansa

**Lusaka Province**
Chongwe
Lusaka

**Muchinga Province**
Chinsali
Mpika

**Northern Province**
Kasama
Mbala
Mporokoso
Luwingu

**North-Western Province**
Mwinilunga
Kabompo
Kasempa
Solwezi

**Southern Province**
Choma
Monze

**Western Province**
Kaoma
Livingstone
Mongu
Senanga
Zambezi

### New Branches Opened in 2023

| | |
|---|---|
| **1. Western Province** | |
| **Sesheke** | Nakatindi Road, Town Centre, Sesheke District Plot No. D7, P.O. Box 20 |
| **Lukulu** | Plot/Stand No. 196 Along Lukulu Kaoma Road, Lukulu |
| **2. Southern Province** | |
| **Itezhi Tezhi** | Plot/Stand No. 500 Shimbizhi Market Area, Itezhi Tezhi |
| **3. Central Province** | |
| **Serenje** | Plot/Stand No. 516 N'ganswa Road, Serenje |
| **4. Muchinga Province** | |
| **Isoka** | Town Centre, Old Great North Road, Opposite Old Market, Isoka |
| **5. Luapala Province** | |
| **Nchelenge** | Chandwe Village, Mununga Road, Kashikishi township, Nchelenge P.O. 740026 Nchelenge. |

**Chibombo**
Along Great North Road,
Plot No. 11, New Boma
Telephone: +260 953 243 603

**Chinsali**
Plot LN1002892-2D56,
Kasama Road,
Opposite Chinsali Post Office,
Chinsali
Telephone: +260 950 612 167

**Chongwe**
Shop 5, plot 8958 / M,
Great East Road
Telephone: +260 950 846134

**Chipata**
Office No. 3, Abubakar Bax Complex. Plot No. 2083,
Highway Road, Chipata
Telephone: +260 956 949 979

**Choma**
Office #11 and 12 of L Tembo Complex, Plot #1077
Lusaka Road
Telephone: +260 954 039 243

**Kabompo**
Plot no. 2721, M8 Road,
Indeco, Kabompo
Telephone:+260 974 282 558

**Kaoma**
C and C Building,
Plot No. 1375 Freedom Way
Telephone: +260 957 419 283

**Kabwe**
Shop No.10, Stand No. 10652,
Sunshare Building,
Great North Road
Telephone: +260 956 312 014

**Kasama**
Plot/Stand No. 4387 Central Town, Luwingu Road Area
Telephone: +260 770 950 668

**Kasempa**
Address: Along Mumbwa Road,
Opposite Mount Meru filling station

**Kawambwa**
Plot/Stand No. 617
Independence Avenue
Telephone: +260 954 435 357

**Kitwe**
Plot/Stand No. 1051, Shop 4,
Accra Road, Kitwe
Telephone: + 260 955 282 568

**Livingstone**
Address: Stand Number 103,
Mosi-o-tunya road, Shop B,
Akapelwa facing, Livingstone.

**Lundazi**
Plot 609 Chama Road,
Lundazi
Telephone: +260 979 811 713

**Lusaka**
Shop No. 22A, Kanele Mall,
Kafue Road
Telephone: +260 955 628 490

**Luwingu**
Address: Plot# 310 Wamukulu Raod Burma, Luwingu

**Mansa**
Plot/Stand No. 819 Cathedral Road, Chibote Area
Telephone: +260 972 740 277

**Mbala**
Plot/Stand No.923B President Avenue
Telephone: +260 957 750 062

**Mkushi**
Plot No. 2079, Ndanji complex,
Independence Avenue, Mkushi
Telephone: +260 760 128 855

**Mongu**
Plot 331 Mubonda House along Independence Avenue
Telephone: +260 955 316 842

**Monze**
Plot No. 10C, Independence Avenue, Monze
Telephone: +260 977 874 696

**Mpika**
Plot No. 4040, Wilmo Building,
Great North Road, Mpika
Telephone: +260 950 824 354

**Mumbwa**
Plot #271 Luangwa Road
Telephone: +260 955 559 223

**Mwinilunga**
Address: 41546 Ikelenge Road, Boma, Mwinilunga

**Ndola**
A1 Langford House,
Junction Broad Way &
President, Avenue North
Telephone: +260 950 664 380

**Petauke**
Kazumba House, Plot No. 1/246, Boma Road, Petauke
Telephone: +260 956 955 974

**Mporokoso**
Address: Plot #91 Old Sengelelo Market, Mporokoso

**Senanga**
Nzuli Commercial Area,
Senanga Main Market
Telephone: +260 976 261 045

**Solwezi**
Office #8 Chikola Complex,
Plot #361 Chikola Street
Telephone: +260 955 745 790

**Zambezi**
Address: Plot No 127,
Chipatela Road, Zambezi

**Opening Hours:** Monday - Friday 08:00 - 17:00

# Products and Services

## Through our philosophy of "finance at your doorstep", AMZ staff are able to work closely within otherwise financially excluded rural communities, providing previously inaccessible products and services.

### Loans

Our loan products are designed to meet the varied life-cycle and cashflow needs of our clients.

- General purpose loans (Flexi 1, Flexi 2);
- Small Business Group Loan (SBGL);
- Small Group & Individual Lima Loans;
- Micro, Small and Medium Enterprise (MSME)

### Insurance

We provide a mandatory credit life insurance for clients and in addition offer a voluntary Funeral and Hospitalisation Insurance (Hospi-Cash). We also offer weather index insurance for agriculture loans. Credit life insurance and weather index insurance are bundled with the relevant loan products whereas funeral and hospitalisation insurance is voluntary and also offered to non-clients.

### Mobile Money

We work as a super-agent as well as normal agents for 3 largest mobile network operators (MNOs) to facilitate domestic remittances. As a super-agent, we help the agents of MNOs to manage their liquidity in partnership with our branches. As normal agents we facilitate branch walking clients to perform Cash in and Cash out transactions.

### Leasing

Following on from the pilot in 2021 the farm equipment leasing product is now being tested across all the branches during the year.

### Flexi Loans

Flexi loans are group-based loans offered to households who typically have multiple livelihoods, both Farming and non-farming with more regular cash flows. This loan requires a group guarantee and collateral pledged to the group. The loans range from ZMW 500 – ZMW 6,500 and are paid in monthly instalments. The use of the loans is varied, usually supporting a mix of household cash needs.

A typical household will use the loan for micro-enterprise, farming inputs, school fees and other consumption needs of the families. Clients make monthly payments with maximum loan term of 12 months.

### Small Business Group Loan

This loan is aimed at traders with consistent daily, weekly and/or monthly cash flows. This loan requires a group guarantee and collateral pledged to the group. Repayments allow for flexibility according to the cash flow patterns of the business and the maximum term is 12 months. The loans range from ZMW 1,000 – ZMW 12,000 per group member.

### Lima Loans

These loans are offered in either groups or to individuals (based on loan size) and are aimed at households, semi-commercial / subsistence farmers and small commercial farmers engaged in crop production. The loan needs could be for investment (vehicles, machinery, equipment, working animals, land expansion) or working capital (including crop production requirements such as organic and mineral fertilisers, fuel, insecticides, herbicides, salaries, rent).

Lima group loans of ZMW 1,000 – ZMW 10,000 are available to each member in a group of between 10-15 members, with a maximum term of 12 months and grace period on principal repayment of up to 6 months. Weather index insurance is bundled in for rain fed crops and covers excess rainfall or drought scenarios.

Individual Lima loans range from ZMW 10,001 – ZMW 50,000 with a maximum term of 12 months and grace period on principal repayment of up to 6 months. Weather index insurance is bundled in for rain fed crops and covers excess rainfall or drought scenarios.

### Individual Micro Business Loan

This loan is aimed at individuals or micro businesses with a regular cashflow and annual turnover of ZMW 50,000 – ZMW 1,000,000.

Loans of ZMW 10,001 – ZMW 115,000 are available and are secured by both guarantor(s) and collateral (moveable and immovable assets) with a maximum term of 36 months.

### Small and Medium Enterprise (SME)

This loan is aimed at the lower end of small and medium enterprises with a regular cashflow and a turnover of up to ZMW 5,000,000. Clients include both individuals and businesses. Loans of ZMW 100,001 – 200,000 are available and are secured by both guarantor(s) and collateral (moveable and immovable assets) with a maximum term of 36 months.

### Makina Farm Equipment Lease

The Makina lease is aimed mechanizing small-scale farmers involved in crop production and/or post-harvest value addition with productive agricultural equipment. This is in partnership with equipment suppliers in-country. The lease ranges from ZMW 5,000 – ZMW 75,000 and are secured by both guarantor(s) and collateral (moveable and immovable assets) with a maximum term of 36 months. The leased equipment is also used as collateral.

### Insurance

Our Credit Life Insurance is a mandatory product for all existing AMZ borrowers. Our Funeral and Hospitalisation Insurance is an affordable, voluntary family insurance product available to both AMZ clients as well as non-clients. We also offer a weather index insurance (based on live satellite data) for agriculture loans obtained during the farming season.

### Mobile Money

These partnerships aim to strengthen the financial inclusion of the rural poor. As agents we serve walk-in mobile money clients with cash deposits and withdrawals. As a super-agent, we help MNOs strengthen their distribution through the provision of E-float and cash management to agents. We currently serve more than 3,600 agents countrywide.

# Operational and Financial Highlights

57%
Women Borrowers

5,819
Village Banks

93%
Rural Borrowers

ZMW
301m
Loan Portfolio

152,197
Active Borrowers

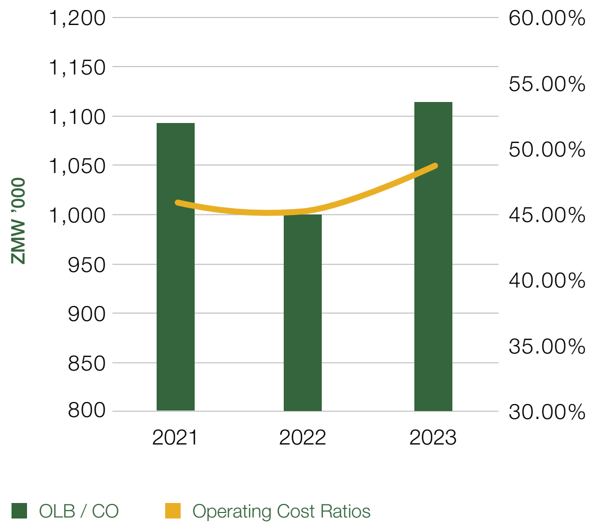




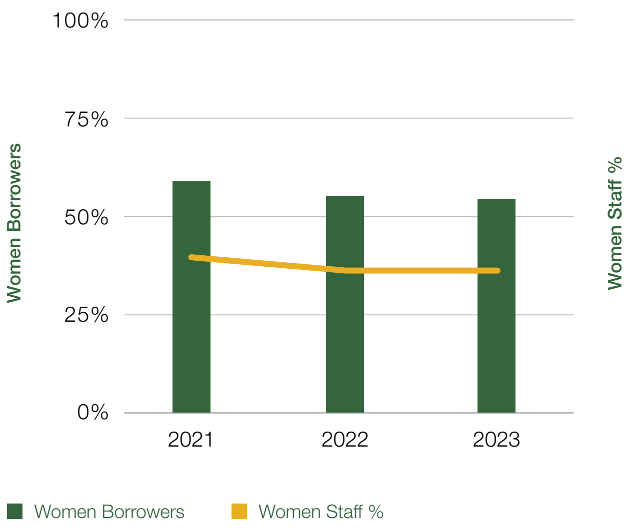
| | 2021 | 2022 | 2023 |
|---|---|---|---|
| No. of Branches | 24 | 30 | 36 |
| No. of Village Banks | 3,812 | 4,733 | 5,819 |
| No. of Active Borrowers | 126,492 | 131,847 | 152,197 |
| • Women Borrowers (%) | 58% | 54% | 57% |
| • No of Rural borrowers (%) | 93% | 92% | 93% |
| Loan Portfolio (USD) | 11,276,516 | 12,110,327 | 11,681,932 |
| Loan Portfolio (ZMW) | 187,802,475 | 219,256,252 | 300,895,021 |
| PAR 30 Days | 1.47% | 1.95% | 1.16% |
| Average Loan Size (USD) | 89 | 92 | 77 |
| Average Loan Size (ZMW) | 1,485 | 1,663 | 1,977 |
| Average Loans Size / Estimated GNI per capita | 7% | 8% | 6% |

