REAL PEOPLE™

Responsible finance. Sustainable futures.

Real People Kenya Limited

(Registration number C3/2015)

Financial statements

for the year ended 31 March 2020

General Information

Country of incorporation and domicile	Kenya
Nature of business and principal activities	Provision of credit to small business owners
Company registration number	C3/2015
Registered office	L.R. No 209/22298 Lavington Court Apartments, Apartment A6 Muthangari Drive off Waiyaki Way Nairobi
Auditors	BDO East Africa Kenya Certified Public Accountants of Kenya Unit C1, Block C Sameer Business Park Mombasa Road Nairobi
Secretary	Cornelius Kimamo Kigera PO Box 10643-00100, Nairobi
Holding company	Real People Holdings International Limited incorporated in Mauritius
Ultimate shareholder	The GVR Trust incorporated in South Africa

Contents

Audit Committee Report

This report is provided by the audit committee appointed in respect of the 2020 financial year of Real People Kenya Limited. The audit committee is a sub-committee of the board of directors of the company. The report includes both these sets of duties and responsibilities.

1. External auditor

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act of 2015 and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the Companies Act of 2015 that internal governance processes within the firm support and demonstrate the claim to independence.

The Audit Committee (AC) in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

2. Accounting practices and internal control

The AC is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and considering the major findings of any internal investigations into control weaknesses, fraud or misconduct, and management's response thereto.

The AC receives regular reports provided as part the planned internal audit (IA) program to assist in evaluating the Company's internal controls. The IA places emphasis on accountability, responsibility, independence, reporting, communication and transparency, both internally and in respect of all key external stakeholders. Significant areas of focus within the reports include the following:

- identifying and managing material risks within the company and changes to these risk profiles during the year;
- creating and maintaining an effective internal control environment throughout the company;
- demonstrating the necessary respect for the control environment; and
- identifying and correcting weaknesses in systems and internal controls.

The audit committee receives regular reports on issues in the company's key issues control log from management and regular reports regarding governance and compliance matters. Where there are improvements required in internal controls, the Committee satisfied itself of the key actions required to effect the required improvements. Having considered, analysed, reviewed and debated information provided by management, IA and the external auditors, the Committee considers that the internal controls of the Company had been effective in all material aspects throughout the year under review.

3. Audit committee terms of reference

The AC has adopted its formal terms of reference that been approved by the board of directors. The audit committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

Audit Committee Report

4. Audit committee members, meeting attendance and assessment

The AC is independent and must consist of at least a majority of independent non-executive directors. It must meet at least three times a year as per its terms of reference. The Chief Executive Officer will attend the meeting. The Chief Financial Officer (CFO), audit partner in charge of external audit and head of internal audit and other executives may attend the meeting by invitation and shall have unrestricted access to the Chairman and any other member of the committee as is required in relation to any matter that falls within the remit of the Committee.

The effectiveness of the audit committee and its members is assessed on an annual basis.

On behalf of the audit committee

BH Pieters
Chairman Audit Committee

28 July 2020

Statement of Directors' Responsibilities

The directors are required in terms of the Companies Act of 2015 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The Companies Act of 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Companies Act of 2015. They also accept responsibility for:

- designing, implementing and maintaining such internal controls as they determine necessary to enable the presentation of financial statements that are free of material misstatement, whether due to fraud or error;
- selecting suitable accounting policies and applying them consistently; and
- making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company’s cash flow forecast for the calendar year to 31 December 2020 and, in light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

Having made an assessment of the company's ability to continue as a going concern as set out in more detail in note 4, the directors are of the opinion, based on intended discussions with creditors and the possibility of increased funding wherein it will be assisted by external advisors, that the company will continue in operational existence for the foreseeable future, providing that the support providers of new equity is received as planned.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Statement of Directors' Responsibilities

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 10 to 11.

The financial statements set out on pages 12 to 48, which have been prepared on the going concern basis, were approved by the board of directors on 28 July 2020 and were signed on their behalf by:

EN Ndemo **TM Karanja**

Report of the Directors

The directors present their report together with the audited financial statements for the year ended 31 March 2020.

1. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of 2015. The accounting policies have been applied consistently compared to the prior year.

Financial results in Kenyan shillings thousands	**2020**	**2019**
Loss before taxation	(235,494)	(172,958)
Tax (charge) / credit	(5,656)	-
Loss for the year transferred to retained earnings	**(241,150)**	**(172,958)**

The company recorded a loss after tax of KES 241 million. The loss was attributable to a deteriorating operating environment resulting in higher impairments and to the revenue generating activities of the company being sub-scale.

The company's poor trading results and downward asset carrying value adjustments placed significant pressure on the company's earnings and capital levels. The company has therefore engaged with debt and equity providers, with a view to alleviating the debt and interest burden borne by the company and placing the company on a path to sustainable profitability.

2. Matters of emphasis

Deferred tax assets

The recognition of additional deferred tax assets on tax losses in the company remains suspended.

