INFORMATIENOTA (AANBIEDING AAN HET PUBLIEK)

INFORMATIENOTA OVER DE AANBIEDING VAN EFC OBLIGATIES DOOR ENTREPRENEURS FINANCIAL CENTRE UGANDA LTD.

LET OP: IN VERBAND MET COVID-19 GELDEN ER TIJDELIJK ANDERE VOORWAARDEN VOOR DEZE PARTNER. MEER INFORMATIE VINDT U HIER.

Dit document is opgesteld door Hands-on BV (Lendahand).

DIT DOCUMENT IS GEEN PROSPECTUS EN WERD NIET GECONTROLEERD NOCH GOEDGEKEURD DOOR DE AUTORITEIT VOOR FINANCIËLE DIENSTEN EN MARKTEN

15 april 2020

WAARSCHUWING: DE BELEGGER LOOPT HET RISICO ZIJN BELEGGING VOLLEDIG OF GEDEELTELIJK TE VERLIEZEN EN/OF HET VERWACHTE RENDEMENT NIET TE BEHALEN

DE BELEGGINGSINSTRUMENTEN ZIJN NIET GENOTEERD: DE BELEGGER LOOPT HET RISICO GROTE PROBLEMEN TE ONDERVINDEN OM ZIJN POSITIE AAN EEN DERDE TE VERKOPEN INDIEN HIJ DAT ZOU WENSEN.

Deel I - Belangrijkste risico's die inherent zijn aan de uitgevende instelling en de aangeboden beleggingsinstrumenten, en die specifiek zijn voor de betrokken aanbieding

Over het algemeen geldt hoe hoger het aangeboden of verwachte rendement, hoe hoger het risico. Het aangeboden of verwachte rendement op de obligaties is afhankelijk van de winst die de uitgevende instantie maakt. De kans bestaat dat de winst lager is dan verwacht of dat er zelfs sprake is van verlies, waardoor u mogelijk minder rendement krijgt uitgekeerd of zelfs uw inleg of een deel daarvan verliest. De belangrijkste redenen waardoor de uitgevende instelling mogelijk niet in staat is het aangeboden of verwachte rendement of zelfs uw inleg uit te keren, zijn:

Macro-economische, sociale en politieke landenrisico's: er is sprake van het risico dat macro-economische, sociale en politieke factoren leiden tot een lastig zakelijk klimaat voor de uitgevende instelling. Deze risico’s zijn aan elkaar gerelateerd en lastig te beheersen. Economische, financiële en sociale instabiliteit, een complex en snel veranderende juridisch systeem, natuurrampen, etc. hebben een grote impact op het zakelijk klimaat via o.a. devaluaties van lokale valuta, hoge inflatie en beperkte capaciteit tot terugbetaling door klanten.

Portefeuille risico: er is sprake van het risico op te veel slechte leningen in de portefeuille van de uitgevende instelling, bijvoorbeeld omdat de kredietbeoordeling en/of klantafhandeling niet op orde is, of door politieke instabiliteit of een natuurramp. Dit betekent dat leningen afgeboekt moeten worden wat een weerslag kan hebben op de kapitalisatie en winstgevendheid van de uitgevende instelling.

Wisselkoersrisico: er is sprake van het risico op verliezen door wisselkoersschommelingen omdat de uitgevende instelling inkomsten genereert die anders zijn dan de valuta waarin de obligaties zijn uitgegeven. Dit betekent dat de liquiditeit en solvabiliteit van de uitgevende instelling in gevaar kan komen bij heftige wisselkoersschommelingen.

De obligaties zijn niet verhandelbaar op een beurs of platform en daardoor beperkt verhandelbaar. Dat betekent dat er mogelijk geen koper is voor uw obligaties als u tussentijds van uw belegging af wilt. U loopt dan dus het risico dat u niet op het door u gewenste moment uw geld terug kan krijgen en uw belegging langer aan moet houden of uw obligaties voor een lagere prijs moet verkopen.

Fraude en corruptierisico’s: er is sprake van het risico op fraude en/of corruptie omdat er over het algemeen een grote afstand is tussen de uitgevende instelling en de investeerders in de obligaties. Tevens is het fraude- en corruptieniveau in het land van de uitgevende instelling over het algemeen hoger dan in het land van verblijf van de investeerders in de obligaties. Dit betekent dat de (financiële) situatie bij de uitgevende instelling er beter voor kan lijken te staan dan dat het daadwerkelijk is.

Financieringsrisico: er is sprake van een financieringsrisico omdat de uitgevende instelling continue financiering nodig heeft voor haar activiteiten. Dit betekent dat het kan gebeuren dat de uitgevende instelling haar leenportefeuille moet verkleinen als ze niet meer voldoende financiering kan aantrekken wat een neerwaartse druk geeft op de winstgevendheid.

Vervroegde aflossing: er is sprake van het risico op vervroegde aflossing omdat de uitgevende instelling de obligaties op lagere kosten kan herfinancieren. Dit betekent voor u als belegger dat u eerder de beschikking heeft over uw geld dan verwacht, hetgeen gederfde (rente)inkomsten als gevolg kan hebben.

Rangorde uitbetaling: uitkering van het rendement gebeurt nadat operationele uitstaande kosten voldaan zijn zoals lonen en facturen van leveranciers. Het risico bestaat dat de uitgevende instelling onvoldoende liquide middelen overhoudt om het rendement uit te keren. Dit betekent voor u als belegger dat het rendement lager kan zijn dan verwacht en eventueel dat u niet uw volledige inleg terugkrijgt.