**Loan Portfolio vs No. of Active Borrowers**

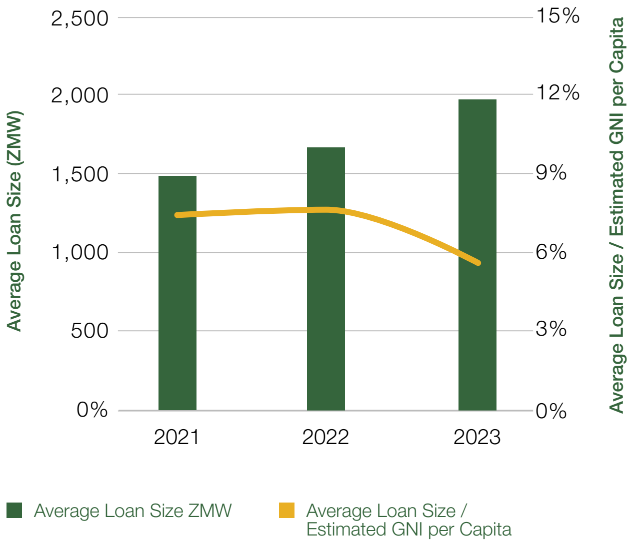

**Operating Cost & Efficiency**



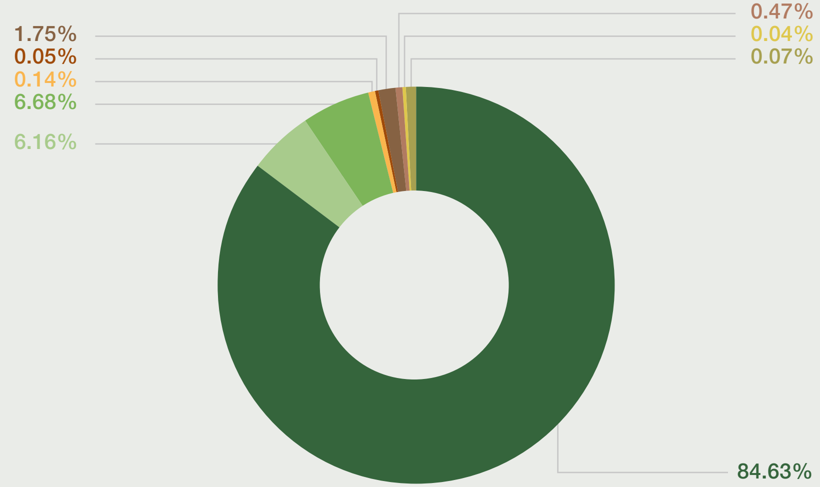
## Gender Distribution




## Average Loan Size & Estimated GNI per Capita

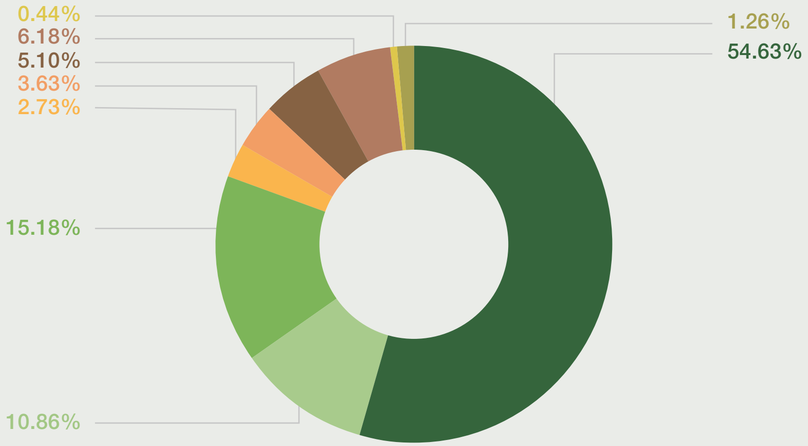



## Client by Product Type




| | |
|---|---|
| 84.63% | Village Bank Loans (Flexi 1) |
| 6.16% | Village Bank Loans (Flexi 2) |
| 6.68% | Small Group Business Loans (SGBL) |
| 0.14% | Micro Loans |
| 0.05% | SME |
| 1.75% | Lima Group Loan |
| 0.47% | Lima Individual Loan |
| 0.04% | Makina Lease |
| 0.07% | Staff Loan |

## Portfolio by Product Type




| | |
|---|---|
| 54.63% | Village Bank Loans (Flexi 1) |
| 10.86% | Village Bank Loans (Flexi 2) |
| 15.18% | Small Group Business Loans (SGBL) |
| 2.73% | Micro Loan |
| 3.63% | SME |
| 5.10% | Lima Group Loan |
| 6.18% | Lima Individual Loan |
| 0.44% | Makina Lease |
| 1.26% | Staff Loan |

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| **Margin Analysis (as a % of average loan portfolio)** | | | |
| a) Interest and Fee Income | 82.8% | 71.0% | **69.1%** |
| b) Cost of Funds | 22.1% | 20.3% | **21.7%** |
| c) Net Interest Margin (a-b) | 60.7% | 50.7% | **47.4%** |
| d) Loan Loss Provision | 0.8% | 1.5% | **1.4%** |
| e) Net Margin before Operating Expenses (c-d) | 59.9% | 49.2% | **46.0%** |
| f) Personnel Cost | 22.3% | 22.0% | **23.6%** |
| g) Admin Cost | 23.7% | 23.1% | **25.1%** |
| h) Total Operating Cost (f+g) | 46.1% | 45.2% | **48.7%** |
| Net Margin (h-e) | 13.8% | 4.0% | **-2.7%** |
| **Financial Ratios** | | | |
| Operating Self Sufficiency | 125.3% | 110.7% | **98.4%** |
| Solvency Ratio (Equity/Assets) | 30.0% | 30.0% | **21.3%** |
| Debt/Equity | 2.33 | 2.33 | **3.70** |
| Operating Cost Ratio | 46.1% | 45.2% | **48.7%** |
| Return on Equity | 26.1% | 13.1% | **-2.7%** |

98.4%
Operating Self Sufficiency

48.7%
Operating Cost Ratio

-2.7%
Return on Equity





# AMZ SPM Framework

**The objective:** The Social Performance Management (SPM) framework is a system to objectively measure AMZ's progress towards the achievement of its mission and vision. It provides a comprehensive overview of AMZ's performance across the its five strategic pillars. To embrace also some international best practices, specific indicators on Client Protection (CP) environment, governance, and Sustainable Development Goals (SDGs) have been added.

**SG1 WHO?**

### Social Goal 1: WHO is the desired target to reach?

**The poor**

I. Direct outreach to the poor at the national level

**SG2 HOW?**

### Social Goal 2: HOW to serve the desired target?

**Through effective provision of appropriate financial services**

II. Suitability of processes and products

III. Long term financial health of the organization

IV. Create a dynamic, professional, value-based

**SG3 WHY?**

### Social Goal 3: WHY to reach the desired target?

**To contribute to their economic well-being**

V. Improve clients' financial stability and income

### I. Direct Outreach to the Poor at National Level

AMZ's commitment to broadening financial access and reaching the underserved communities is evident through its expansive branch network of 36 spanning all ten provinces of Zambia as at close of the year 2023. With over 150,000 active borrowers, and a portfolio exceeding 300 million Kwacha, AMZ has made significant strides in financial inclusion (breadth of the outreach). A vast majority (87%) got a loan amount of 2,000 ZMW (around 80 USD) that is smaller than 20% of the Gross National Income (GNI) per capita (depth of outreach). Notably, marginalized groups like rural, women and youth are well-represented among the clientele, with 93% living in rural areas, women constituting 57% and youth 38%. Diversified product offerings, including insurance and mobile money services, further enhance accessibility for clients, with over 70,000 transactions of mobile money with agents across different networks.

### II. Suitability of Products and Processes

AMZ's product portfolio is tailored to meet diverse client needs, with over eight loan products available across various lending methodologies, mobile money services and three different insurance products. The institution's emphasis on customer satisfaction is evident, with over 80% satisfaction across products and services.

### CP Principles, and Environment

AMZ's commitment to CP is paramount, with a strong focus to put the clients at the center and avoid harming them. In July 2023, AMZ joined the Client Protection Pathway and went through a process of self-assessment of the CP practices. Moreover, AMZ attention towards environmental sustainability is growing thanks to initiatives to explore using electric motorbikes to reach the clients and use solar panel installations in all branches.

### III. Long-Term Financial Health of the Organization

AMZ's pursuit of financial excellence is reflected in its expense operating ratio of 48.8% and net interest margin of 48.6%. These indicators signal AMZ stability and resilience in achieving long-term sustainability, vital to fulfill social mission.

### IV. Creation of a Dynamic, Professional, and Value-Based Organization, and Governance

AMZ shows commitment to fostering a supportive and inclusive work environment. Training programs ensure a skilled and vibrant workforce aligned with the organization's core values. Despite a 25% attrition rate, staff satisfaction remains high, exceeding 70%. While male employees dominate at 64%, and management roles at 76%, at governance level the women presence is majoritarian (75%).

### V. Improvement of clients' financial stability and incomes

AMZ ultimate goal is to foster social impact and bolster the economic well-being of its clientele. Nonetheless, this crucial aspect is currently omitted from this dashboard due to the lack of available data, that will be gathered every three years through an impact assessment research.







### Conclusion

AMZ's SPM framework provides a holistic assessment of its performance, combining financial sustainability with social responsibility. Across the five pillars, AMZ demonstrates a steadfast commitment to inclusive growth, professional excellence, product suitability, financial health, and client protection. Moving forward, continued efforts to enhance outreach, diversity, product innovation, and financial stability will further solidify AMZ's position as a leader in sustainable microfinance and social impact.

# AMZ Social Performance Dashboard

Dec 2023

## Outreach: Direct outreach to the poor at the national level

### Branch location


10
Provinces

36
Districts

36
Branches

152,197
Number of active borrowers

301m
Total outstanding (ZMW)

1,977
Average loan size (ZMW)

93%
Rural

86.8%
Disimbursement <20% GNI

### Client composition

43%
Male

57%
Female

38%
18 - 35 year olds

VB: 90.8%
Group: 8.5%
Individual: 0.8%

| | |
|---|---|
| Number of funeral & hospitalization sales | 36,531 |
| **% claims** | 2.3% |
| Number weather index sales | 752 |
| **% claims** | 16% |
| Number mobile money agent transactions | 73,480 |

## Services: Suitability of processes and products

3
Lending methodologies (VB, Group, Individual)

8
Loan products

1
Staff product

1
Leasing product

3
Insurance products

Mobile money services

### Client satisfaction

84.7%
Product satisfaction

82.2%
Service satisfaction

91%
Service satisfaction mobile money

### Client retention

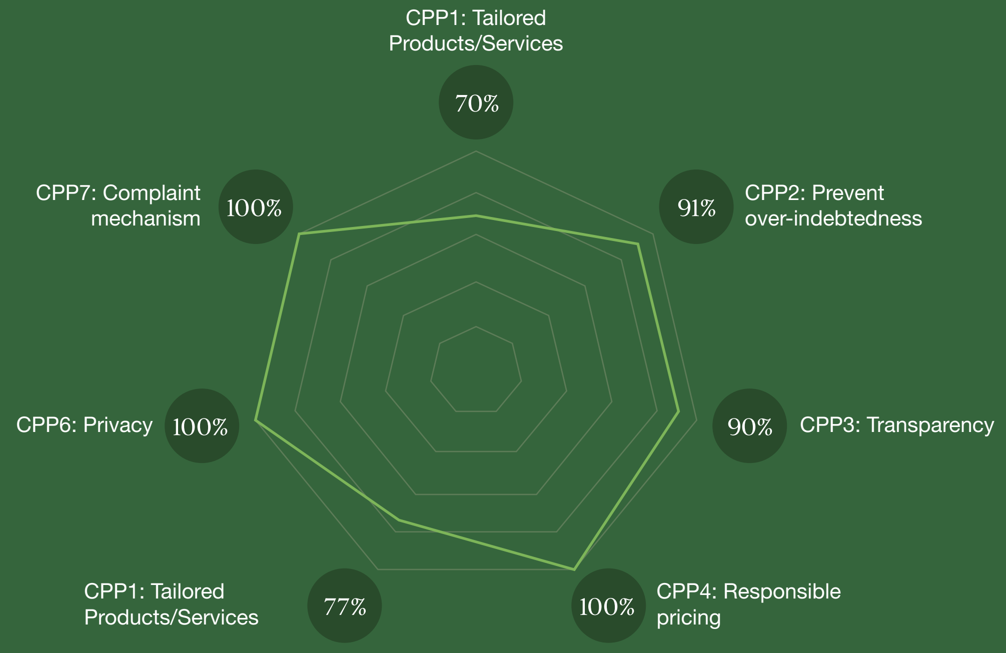
46%
Client retention

89%
Complaints resolved

### Environment

4.5
Solar panels by branch

## Client protection principles




## Performance: The long-term financial health

## Governance

### Financial performance

| | | | |
|---|---|---|---|
| 48.6% | 75% | 50% | 4 |
| Net interest margin (portfolio yield deducted of cost of funds) | Women Directors | Independent Directors | Meetings in a year |

## Staff: Creation of a dynamic, professional, value-based organization

| All staff | | Management | | Training | |
|---|---|---|---|---|---|
| 64% Male | 36% Female | 76% Male | 24% Female | 61 Induction training | 61 Refresher training |

| | | | | |
|---|---|---|---|---|
| 482 | 23% | 55% | 570 | 318 |
| Number of employees | Staff attrition rate | % CO | CO Productivity | Staff Efficiency |


**74%**
Staff satisfaction index

# Directors' Report

## for the year ended 31 December 2023

The Directors present their report on the activities of Agora Microfinance Zambia Limited ("AMZ") or "the Company"), together with the financial statements for the financial year ended 31 December 2023.