3. Authorised and issued share capital

There has been no change in the authorised or issued share capital during the year under review.

4. Dividends

The board of directors do not recommend the declaration of a dividend for the year.

5. Directors

The directors in office at the date of this report are as follows:

Directors	**Office**	**Designation**	**Nationality**	**Age (years)**	**Changes**
YM Godo	Director	Non-executive	Kenyan	39	
TM Karanja	Director	Non-executive	Kenyan	44	
CH Kocks	Director	Non-executive	South African	66	
EN Ndemo	Director	Non-executive	Kenyan	49	
BH Pieters	Director	Non-executive	South African	70	
RL Shibutse	Chief Executive Officer	Executive	Kenyan	41	Appointed 18 December 2019
FO Menya	Chief Commercial Officer	Alternate	Kenyan	43	Appointed 01 October 2019

6. Provision protecting directors from liability

There is no contract agreement between the company and the directors to exempt the directors from any liability that would otherwise attach to the directors in connection with any negligence, default of duty or breach of trust in relation to the company.

Report of the Directors

7. Shareholding

The ordinary shares in the company are held by Real People Holdings International Limited (99.99988%) and a director (0.00012%).

8. Secretary

The company secretary is Mr. Cornelius Kimamo Kigera.

Postal address:	PO Box 10643-00100 Nairobi

9. Terms of appointment of the auditor

BDO East Africa Kenya continues in office in accordance with the company's Articles of Association and Section 719 of the Companies Act of 2015.

10. Statement of disclosure to the company's auditors

With respect to each person who is a director on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the company's auditors are unaware; and
- the person has taken all the steps that he/she ought to have taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

11. Debenture

No debenture was issued during the period.

12. Events after the reporting period

The Coronavirus disease (SARS-Cov-2) is an infectious severe acute respiratory syndrome disease caused by the Covid-19 virus. It was first identified in December 2019 in Wuhan, Hubei, China, and has resulted in an ongoing worldwide pandemic. The first confirmed case has been traced back to 17 November 2019 in Hubei. As of 6 July 2020, more than 11.4 million cases have been reported across 188 countries and territories, resulting in more than 533,000 deaths. More than 6.16 million people have recovered.

There are no vaccines nor specific antiviral treatments for SARS-Cov-2. Management involves the treatment of symptoms, supportive care, isolation, and experimental measures. The World Health Organization (WHO) declared the SARS-Cov-2 outbreak a public health emergency of international concern (PHEIC) on 30 January 2020 and a pandemic on 11 March 2020. Local transmission of the disease has occurred in most countries across all six WHO regions.

As a result of this Kenya instituted lockdown and curfews from the end of March 2020, and although some restrictions have been lifted, it will be months before the country is back to business as usual. The company expects production and receipting to increase slowly over the next few months as the economy recovers and businesses are able to operate again.

Report of the Directors

13. Going concern

Having made an assessment of the company's ability to continue as a going concern as set out in more detail within the audit committee report and note 4, the directors are of the opinion, based on intended discussions with creditors and the possibility of increased funding wherein it will be assisted by external advisers, that the company will continue in operational existence for the foreseeable future providing that the support of providers of new equity proceeds as planned. There is yet no certainty in this regard.

By Order of the Board

EN Ndemo
Chairperson
28 July 2020

Independent Auditor's Report

To the director of Real People Kenya Limited

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Real People Kenya Limited set out on pages 12 to 48, which comprise the Statement of Financial Position as at 31 March 2020, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial statements of Real People Kenya Limited. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Material uncertainty related to going concern

We draw attention to note 4 in the financial statements, which indicates that the company incurred a net loss of KES 241 million during the year ended 31 March 2020 and has accumulated losses of KES 1.23 billion. As of that date, the company's current liabilities exceeded its total assets by KES 479 million. These events or conditions, along with other matters as set forth in note 4, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Medium term note

The maturity of the 3 year notes was extended from August 2019 to February 2020. The company did not redeem the 3 year notes obligation which have a nominal value of KES 267 million. The company had a redemption obligation in August 2020 for the 5 year notes, which have a nominal value of KES 1.04 billion but at a meeting with all the noteholders held on 28 February 2020, it was agreed to extend the maturity of all the notes to 28 February 2021. In our opinion, the company will not be able to meet the redemption obligation due in February 2021 because, as at the time of this report, the company had not secured financing agreement to guarantee redemption of the notes in February 2021.

Other matter - Reports Required by the Companies Act of 2015

The financial statements include the Report of the Directors as required by the Companies Act of 2015. The directors are responsible for this other information.

We have read the other information and, in doing so, considered 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. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report, we are unable to report further on this other information.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of 2015, 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 responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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) (Parts 1 and 3) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya.

Report on other legal and regulatory requirements

As required by the Kenya Companies Act, 2015 we report to you, based on our audit, that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;
- In our opinion proper books of accounts have been kept by the company, so far as it appears from our examinations of those books; and
- The company's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of account.