In geval van faillissement hebben de volgende uitkeringen voorrang op de uitbetaling van het rendement op de obligaties: operationele uitstaande kosten, belastingen, deposito's, vreemd vermogen met onderpand. Let op dat deze lijst niet per se uitputtend is. Dit betekent voor u dat het rendement lager kan zijn dan verwacht en eventueel dat u niet uw volledige inleg terugkrijgt.

Beperkt eigen vermogen: het eigen vermogen van de uitgevende instelling is beperkt ten opzichte van het vreemd vermogen. Dit betekent dat de buffer aan eigen vermogen klein is waardoor bij tegenvallende resultaten de uitgevende instelling relatief snel niet meer aan haar verplichtingen op de obligaties zal kunnen voldoen. Het risicoprofiel van de obligaties lijkt daardoor op het risicoprofiel van aandelen.

Operationeel risico: er is sprake van het risico op operationele tekortkomingen omdat de kosten langdurig te hoog kunnen zijn versus de opbrengsten. Dit betekent dat de uitgevende instelling niet meer aan haar financiële verplichtingen kan voldoen.

Platform risico: er is sprake van het risico op discontinuatie van het platform omdat de aanbieder de exploitatie niet rendabel kan maken. Dit betekent dat het lastiger zal zijn om terugbetalingen te faciliteren voor investeerders in de obligaties.

Deel II - Informatie over de uitgevende instelling en de aanbieder van de beleggingsinstrumenten

A. Identiteit van de uitgevende instelling

1. De uitgevende instelling is een besloten vennootschap, opgericht op 13 december 2011 en gevestigd in Oeganda. Het adres van de uitgevende instelling is 2e verdieping Acacia Place, P.O Box 33667, Kampala, Oeganda. De website van de uitgevende instelling is www.efcug.com

2. Dit zijn de belangrijkste activiteiten van de uitgevende instelling: financieren van kleine en middelgrote ondernemingen in Oeganda.

3. Voor zover die informatie bekend is bij de uitgevende instelling of de aanbieder, identiteit van de personen die meer dan 5% van het kapitaal van de uitgevende instelling in bezit hebben, en omvang (uitgedrukt als percentage van het kapitaal) van de deelnemingen in hun bezit: De aandeelhouders van de uitgevende instelling zijn: AfricInvest (29.95%), Belgian Investment Company for Developing Countries (28,62%, Developpement International Desjardins (5.37%).

4. Het bedrag aan uitstaande leningen is EUR 2.094.947. Dit betreft 5 leningen en 1 korte termijn bankkrediet die de uitgevende instelling over de komende 2,5 jaar afgelost moet hebben. Alle terugbetalingen tot en met maart 2019 waren op tijd gedaan.

5. De uitgevende instelling wordt bestuurd door de volgende natuurlijke personen: Charles W. Nalyaali, Diana N. Kibuuka, Julius Tichelaar, Alexis Losseau, Bruno Degoy, Shem Kakembo, Stevens Mwanje, Florence Bamwine en Brent Wilson.

6. Bezoldiging bestuurders: onbekend bij aanbieder.

7. voor de sub 4° bedoelde personen, vermelding van elke veroordeling als bedoeld in artikel 20 van de wet van 25 april 2014 op het statuut van en het toezicht op kredietinstellingen en beursvennootschappen, of een passende negatieve verklaring: niet van toepassing

8. beschrijving van de belangenconflicten tussen de uitgevende instelling en de sub 3° tot 5° bedoelde personen, of met andere verbonden partijen, of een passende negatieve verklaring: niet van toepassing

9. in voorkomend geval, identiteit van de commissaris: niet van toepassing

B. Financiële informatie over de uitgevende instelling

Verklaring door de uitgevende instelling dat het werkkapitaal naar haar oordeel toereikend is om aan haar behoeften voor de volgende twaalf manden te voldoen: ja

Het bedrag aan uitstaande leningen is EUR 2.094.947. Dit betreft 5 leningen en 1 korte termijn bankkrediet die de uitgevende instelling over de komende 2,5 jaar afgelost moet hebben. Alle terugbetalingen tot en met maart 2019 waren op tijd gedaan.

Beschrijving van elke wijziging van betekenis in de financiële of handelspositie de zich heeft voorgedaan na het einde van het laatste boekjaar waarop de sub 1° hierboven bedoelde jaarrekening betrekking heeft, of een passende negatieve verklaring: niet van toepassing

C. Uitsluitend wanneer de aanbieder en de uitgevende instelling verschillende personen zijn: identiteit van de aanbieder

De aanbieder is niet de uitgevende instelling van de obligaties. Na uitvoerig onderzoek biedt de aanbieder de uitgevende instelling toegang tot haar website waarmee de uitgevende instelling financiering kan aantrekken ten behoeve van verschillende projecten. Hiervoor krijgt de aanbieder een vergoeding van de uitgevende instelling. Er is dus een financiële relatie tussen de aanbieder en de uitgevende instelling. Meer informatie over de uitgevende instelling is te vinden op de website van de aanbieder.

De aanbieder is opgericht op 17 juli 2012 en gevestigd in Rotterdam onder het KvK-nummer 55711766. Het adres van de aanbieder is Eendrachtsplein 3, Unit 2A, 3015 LA Rotterdam, Nederland. De website van de aanbieder is www.lendahand.com

De aanbieder wordt bestuurd door Engelcke B.V., Le Theta B.V. en Wiggerd B.V.

Contactpersoon: Koen The, koen.the@lendahand.com, +31 10 7171815.

D. Uitsluitend wanneer de aangeboden beleggingsinstrumenten een onderliggend actief hebben: beschrijving van het onderliggende actief

Niet van toepassing.