**1 Principal activities**

The principal activity of the Company is to provide financial services to the rural and urban un-banked population in Zambia.

**2 The Company**

The Company was incorporated on 7 May 2010, under the Companies Act of Zambia as a private company limited by shares. The Company is also licensed under the Banking and Financial Services Act of Zambia to conduct microfinance services. The address of its registered office and principal place of business is:

**Agora Microfinance Zambia Limited**

Plot 57A Lukanga Road,
Roma
P O Box 745
Post Net
Lusaka

The Company had 36 branches as of 31 December 2023 (2022: 30 branches).

**3 Shareholding**

Agora Microfinance Zambia Limited's shareholding consists of Agora Microfinance NV with 88.79% shares, Moringaway Limited with 9.66% and Agora Multipurpose Co-operative with 1.56%. The total number of authorised ordinary shares is 6,500,000 with a par value of ZMW 10 per share.

Details of the Company's authorized and issued share capital are included in note 14 in the notes to the financial statements.

**4 Results for the year**

The Company's results for the year are as follows:

| | 2023 ZMW | 2022 ZMW |
|---|---|---|
| (Loss)/ profit before income tax | (2,672,620) | 15,966,527 |
| Income tax credit (expense) | 309,168 | (5,570,713) |
| Method | 115,498,450 | 95,814,186 |
| (Loss)/profit for the year | (2,363,452) | 10,395,814 |

**5 Dividends**

The Directors did not propose a dividend to be declared in 2023 (2022: Nil).

**6 Directors' remuneration**

Directors' fees paid during the year were **ZMW 330,577** (2022: ZMW 462,984) as disclosed in note 20 in the notes to the financial statements.

**7 Directors and secretary**

The names of the directors and the secretary who held office during the year and up to the date of signing the report are as follows:

**Directors**

| | |
|---|---|
| **Tanmay Chetan** | Chairperson |
| **Maluba Wakung'uma** | Non-Executive Director |
| **Glenda Chintu Mazakaza** | Non-Executive Director |
| **Jitske Cnossen** | Non-Executive Director |
| **Susan Chibanga** | Executive Director/CEO |

**Company Secretary**

MINT Advisory

**8 Average number and remuneration of employees**

Total employee benefits expense for the year was ZMW 61,331,699 (2022: ZMW 44,795,857) as disclosed in note 9 in the notes to the financial statements. The average number of employees throughout the year was 466 (2022: 365).

| Month | Number | Month | Number |
|---|---|---|---|
| January | 401 | July | 486 |
| February | 401 | August | 488 |
| March | 455 | September | 480 |
| April | 474 | October | 484 |
| May | 475 | November | 492 |
| June | 478 | December | 483 |

**9 Gifts and donations**

There were no donations made during the year (2022: Nil).

**10 Property and equipment**

The Company acquired property and equipment amounting to **ZMW 25,020,176** (2022: ZMW 21,076,378), as disclosed in note 15 in the notes to the financial statements. In the opinion of the Directors, the recoverable amount as disclosed on the property and equipment is not less than the amount at which they are included in the financial statements.

**11 Research and development**

There were no expenditures incurred for research and development during the year (2022: ZMW Nil).

**12 Related party transactions**

Related party transactions during the year consisted of a series of loan agreements with the Company's shareholders and remuneration of key management. Further information about these transactions is included in note 20 in the notes to the financial statements.

**13 Prohibited borrowings or lending**

There were no prohibited borrowings during the year (2022: Nil).

**14 Know your customer ("KYC") and money laundering policies**

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

# Directors' Report

## for the year ended 31 December 2023

**15 Corporate governance**

**Importance of corporate governance**

AMZ is governed by the Articles of Association as revised on 28 March 2022. 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, Board of Directors, Audit and Finance, Remuneration and Nomination, Asset and liability, and the Research and Social Performance Committees.

**Board committees**

During the year 2023, the Board met four times. The Audit and Finance Committee (AFC) met four times, the Remuneration and Nomination Committee (RNC) met three times, Asset and liability Committee met four times and the Research and Social Performance Committee (RSPC) met four times.

**16 Other material facts, circumstances, and events**

The Directors are not aware of any material facts, circumstances, or events that occurred between the accounting date, the date of this report, and the date of approval of these financial statements by the Board which might influence an assessment of the Company's financial position or the results of its operations.

**Going concern**

The Company made a loss for the year ended 31 December 2023 of **ZMW 2,363,452** (2022: profit of ZMW 10,395,814). As at that date, the Company's assets exceeded its current by **ZMW 86,652,128** (2022: ZMW 87,437,580).

The Company has forecasted a net profit of ZMW 17,086,442 for the year ending 31 December 2024 and expects to generate forecasts of positive cashflows of ZMW 166,719,964.

The directors have assessed the Company's going concern and concluded that there is no doubt about the Company's ability to continue as a going concern. This is based on the known conditions and events that are relevant to the Company's ability to meet its obligations as they fall due.

Following the provisions of the Articles of Association of the Company, the Auditors, Messrs KPMG Chartered Accountants ("KMPG"), will retire as Auditors of the Company at forthcoming Annual General Meetings and have expressed willingness to continue in office, a rsolution for their re-appointment and fixing their remuneration will be proposed at the Annual General Meeting.

The Audiotor's remuneration for the year was **ZMW 954,036** for the audit of the Statutory Financial Statements, and ZMW 331,667 for the provision of other non-audit services (2022: ZMW 659,293 and ZMW 138,781 respectively).

By order of the Board

Company Secretary
Date: 12 April 2024





# Directors' responsibilities with respect to the preparation of financial statements

**Agora Microfinance Zambia Limited**

The Directors are responsible for the preparation of the financial statements of Agora Microfinance Zambia Limited ("the Company") that give a true and fair view, comprising the statement of financial position as at 31 December 2023, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of material accounting policies and other explanatory notes, per IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in compliance with the requirements of the Companies Act and the Banking and Financial Services Act of Zambia. In addition, the Directors are responsible for preparing the Directors' report.

The Directors are also responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedule included in these financial statements.

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

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial repmting framework described above.

**Approval of the financial statements**

The financial statements of Agora Microfinance Zambia Limited, as identified in the first paragraph, were approved by the Board of Directors on 2024 and are signed by:

Director

Director

# Independent Auditor's Report

## To the shareholders of Agora Microfinance Zambia Limited

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Agora Microfinance Zambia Limited ("the Company") set out on pages 10 to 56, which comprise the statement of financial position as at 31 December 2023, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Agora Microfinance Zambia Limited as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Companies Act of Zambia and Banking and Financial Services Act of Zambia.

### Basis for opinion

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

### Key audit matter

Key audit matters are those matters that, in our professional judgement, 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 thereon, and we do not provide a separate opinion on these matters.

### Impairment of loans and advances to customers

**See note 4 use of estimates and judgements, note 12 loans and advances to customers, note 22(a) credit risk section of the financial instruments fair value and risk management, and note 27(d) financial assets and liabilities accounting policies.**

#### Key audit matter

Loans and advances to customers amount to ZMW 310,530,183 which constitute 76% of the total assets of the Company. The total allowance for credit losses on these financial instruments at 31 December 2023 was ZMW 1,948,396.

In determining the impairment allowance, management applies significant judgements and assumptions, which includes:

- Assumptions used in the expected credit loss model such as forward looking macroeconomic factors (e.g. foreign exchange rates, inflation, unemployment rates, interest rates, country reserve rates and gross domestic product ("GDP"));
- The measurement of modelled provisions, which is dependent upon key assumptions relating to probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"); and
- The identification of exposures with significant increase in credit risk ("SICR").

Due to the significance of loans and advances to customers, the increased credit risk and the significant judgement and estimation uncertainty, this matter was a key audit matter in our audit of the financial statements.

#### How the matter was addressed in our audit

Our audit procedures included the following:

- We tested the design, implementation and operating effectiveness of relevant key controls over management approval of origination of loans and advances to customers.

With the involvement of our Financial Risk Management specialists:

- We assessed whether the macro-economic factors e.g. foreign exchange rates, inflation, unemployment rates, interest rates, country reserves rate and GDP were reasonable by comparing against independent source of information.
- We further assessed the modelling principles applied to the PD, EAD, LGD in the credit risk model followed the requirements of IFRS 9 - Financial Instruments (IFRS 9).
- In addition, we also considered whether stress tests had been incorporated in the macroeconomic factors such as gross domestic product (GDP)) for reasonableness by comparing to independent statistical analyses.

We as the audit team performed the following;

- We examined a schedule of loan exposures and inspected whether the staging of loans into stage 1, 2 or 3 based on the number of days overdue was allocated appropriately and met the Company's definition of significant increase in credit risk.
- We tested the completeness and accuracy of the data used in the ECL model such as loan exposures, days arrears, asset classification and other customer specific data by comparing the inputs to supporting documentation such as customer statements.
- We assessed the adequacy of the disclosures in the financial statements in accordance with the requirements of IFRS 9, Financial Instruments.

# Independent Auditor's Report

## To the shareholders of Agora Microfinance Zambia Limited

## Report on the audit of the financial statements

### Other information

The Directors are responsible for the other information. The other information comprises the Directors Report as required by the Companies Act of Zambia, Directors' responsibilities in respect of the preparation of financial statements and the details of operating expenditure. The other information does not include the financial statements and our auditor's report thereon.

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

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

### Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in compliance with the requirements of the Companies Act and Banking and Financial Services Act of Zambia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

### Report on other legal and regulatory requirements

### Companies Act of Zambia

In accordance with Section 259 (3) (a) of the Companies Act of Zambia (the Act), we consider and report that:

- there is no relationship, interest or debt we have with the Company; and
- there were no serious breaches of corporate governance principles or practices by the Directors. This statement is made on the basis of the corporate governance provisions of the Act, Patt VII - Corporate Governance of the Companies Act of Zambia.

### Banking and Financial Services Act of Zambia

In accordance with section 97(2) of the Banking and Financial Services Act of Zambia, we consider and report that:

- The Company made available all necessary information to enable us to comply with the requirements of this Act;
- The Company has complied with the provisions, regulations, rules and regulatory statements specified in or under this Act; and
- There were no transactions or events that came to our attention that affect the well-being of the Company that are not satisfactory and require rectification including:

(i) transactions that are not within the powers of the Company or which is contrary to this Act; or

(ii) a non-performing loan that is outstanding, has been restructured or the terms of the repayment have been extended, whose principal amount exceeds five percent or more of the regulatory capital of the Company.

KPMG

**KPMG Chartered Accountants**
Date: 15 April 2024

**Cheelo Hamuwele**
AUD/F001044
Partner singing on behalf of the Firm

# Statement of financial position

as at 31st December 2023

*In Zambian Kwacha*

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 11 | 13,556,336 | 11,608,687 |
| Prepayments and other receivables | 13 | 19,528,483 | 7,970,444 |
| Loans and advances to customers | 12 | 308,581,787 | 224,041,289 |
| Property and equipment | 15 | 52,434,135 | 40,342,068 |
| Right-of-use assets | 21(a) | 5,679,380 | 4,706,654 |
| Intangible assets | 16 | 1,968,615 | 2,271,080 |
| Current tax assets | 19(c) | 4,898,923 | - |
| Deferred tax assets | 19(d) | 1,075,208 | 126,493 |
| **Total assets** | | 407,722,867 | 291,066,715 |
| **Liabilities** | | | |
| Current tax liabilities | 19(c) | - | 1,664,717 |
| Amounts due to related parties | 21(iv) | 307,466 | 306,666 |
| Other payables | 17 | 11,911,726 | 7,210,641 |
| Lease liabilities | 21(d) | 6,060,444 | 4,643,263 |
| Borrowings | 18 | 302,791,103 | 189,803,848 |
| **Total liabilities** | | 321,070,739 | 203,629,135 |
| **Equity** | | | |
| Share capital | 14 | 62,638,710 | 62,638,710 |
| Share premium | | 2,466,137 | 2,466,137 |
| Revaluation reserve | | 6,790,500 | 5,212,500 |
| Retained earnings | | 14,756,781 | 17,120,233 |
| **Total equity** | | 86,652,128 | 87,437,580 |
| **Total equity and liabilities** | | 407,722,867 | 291,066,715 |

These financial statements were approved by the Board of Directors on 12 April 2024 and were signed by:

Director

Director

The notes on pages XX to XX are an integral part of these financial statements.