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BDO East Africa Kenya
Regulated by ICPAK, License number: PF/0015
C1, Sameer Business Park
Mombasa Road
Nairobi, Kenya

Signed by Clifford Ah Chip, engagement partner responsible for the independent audit
Practicing certificate number: P/1964
Membership number: 9578

Date: __________________

Statement of Profit or Loss and Other Comprehensive Income

Figures in Shillings thousand	Note(s)	2020	2019
Revenue	5	193,978	236,197
Other operating income	6	1,617	1,682
Impairment of loans and advances	7	(2,722)	126,415
Operating expenses		(295,049)	(342,134)
Operating (loss) profit	7	**(102,176)**	**22,160**
Finance cost	8	(133,354)	(187,413)
Other non-operating gains (losses)	9	36	(7,705)
Loss before taxation		**(235,494)**	**(172,958)**
Tax (charge)/credit	12	(5,656)	-
Loss for the year		**(241,150)**	**(172,958)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(241,150)**	**(172,958)**

Statement of Financial Position as at 31 March 2020

Figures in Shillings thousand	Note(s)	2020	2019
Assets			
Non-Current Assets			
Equipment	13	6,757	17,023
Right-of-use assets	14	4,475	-
Intangible assets	15	8,127	19,743
		19,359	**36,766**
Current Assets			
Loans receivable	18	452,198	644,606
Trade and other receivables	17	9,259	12,267
Current tax receivable	21	273,499	279,132
Cash and cash equivalents	19	97,112	81,559
		832,068	**1,017,564**
Total Assets		**851,427**	**1,054,330**
Equity and Liabilities			
Equity			
Share capital	20	750,000	750,000
Accumulated loss		(1,229,156)	(988,021)
		(479,156)	**(238,021)**
Liabilities			
Non-Current Liabilities			
Other financial liabilities	22	-	1,008,846
Lease liabilities - right-of-use assets	14&25	1,074	-
		1,074	**1,008,846**
Current Liabilities			
Trade and other payables	23	15,292	12,817
Other financial liabilities	22	1,310,849	270,688
Lease liabilities - right-of-use assets	14&25	3,368	-
		1,329,509	**283,505**
Total Liabilities		**1,330,583**	**1,292,351**
Total Equity and Liabilities		**851,427**	**1,054,330**

The financial statements and the notes on pages 12 to 48, were approved by the board of directors on the 28 July 2020 and were signed on its behalf by:

EN Ndemo

TM Karanja

Statement of Changes in Equity

Figures in Shillings thousand	Share capital	Share premium	Total share capital	Accumulated loss	Total equity
Balance at 01 April 2018	**250,000**	**500,000**	**750,000**	**(815,063)**	**(65,063)**
Total comprehensive loss for the year	-	-	-	(172,958)	(172,958)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**(172,958)**	**(172,958)**
Opening balance as previously reported	**250,000**	**500,000**	**750,000**	**(988,021)**	**(238,021)**
Adjustments					
Adoption of IFRS 16	-	-	-	15	15
Balance at 01 April 2019 as restated	**250,000**	**500,000**	**750,000**	**(988,006)**	**(238,006)**
Total comprehensive loss for the year	-	-	-	(241,150)	(241,150)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**(241,150)**	**(241,150)**
Balance at 31 March 2020	**250,000**	**500,000**	**750,000**	**(1,229,156)**	**(479,156)**

Statement of Cash Flows

Figures in Shillings thousand	Note(s)	2020	2019
Cash flows from operating activities			
Cash generated from/ (used in) operations	24	118,249	(33,078)
Finance cost		(102,501)	(167,231)
Tax paid	21	(23)	(8)
Net cash from operating activities		**15,725**	**(200,317)**
Cash flows from investing activities			
Purchase of equipment	13	(172)	(828)
Proceeds on sale of equipment	13	-	49
Net cash from investing activities		**(172)**	**(779)**
Cash flows from financing activities			
Payment on lease liabilities		(807)	-
Net cash from financing activities		**-**	**-**
Total cash movement for the year		**15,553**	**(201,096)**
Cash at the beginning of the year		81,559	282,655
Total cash at end of the year	19	**97,112**	**81,559**

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act of 2015.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Shillings, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Useful lives of equipment

Management assess the appropriateness of the useful lives of equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

1.3 Equipment

Equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Leasehold improvements	Straight line	6 years
Advertising boards	Straight line	10 years

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

Each part of an item of equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on equipment when there is an indicator that they may be impaired. When the carrying amount of an item of equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Intangible assets

An intangible asset is recognised when:

1.4 Intangible assets (continued)

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	5 years
Computer software, acquired	3 years

1.5 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

Accounting Policies

1.5 Impairment of assets (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.6 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

1.8 Borrowing costs

Borrowing costs are amortised over the life of the bond.

1.9 Revenue

Interest income

Interest income earned on advances is recognised on a time apportionment basis that takes the effective yield on assets into account.

Fees and commission

Fees and commission income that are integral to the effective interest rate on financial assets are included in the measurement of the effective interest rate.