Deel III - Informatie over de aanbieding van beleggingsinstrumenten

A. Beschrijving van de aanbieding

De totale opbrengst van de aanbieding bedraagt EUR 2.500.000, verdeeld over diverse projecten gedurende de looptijd van de aanbieding.

Dit bedrag kan ook lager zijn als niet op alle obligaties wordt ingeschreven. De minimale opbrengst is EUR 2.500

De aanbiedingsperiode begint op 17-04-2020 en eindigt op 16-04-2021, of zoveel eerder als op de gehele aanbieding is ingeschreven.

Gedurende de aanbiedingsperiode biedt de uitgevende instelling projecten aan op de Lendahand website op basis waarvan obligaties worden uitgegeven.

De uitgiftedatum van de obligaties is doorlopend gedurende de aanbiedingsperiode.
De startdatum van een obligatie is de eerste dag van de maand volgend op de dag dat het onderliggende project volledig gefinancierd is.

Over uw inleg betaalt u geen emissiekosten. Bij verkoop van uw obligaties betaalt u geen kosten.
Van elke euro van uw inleg wordt EUR 0,- gebruikt om kosten af te dekken. EUR 1,- wordt geïnvesteerd in obligaties van de uitgevende instelling. Er is dus geen sprake van kosten voor de belegger.

B. Reden voor de aanbieding

De opbrengst wordt gebruikt voor het financieren van kleine en middelgrote bedrijven in Oeganda. Van de opbrengst wordt 0% gebruikt voor kosten, tenzij er sprake is van een eenmalige vooruitbetaalde platform vergoeding welke over het algemeen niet hoger is dan 4% per jaar.

Deel IV - Informatie over de aangeboden beleggingsinstrumenten

A. Kenmerken van de aangeboden beleggingsinstrumenten

U belegt in een obligatie.

De nominale waarde van de obligaties is EUR 50,00.

De intrinsieke waarde van de obligaties is EUR 50,00.

De prijs van de obligaties is EUR 50,00.

Deelname is mogelijk vanaf EUR 50,00.

De uitgiftedatum van een obligatie is de eerste dag van de maand volgend op de dag dat het onderliggende project volledig gefinancierd is.

De looptijd van de verschillende obligaties varieert tussen de 6 en 48 maanden. De betreffende looptijd wordt per project aangegeven. Terugbetalingen vinden elke 6 maanden plaats, inclusief rente, op de 15e van de maand.

De rente op de obligaties varieert tussen de 3-5% per jaar. Het betreffende percentage wordt per project aangegeven. De obligaties kennen geen bonusrente.

Rang van de beleggingsinstrumenten in de kapitaalstructuur van de uitgevende instelling bij insolventie: obligaties zijn niet preferent noch achtergesteld.

B. Uitsluitend in het geval waarin door een derde een garantie wordt toegekend in verband met de beleggingsinstrumenten: beschrijving van de garant en van de garantie

Niet van toepassing.

C. In voorkomend geval, bijkomende informatie voorgelegd door de markt waar de beleggingsinstrumenten toegelaten zijn.

Niet van toepassing.

Deel V - Alle andere belangrijke informatie die mondeling of schriftelijk aan één of meer beleggers wordt gericht

Onder verwijzing naar de Wet van 18 december 2016 tot regeling van de erkenning en de afbakening van crowdfunding en houdende diverse bepalingen inzake financiën, wordt de volgende informatie gedeeld:

De volledige identiteit en contactgegevens van de gereglementeerde onderneming die de alternatieve-financieringsdiensten verstrekt:

Hands-on B.V. (*een besloten vennootschap met beperkte aansprakelijkheid, opgericht naar Nederlands recht op 17 juli 2012 en gevestigd te Rotterdam*)
Eendrachtsplein 3, Unit 2A
3015 LA Rotterdam, Nederland
www.lendahand.com

Geregistreerd bij de Nederlandse Kamer van Koophandel onder nummer 55711766
De aanbieder wordt bestuurd door Engelcke B.V., Le Theta B.V. en Wiggerd B.V.
Contactpersoon: Koen The, koen.the@lendahand.com, +31 10 7171815.

De naam en het adres van de bevoegde autoriteit die de vergunning heeft verleend aan de gereglementeerde onderneming:

Autoriteit Financiële Markten (**AFM**)
Vijzelgracht 50
1017 HS Amsterdam, Nederland

De kosten van de alternatieve-financieringsdiensten voor de cliënten: geen.
De in het kader van het verstrekken van de alternatieve-financieringsdiensten in ontvangst genomen vergoedingen: een fee van de uitgevende instellingen.

De gereglementeerde onderneming beschikt over een belangenconflictenbeleid, ten einde zich op loyale, billijke en professionele wijze in te kunnen zetten voor de belangen van haar cliënten.

De gereglementeerde onderneming verwijst naar bovengenoemde Wet van 18 december 2016 voor de geldende (gedrags)regels voor het verstrekken van alternatieve-financieringsdiensten.

De te financieren projecten worden op de volgende wijze geselecteerd:

Lendahand voert een boekenonderzoek uit waarbij onder andere gekeken wordt naar de track record, de sociale missie, het business model en enkele financiële datapunten (zoals de unit economics en marges, winstgevendheid, groeicijfers, de balansgrootte, samenstelling van de bezittingen en schulden). Dit boekenonderzoek wordt ter goedkeuring voorgelegd aan een externe credit committee bestaande uit impact investing professionals.