# Statement of profit or loss and other comprehensive income

for the year ended 31st December 2023

*In Zambian Kwacha*

| | Notes | 2023 | 2022 |
|---|---|---|---|
| Interest income calculated using the effective interest method | 5 | 115,498,450 | 95,814,186 |
| Interest expense | 7 | (56,475,321) | (41,310,158) |
| **Net interest income** | | 59,023,129 | 54,504,028 |
| Impairment losses on loans and advances | 12(c) | (3,643,436) | (3,050,797) |
| **Net interest income after impairment charges** | | 55,379,693 | 51,453,231 |
| Fee and commission income | 6 | 72,173,643 | 53,929,816 |
| Other income | 8 | 1,796,067 | 2,247,956 |
| **Other operating income** | | 73,969,710 | 56,177,772 |
| **Total operating income** | | 129,349,403 | 107,631,003 |
| Finance income | 10 | 11,283,600 | 1,799,520 |
| Finance costs | 10 | (16,677,533) | (1,556,039) |
| **Net finance (cost)/income** | | (5,393,933) | 243,481 |
| Operating expenses | 9 | (126,628,090) | (91,907,957) |
| **(Loss)/profit before income tax** | | (2,672,620) | 15,966,527 |
| Income tax (credit)/expense | 19(a) | 309,168 | (5,570,713) |
| **(Loss)/profit for the year** | | (2,363,452) | 10,395,814 |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit and loss* | | | |
| Revaluation surplus (net of tax) | 15 | 1,578,000 | 5,212,500 |
| **Total comprehensive (loss)/income** | | (785,452) | 15,608,314 |

The notes on pages 46 to 91 are an integral part of these financial statements.

# Statement of changes in equity

## for the year ended 31st December 2023

*In Zambian Kwacha*

| | Share capital | Share premium | Revaluation reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| **Balance as at 1 January 2022** | 62,038,710 | 2,466,137 | - | 6,724,419 | 71,229,266 |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | 10,395,814 | 10,395,814 |
| **Other comprehensive income** | | | | | |
| Revaluation surplus | - | - | 5,212,500 | - | 5,212,500 |
| | 62,038,710 | 2,466,137 | 5,212,500 | 17,120,233 | 86,837,580 |
| **Transactions with owners recognised directly in equity** | | | | | |
| Shares issued | 600,000 | - | - | - | 600,000 |
| **Balance as at 31 December 2022** | 62,638,710 | 2,466,137 | 5,212,500 | 17,120,233 | 87,437,580 |
| **Balance as at 1 January 2023** | 62,638,710 | 2,466,137 | 5,212,500 | 17,120,233 | 87,437,580 |
| **Total comprehensive income** | | | | | - |
| Loss for the year | - | - | - | (2,363,452) | (2,363,452) |
| **Other comprehensive income** | | | | | |
| Revaluation surplus | - | - | 1,578,000 | - | 1,578,000 |
| **Balance as at 31 December 2023** | 62,638,710 | 2,466,137 | 6,790,500 | 14,756,781 | 86,652,128 |

**Retained earnings**

Retained earnings are the brought forward recognized income net of expenses of the Company plus current year profits attributable to shareholders.

**Share premium**

Share premium represents the amounts paid by shareholders, over the nominal value, for their shares.

**Revaluation reserve**

Revaluation reserve arises from the periodic revaluation of land and represents the excess of the revalued amount over the carrying value of the land at the date of revaluation. Deferred tax arising in respect of revaluation of land is charged directly against revaluation reserves in line with International Accounting standard (IAS) 12: Income Taxes.

The notes on pages 46 to 91 are an integral part of these financial statements.





# Statement of cash flows

## for the year ended 31st December 2023

*In Zambian Kwacha*

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/profit for the year | | (2,363,452) | 10,395,814 |
| **Adjustment for:** | | | |
| Interest expense | 7 | 56,475,321 | 41,310,158 |
| Depreciation property and equipment | 15 | 14,441,109 | 9,379,617 |
| Depreciation right-of-use-asset | 21(a) | 3,086,550 | 2,648,437 |
| Amortisation | 16 | 656,405 | 584,867 |
| Profit on disposal of equipment | 8 | (222,741) | (11,038) |
| Derecognition of leases | | 270,624 | - |
| Income tax (credit)/expense | 19(a) | (309,168) | 5,570,713 |
| | | 72,034,648 | 69,878,568 |
| **Changes in** | | | |
| Loans and advances | | (84,540,498) | (30,849,769) |
| Prepayments and other receivables | | (11,493,039) | (2,175,533) |
| Amounts due to related parties | | 800 | 158,238 |
| Deferred income | | - | (1,188,000) |
| Other payables | | 4,701,085 | (3,678,504) |
| **Cash generated from/(used in) operations** | | (19,297,004) | 32,145,000 |
| Income tax paid | 19(C) | (7,203,187) | (9,499,667) |
| Interest paid | | (41,547,350) | (37,591,177) |
| **Net cash used in operating activities** | | (68,047,541) | (14,945,844) |
| **Cash flows from investing activities** | | | |
| Acquisition of property and equipment | 15 | (25,020,176) | (21,305,732) |
| Acquisition of intangibles | 16 | (353,941) | (519,777) |
| Proceeds from disposal | | 222,741 | 26,725 |
| **Net cash used in financing activities** | | (25,151,376) | (21,798,784) |

# Statement of cash flows

## for the year ended 31st December 2023

*In Zambian Kwacha*

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Proceeds from borrowings | 18 | 191,705,626 | 113,132,372 |
| Repayment of borrowings | 18 | (93,646,342) | (71,023,170) |
| Payment of lease liabilities | 21(c) | (2,912,718) | (3,468,945) |
| **Net cash from financing activities** | | 95,146,566 | 38,640,257 |
| Net increase in cash and cash equivalents | | 1,947,649 | 1,895,629 |
| **Cash and cash equivalents at 1 January** | | 11,608,687 | 9,713,058 |
| **Cash and cash equivalents at 31 December** | 11 | (13,556,336) | 11,608,687 |

The notes on pages 46 to 91 are an integral part of these financial statements.





# Notes to the financial statements

## for the year ended December 31, 2023

*In Zambian Kwacha*

### 1 Reporting Entity

Agora Microfinance Zambia Limited ("AMZ" or "the Company") is incorporated in Zambia under the Companies Act of Zambia as a Company Limited by shares and is domiciled in Zambia. The Company is also licensed under the Banking and Financial Services Act of Zambia, to conduct microfinance services. The address of its registered office is Plot 57 A Lukanga Road Roma, Zambezi Road, Lusaka.

The Company's principal activity is to provide financial services to the rural and urban un-banked population in Zambia.

Details of the Company's accounting policies are included in note 27 in the notes to the financial statements.

### 2 Basis of accounting

#### a) Statement of compliance

These financial statements have been prepared in accordance IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in compliance with the requirements of the Companies Act and the Banking and Financial Services Act of Zambia. Trade payables and other liabilities have continued to be settled in the normal course of business. Accordingly, the financial statements have been prepared on a going-concern basis.

They were authorised for issue by the Company's Board of Directors on 12 April 2024.

#### b) Basis of measurements

The financial statements have been prepared on the historical cost basis except where otherwise stated.

#### c) Going concern

The Company made a loss for the year ended 31 December 2023 of **ZMW 2,363,452** (2022: profit of ZMW 10,395,814). As at that date, the Company's assets exceeded its current by **ZMW 86,652,128** (2022: ZMW 87,437,580).

The Company has forecasted a net profit of ZMW 17,086,442 for the year ending 31 December 2024 and expects to generate forecasts of positive cash flows of ZMW 166,719,964.

The directors have assessed the Company's going concern and concluded that there is no doubt about the Company's ability to continue as a going concern. This is based on the known conditions and events that are relevant to the Company's ability to meet its obligations as they fall due.

### 3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha ("Kwacha"), which is the Company's functional currency. Unless otherwise indicated, the financial information is rounded off to the nearest Kwacha.

### 4 Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

**Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2023 are included in the following note:

- Note 22 (a)(v) – impairment of financial instruments determining inputs into the ECL measurements model including incorporation of forward-looking information.
- Note 15 (ii) – valuation techniques and significant unobservable inputs





### 5. Interest income

| | 2023 | 2022 |
|---|---|---|
| Loans and advances to customers | 113,711,563 | 94,917,714 |
| Investment securities at amortised cost | 1,786,887 | 896,472 |
| | 115,498,450 | 95,814,186 |

### 6. Fee and commission income

| | 2023 | 2022 |
|---|---|---|
| Loan processing charges | 66,032,322 | 49,640,422 |
| Commission on insurance fees | 6,141,321 | 4,289,394 |
| | 72,173,643 | 53,929,816 |

Insurance fees refer to the commission from the micro-insurance credit life product as well as hospital and funeral insurance cover. AMZ sells micro insurance products from Sanlam Life Insurance on which AMZ obtains a commission of 10% from the insurance company.

The table below provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers including significant payment terms and the related revenue recognition policies.

| Type of service | Nature and timing of satisfaction of performance obligation, including significant payment terms | Revenue recognised under IFRS 15 |
|---|---|---|
| Insurance fee commission | This income is made up of credit life insurance and hospital and funeral insurance sold on behalf of Sanlam. AMZ is an agent and has no obligation to underwrite the insurance. Therefore, AMZ only collects premiums on behalf of the insurance companies and earns a commission. | Revenue related to transactions is recognised at the point in time when the transaction takes place. |
| Loan processing fee income | Fee is charged upfront as a percentage of facility amounts. | Revenue related to transactions is recognised at the point in time when transaction takes place. |

# Notes to the financial statements

## for the year ended December 31, 2023

*In Zambian Kwacha*

### 7. Interest expense

| | 2023 | 2022 |
|---|---|---|
| Interest bearing borrowings | 55,177,890 | 40,347,585 |
| Interest expense on leases *(note 21(b))* | 1,297,431 | 962,573 |
| | 56,475,321 | 41,310,158 |

### 8. Other income

| | | |
|---|---|---|
| Donations | - | 1,188,000 |
| Recoveries of loans written off | 131,114 | - |
| Gain on disposal | 222,741 | 11,038 |
| Mobile money commission | 1,434,392 | 1,038,611 |
| Other income | 7,820 | 10,307 |
| | 1,796,067 | 2,247,956 |

### 9. Operating expenses

| | | |
|---|---|---|
| Employee benefits *(note 9.1)* | 61,331,699 | 44,795,857 |
| Depreciation Property and equipment *(note 15)* | 14,441,109 | 9,379,617 |
| Depreciation Right-of-use-asset*(22(a))* | 3,086,550 | 2,648,437 |
| Amortisation *(note 16)* | 656,405 | 584,867 |
| Auditors remuneration | 1,285,703 | 798,074 |
| Other expenses | 45,826,624 | 33,701,105 |
| | 126,628,090 | 91,907,957 |

### 9.1 Employee benefits

| | 2023 | 2022 |
|---|---|---|
| Salaries | 39,565,298 | 27,511,842 |
| Statutory obligations | 3,064,876 | 2,237,712 |
| Incentives | 8,307,587 | 8,201,927 |
| Leave pay, pension and other staff costs | 10,393,938 | 6,844,376 |
| | 61,331,699 | 44,795,857 |

### 10. Net finance income/(costs)

| | | |
|---|---|---|
| **Finance income** | | |
| Exchange gains | 11,283,600 | 1,799,520 |
| **Finance cost** | | |
| Exchange losses | (3,909,674) | (1,556,039) |
| Other financing expenses - Moringaway | (12,767,859) | - |
| **Net finance income/(costs)** | (5,393,933) | 243,481 |

### 11. Cash and cash equivalents

| | | |
|---|---|---|
| Cash on hand | 67,242 | 92,881 |
| Bank balances | 11,297,528 | 6,857,890 |
| Mobile money E-value | 2,191,566 | 4,657,916 |
| | 13,556,336 | 11,608,687 |

# Notes to the financial statements

for the year ended December 31, 2023

*In Zambian Kwacha*

## 12. Loans and advances to customers

| | 2023 | 2022 |
|---|---|---|
| **a) Summary** | | |
| Loans and advances | 300,909,048 | 219,256,252 |
| Accrued interest | 9,621,135 | 7,251,838 |
| Gross loans and advances | 310,530,183 | 226,508,090 |
| Less: Provision for impairment of loans and advances | (1,948,396) | (2,466,801) |
| | 308,581,787 | 224,041,289 |
| **b) Maturity** | | |
| Due: | | |
| - Within 1 month | 9,002,531 | 12,080,749 |
| - Between 1 to 3 months | 60,704,039 | 28,655,744 |
| - Between 3 months and 1 year | 228,191,319 | 171,664,261 |
| - Greater than 1 year | 3,011,159 | 6,855,498 |
| Loans and advances to customers | 300,909,048 | 219,256,252 |

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

| | 2022 | 2021 |
|---|---|---|
| At 1 January | 2,466,801 | 1,172,942 |
| Charge for the year | 3,643,436 | 3,050,797 |
| Bad debts written off | (4,161,841) | (1,756,938) |
| At 31 December | 1,948,396 | 2,466,801 |

## 13 Prepayments and other receivables

| | 2023 | 2022 |
|---|---|---|
| Prepayments | 5,392,135 | 5,668,154 |
| Staff advances | 743,477 | 500,964 |
| Money market placements | 6,000,000 | - |
| Other receivables | 6,472,558 | 1,420,119 |
| Mobile money commission receivable Interest receivable | 381,237 | 381,207 |
| Interest receivable on placements | 539,076 | - |
| | 19,528,483 | 7,970,444 |