Other fees and commission income, including monthly service fees, are recognised as the related services are performed.

1.10Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.10Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.11Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the company's incremental borrowing rate.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

1.12Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 3 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Loans receivable at amortised cost

Classification

Loans to group companies are classified as financial assets subsequently measured at amortised cost.

Financial instruments (continued)

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The company recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the company compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

Financial instruments (continued)

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Write off policy

The company writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and vice versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 7).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

Financial instruments (continued)

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Shillings equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses).

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item.

Trade and other payables

Classification

Trade and other payables (note 23), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance cost (note 8).

Financial instruments (continued)

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 3 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Shillings equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses).

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

1.13 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, company determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Shillings by applying to the foreign currency amount the exchange rate between the Shillings and the foreign currency at the date of the cash flow.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

The amendment deals with the determination of past service cost and gains or losses on settlement, when a plan is amended, curtailed or settled ("the event"). Specifically, when determining the past service cost or gain or loss on settlement, the net defined benefit liability (asset) shall be remeasured using the current fair value of plan assets and current actuarial assumptions reflecting the benefits offered under the plan and plan assets both before and after the event. The effect of the asset ceiling shall not be considered in this exercise. The effect of the asset ceiling shall be determined after the event.

The amendment also specifies that when determining current service costs and net interest on the defined benefit liability (asset) in a period in which an amendment, curtailment or settlement occurs, to apply inputs at the beginning of the reporting period for the current service cost and interest up to the date of the event, and to apply inputs as at the date of the event to determine current service costs and interest for the remainder of the period.

The effective date of the amendment is for years beginning on or after 01 January 2019.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 January 2019.

The company expects to adopt the interpretation for the first time in the 2020 financial statements.

The impact of the interpretation is not material.

2. New Standards and Interpretations (continued)

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.

2. New Standards and Interpretations (continued)

- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The company has adopted the standard for the first time in the 2020 financial statements.

On transition to IFRS 16, the Company recognised an additional KES '000: (5,263) of right-of-use assets and KES '000: (5,248) of lease liabilities, recognising the difference in retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 01 April 2019. The weighted average rate applied is 15%.

2. New Standards and Interpretations (continued)

Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The effective date of the amendment is for years beginning on or after 01 January 2019.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle
The amendment clarifies that if a party participates in, but does not have joint control of, a joint operation and subsequently obtains joint control of the joint operation (which constitutes a business as defined in IFRS 3) that, in such cases, previously held interests in the joint operation are not remeasured.

The effective date of the amendment is for years beginning on or after 01 January 2019.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle
The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after 01 January 2019.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28
The amendment now requires that an entity also applies IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

The effective date of the amendment is for years beginning on or after 01 January 2019.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Prepayment Features with Negative Compensation - Amendment to IFRS 9
The amendment to Appendix B of IFRS 9 specifies that for the purpose of applying paragraphs B4.1.11(b) and B4.1.12(b), irrespective of the event or circumstance that causes the early termination of the contract, a party may pay or receive reasonable compensation for that early termination.

The effective date of the amendment is for years beginning on or after 01 January 2019.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle
The amendment clarifies that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The

2. New Standards and Interpretations (continued)
acquirer shall therefore apply the requirements for a business combination achieved in stages.

The effective date of the amendment is for years beginning on or after 01 January 2019.

It is unlikely that the amendment will have a material impact on the company's financial statements.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2020 or later periods:

- **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The effective date for years beginning on or after 01 January 2020
- **Definition of a business - Amendments to IFRS 3**
  The effective date for years beginning on or after 01 January 2020
- **Presentation of Financial Statements: Disclosure initiative**
  The effective date for years beginning on or after 01 January 2020
- **Accounting policies, Changes in Accounting Estimates and Errors: Disclosure initiative**
  The effective date for years beginning on or after 01 January 2020
- **IFRS 17 Insurance Contracts**
  The effective date for years beginning on or after 01 January 2021

The company is still assessing the impact of these new standards and interpretations.

Figures in Shillings thousand 2020 2019

Notes to the financial statements

3. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2020

	Note(s)	*Amortised cost*	*Total*	*Fair value*
Loans receivable	18	452,198	452,198	-
Trade and other receivables	17	9,259	9,259	9,259
Cash and cash equivalents	19	97,112	97,112	97,112
		558,569	**558,569**	**106,371**

2019

	Note(s)	*Amortised cost*	*Total*	*Fair value*
Loans receivable	18	644,606	644,606	644,606
Trade and other receivables	17	12,267	12,267	12,267
Cash and cash equivalents	19	81,559	81,559	-
		738,432	**738,432**	**656,873**

Categories of financial liabilities

2020

	Note(s)	*Fair value through profit or loss - Designated*	*Amortised cost*	*Leases*	*Total*	*Fair value*
Trade and other payables	23	-	15,291	-	15,291	15,291
Finance lease obligations	14&25	-	-	4,442	4,442	10,120
Other financial liabilities	22	1,310,849	-	-	1,310,849	1,310,849
		1,310,849	**15,291**	**4,442**	**1,330,582**	**1,336,260**