Het is de gereglementeerde onderneming verboden:

- om gelden die haar cliënten toebehoren in ontvangst te nemen en aan te houden
- om beleggingsdiensten te verlenen, met uitzondering van het in ontvangst nemen en doorgeven van orders
- om een mandaat of volmacht te hebben op de rekeningen van haar cliënten

Voornaamste kenmerken van de beleggingsinstrumenten die de gereglementeerde onderneming commercialiseert: vast rentende obligatieleningen met tussentijdse aflossingen.

Bijlage

Voor zover de uitgevende instelling op dat moment al actief was, haar jaarrekening van de laatste twee boekjaren, alsook, in voorkomend geval, overeenkomstig artikel 13, go 1 of 2, 1°, van de wet van 11 juli 2018, het verslag van de commissarissen.

ANNUAL REPORT 2018

Our **Vision**

To be the preferred financial services partner for micro and small entrepreneurs (MSEs) in Uganda.

Our **Mission**

To partner with MSEs and increase access to specialized financial services on a permanent basis while contributing to wealth creation, improvement of people's living conditions and development of Uganda's private sector.

Our **Values**

EFC Uganda has a duty to uphold a reputation for integrity as an entity in which customers, business partners, communities and government authorities have placed their trust. The EFC, it's Directors, Senior Management and Employees are therefore committed to adhere to strict and rigorous standards which are designed to further protect the interests of its customers and stakeholders, and ensure that its decisions and actions reflect the following values:

- Compliance with the laws and rules in effect;
- Compliance with ethical and professional rules of conduct;
- Compliance with national and international standards and practices for accounting and financial information;
- Respect for microfinance best practices;
- Transparency in all aspects of its business;
- Social responsibility and consumer protection relative to all EFC products and services; and
- Independence in the appointment of Directors and their decision making (i.e. democratic action).

Our **Products**

Loans

Business Loan

Working capital replenishment; equipment purchases; investments; agricultural supplies

Home Improvement Loan

Efficient housing loan services structured to fit entrepreneurs home improvements

Women Trader Loans

Quick small loans ranging from 11m to 15m especially designed for **women entrepre- neurs**

Savings

Regular Savings

Unlimited deposits and withdraws; suitable for dynamic entrepreneurs

Premium Savings

No monthly charges; competitive interest rates; designed for target savers

Term Deposits

High and competitive interest rates; ideal for savers with a long-term investment horizon

Nateete Business ServiceCentre

Who **weare**

EFC Uganda Limited (MDI), features among the fastest growing microfinance institutions in Uganda. Licensed and supervised by the Bank of Uganda, EFC is committed to contributing to the development of the country's private sector by providing increased access to financial services for the underserved micro and small scale enterprise (MSE) market segment. EFC Uganda is driven by its mission of offering financial services to MSEs on a permanent and sustainable basis while contributing to wealth creation and poverty reduction.

EFC's shareholders consist of a group of world renowned reputable organizations including Développement international Desjardins (DID), which is a subsidiary of Desjardins Group (the leading financial cooperative group in Canada and sixth largest in the world), AfricInvest Financial Sector Limited (AFS), Bamboo Financial Inclusion Mauritius, the Belgian Investment Company for Developing Countries (BIO), ASN-Novib Microcredit Fund (managed by Triple Jump) and Uganda Gatsby Trust.

All of these shareholders have one thing in common:

they are concerned with the socio-economic benefit of Uganda. EFC Uganda also acknowledges the contribution of various international partners such as Global Affairs Canada, FMO and the African Development Bank (AfDB), whichallplayanessential rolecontributingtothestrength and success of the organization.

EFC Uganda offers a wide range of products and financial services that are customized to suit the Ugandan market. These include access to savings accounts using smart cards as well as commercial and housing loans. Our lending products range in scope from the Women Market Trader Loans, Home Improvement Loans and MSE Loans while our savings products include Regular Savings Accounts, Premium Savings Accounts and Term Deposit Savings.

The company presently operates in Kampala with a Head Office, two Branches and five Business Service Centers (BSCs). All of them have shown robust growth over the past years and remain a solutiontoourcustomers' needs.

Our main focus is to continuedevelopingEFC Uganda with business capabilities to meet the business challenges **of tomorrow through a transformation of becoming more customer driven, process efficient and commercially focused.**

The Board approved a five-year Strategic Business Plan 2018-2022

Capital injection of UGX 9 billion from our Shareholders

We have worked closely with our regulator Bank of Uganda and reported on a quarterlybasis

CHAIRPERSON'S MESSAGE

Overview

The Financial Year 2018 was challenging however with the Capital injection from our Shareholders, we continued to perform in line with the corporate objectives despite the challenging business environment. EFC Uganda managed to post improved results compared to last year which is a clear testament to the resilience of EFC Uganda Limited MDI.

The Board continued to steer the embodiment of good corporate governance principles through the entrenchment of value driven corporate governance culture throughout the organization. Our Board effectiveness and efficiency is a product of the different Committees that include; Board Audit Committee, Risk Assets and Liability Committee and the Human Resource and Compensation Committee. These committees meet regularly to ensure that EFC Uganda achieves its set strategic objectives.

We have worked closely with our regulator Bank of Uganda and reported on a quarterly basis to ensure that our internal governance and investment procedures meet the required standards. The Board approved a five-year Strategic Business Plan 2018- 2022 wherein we clearly defined our future and believe that a perfect execution of this plan shall be achieved by 2021. The Board continues to use the Balanced Score Card as a prolific tool to establish and monitor the performance of EFC Uganda and of each individual employee effort towards meeting the strategic objectives.