## 14 Share capital

| | Number of ordinary shares 2023 | Ordinary share capital 2023 | Number of ordinary shares 2022 | Ordinary share capital 2022 |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares class A | 95,000 | 950,000 | 95,000 | 950,000 |
| Ordinary shares class B | 6,405,000 | 64,050,000 | 6,405,000 | 64,050,000 |
| Total | 6,500,000 | 65,000,000 | 6,500,000 | 65,000,000 |
| **Issued and fully paid** | | | | |
| Ordinary shares of K 10 each (class A) | 95,000 | 950,000 | 95,000 | 950,000 |
| Ordinary shares of K 10 each (class B) | 6,168,871 | 61,688,710 | 6,168,871 | 61,688,710 |
| | 6,263,871 | 62,638,710 | 6,263,871 | 62,638,710 |

# Notes to the financial statements

## for the year ended December 31, 2023

*In Zambian Kwacha*

### 14 Share capital continued

| | Ordinary shares class A | Ordinary shares class B | Total ZMW |
|---|---|---|---|
| At 1 January 2022 | 95,000 | 6,405,000 | 6,500,000 |
| At 31 December 2022 | 95,000 | 6,405,000 | 6,500,000 |
| **At 1 January 2023** | 95,000 | 6,405,000 | 6,500,000 |
| **At 31 December 2023** | 95,000 | 6,405,000 | 6,500,000 |

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

| | Ordinary shares class A | Ordinary shares class B | Total ZMW |
|---|---|---|---|
| At 1 January 2022 | 950,000 | 61,088,710 | 62,038,710 |
| Issued during the year | - | 600,000 | 600,000 |
| At 31 December 2022 | 950,000 | 61,688,710 | 62,638,710 |
| **At 1 January 2023** | 950,000 | 61,688,710 | 62,638,710 |
| At Issued during the year | - | - | - |
| **At 31 December 2023** | 950,000 | 61,688,710 | 62,638,710 |





### 15. Property and equipment

| | Land | Leasehold improvements | Capital work in progress | Motor vehicles and Bikes | Computer and office equipment | Furniture and fittings | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2022 | | | 5,064,505 | 13,563,140 | 11,361,496 | 2,632,584 | 36,284,851 |
| Additions | 7,937,500 | 3,663,126 | 2,489,550 | 1,197,969 | 4,662,601 | 600,950 | 21,076,378 |
| Transfers | - | 4,187,808 | (5,064,293) | 3,148,342 | 1,493,255 | 422,696 | - |
| Disposals | - | (73,535) | - | (2,158,654) | (525,703) | (161,574) | (2,919,466) |
| Revaluation | 5,212,500 | - | - | - | - | - | 5,212,500 |
| At 31 December 2022 | 13,150,000 | 7,777,399 | 2,489,762 | 15,750,797 | 16,991,649 | 3,494,656 | 59,654,263 |
| At 1 January 2023 | 13,150,000 | 7,777,399 | 2,489,762 | 15,750,797 | 16,991,649 | 3,494,656 | 59,654,263 |
| Additions | - | 2,607,966 | 5,481,402 | 6,976,782 | 7,388,107 | 2,565,919 | 25,020,176 |
| Transfers | - | - | (2,424,550) | 2,097,160 | 261,890 | 65,500 | - |
| Reclassifications | - | - | (65,000) | - | - | - | - |
| Disposals | - | - | - | - | - | - | (65,000) |
| Revaluation | 1,578,000 | - | - | - | - | - | 1,578,000 |
| **At 31 December 2023** | 14,728,000 | 10,385,365 | 5,481,614 | 24,824,739 | 24,641,646 | 6,126,075 | 86,187,439 |
| **Depreciation** | | | | | | | |
| At 1 January 2022 | - | 1,315,694 | - | 6,354,159 | 4,014,663 | 1,151,841 | 12,836,357 |
| Charge for the year | - | 1,152,518 | - | 4,214,038 | 3,438,278 | 574,783 | 9,379,617 |
| Disposals | - | (73,535) | - | (2,153,358) | (515,312) | (161,574) | (2,903,779) |
| At 31 December 2022 | - | 2,394,677 | - | 8,414,838 | 6,937,629 | 1,565,050 | 19,312,195 |
| At 1 January 2023 | - | 2,394,677 | - | 8,414,839 | 6,937,629 | 1,565,050 | 19,312,195 |
| Charge for the year | - | 1,763,910 | - | 6,576,928 | 5,162,591 | 937,680 | 14,441,109 |
| Disposals | - | - | - | - | - | - | - |
| **At 31 December 2023** | - | 4,158,587 | - | 14,991,767 | 12,100,220 | 2,502,730 | 33,753,304 |
| **Carry amounts** | | | | | | | |
| **At 31 December 2023** | 14,728,000 | 6,226,778 | 5,481,614 | 9,832,972 | 12,541,426 | 3,623,345 | 52,434,135 |
| At 31 December 2022 | 13,150,000 | 5,382,722 | 2,489,762 | 7,335,958 | 10,054,020 | 1,929,606 | 40,342,068 |

# Notes to the financial statements

for the year ended December 31, 2023

*In Zambian Kwacha*

## 15 Property and equipment (continued)

### Measurement of fair values

i) Fair value hierarchy

The fair value of the land and property was determined at ZMW14,728,000 in 2023 by external, independent property valuers, having appropriately recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for property has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

If the plant and leasehold were stated on a historical cost basis, the amounts would be as follows:

| | 2023 | 2022 |
|---|---|---|
| Cost | 7,937,500 | 7,937,500 |
| Depreciation | - | - |
| Carrying amount at 31 December | 7,937,500 | 7,937,500 |

The valuation was in line with the Company's accounting policy to recognise its leasehold land and buildings at fair value.

ii) Valuation techniques and significant unobservable inputs

| Valuation technique | Significant unobservable inputs | Inter-relationships between key unobservable inputs and fair value measurement |
|---|---|---|
| The valuation technique used is the direct comparison.<br>This valuation method involves comparing the past sales of similar land in the area. | The key assumptions were as follows:<br>(i) Remaining useful life of the property; and<br>(ii) Cost of acquiring of the same or similar land. | The estimated fair value would increase or decrease if there is a change in the unobservable inputs. |

## 16. Intangible assets

| | Capital work in progress | Software | Total |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2022 Additions | 1,340,886 | 1,935,419 | 3,276,305 |
| Transfers | 229,354 | 519,777 | 749,131 |
| Additions | (1,340,886) | 1,340,886 | - |
| **At 31 December 2022** | 229,354 | 3,796,082 | 4,025,436 |
| **At 1 January 2023** | 229,354 | 3,796,082 | 4,025,436 |
| Additions | 276,541 | 77,400 | 353,941 |
| **At 31 December 2023** | 505,895 | 3,873,482 | 4,379,377 |
| **Amortisation** | | | |
| At 1 January 2022 | - | 1,169,489 | 1,169,489 |
| Charge for the year | - | 584,867 | 584,867 |
| **At 31 December 2022** | - | 1,754,356 | 1,754,356 |
| **At 1 January 2023** | - | 1,754,356 | 1,754,356 |
| Charge for the year | - | 656,406 | 656,406 |
| **At 31 December 2023** | - | 2,410,762 | 2,410,762 |
| **Carrying amounts** | | | |
| **At 31 December 2023** | 505,895 | 1,462,720 | 1,968,615 |
| At 31 December 2022 | 229,354 | 2,041,726 | 2,271,080 |

# Notes to the financial statements

for the year ended December 31, 2023

*In Zambian Kwacha*

### 17. Other payables

| | 2023 | 2022 |
|---|---|---|
| Withholding tax | **3,282,170** | 2,455,129 |
| Insurance fees payable to Sanlam | **437,338** | 413,267 |
| Insurance fees payable to Mayfair | **432,091** | 235,739 |
| Audit and tax fees | **896,413** | 377,950 |
| Staff welfare | **1,457,980** | 988,134 |
| Other creditors and accruals | **4,107,502** | 1,557,363 |
| Other statutory obligations | **1,298,232** | 1,183,059 |
| | **11,911,726** | 7,210,641 |

### 18. Borrowings

| | Principal | Maturity | Currency | Interest rate/ (excl. WHT) | Carrying value ZMW |
|---|---|---|---|---|---|
| **31 December 2023** | | | | | |
| Grameen Credit Agricole (GCA) | 36,031,052 | 15 Jun 2024 | ZMW | AVG23.8% | **58,818,237** |
| Oiko Credit | 24,000,000 | 14 Apr 2025 | ZMW | 23% | **10,885,692** |
| Triple Jump | 31,114,825 | 15 Oct 2024 | ZMW | AVG26.9% | **16,206,258** |
| Bank of Zambia | 60,000,000 | 16 May 2027 | ZMW | AVG8.25% | **60,876,361** |
| MCE Social Capital | 17,906,100 | 27 Jan 2025 | ZMW | 23% | **13,987,076** |
| FMO Entrepreneurial Development Bank | 84,884,600 | 15 Jun 2027 | ZMW | 21.4% | **75,108,088** |
| Global Partnership | 41,387,332 | 21-Dec-26 | ZMW | 20.98% | **41,489,477** |
| Kiva | 50,344 | 31 Dec 2024 | USD | 0% | **156,528** |
| Moringaway | 51,392,563 | 15 Jun 2027 | ZMW | 21.50% | **25,263,386** |
| | | | | | **302,791,103** |



### 18. Borrowings (continued)

| | Principal | Maturity | Currency | Interest rate/ (excl. WHT) | Carrying value ZMW |
|---|---|---|---|---|---|
| **31 December 2022** | | | | | |
| Grameen Credit Agricole (GCA) | 36,031,052 | 15 Jun 2024 | ZMW | AVG 25.5% | 16,534,186 |
| Oiko Credit | 24,000,000 | 14 Apr 2025 | ZMW | 22.5% | 18,010,403 |
| Triple Jump | 31,114,825 | 15 Oct 2024 | ZMW | AVG26.9% | 32,749,447 |
| Bank of Zambia | 60,000,000 | 16 May 2027 | ZMW | AVG8.25% | 63,671,949 |
| MCE Social Capital | 17,906,100 | 27 Jan 2025 | ZMW | 23% | 18,649,701 |
| FMO Entrepreneurial Development Bank | 39,793,250 | 15 Jun 2027 | ZMW | 21.4% | 40,188,162 |
| | | | | | 189,803,848 |

All borrowings except Bank of Zambia facility held have no security.

- The Grameen Credit Agricole loan was at an average rate of 23.8%.
- The Triple Jump facility had an interest rate at an average of 26.9%.
- The Bank of Zambia facility had an interest rate of 8.25% secured by shareholder guarantee.
- The MCE Social Capital facility had an interest rate of 23%.
- The FMO Entrepreneurial Development Bank facility had interest set at 21.4%.
- The Moringaway facility had an interest rate of 21.5%. The is not hedged against foreign exchange fluctuations instead a Currency cover agreement allows for a 50/50 share of gains or losses.
- The KIVA facility is worth USD50,344 with zero interest rate.
- Oiko credit facility had a floating interest rate of 23% benchmarked to the Tbill 182 days and set quarterly.

# Notes to the financial statements

for the year ended December 31, 2023

*In Zambian Kwacha*

## 18. Borrowings (continued)

### Movements of borrowings

| | GCA | OIKO | Moringa way | Triple Jump | FMO | MCE | Bank of Zambia | Global Partnership | KIva | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | | | | |
| **At 1 January** | 16,518,631 | 17,200,000 | - | 31,114,825 | 39,793,250 | 17,906,100 | 60,000,000 | | | 182,532,806 |
| Drawdown | 52,920,700 | - | 51,392,563 | - | 45,091,350 | - | - | 41,225,201 | 1,075,812 | 191,705,626 |
| Repayments | (11,012,419) | (6,800,000) | (38,897,036) | (15,681,803) | (10,610,575) | (4,476,525) | (5,426,100) | - | (741,884) | (93,646,342) |
| Finance cost | - | - | 12,767,859 | - | - | - | - | - | - | 12,767,859 |
| Exchange loss/(gain) | - | - | - | - | - | - | - | - | (177,400) | (177,400) |
| | 58,426,912 | 10,400,000 | 25,263,386 | 15,433,022 | 74,274,025 | 13,429,575 | 54,573,900 | 41,225,201 | 156,528 | 293,182,549 |
| Accrued Interest | 391,325 | 485,692 | - | 773,236 | 834,063 | 557,501 | 6,302,461 | 264,276 | - | 9,608,554 |
| **At 31 December** | 58,818,237 | 10,885,692 | 25,263,386 | 16,206,258 | 75,108,088 | 13,987,076 | 60,876,361 | 41,489,477 | 156,528 | 302,791,103 |
| **2022** | | | | | | | | | | |
| At 1 January | 28,031,053 | 24,000,000 | 36,047,825 | 21,616,146 | 10,728,580 | - | 20,000.000 | | | 140,423,604 |
| Drawdown | - | - | - | 15,433,022 | 39,793,250 | 17,906,100 | 40,000.000 | | | 113,132,372 |
| Repayments | (11 512 422) | (6 800 000) | (36,047,825) | (5,934,343) | (10,728,580) | - | - | | | (71,023,170) |
| | 16,518,631 | 17,200,000 | - | 31,114,825 | 39,793,250 | 17,906,100 | 60,000,000 | | | 182,532,806 |
| Accrued Interest | 15,556 | 810,403 | - | 1,634,622 | 394,912 | 743,600 | 3,671,949 | | | 7,271,042 |
| At 31 December | 16,534,187 | 18,010,403 | - | 32,749,447 | 40,188,162 | 18,649,700 | 63,671,949 | | | 189,803,848 |





## 19. Income tax expense

| | 2023 | 2022 |
|---|---|---|
| **a) Tax expense** | | |
| Current tax | 639,547 | 5,455,720 |
| Deferred tax expense/(income) | (948,715) | 114,993 |
| **Income tax expense** | (309,168) | 5,570,713 |

**b) Reconciliation of effective tax rate**

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Profit before tax | | (2,672,619) | | 15,966,527 |
| Income tax using corporate tax rate | *30%* | (801,786) | *30%* | 4,789,958 |
| Non-deductible expenses | *(14%)* | 388,060 | *5%* | 720,651 |
| Effect of change in the deferred tax rate | *(4%)* | 104,558 | *0%* | 60,104 |
| **Total income tax expense** | *12%* | (309,168) | *35%* | 5,570,713 |

**c) Movement in statement of financial position**

| | 2023 | 2022 |
|---|---|---|
| Balance at 1 January | 1,664,717 | 5,708,664 |
| Charge for the year | 639,547 | 5,455,720 |
| Tax paid | (7,203,187) | (9,499,667) |
| **Balance at 31 December** | (4,898,923) | 1,664,717 |

**d) Deferred tax assets and liabilities**

The Company has no tax losses available for utilisation against future taxable income (2022: Nil).