2019

	Note(s)	*Fair value through profit or loss - Designated*	*Amortised cost*	*Total*	*Fair value*
Trade and other payables	23	-	12,816	12,816	12,816
Other financial liabilities	22	1,279,535	-	1,279,535	1,279,535
		1,279,535	**12,816**	**1,292,351**	**1,292,351**

Pre tax gains and losses on financial instruments

Figures in Shillings thousand

3. Financial instruments and risk management (continued)

Gains and losses on financial assets

2020

	Note(s)	*Fair value through profit or loss - Mandatory*	*Amortised cost*	*Total*
Recognised in profit or loss:				
Gains (losses) on valuation adjustments		115	-	115
Movement in credit loss allowances	7	-	(2,722)	(2,722)
Net gains (losses)		**115**	**(2,722)**	**(2,607)**

2019

	Note(s)	*Fair value through profit or loss - Mandatory*	*Amortised cost*	*Total*
Recognised in profit or loss:				
Gains (losses) on valuation adjustments		(3,242)	-	(3,242)
Movement in credit loss allowances	7	-	126,415	126,415
Net gains (losses)		**(3,242)**	**126,415**	**123,173**

Gains and losses on financial liabilities

2020

	Note(s)	*Fair value through profit or loss - Mandatory*	*Amortised cost*	*Leases*	*Total*
Recognised in profit or loss:					
Finance costs	8	-	(133,009)	(345)	(133,354)
Gains (losses) on valuation adjustments		(79)	-	-	(79)
Net gains (losses)		**(79)**	**(133,009)**	**(345)**	**(133,433)**

Figures in Shillings thousand		2020	2019

3. Financial instruments and risk management (continued)

2019

	Note(s)	*Fair value through profit or loss - Mandatory*	*Amortised cost*	*Total*
Recognised in profit or loss:				
Finance costs	8	-	(187,413)	(187,413)
Gains (losses) on valuation adjustments		(4,463)	-	(4,463)
Net gains (losses)		**(4,463)**	**(187,413)**	**(191,876)**

Capital risk management

	Note(s)	2020	2019
Financial liabilities	22	1,310,849	1,279,534
Lease liabilities	25	4,442	-
Trade and other payables	23	15,291	12,816
Total borrowings		**1,330,582**	**1,292,350**
Cash and cash equivalents	19	(97,112)	(81,559)
Net borrowings		**1,233,470**	**1,210,791**
Equity		(479,156)	(238,020)
Gearing ratio		(257)%	(509)%

Financial risk management

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.

The maximum exposure to credit risk is presented in the table below:

		2020			2019		
		Gross carrying amount	*Credit loss allowance*	*Amortised cost / fair value*	*Gross carrying amount*	*Credit loss allowance*	*Amortised cost / fair value*
Loans receivable	18	2,622,404	(2,170,206)	452,198	2,812,059	(2,167,453)	644,606
Trade and other receivables	17	9,259	-	9,259	15,509	(3,242)	12,267
Cash and cash equivalents	19	97,112	-	97,112	81,559	-	81,559
		2,728,775	**(2,170,206)**	**558,569**	**2,909,127**	**(2,170,695)**	**738,432**

3. Financial instruments and risk management (continued)

Liquidity risk

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2020

		Less than 1 year	*Total*	*Carrying amount*
Non-current liabilities				
Lease liabilities	25	-	-	1,074
Current liabilities				
Trade and other payables	25	15,291	15,291	15,291
Financial liabilities	22	-	-	1,310,849
Lease liabilities	25	-	-	3,368
		15,291	**1,326,140**	**1,330,582**

2019

		Less than 1 year	*Total*	*Carrying amount*
Non-current liabilities				
Financial liabilities	22	-	-	1,008,846
Current liabilities				
Trade and other payables	23	12,816	12,816	12,816
Financial liabilities	22	270,688	270,688	270,688
		283,504	**283,504**	**1,292,350**

4. Going concern

We draw attention to the fact that at 31 March 2020, the company had accumulated losses of KES '000: (1,229,156) and that the company's total liabilities exceed its assets by KES '000: (479,156).

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the financial statements

Figures in Shillings thousand	2020	2019

4. Going concern (continued)

The ability of the company to continue its operations into the foreseeable future is dependent on several factors, and two are essential. Firstly, the continued engagement with noteholders and prospective investors to increase capital either by equity or quasi-equity instruments, which will also restore the solvency of the company. Secondly, concerted efforts to ensure the company remains an attractive prospect for investors. The company is ensuring this by cost containment and reviewing the core operation system to improve operating efficiency. The company is further diversifying its product and service offering through the introduction of asset financing, insurance premium financing, mobile lending (via the RealPesa mobile app) and other short term products, all of which will help drive revenue growth.