Our main focus is to continue developing EFC Uganda with business capabilities to meet the business challenges of tomorrow through a transformation of becoming more customer driven, process efficient and commercially focused. We will continue to make progress in 2019 toward achieving the goals and objectives set out in our 5-year Business Strategic Plan.

2018 Financial Performance

2018 was defined by significant progress as we continued to demonstrate resilience and leadership despite the challenging environment. The Financial year registered a growth in portfolio from Ugx. 15.09Bn to Ugx. 20.57Bn indicating a 36% increase. The total assets increased from Ugx. 19.4Bn to 28.2Bn indicating a 45% increase. We successfully lowered our overhead costs while diversifying our funding base through increased deposit mobilization that led to the growth in the savings portfolio by 120% and reduction in borrowings by 2.4% from Ugx. 10.64Bn to Ugx. 8.2Bn in order to support this aggressive growth.

The promise to our investors has been to grow the business profitability and reach more target clients in a responsible and customer centric manner. Our staff have honored this commitment by executing a successful turnaround while building the foundation to become a tier 2 Bank by 31st December 2021. EFC Uganda shall remain committed to improve our competitive position by leveraging technology to streamline our traditional business and investing in a new and robust core banking system. All this will be achieved without wavering from our core values and deep commitment to serve and protect our customers.

Regulatory Landscape

The Regulatory environment continues to evolve impacted by both global and local changes. It should be noted that effective 1st January 2019, International Financial Reporting Standard 16 (“IFRS 16”) came into force replacing International Accounting Standard 17 (“IAS 17”) that previously regulated the accounting treatment of leases. IFRS 16 introduces a uniform accounting treatment for enterprises using leased assets (though with minor exceptions). The accounting treatment under IAS 17 depended on the classification of the lease as either an operating or finance lease, a distinction with different tax and commercial consequences.

Board

During the year, we continued to augment the skills and experience within the Board and to address succession to key roles. In 2018, we welcomed the new chairman of the Board Audit Committee, the new Chairperson of the Human Resource and Compensation Committee, the new Managing Director and new non-executive Directors to the Board of Directors. We believe that the new Directors wealth of knowledge and experience will provide the right support to steer EFC Uganda in the right direction towards achieving its vision.

Appreciation

I take this opportunity on behalf of the Board, to extend my appreciation to the Executive committee and all staff members under the leadership of the Managing Director for the innovation, hard work and commitment to achieve the growth of the economy and industry.

I would also like to thank our customers, shareholders, regulators and all other stakeholders for your continued support.

I wish you a fruitful year 2019.

Charles Nalyaali

Chairperson Board of Directors

As customers demand for better services, we continued to efficiently leverage on technology to deliver the required financial solutions **with convenience, thus narrowing the gap between their expectations and our solutions, while harnessing feedback from all platforms.**

28.3B
19.5B

Total assets reaching **UGX 28.3billion** from **19.5billion** the previous year.

21.5B
15.4B

Loans portfoliogrew by **39.9%** from **UGX 15.4Billion** to **UGX 21.5Billion.**

10B
5B

Robust growth in **customerdeposits** from **5 billion** to **10billion**

MANAGING DIRECTOR'S MESSAGE

I am pleased to report on EFC's 2018 performance. Ourpositioninthe MDI industry got better in terms of market share and capital position, therebycreatinga platform for robustgrowth.

As customers demand for better services, we continued to efficiently leverage on technology to deliver the required financial solutions with convenience, thus narrowing the gap between their expectations and our solutions, while harnessing feedbackfromallplatforms.Weaimat digitisingour customer channels to aid the provision of a world class customer experience while emphasising quick turnaround times.

Wegreatlyimprovedourperformancefromalossof UGX 2.7 Billion for 2017 to a loss UGX 1.8 Billion for 2018. While we posted a loss for the year 2018, we achievedmonthonmonthbreak-eveninSeptember 2018 andhadaprofitable 4^{th} quarter.Wehavesince followed this with a very robust 1^{st} quarter 2019 performance and are on course to post a profit for 2019. With this performance, I should say, that our company is clearly out of the woods. We continue to hold the mantle as the fast growing MDI in the country particularly growing our loan book and savings deposit by 37% and 36% respectively while the industry grew by 8% and 6% respectively inthe 4^{th} quarter2018.

The Balance Sheet expanded impressively with total assets reaching UGX 28.3billion from 19.5billion the previous year.The loan portfolio grewby39.9%from UGX 15.4Billion to UG 21.5Billion, while customer deposits grew from UGX5 Billion to UGX 10 Billion. We also increased our customer numbers to over 6,000.

Our institution continues to collaborate with a numberofpartnersin ordertorespondtosomeofthe challenges that private enterprises, and youth face in accessing credit. These collaborationsincluded, among others; the orange taxi project; where we providedindividualsunder theOrangeTaxiUmbrella loans to acquire newer curbs in light of the changes in the motor vehicle regulations in the country. We plan to increase the number of partners in 2019 in order to achieve our objectives while ultimately improving the livelihoods of the communities in which weoperate.

Lookingforward,weintendtoincreaseourportfolio size, asset base and profitability further through a wide range of products and services. I am excited to personally oversee the difference we can make as a financial services provider for entrepreneurs in Uganda.

Our people and culture are essential to our success. Our people want to be the best they can be and we arealwayseagertosupportthem,hence creatingan inclusive and innovative workplace that enables the flow of brilliant ideas and creativity. We have invested significantly in training, capacity building and capability development to support their ambitions andtonurtureandgrowtalent.Ithereforetakethis opportunity to extend my appreciation to the Board of Directors, Management and staff for the roles they played in delivering services to our esteemed clients through our diversified customer channels. I humbly recognize our clients who have kept us relevant, appreciate Bank of Uganda's regulatory oversight and above all, God for enabling us steer through the year in good health, with his blessing upon us.