**Recognized deferred tax assets**

Following a stable estimate of the Company's future results from operating activities, and based on future projected profitable growth, the Company recognised deferred tax assets amounting to **ZMW 1,357,114** (2022: ZMW 1,225,128). The business plan prepared by Management shows that the Company will continue to make sufficient available profits for the period 2024 – 2028, with which the deferred tax asset can be utilised.

Management anticipates they will be able to meet their budget forecasts for the year based on growth of the loan book and increased capital injection from shareholders and increase in external borrowings. Additionally, Management has intentions to increase other lines of income such as mobile money transactions.

# Notes to the financial statements

for the year ended December 31, 2023

*In Zambian Kwacha*

## 19. Income tax expense (continued)

d) Deferred tax assets and liabilities (continued)

| | Balance at 1 January 2023 | Recognised in income | Balance at 31 December 2023 | Deferred tax asset | Deferred tax liabilities |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Property, plant and equipment-cost | 273,896 | (545,040) | (271,144) | (271,144) | - |
| Loan loss provision – IFRS 9 | (740,041) | 155,521 | (584,520) | (584,520) | - |
| IFRS 16 - leases | 16,992 | (131,312) | (114,320) | (114,320) | - |
| Incentive provisions | (485,087) | 145,075 | (340,012) | (340,012) | - |
| BOZ provision | 807,747 | (525,841) | 281,906 | - | 281,906 |
| Provision for legal cases | - | (47,118) | (47,118) | (47,118) | - |
| | (126,493) | (948,715) | (1,075,208) | (1,357,114) | 281,906 |

| | Balance at 1 January 2022 | Recognised in income | Balance at 31 December 2022 | Deferred tax asset | Deferred tax liabilities |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Property, plant and equipment-cost | 443,044 | (169,149) | 273,895 | - | 273,895 |
| Loan loss provision – IFRS 9 | (351,883) | (388,158) | (740,041) | (740,041) | - |
| IFRS 16 - leases | 25,315 | (8,322) | 16,993 | - | 16,993 |
| Incentive and ESOP provisions | (571,831) | 86,744 | (485,087) | (485,087) | - |
| BOZ provision | 213,869 | 593,878 | 807,747 | - | 807,747 |
| | (241,486) | 114,993 | (126,493) | (1,225,128) | 1,098,635 |





## 20 Related party transactions

### Parent and ultimate controlling party

AMZ is owned and controlled by Agora Microfinance NV ("AMNV"), Moringaway and Agora Multipurpose Co-operative. The Company has carried out transactions with its shareholders, the ultimate parent is AMNV.

The relevant transactions and balances are as below:

| | 2023 | 2022 |
|---|---|---|
| **i) Borrowings** | | |
| Loan principle from Moringaway | 25,263,386 | - |
| **ii) Interest** | | |
| Interest paid to Moringaway | 5,720,274 | 5,665,600 |
| **iii) Other financing costs** | | |
| Hedging costs | 12,767,859 | - |
| **iv) Amounts due to related parties** | | |
| Guarantee fee payable to AMNV | 307,466 | 306,666 |
| **v) Issuance of shares** | | |
| Agora Multipurpose Co-operative | - | 600,000 |

# Notes to the financial statements

for the year ended December 31, 2023

*In Zambian Kwacha*

## 20 Related party transactions (continued)

### Parent and ultimate controlling party (continued)

vi) Transactions with Directors or Key management personnel

| Key management | | |
|---|---|---|
| Salaries and other short-term employment benefits | 5,191,288 | 4,990,884 |
| Loans and advances to Key management personnel | 1,610,791 | 1,047,145 |

Detailed listing of loans and advances to Directors and key management personal

| | 1-Jan-23 | | | 31-Dec-23 | | |
|---|---|---|---|---|---|---|
| | Opening Amounts ZMW | Additions / Disbursements ZMW | Repayments / transfers out ZMW | Closing amounts ZMW | Weighted interest range | Nature of loan |
| Director 1 | 156,333 | - | (78,833) | 77,500 | | |
| | | 401,003 | (54,325) | 346,678 | 15.5% | Staff Personal Loan |
| Officer 1 | 64,967 | 200,501 | (84,514) | 180,954 | 13% | Staff Personal Loan |
| Officer 2 | 281,439 | 335,840 | (309,286) | 307,993 | 15.5% | Staff Personal Loan |
| Officer 3 | 171,095 | - | (171,095) | - | 13% | Staff Personal Loan |
| Officer 4 | 161,459 | - | (161,459) | - | 13% | Staff Personal Loan |
| | | 352,604 | (7,192) | 345,412 | 15.5% | Staff Personal Loan |
| Officer 5 | 211,852 | 104,595 | (70,152) | 246,295 | 13% | Staff Personal Loan |
| Officer 6 | 126,938 | - | (20,979) | 105,959 | 13% | Staff Personal Loan |
| | 1,174,083 | 1,394,543 | (957,835) | 1,610,791 | | |

The RNC Committee of the Board sets interest rates for staff loans annually, based on the local treasury bill interest rates and on the principle that staff loans are offered at or close to the cost of funds available to the Company. The rate set for 2023 was 15.5% (relevant T-Bill Rate at the beginning of 2023 was 11.5%). Interest rates charged on balances outstanding from related parties are thirty seven percent of the rates that would be charged in arm's length transactions. The interest charged on balances outstanding from related parties amounted to **ZMW 169,875** (2022: ZMW 109,918).

As of 31 December 2023, the balances with key management personnel are allocated to stages 1, 2 and 3 and have a loss allowance of ZMW 12,010 (2022 ZMW 9,886). During 2023, ZMW 2,124 impairment loss was recognised in profit or loss in respect of these balances (2022: ZMW 1,695).





## 20 Related party transactions (continued)

### Parent and ultimate controlling party (continued)

vii) Directors' fees

| | 2023 | 2022 |
|---|---|---|
| Directors' fees paid | 330,577 | 462,984 |

## 21 Leases

### Leases as lessee (IFRS 16)

The Company leases office space. The leases typically run for a period of 1 years to 3 years with an option to renew the lease after that date. Lease payments are renegotiated every time after the lease term to reflect market rentals.

Information about leases for which the Company is a lessee is presented below:

a) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented below:

| | 2023 | 2022 |
|---|---|---|
| **Balance at 1 January** | 4,706,654 | 2,822,695 |
| Depreciation charge for the year | (3,086,550) | (2,648,437) |
| Additions to right-of-use assets | 4,461,548 | 4,532,396 |
| De-recognition of right-of-use assets | (402,272) | - |
| **Balance at 31 December** | 5,679,380 | 4,706,654 |

b) Amounts recognised in profit or loss

| | | |
|---|---|---|
| Interest on lease liabilities | 1,297,431 | 962,573 |

c) Amounts recognised in statement of cash flows

| | 2023 | 2022 |
|---|---|---|
| Total interest repayments | 1,297,431 | 962,573 |
| Total principal repayments | 2,912,718 | 2,506,372 |
| Total cash out-flow for leases | 4,210,149 | 3,468,945 |

d) Lease liability

| | | |
|---|---|---|
| Non-current portion of lease liabilities | 4,547,942 | 2,133,331 |
| Current portion of lease liabilities | 1,512,502 | 2,509,932 |
| **Balance at 31 December** | 6,060,444 | 4,643,263 |

# Notes to the financial statements

## for the year ended December 31, 2023

*In Zambian Kwacha*

### 22 Financial instrument fair value and risk management

#### Financial risk management

#### Introduction and overview

The Company has exposure to the following risks from its use of financial assets and liabilities:

- credit risk;
- liquidity risk;
- market risks; and
- operational risks.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The effective management of risk is critical to earnings and financial position within AMZ where the culture encourages sound commercial decision making which adequately balances risk and reward.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company's approach to risk management is based on an established governance process and relies both on individual responsibility and collective oversight. This approach balances stringent corporate oversight with independent risk management structures within the Company.

Naturally, the Company faces a number of risks when conducting its business which it may choose to take, transfer or mitigate as described.

#### (a) 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 loans and advances to customers. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

#### (i) Management of credit risk

In order to manage this risk, the Board has a defined credit policy for the Company, which is documented and forms the basis of all credit decisions. The Company also makes allowance for impairment in line with the requirement of IFRS 9.

Management evaluates credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, considering their financial position, past experience and other factors. Individual risk limits are set based on internal and/or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate in cases of death or disability. Credit risk on other financial assets were conducted but did not materialise into a significant adjustment.

#### (ii) Credit quality analysis

The table below sets out information about the credit quality of loans and advances to customers and the allowance for impairment/loss held by the Company against those assets.

The carrying amount of loans and advances to customers represents the main credit exposure. The maximum exposure to credit risk on these assets at the reporting date was:






### 22 Financial instrument fair value and risk management (continued)

#### (ii) Credit quality analysis (continued)

The table below sets out information about the credit quality of loans and advances to customers and the allowance for impairment/loss held by the Company against those assets.

The carrying amount of loans and advances to customers represents the main credit exposure. The maximum exposure to credit risk on these assets at the reporting date was:

#### Loans and advances to customers

| | 2023 | 2022 |
|---|---|---|
| Stage 1 – Performing | 307,016,781 | 222,229,739 |
| Stage 2 – Not late | 1,498,062 | 2,119,591 |
| Stage 3 – Late | 2,015,340 | 2,158,760 |
| **Gross loans and advances to customers** | 310,530,183 | 226,508,090 |

#### Impairment losses

The aging of loans and advances to customers at reporting date was:

| | 2023 | 2022 |
|---|---|---|
| Neither past due nor impaired | 298,405,917 | 217,658,268 |
| Past due 1-29 days | 8,610,864 | 4,589,854 |
| Past due 30-59 days | 1,498,062 | 1,311,601 |
| Past due 60-89 days | 561,726 | 807,990 |
| Past due 90-119 days | 484,007 | 505,124 |
| Past due >120 days | 969,607 | 1,635,253 |
| Gross | 310,530,183 | 226,508,090 |
| Provision for impairment | (1,948,396) | (2,466,801) |
| | 308,581,787 | 224,041,289 |

Impaired loans and advances are loans and advances for which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreements.

# Notes to the financial statements

for the year ended December 31, 2023

*In Zambian Kwacha*

## 22 Financial instrument fair value and risk management (continued)

### Financial risk management (continued)

(a) Credit risk (continued)

(iii) Concentrations of risk of financial assets with credit risk exposure

Industry sector risk concentrations within the customer loan portfolio was as follows:

| | 2023 | 2022 |
|---|---|---|
| Agriculture and allied | 35,200,216 | 21,073,615 |
| Manufacturing, mining and production | 564,363 | 250,784 |
| Trade and services | 259,027,418 | 193,448,177 |
| Other sectors | 15,738,186 | 11,735,514 |
| | 310,530,183 | 226,508,090 |

The majority of the Company's customers are individuals, who access financial services, either in community bank, solidarity groups, or as individuals. There is no distinct market that is dominant.

(iv) Collateral held and other credit enhancement

In order to determine the credit worth of a particular client, Agora Microfinance has established a robust system for client assessment which includes determination of the cashflows of the business, determination of the value of collateral as well as the financial capability of the guarantor. In the case of group lending a three-tier guarantee is applied. All these factors help to determine the credit quality of the loan extended to the clients. Agora Microfinance ensures that the collateral pledged for Small and Medium Size Entities (SMSE) loans have a value that is at least 150% of the value of the loan facility requested by the client. This helps to mitigate the credit risk and, in the event that the collateral has to be liquidated, there is surety that the loan will be recovered.

As of 31 December 2023, the non-performing loans value was **ZMW 1,461,267** 2022: ZMW 889,604) and the collateral pledged against it amounted to **ZMW 1,576,000** (2022: ZMW 5,029,729).