5. Revenue

	2020	2019
Revenue from contracts with customers		
Fee income	26,640	(5,111)
Interest income	167,338	241,308
	193,978	**236,197**

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

	2020	2019
Rendering of services		
Fees earned	26,640	(5,111)
Interest income from customers		
Interest income	167,338	241,308
Total revenue from contracts with customers	**193,978**	**236,197**

Timing of revenue recognition

	2020	2019
Over time		
Fee income	(26,640)	5,111
Interest income	(167,338)	(241,308)
	(193,978)	**(236,197)**

6. Other operating income

	2020	2019
Commissions received	**1,617**	**1,682**

7. Operating profit (loss)

Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others:

	2020	2019
Auditor's remuneration - external		
Audit fees	3,102	2,874
Adjustment for previous year	3,000	5,981
	6,102	**8,855**
Auditor's remuneration - internal	**-**	**1,593**

Notes to the financial statements

Figures in Shillings thousand	2020	2019

7. Operating profit (loss) (continued)

Remuneration, other than to employees		
Administrative and managerial services	1,075	1,123
Consulting and professional services	64,103	74,701
Secretarial services	259	103
	65,437	**75,927**

Employee costs

Salaries, wages, bonuses and other benefits	122,917	133,088
Relocation costs	613	723
Staff welfare	3,506	3,650
Training	98	1,020
Recruitment	887	1,570
Retirement benefit plans: defined contribution expense	5,283	5,725
Total employee costs	**133,304**	**145,776**

Average number of persons employed during the year		
Sales and marketing	49	69
Call centre	12	12
Credit	2	-
Executive	2	1
Finance	3	4
Head Office and administration	6	6
Human resources	1	2
Information technology	2	1
Legal	2	1
Vetting	2	2
	81	**98**

Depreciation and amortisation		
Depreciation of equipment	7,589	12,901
Depreciation of right-of-use assets	788	-
Amortisation of intangible assets	11,616	13,729
Total depreciation and amortisation	**19,993**	**26,630**

Movement in credit loss allowances		
Loans receivables at amortised cost	2,722	(126,415)

Expenses by nature

The total selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Employee costs	133,304	145,776
Depreciation, amortisation and impairment	19,993	26,630
Other expenses	141,752	169,728
	295,049	**342,134**

Notes to the financial statements

Figures in Shillings thousand	2020	2019

8. Finance cost

Lease liabilities	345	-
Interest expense 5 year bond	81,255	122,559
Interest expense 3 year bond	20,949	32,515
Amortisation of issue cost	13,158	13,158
Amortisation of discount	17,647	19,181
Total finance costs	**133,354**	**187,413**

9. Other non-operating gains (losses)

Fair value gains (losses)		
Impairment of amount due from Tanzania	115	(3,242)
Loans from group companies	(79)	(4,463)
	36	**(7,705)**

10. Employee costs

Employee costs		
Basic	101,602	106,305
Commissions	2,767	3,789
Bonus	1,539	4,870
Medical aid - company contributions	16,710	17,720
Casuals	-	124
Other payroll levies	218	247
Leave pay provision charge	81	33
Relocation costs	613	723
Staff welfare	3,506	3,650
Training	98	1,020
Recruitment	887	1,570
Retirement benefit plans	5,283	5,725
	133,304	**145,776**

Notes to the financial statements

Figures in Shillings thousand	2020	2019

11. Directors' emoluments

Non-executive

2020

	Directors' fees	*Total*
YM Godo	1,300	1,300
TM Karanja	1,800	1,800
CH Kocks	1,300	1,300
EN Ndemo	2,000	2,000
BH Pieters	1,800	1,800
	8,200	**8,200**

2019

	Directors' fees	*Total*
YM Godo	325	325
TM Karanja	1,800	1,800
CH Kocks	1,150	1,150
EN Ndemo	2,000	2,000
BH Pieters	1,800	1,800
	7,075	**7,075**

12. Taxation

Major components of the tax (income) expense

	2020	2019
Current		
Local income tax - prior period	5,656	-

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2020	2019
Accounting loss	(235,494)	(172,958)
Tax at the applicable tax rate of 30% (2019: 30%)	(70,648)	(51,887)
Tax effect of adjustments on taxable income		
Income not subject to tax	-	(79)
Deferred tax not recognised	29,431	(6,054)
Expenses not deductible for tax purposes	41,217	58,020
Other (describe)	5,656	-
	5,656	**-**

Figures in Shillings thousand

13. Equipment

	2020			2019		
	Cost or revaluation	*Accumulated depreciation*	*Carrying value*	*Cost or revaluation*	*Accumulated depreciation*	*Carrying value*
Furniture and fixtures	44,465	(38,690)	5,775	57,793	(42,500)	15,293
Office equipment	11,856	(11,538)	318	11,964	(11,150)	814
Computer software	68,461	(67,797)	664	68,289	(67,373)	916
Total	**124,782**	**(118,025)**	**6,757**	**138,046**	**(121,023)**	**17,023**