Outlook for 2019

We have a couple of big lifts coming up in 2019 as we continue on our journey to transform EFC into a leading financial services provider for entrepreneurs. First, we shall be acquiring and installing a new core banking system which should meet our needs for the next 5 to 7 years and improve our digital capabilities thereby improving our customer experience. Secondly, we shall be upgrading our license to a tier 2 bank so we can continue to grow with our customers and build a robust efficient organisation. Thirdly, we believe that we have now put the history of loss making behind us and can now make significant investments in the business, we will re- open our branch in the Central Business District to further increase our presence in the market.

Lastly, we relocated our head office from Acacia Place, Kololo to a more spacious location on plot
6 Mabua Road Kololo as we further anchor the organisation for growth.

We are looking forward to a great 2019! Thank you,

Shem Kakembo Managing
Director

2018 at aglance

EFC Management team pose for a group photo

EFC Donates to Watoto Children's Village (Suubi)

EFC Chief Information Officer (R) Mr. Anthony Acuda hands over the donated items

11th August 2018, Kampala,

EFC Uganda Limited (MDI) through our corporate social responsibility program donated several items to support children at Watoto Children's Village (Suubi).

While presiding over the event, the EFC Managing Director Mr. Shem Kakembo, "We are pleased to support Watoto Children's Village by donating items like clothes, thermometers, microwave, and children's reading books among others.

"At EFC, we believe that these children deserve to be guided to a great future and all they need is our support to realise their potential.

We want them to grow up strong, healthy, and have the same opportunity for education like all other children in Uganda," he says.

EFC Uganda awarded it's customers

EFC Managing Director Mr. Shem Kakembo (L) and Head of Business Development, Mr. Brian Jjemba (R) pose for a photo with a client recently at EFC Head Office.

In June 2018, EFC Uganda conducted a special brunch for its clients. The campaign dubbed *"EFC unsung heroes"* was held to celebrate customers and staff who are considered to be the company's heroes. Management led by the EFC MD, Mr. Shem Kakembo awarded shopping vouchers to 10 recognized customers and two best performing Relationship Officers.

The event was held at the EFC Head Office.

EFC management pose with clients after the event

EFC sponsored worship experience at Wankuluku stadium

In the eye of a perfect young entrepreneur

Jimmy Ssempeswa 32, a resident of Mutungo Biina a Kampala suburb who owns an electronic shop at Biina stage, narrates to our Customer Experience Officer on how he has been able to add value to his rental business with help of EFC loans.

"Before knowing EFC, I used to get 600,000 UGX per month from my rental business. It was indeed a dream come true when an EFC Relationship Officer approached me in early 2016 and explained to me about their Home Improvement loan, I bought the idea and I took a loan facility of 6M and later I did atop up of 12M. I enjoyed the experience of dealing with EFC because they disbursed my loan within 24 hours which I had not found in other financial institutions".

"I now collect upto the tune of 1.2M UGX from the same business which has helped me to set up a sugar cane plantation on 10 hectares in my home district of Kamuli", Jimmy added.

Jimmy still has plans of getting more funding from EFC to invest in his rental business.

Cherotich Charity —Owner of Rental homes and Maama Nancy Canteen

From frying chapatis in the barracks to landlady. Cherotich Charity, a humble yet enterprising lady, has been a loyal customer of EFC since 2012. When she came for a loan, she had been discouraged by people who had told her that her property was going to be sold by the bank. However, she mustered the courage and obtained a UGX 3 million home improvement loan from EFC which she used to finish an incomplete house which she had just bought with her savings. She partitioned it and rented it out.

She later obtained another loan of UGX 5million for fencing and doing some finishing touches. With an additional loan still from EFC she was able to construct another unit and today is earning close to UGX 1,250,000 per month in rental income. From this, Charity has been able to set up a small canteen in which she sells snacks and deals in mobile money, earning her between UGX 100,000 to UGX 130,000 from sales every singleday.

From being scared of borrowing from the bank, today Charity has so far obtained 7 loans from EFC Uganda, the most recent being a UGX 20million. She pays school fees for her children and says they have never lacked food because she always provides. She attributes her business success to EFC and says, "I don't have any difficulty with EFC bank because my Officer understands me and gives me all the required support".

Cherotich Charity poses for a photo on her rentals in Kireka, Kinawataka road.

Eron Bukirwa Kigozi
-Director Wiron Academy, Mayirikiti Kasangati

Eron Bukirwa Kigozi left her well paying job to become her own boss. She started a nursery school in 2017 with 2 rooms which were definitely not enough.

She needed more money to construct more classrooms and that is when she was referred to EFC by her mother who was already our client.
Kigozi obtained a loan of UGX 2m and then advanced to UGX 3m and now UGX 5m which she is using to construct a flat. The school has a nursery section and an addition of P1 and P2.

Her goal is to have a fully-fledged primary and nursery section in the next 5years.

From an income of UGX 2m per term 2 years ago, the school now pays her UGX 13m every term. With that she has been able to renovate her home and pay her children's school fees with no difficulty. **"One special thing I like about EFC; you need a loan, you get it right away."** she said.

Aside from educating children, Kigozi also provides free training for the teachers of the neighbouring UPE schools.

Bahemuka Mukula Thomas
-Director Timor Property Consultants, Mpererwe

Bahemuka Mukula Thomas, has only been a client of EFC for 10 months, but he is already awestruck! He obtained his first loan of UGX 80m in June 2018. With this, he cleared his previous loans and injected the rest into his business, in which he buys big chunks of land and divides them into parcels for sale.