## 22 Financial instrument fair value and risk management (continued)

### Financial risk management (continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

#### Significant increase in credit risk

When determining whether the credit risk (i.e., risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime PD as at the reporting date with the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Because of the absence of credit ratings in Zambia, the Company allocates exposure to a credit risk grade based on data that is determined to be predictive of the risk of default (including but not limited to audited financial statements, management accounts, cash flow projections, available regulatory and press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

The Company has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment-grade".

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 60 days past due. At 60 days past due (two months of non-payment consecutively), non-payment by the borrower can no longer be attributable to any administrative inconvenience but rather possible financial stress or character issues and the likelihood of catching up is remote with a possibility of the arrears remaining permanently. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 90 days past due; and
- The average time between the identification of significant increase in credit risk and default appears reasonable.

#### Sensitivity analysis

If all the stage 2 instruments were stage 1, the ECL would have reduced by ZMW 203,502 as shown below. This analysis assumes that all other variables remain constant.

| | 2023 | 2022 |
|---|---|---|
| Impairment level with stage 2 loans | 1,948,396 | 2,466,801 |
| Impairment level with stage 2 loans assumed as stage 1 | (1,744,894) | (2,265,102) |
| Movement | 203,502 | 201,699 |

The impairment provision decreases due to the reduction in credit risk. Exposures are not generally transferred from 12-month ECL measurement to credit- impaired and there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

# Notes to the financial statements

for the year ended December 31, 2023

*In Zambian Kwacha*

## 22 Financial instrument fair value and risk management (continued)

### Financial risk management (continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL (continued)

#### Modified financial assets

The contractual terms of the financial assets may be modified for a number of reasons, including changing the market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD as at the reporting date based on modified terms with the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

#### Definition of default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company has adopted the Banking and Financial Services Act definition of default which takes into account the aging of the loan and the relevant provisioning percentages.

#### Incorporation of forward-looking information

The Company incorporates forward looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a "base case" view of the future direction of relevant economic variables and representative range of other possible forecast scenarios based on advice from the risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by the government and monetary authorities and selected private-sector and academic forecasters.

The base case represents a best estimate and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Company also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2023 included the following key indicators for the year ending 31 December 2024:

- Each respective loan effective interest rate;
- Gross Domestic Product (GDP) growth 3%; and
- Macro-Economic data such as foreign exchange, inflation, interest, country reserve and unemployment rates has been sourced from IMF for Zambia. The data is available for annual frequency. For Correlation analysis, interpolation has been done at quarterly level.

The predicted relationships between the key indicators and the default and loss rates on various portfolios of financial assets have been developed by analysing historical data over the past 5 years.





## 22 Financial instrument fair value and risk management (continued)

### Financial risk management (continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL (continued)

#### Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at default (EAD).

To determine lifetime and 12-month PDs, the Company uses the average quotient of principal amounts impaired and delinquent trade receivables based on the five-year default history. Beyond a point of collectability, 100% PD is assumed. The PDs are adjusted to reflect forward-looking information as described above. Changes in the rating for the counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties and the expected cashflows from realizability of collateral discounted at the effective interest rate. The LGD models consider the structure, seniority of the claim and counterparty industry. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as a discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of the financial asset is its gross carrying amount.

As described above the subject to using a maximum of a 12- month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped in the basis of shared risk characteristics, which include:

- Instrument type;
- Credit risk gradings;
- Date of initial recognition;
- Industry; and
- Geographic location of the customer.

The groupings are subject to regular review to ensure that exposures within the particular group remain appropriately homogeneous.

#### Write off policy

The Company writes off a loan balance (and any related allowances for impairment losses) when the Company determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status. Write offs are approved by the Board before they are actioned.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

# Notes to the financial statements

## for the year ended December 31, 2023

*In Zambian Kwacha*

### 22 Financial instrument fair value and risk management (continued)

**Financial risk management (continued)**

(a) Credit risk (continued)

(v) Amounts arising from ECL (continued)

(i) Management of liquidity risk

The Company ensures it has sufficient funds on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of expense circumstances that cannot reasonably be predicted such as natural disasters.

Proactive liquidity management in line with Company liquidity standards ensured that, despite volatile and constrained liquidity environments at the onset of the Covid-19 pandemic, adequate liquidity was maintained to fully support balance sheet strategies. This was achieved through continuous engagements with lenders for instance over the last two years the Company secured ZMW 60 million from Bank of Zambia. At the same time consideration has been provided to the adequacy of contingent funding, ensuring sufficiency to accommodate unexpected liquidity demands. The Company continues to leverage the extensive deposit franchises across the portfolio to ensure that it has the appropriate amount, tenor and diversification of funding to support its current and forecast asset base while minimising cost of funding.

(ii) Maturity analysis for financial liabilities

Liquidity risk is monitored on a weekly basis by the Finance department and controlled as far as possible by ensuring the mismatch between maturing liabilities and investment of these funds are kept at a minimum.

The table below analyses assets and liabilities of the Company into relevant maturity based on the remaining period at reporting date to the contractual maturity date.

The gross nominal inflow/(outflow) disclosed i n the table below represents the contractual undiscounted cash flows relating to the principal and interest on the financial liability.

| | Carrying amount | Gross nominal outflows | Less than 1 year | Between 1 – 5 years |
|---|---|---|---|---|
| 31 December 2023 | | | | |
| **Liabilities** | | | | |
| Amount due to related parties | 307,466 | 307,466 | 307,466 | - |
| Borrowings | 302,791,103 | 392,627,179 | 132,970,585 | 259,656,594 |
| Other payables | 11,911,726 | 11,911,726 | 11,911,726 | - |
| Lease liabilities | 6,060,444 | 6,060,444 | 1,512,502 | 4,547,942 |
| **Total liabilities** | 321,070,739 | 410,906,815 | 146,702,279 | 264,204,536 |





### 22 Financial instrument fair value and risk management (continued)

**Financial risk management (continued)**

| | Carrying amount | Gross nominal outflows | Less than 1 year | Between 1 – 5 years |
|---|---|---|---|---|
| 31 December 2022 | | | | |
| **Liabilities** | | | | |
| Amount due to related parties | 306,666 | 306,666 | 306,666 | - |
| Borrowings | 189,803,848 | 246,937,637 | 74,699,316 | 172,238,321 |
| Other payables | 7,210,641 | 7,210,641 | 7,210,641 | - |
| Lease liabilities | 4,643,263 | 6,594,365 | 2,762,233 | 3,832,132 |
| **Total liabilities** | 201,964,418 | 261,049,309 | 84,978,856 | 176,070,453 |

The table above shows the undiscounted cash flows on the Company's financial liabilities on the basis of their earliest possible contractual maturity. The Company's expected cash flows on these instruments vary significantly from this analysis.

(c) Market risk

Market risk is the risk where changes in market prices, such as interest rate, foreign exchange rates and credit spreads (not relating to changes in the obligor's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

**Exposure to interest rate risk – non-trading portfolios**

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

Interest rate risk is managed principally through monitoring interest rate gaps between the Company's borrowing rates and its fixed onward lending rates. Management also monitors the movement in Treasury bills rates of 182 days on a quarterly basis and then relates this to the amounts that they expect to pay in interest to the respective lenders. This also helps determine the minimum lending rate for the Company which will minimise or avoid interest rate gap losses as well as ensure that the Company has adequate return on funds available for lending.

# Notes to the financial statements

for the year ended December 31, 2023

*In Zambian Kwacha*

## 22 Financial instrument fair value and risk management (continued)

### Financial risk management (continued)

(i) Interest rate risk (continued)

Exposure to interest rate risk – non-trading portfolios (continued)

A summary of the Company's interest rate gap position on non-trading portfolios is as follows:

| | Interest rate | Carrying amount | Less than 3 months | 3-12 months | 1-5 years |
|---|---|---|---|---|---|
| 31 December 2023 | | | | | |
| Loans and advances to customers | Fixed | 308,581,787 | 77,379,309 | 228,191,319 | 3,011,159 |
| **Total assets** | | 308,581,787 | 77,379,309 | 228,191,319 | 3,011,159 |
| Borrowings | Fixed /Variable | 303,182,103 | 20,259,356 | 73,399,244 | 209,523,503 |
| Lease liabilities | Fixed | 6,060,444 | 378,125 | 1,134,377 | 4,547,942 |
| **Total liabilities** | | 309,242,547 | 20,637,481 | 74,533,621 | 214,071,445 |
| **Interest rate gap** | | (660,760) | 56,741,828 | 153,657,698 | (211,060,286) |

The negative interest rate gaps in 1 to 5 years is covered by the assets maturing in the less than 12 months, which are reinvested in the core business of lending to clients.

| | Interest rate | Carrying amount | Less than 3 months | 3-12 months | 1-5 years |
|---|---|---|---|---|---|
| 31 December 2022 | | | | | |
| Loans and advances to customers | Fixed | 224,041,289 | 45,534,017 | 171,664,261 | 6,843,011 |
| **Total assets** | | 224,041,289 | 45,534,017 | 171,664,261 | 6,843,011 |
| Borrowings | Fixed /Variable | 189,803,848 | 51,589,886 | 49,765,623 | 88,448,339 |
| Lease liabilities | Fixed | 4,643,263 | 574,158 | 1,935,774 | 2,133,331 |
| **Total liabilities** | | 194,447,111 | 52,164,044 | 51,701,397 | 90,581,670 |
| **Interest rate gap** | | 29,594,178 | (6,630,027) | 119,962,864 | (83,738,659) |







## 22 Financial instrument fair value and risk management (continued)

### Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk

Currency risk is the risk of adverse movements in exchange rates that will result in a decrease in the value of foreign exchange assets or an increase in the value of foreign currency liabilities. The organisation does not hedge its foreign assets or liabilities. The Company undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises.

The company is exposed to foreign exchange risk primarily with respect to some bank balances and loans which are denominated in United States dollars and Euro.

A summary of the Company's foreign currency exposure on its financial assets and liabilities in Kwacha is as follows:

| | EURO (ZMW exposure) | USD (ZMW exposure) | ZMW | Total |
|---|---|---|---|---|
| 31 December 2023 | | | | |
| **Assets** | | | | |
| Loans and advances to customers | - | - | 308,581,787 | 308,581,787 |
| Cash and cash equivalents | 25,526 | 10,719 | 13,520,091 | 13,556,336 |
| Other receivables (less prepayments) | - | - | 14,136,348 | 14,136,348 |
| **Total assets** | 25,526 | 10,719 | 336,238,226 | 336,274,471 |
| **Liabilities** | | | | |
| Other payables | - | - | 11,911,726 | 11,911,726 |
| Amount due to related parties | - | - | 307,466 | 307,466 |
| Lease liabilities | - | - | 6,060,444 | 6,060,444 |
| Borrowings | - | 156,528 | 302,634,575 | 302,791,103 |
| **Total liabilities** | - | 156,528 | 320,914,211 | 321,070,739 |
| **Net exposure** | 25,526 | (145,809) | 15,324,015 | 15,203,732 |

# Notes to the financial statements

## for the year ended December 31, 2023

*In Zambian Kwacha*

### 22 Financial instrument fair value and risk management (continued)

**Financial risk management (continued)**

(c) Market risk (continued)

(ii) Currency risk (continued)

| | EURO (ZMW exposure) | USD (ZMW exposure) | ZMW | Total |
|---|---|---|---|---|
| 31 December 2022 | | | | |
| **Assets** | | | | |
| Loans and advances to customers | - | - | 224,041,289 | 224,041,289 |
| Cash and cash equivalents | 8,771 | 198,460 | 11,401,456 | 11,608,687 |
| Other receivables (less prepayments) | - | - | 2,302,290 | 2,302,290 |
| **Total assets** | 8,771 | 198,460 | 237,745,035 | 237,952,266 |
| **Liabilities** | | | | |
| Other payables | - | - | 7,210,641 | 7,210,641 |
| Amount due to related parties | - | - | 306,666 | 306,666 |
| Lease liabilities | - | 1,013,229 | 3,630,034 | 4,643,263 |
| Borrowings | - | - | 189,803,848 | 189,803,848 |
| **Total liabilities** | - | 1,013,229 | 200,951,189 | 201,964,418 |
| **Net exposure** | 8,771 | (814,769) | 36,793,846 | 35,987,848 |







### 22 Financial instrument fair value and risk management (continued)

**Financial risk management (continued)**

(c) Market risk (continued)

(ii) Currency risk (continued)

The following significant exchange rates were applied during the period:

| Closing rate | | Closing rate | |
|---|---|---|---|
| 2023 USD | 2022 USD | 2023 EURO | 2022 EURO |
| 25.71 | 18.08 | 28.46 | 19.23 |

**Sensitivity analysis**

A 10 percent strengthening of the Zambian Kwacha against the USD and EURO at 31 December would have (decreased)/ increased the profits by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2022.

| Profit and loss | | Profit and loss | |
|---|---|---|---|
| 2023 USD | 2022 USD | 2023 EURO | 2022 EURO |
| (14,581) | 81,477 | 2,553 | 877 |

A 10 percent weakening of the Zambian Kwacha against the above currency at 31 December would have had the equal but opposite effect on the profit for the year, on the basis that all other variables remain constant.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations and are faced by all business entities. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(e) Compliance risk

Compliance is an independent core risk management activity, which also has unrestricted access to the Managing Director and the Chairman of the Board. The Company is subject to extensive supervisory and regulatory regimes, and the executive management remains responsible for overseeing the management of the Company's compliance risk.