Reconciliation of equipment - 2020

	Opening balance	*Additions*	*Write off*	*Depreciation*	*Total*
Furniture and fixtures	15,293	-	(2,850)	(6,668)	5,775
Office equipment	815	-	-	(497)	318
Computer software	916	172	-	(424)	664
	17,024	**172**	**(2,850)**	**(7,589)**	**6,757**

Reconciliation of equipment - 2019

	Opening balance	*Additions*	*Disposals*	*Depreciation*	*Total*
Furniture and fixtures	22,943	-	(42)	(7,608)	15,293
Office equipment	1,690	106	(7)	(975)	814
Computer software	4,512	722	-	(4,318)	916
	29,145	**828**	**(49)**	**(12,901)**	**17,023**

14. Right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	Cost	*Accumulated amortisation*	*Carrying value*
Right-of-use assets - buildings	5,483	(1,008)	4,475

The company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The company has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

Recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

Figures in Shillings thousand	2020	2019

15. Intangible assets

	2020			2019		
	Cost / Valuation	*Accumulated amortisation*	*Carrying value*	*Cost / Valuation*	*Accumulated amortisation*	*Carrying value*
Computer software, internally generated	62,556	(54,429)	8,127	62,556	(42,813)	19,743

Reconciliation of intangible assets - 2020

	Opening balance	*Amortisation*	*Total*
Computer software, internally generated	19,743	(11,616)	8,127

Reconciliation of intangible assets - 2019

	Opening balance	*Amortisation*	*Total*
Computer software, internally generated	33,472	(13,729)	19,743

16. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Unrecognised deferred tax asset

	2020	2019
Equipment	7,522	7,997
Provisions for leave days	1,573	1,681
Provisions for loans and advances	529,501	528,675
Tax losses	119,504	89,763
Unrealised exchange differences	12	(4)
Provision for bonus	303	892
Right-of-use assets	20	-
	658,435	**629,004**

17. Trade and other receivables

	2020	2019
Financial instruments:		
Trade receivables	5,199	8,225
Accrued income	154	4,480
Loss allowance	-	(3,242)
Trade receivables at amortised cost	5,353	9,463
Deposits	3,727	2,945
Staff advances	179	(141)
Total trade and other receivables	**9,259**	**12,267**

Figures in Shillings thousand	2020	2019

17. Trade and other receivables (continued)

Split between non-current and current portions

Current assets	9,259	12,267

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	9,259	12,268

18. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

Performing advances	456,673	651,241
Non-performing advances	2,165,731	2,160,818
Provision for impairment	(2,170,206)	(2,167,453)
	452,198	**644,606**

Split between non-current and current portions

Current assets	452,198	644,606

Exposure to credit risk

Loans receivable inherently exposes the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans receivable is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of expected credit losses, the company has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate or are employed. This information has been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and is applied to estimate a probability of default occurring as well as estimating the loss upon default.

The estimation techniques explained have been applied for the first time in the current financial period, which is the first time the company has applied IFRS 9. Loans receivable were previously impaired only when there was objective evidence that the loan was impaired. The impairment was previously calculated as the difference between the carrying amount and the present value of the expected future cash flows

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below.

Figures in Shillings thousand	2020	2019

18. Loans receivable (continued)

Reconciliation of loss allowances

The following tables show the movement in the loss allowances for loans receivable. The movement in the gross carrying amounts of the loans are also presented in order to assist in the explanation of movements in the loss allowance.

Changes due to loan recognised at the beginning of the reporting period:		
At the beginning of the year	(2,167,453)	(2,289,448)
(Additional)/ reversal/provision during the year	(2,753)	122,145
Specific provisions/write off	-	(150)
	(2,170,206)	**(2,167,453)**

Non-performing advances: Loss allowance measured at lifetime ECL (credit impaired):

Performing loan (PL0)	4,971	6,883
Performing loan (PL1)	574	63
Performing loan (PL2)	85	34
Performing loan (PL3)	4,493	2,474
Non-performing loan (NPL)	87,912	51,990
Non-performing loan write off	2,072,171	2,210,389
Reversed induplum impaired in prior years	-	(104,380)
Closing balance	2,170,206	2,167,453

Fair value of loans receivable

The directors are of the opinion that the carrying amounts of loans receivable approximates their fair value.

19. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	350	308
Bank balances	56,532	81,251
Short-term deposits	40,230	-
	97,112	**81,559**

20. Share capital

Authorised		
2,500,000 Ordinary shares of KES 100 each	250,000	250,000
Issued		
Ordinary	250,000	250,000
Share premium	500,000	500,000
	750,000	**750,000**

Notes to the financial statements

Figures in Shillings thousand	2020	2019

21. Tax paid

Balance at beginning of the year	279,132	279,124
Current tax for the year recognised in profit or loss	(5,656)	-
Prior year adjustment	-	8
Balance at end of the year	(273,499)	(279,132)
	(23)	**-**

Composition of balance		
Overpaid taxes 2014	36,795	36,795
Overpaid taxes 2015	96,610	96,610
Overpaid taxes 2016	65,745	71,401
Assessed refund 2016	67,019	67,019
Withholding tax	7,330	7,307
	273,499	**279,132**

The financial statements indicate that the company recognised an amount refundable from the Kenya Revenue Authority of KES 274 million for prior years overpayments of taxes. The refund claim has been filed with the Kenya Revenue Authority and the Kenya Revenue Authority is currently reviewing the documentation.