In a period of just 10 months, Bahemuka has already purchased over 10acres of land and is planning on obtaining another loan of UGX 150m from EFC to facilitate him as he opens bigger estates. With an annual profit of UGX 200m, the sky is no longer the limit for Timor Property Consultants.

Thomas says that since he is a busy man, when he needs a loan, he needs it right away and EFC's excellent turnaround time has made that possible for him.

Thomas also says he is happy that the collateral security requested by EFC is only fair when compared with the loan, as such, he has since referred some of his associates to EFC for financial support.

Our **Shareholders**

Développement international Desjardins (DID)

DID is a subsidiary of Desjardins Group, the leading cooperative financial group in Canada and fifth largest in the world, with over 7 million members and clients and assets of US$218 billion. Founded in 1900, today Desjardins Group is counted among the world's strongest banks according to The Banker magazine. For 48 years, DID has been working to develop the inclusive finance sector in developing and emerging countries. DID targets increased access to diversified and secure financial services for all and the development of individual and collective wealth.

www.did.qc.ca/en

AfricInvest Financial Sector Limited

AfricInvest is a pan African Private Equity Fund Manager founded in 1994 with currently over USD 1 billion under management. AfricInvest is uniquely positioned as one of the most experienced private equity investors on the continent. AfricInvest has dedicated investment teams focused on North Africa and Sub-Saharan Africa, and employs over 60 professionals based in seven offices. The teams benefit from strong, long-term support from both local and international investors, including leading development finance institutions worldwide. Since 1994, AfricInvest has invested in over 135 companies across 26 African countries in a variety of high growth sectors.

Uganda Gatsby Trust

Uganda Gatsby Trust (UGT) was founded in 1994 through a partnership between the Gatsby Charitable Foundation (GCF) UK and the Faculty of Technology of Makerere University in Kampala. Its original idea was to support manufacturing and value adding businesses with consultancy services to small and medium enterprises (SMEs) and by linking final-year students at Makerere's Faculty of Technology with SMEs. UGT's current focus is to promote linkages with Makerere University as well as promote the academically gifted but challenged students through scholarships in disciplines that promote skills for self-employment and/or employability. **www.gatsby.org.uk/africa/programmes/uganda-gatsby-trust**

Bamboo Financial Inclusion Mauritius

Bamboo Financial Inclusion Mauritius is a wholly-owned subsidiary of Bamboo Financial Inclusion Fund (BFIF). Launched in 2007, the Fund manages >USD 195 million in total commitments from institutional and individual investors, and invests in a range of microfinance institutions and funds worldwide. The Fund acquires minority stakes in the capital of its investees, while contributing to their development by sharing international experience, information, networks, knowledge, and by playing an active governance role at a board level. The Fund is managed by Bamboo Capital Partners a commercial private equity firm making investments that matter. It finds game-changing businesses then applies a mix of geographical and sector expertise to deliver financial and social returns. Experts in energy, healthcare and financial services globally, Bamboo has offices in Luxembourg, Geneva, Bogota, Nairobi and Singapore.

http://www.bamboocp.com

Belgian Investment Company for Developing Countries (BIO)

BIO supports private sector growth in developing and emerging countries by funding financial institutions, enterprises and infrastructure projects that are privately held. With equity capital of around 874 million euros, BIO provides tailored long-term financial products directly or through intermediaries. For clients, BIO also provides subsidies for technical assistance programs as well as feasibility studies to enhance business performance and strengthen the impact on sustainable development. BIO supports projects with a balance between return on investment and development impact.

www.bio-invest.be

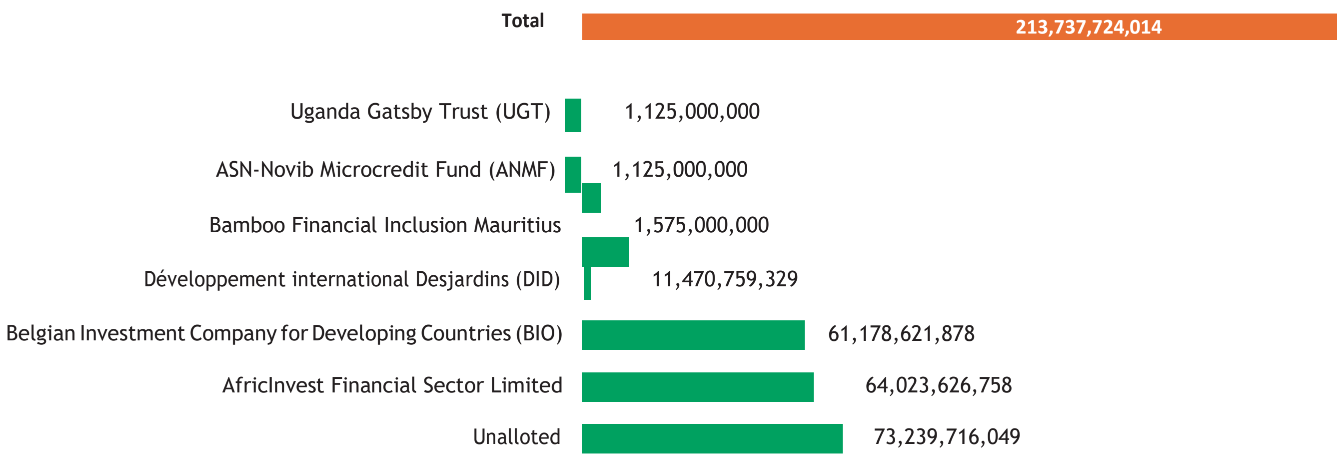
ASN-Novib Microkredietpool (ANMF)