Money laundering control and occupational health and safety (including aspect of environmental risk management) are managed within the Compliance function and there are increasingly onerous legislative requirements being imposed in both these areas.

The Company has adopted anti-money laundering policies including "Know Your Customer" policies and procedures and adheres to the country's anti-money laundering legislation and the Bank of Zambia's regulations and directives.

The management of compliance risk has become a distinct discipline within the Company's overall risk management framework. Ultimate responsibility for this risk lies with the Board of Directors. A combination of key activities is undertaken to manage the risk such as identifying the regulatory universe and developing compliance management plans, training staff and other stakeholders on relevant regulatory requirements, and monitoring compliance. Compliance with the "Know-Your-Customer procedures" and Prohibition and Prevention of Money Laundering Act number 14 of 2001 as amended by Act number 44 of 2010. Anti-money laundering procedures and legislation became an area of major focus for the Company especially in 2018.

# Notes to the financial statements

for the year ended December 31, 2023

*In Zambian Kwacha*

## 22 Financial instrument fair value and risk management (continued)

### Financial risk management (continued)

(e) Compliance risk (continued)

#### Accounting classifications and fair values

The table below sets out the Company's classification of financial assets and financial liabilities, and their fair values (excluding accrued interest):

| | Amortised cost | Total Carrying amount | Fair value |
|---|---|---|---|
| 2023 | | | |
| **Assets** | | | |
| Cash and cash equivalents | 13,556,336 | 13,556,336 | 13,556,336 |
| Loans and advances to customers | 308,581,787 | 308,581,787 | 308,581,787 |
| Other receivables (less prepayment) | 14,136,348 | 14,136,348 | 14,136,348 |
| | 336,274,471 | 336,274,471 | 336,274,471 |
| **Liabilities** | | | |
| Other liabilities | 11,911,726 | 11,911,726 | 11,911,726 |
| Lease liabilities | 6,060,444 | 6,060,444 | 6,060,444 |
| Borrowings | 302,791,103 | 302,791,103 | 302,791,103 |
| Amount due to related parties | 307,466 | 307,466 | 307,466 |
| | 321,070,739 | 321,070,739 | 321,070,739 |





## 22 Financial instrument fair value and risk management (continued)

### Financial risk management (continued)

(ii) Currency risk (continued)

| | Amortised cost | Total Carrying amount | Fair value |
|---|---|---|---|
| 2022 | | | |
| **Assets** | | | |
| Cash and cash equivalents | 11,608,687 | 11,608,687 | 11,608,687 |
| Loans and advances to customers | 224,041,289 | 224,041,289 | 224,041,289 |
| Other receivables (less prepayment) | 2,302,290 | 2,302,290 | 2,302,290 |
| | 237,952,266 | 237,952,266 | 237,952,266 |
| **Liabilities** | | | |
| Other liabilities | 7,210,641 | 7,210,641 | 7,210,641 |
| Lease liabilities | 4,643,263 | 4,643,263 | 4,643,263 |
| Borrowings | 189,803,848 | 189,803,848 | 189,803,848 |
| Amount due to related parties | 306,666 | 306,666 | 306,666 |
| | 201,964,418 | 201,964,418 | 201,964,418 |

## 23 Capital management

### Regulatory capital

The Company's regulator (Bank of Zambia) sets and monitors capital requirements for the Company as a whole. In implementing current capital requirements, Bank of Zambia requires the Company to maintain a minimum 15% ratio of total capital to total risk-weighted assets. The Company's regulatory capital is analysed into two tiers:

- Primary (Tier 1) capital, which includes paid-up common shares, retained earnings, statutory reserves less adjustment of assets of little or no realisable value.
- Secondary (Tier 2) capital, which includes qualifying subordinated term debt and revaluation reserves limited to a maximum of 40%. The maximum amount of total secondary capital is limited to 100% of primary capital.

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future developments of the business. There were no changes in the Company's approach to capital management during the period.

# Notes to the financial statements

## for the year ended December 31, 2023

*In Zambian Kwacha*

### 23 Capital management (continued)

#### Regulatory capital (continued)

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

- To comply with capital requirements set by the Bank of Zambia;
- 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 its development of its business

#### Capital position

I Primary (Tier 1) capital

| | | 2023 | 2022 |
|---|---|---|---|
| (a) | Paid-up common shares | 62,638,710 | 62,638,710 |
| (b) | Share premium | 2,466,137 | 2,466,137 |
| (c) | Retained earnings | 14,756,781 | 17,120,234 |
| (d) | **Sub-total A (items a to d)** | 79,861,628 | 82,225,081 |
| | **Less** | | |
| (e) | Goodwill and other intangible assets | (1,968,615) | (2,271,080) |
| **(g)** | **Sub-total B (items d to f)** | 77,893,013 | 79,954,001 |
| (h) | **Total primary capital** | 77,893,013 | 79,954,001 |
| **II** | **Secondary (Tier 2) capital** | | |
| | Revaluation reserves. Maximum is 40% of revaluation reserve. | 2,716,200 | 2,085,000 |
| **III** | **Eligible secondary capital** | | |
| | (The maximum amount of secondary capital is limited to 100% of primary capital) | 2,716,200 | 2,085,000 |
| **IV** | **Eligible total capital (I (g) + III)** | | |
| | (Regulatory capital) | 80,609,213 | 82,039,001 |
| **V** | **Minimum total capital requirement** | | |
| | 15% total on and off-balance sheet risk-weighted assets | (59,529,652) | (42,264,178) |
| **VI** | **Excess** (IV minus V) | 21,079,561 | 39,774,823 |





### 24 Capital commitments

There were no material capital commitments as of 31 December 2023 (2022: nil).

### 25 Contingent liabilities

The were no material contingent liabilities (2022: ZMW nil).

### 26 Subsequent events

There were no significant events after the reporting date requiring disclosure or adjustment to these financial statements.

### 27 Material accounting policies

Set out below is an index of the material accounting policies the details of which are available on the pages that follow:

a) Property and equipment

b) Intangible assets

c) Foreign currency transactions

d) Financial assets and liabilities

e) Loans and advances

f) Cash and cash equivalent

g) Income tax

h) Share capital and reserves

i) Impairment of non-financial assets

j) Employee benefits

k) Interest income and expense

l) Fees and commission

m) Leases

#### (i) Recognition and measurement

Equipment is initially measured at cost less accumulated depreciation and any accumulated impairment loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located;
- capitalised borrowing costs; and
- Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Any gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and is recognised net within other income/other expenses in profit or loss.

#### (ii) Subsequent costs

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

#### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of the asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the expected useful lives of each part of an item or property and equipment, since this most closely reflects the expected pattern consumption of the future economic benefits embodied in the asset. Land is not depreciable.

# Notes to the financial statements
for the year ended December 31, 2023

## 27 Material accounting policies (continued)

### (a) Property and equipment (continued)

#### (iii) Depreciation (continued)

The useful lives of items of equipment have been assessed as follows:

| Item | Average useful life |
|---|---|
| Furniture and 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 |
| Capital work in progress | Not depreciable |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss.

The gain or loss arising from the derecognition of an item of equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### (iv) Revaluation

An external, independent valuation expert, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company`s land every 5 years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

The surplus arising on the revaluation of properties is initially credited to a revaluation surplus, which is a non-distributable reserve.

If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset, thereafter the remaining decrease is recognised in profit or loss.

### (b) Intangible assets

#### Software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits of the asset to which it relates. All other expenditure is recognised in profit or loss as incurred. Software is amortized on a straight-line basis in the profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software is three years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 27 Material accounting policies (continued)

### (c) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. However, foreign currency differences arising on retranslation are recognised in profit or loss.

### (d) Financial assets and liabilities

#### i) Recognition and initial measurement

The Company recognises deposits with financial institutions and loans and borrowings on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus or minus for a financial asset or financial liability not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

#### ii) Classification

**Financial assets**

**Classification**

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cashflows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

# Notes to the financial statements

for the year ended December 31, 2023

## 27 Material accounting policies (continued)

### (d) Financial assets and liabilities (continued)

#### ii) Classification (continued)

**Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Other financial liabilities comprise trade and other payables, amounts due to related parties and loans and borrowings.

**Business model assessment**

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- average features;
- prepayment and extension terms;
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Company holds a portfolio of long-term fixed-rate loans for which the Company has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Company has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

**Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

#### iii. Derecognition

**Financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.







## 27 Material accounting policies (continued)

### (d) Financial assets and liabilities (continued)

#### iii. Derecognition (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

**Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

#### iv. Modifications of financial assets and financial liabilities

**Financial assets**

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

# Notes to the financial statements

for the year ended December 31, 2023

## 27 Material accounting policies (continued)

### (d) Financial assets and liabilities (continued)

#### v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Company of similar transactions such as in the Company's trading activity.

#### vi. Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.





## 27 Material accounting policies (continued)

### (d) Financial assets and liabilities (continued)

#### vii. Impairment

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments.

#### Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- **financial assets that are not credit-impaired at the reporting date:** as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- **financial assets that are credit-impaired at the reporting date:** as the difference between the gross carrying amount and the present value of estimated future cash flows;
- **undrawn loan commitments:** as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- **financial guarantee contracts:** the expected payments to reimburse the holder less any amounts that the Company expects to recover.

#### Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

# Notes to the financial statements

for the year ended December 31, 2023

## 27 Material accounting policies (continued)

### (d) Financial assets and liabilities (continued)

### vii. Impairment (continued)

#### Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

#### Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

#### Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.





## 27 Material accounting policies (continued)

### (e) Loans and advances

'Loans and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- lease receivables.

### (f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

### (g) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

#### i) Current tax

Current tax comprises the expected tax payable or receivable on taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current taxes and liabilities are offset in the statement of financial position only if the Company legal right and intention to settle on the net basis.

#### ii) Deferred tax

The Company applies IAS 12 – Income taxes, which states that deferred tax asset is recognised in respect of deductible temporary differences. A deferred tax asset should be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

# Notes to the financial statements

for the year ended December 31, 2023

## 27 Material accounting policies (continued)

### (h) Share capital and reserves

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### (i) Impairment of non-financial assets

#### Non-financial assets

The carrying amounts of the Company's non-financial assets, other than, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

### (j) Employee benefits

All employees are members of the National Pension Scheme Authority to which both employees and the Company contribute. During 2019, the Company operated a mandatory private pension scheme with Madison Life Insurance through the Madison Pension Trust Fund. Employer contribution and later changed to Saturnia Regna Pension Trust limited, 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.





## 27 Material accounting policies (continued)

### (k) Interest income and expense

#### Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL

The calculation of the effective interest rate includes base interest rate and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance

#### Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### (l) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income-including account servicing fees, investment management fees, sales commission, placement fees and syndication fees- are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Company first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual

# Notes to the financial statements

for the year ended December 31, 2023

## 27 Material accounting policies (continued)

### (m) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

#### As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## 27 Material accounting policies (continued)

### (m) Leases (continued)

#### Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 28 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted, however, the Company has not early adopted the new or amended standards in preparing these financial statements.

### a) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

### b) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Lease liability in a sale and leaseback (Amendments to IFRS 16)

# Unaudited - Appendix
# Agora Microfinance Zambia Limited
## for the year ended December 31, 2023

| | As on 31 December 2023 | As on 31 December 2022 |
|---|---|---|
| Advertising and branding | 94,820 | 252,372 |
| Audit fees | 1,285,703 | 798,074 |
| Bank charges | 624,034 | 846,421 |
| Computer expenses | 142,097 | 234,469 |
| Consultancy fees | 1,675,029 | 1,066,617 |
| Depreciation and amortisation | 18,184,064 | 12,612,921 |
| Directors' fees | 321,483 | 535,847 |
| Fuel on motor bikes and vehicles | 9,320,824 | 6,934,184 |
| General expenses | 9,638,700 | 5,653,337 |
| Information Technology | 4,290,718 | 2,676,885 |
| Insurance | 638,234 | 458,705 |
| Legal fees | 197,295 | (295,836) |
| Licensing expenses | 553,526 | 524,749 |
| Office expenses | 87,702 | 102,055 |
| Other premises costs | 1,015,181 | 1,124,925 |
| Professional fees | 29,923 | 275,027 |
| Recruitment and training | 356,697 | 532,922 |
| Repairs and maintenance | 5,089,769 | 4,102,526 |
| Salary and wages | 61,331,699 | 44,795,857 |
| Security expenses | 3,811,034 | 2,790,744 |
| Stationery | 3,005,716 | 2,766,569 |
| Telephone expenses | 786,658 | 608,896 |
| Travel – foreign | 254,389 | 52,001 |
| Travel – local | 3,892,795 | 2,457,690 |
| Total expenses | 126,628,090 | 91,907,957 |

**Agora Microfinance Zambia Limited**
Plot 57A, Lukanga Road, Roma Township
Lusaka, Zambia

Tel: +260 211 847 838
info@agoramicrofinance.com

**www.amz.co.zm**