22. Other financial liabilities

At amortised cost		
Medium Term Notes	1,310,849	1,279,534

At a meeting of the note holders held on 28 February 2020, of the KES 267,100,000 3 year and KES 1,036,000,000 5-year Senior Unsecured Notes Due 2019 and 2020 respectively, the noteholders, by means of extraordinary resolutions resolved that:

i) the maturity dates for the 3 year Notes due on 3 August 2019 be extended to 28 February 2020;

ii) subject to the Issuer securing an agreement with an investor whose identity shall be approved by noteholders holding 75% of the Notes, by 28 February 2020:

- the final maturity dates for all of the Notes be extended to 24 July 2028;
- the interest shall be paid on and determined on certain dates which have been identified based on the Trust Deed and consistent with the manner in which the interest is currently paid and determined;
- the Notes shall be redeemed at their face value in four equal tranches on 1 August 2022, 29 July 2024, 27 July 2026 and 24 July 2028.

As at 23 July 2020, no investor has been identified and all the Notes have been classified as current liabilities.

Split between non-current and current portions

Non-current liabilities	-	1,008,846
Current liabilities	1,310,849	270,688
	1,310,849	**1,279,534**

Notes to the financial statements

Figures in Shillings thousand	2020	2019

23. Trade and other payables

	2020	2019
Financial instruments:		
Trade payables	163	440
Accrued leave pay	5,243	5,603
Accrued bonus	1,012	2,974
Accrued expenses	4,663	479
Salary control accounts	4,188	3,321
Assurance control accounts	23	-
	15,292	**12,817**

24. Cash generated from/(used in) operations

	2020	2019
Loss before taxation	(235,494)	(172,958)
Adjustments for:		
Depreciation and amortisation	19,993	26,630
Assets write off	2,850	-
Interest cost	102,204	155,074
Amortisation of discount	17,647	19,180
Amortisation of issue cost	13,158	13,157
Changes in working capital:		
Trade and other receivables	3,008	16,559
Advances to customers	192,408	(91,793)
Trade and other payables	2,475	1,073
	118,249	**(33,078)**

25. Lease liabilities

	2020	2019
Minimum lease payments due		
- within one year	1,661	-
- in second to fifth year inclusive	4,300	-
	5,961	-
less: future finance charges	(1,519)	-
Present value of minimum lease payments	**4,442**	**-**

	2020	2019
Present value of minimum lease payments due		
- within one year	1,074	-
- in second to fifth year inclusive	3,368	-
	4,442	**-**

	2020	2019
Non-current liabilities	1,074	-
Current liabilities	3,368	-
	4,442	**-**

	Present value	*Interest expense*	*Lease payment*	*Total*
Right-of-use assets - buildings	5,249	345	(1,152)	4,442

Notes to the financial statements

Figures in Shillings thousand	2020	2019

26. Related parties

Relationships

Ultimate shareholder	The GVR Trust
Holding company	Real People Holdings International Limited
Fellow subsidiary	Real People Tanzania Limited
Fellow subsidiary	Real People Financial Services (Uganda) Limited

	2020	2019
Compensation to directors and other key management		
Short-term employee benefits	8,200	9,967

Notes to the financial statements

27. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2020

	Opening balance	*Discount amortised*	*Issue cost amortised*	*interest expense*	*New leases*	*Total non-cash movements*	*Cash flows*	*Closing balance*
3 year notes	270,689	-	-	20,949	-	20,949	(20,844)	270,794
5 year notes	1,008,845	17,647	13,158	81,255	-	112,060	(80,850)	1,040,055
Finance lease liabilities	-	-	-	345	5,249	5,594	(1,152)	4,442
	1,279,534	**17,647**	**13,158**	**102,549**	**5,249**	**138,603**	**(102,846)**	**1,315,291**
Total liabilities from financing activities	**1,279,534**	**17,647**	**13,158**	**102,549**	**5,249**	**138,603**	**(102,846)**	**1,315,291**

Reconciliation of liabilities arising from financing activities - 2019

	Opening balance	*Discount amortised*	*Issue cost amortised*	*interest expense*	*Total non-cash movements*	*Cash flows*	*Closing balance*
3 year notes	271,660	1,517	-	31,790	33,307	(34,278)	270,689
5 year notes	987,693	17,646	13,158	123,305	154,109	(132,957)	1,008,845
	1,259,353	**19,163**	**13,158**	**155,095**	**187,416**	**(167,235)**	**1,279,534**
Total liabilities from financing activities	**1,259,353**	**19,163**	**13,158**	**155,095**	**187,416**	**(167,235)**	**1,279,534**