ASN-Novib Microkredietpool (ANMF) is a regulated retail fund enabling private individuals to invest in microfinance institutions. Its goal is to encourage broader participation by all types of entrepreneurs in the market economies of developing countries. At the end of 2016, the fund had assets of EUR 240 million, invested in 80 MFIs globally. ANMF's agent is Triple Jump, one of the world's leading microfinance fund managers. Triple Jump offers professional fund management services to investors and provides debt and equity funding to microfinance institutions. Its advisory services help growing MFIs move to the next level by providing cost sharing grants and technical assistance.

www.triplejump.eu

Share distribution

At 31st December, 2018



Our **Partners**

Global Affairs Canada

AfricanDevelopmentBank (AfDB)

FMO

Global Affairs Canada manages Canada's diplomatic and consular relations, facilitates the country's international trade, and leads Canada's international development and humanitarian assistance. Global Affairs Canada believes in the potential for development innovation to drive positive change to meet 21st century challenges.

www.international.gc.ca

The AfDB Group's overarching objective is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. The Bank Group achieves this objective by mobilizing and allocating resources for investment in RMCs; and providing policy advice and technical assistance to support development efforts.

www.afdb.org

FMO is the Dutch development bank. FMO has invested in the private sector in developing countries and emerging markets for more than 45 years. Its mission is to empower entrepreneurs to build a better world. It invests in sectors where it believes its contribution can have the highest long-term impact: financial institutions, energy and agribusiness. Alongside partners, it invests in the infrastructure, manufacturing and services sectors. With an investment portfolio of EUR 8 billion spanning over 85 countries, FMO is one of the larger bilateral private sector development banks globally.

www.fmo.nl

Our **Team**

Some of the managers that make up EFC'S team.

Shem E Kakembo
Managing Director

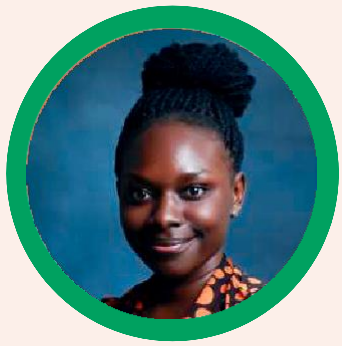
Joanne Bagandanswa Nakabungo
Company Secretary

Brian Jjemba
Head of Business Development

Anthony Acuda
Chief Information Officer

Jimmy Kisomba
Chief Internal Auditor

Richard BikaatuKigozi
Chief Finance Officer



Tracy Bagonza Khayinja
Chief Compliance Officer

Sophie Nakazibwe
Chief Risk Officer

Sylvia Stellah Tamale
Head of Savings and Other Financial Services

Edward Senoga
Head of Sales Service & Distribution

Forb Mesach Businge
Head of Credit

Our **Board Members**

EFC Uganda is governed by a Board of Directors with vast experienceinthe financialandprivatesectors.Beloware their names and appointment dates.

Charles W. Nalyaali
Board Chairperson
21st May 2015

Shem Kakembo
Managing Director
5th June 2018

Diana Ninsiima Kibuuka
Board Vice Chairperson 4th July 2016

Alexis Losseau
Board Member
26th June 2017

Julius Tichelaar
Board Member
21st May 2015

Brent Wilson
Board Member
21st March 2018

Stevens Mwanje
Board Member 8th October 2018

Bruno Degoy
Board Member 28th November 2018

EFC Uganda Limited (MDI)
Financial statements
For the year ended 31 December 2018

Statement of profit or loss and other comprehensive income

	2018 Shs '000	2017 Shs '000
Interest income	5,339,420	7,406,225
Interest expense	(2,211,560)	(3,726,012)
Net interest income	3,127,860	3,680,213
Grant income	-	434,172
Net fee and commission income	2,499,230	1,506,738
Other operating income	906,599	155,525
Total income	6,533,689	5,776,648
Impairment losses on loans and advances	(813,001)	(813,722)
Income after provision for loan and advance losses	5,720,688	4,962,926
Operating expenses		
Salaries and employee benefits	(4,213,475)	(3,572,151)
Administrative expenses	(3,153,156)	(3,462,655)
Depreciation and amortization	(216,412)	(491,884)
Total operating expenses	(7,583,042)	(7,526,692)
Loss before tax	(1,862,354)	(2,563,766)
Income tax	-	-
Loss for the year	(1,862,354)	(2,563,766)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

EFC Uganda Limited (MDI)
Financial statements
For the year ended 31 December 2018

Statement of financial position

	2018 Shs '000	2017 Shs '000
Cash and cash equivalents	1,491,099	960,823
Net loans and advances	20,576,500	15,091,847
Investments	4,025,216	1,000,000
Current tax recoverable	359,151	304,959
Other assets	839,269	750,583
Receivable from related parties	-	19,317
Property and equipment	878,709	1,027,448
Intangible assets	54,445	321,534
Total assets	28,224,389	19,476,511
Liabilities		
Borrowings	8,239,902	10,639,571
Deposits from customers	8,999,692	4,076,606
Compulsory term deposits	1,008,630	929,649
Other liabilities	578,409	609,613
Total liabilities	18,826,632	16,255,439
Shareholders' equity		
Share capital	24,263,683	15,275,000
Accumulated losses	(14,962,287)	(13,139,682)
Regulatory reserve	96,361	1,085,754
Total equity	9,397,757	3,221,072
Total liabilities and shareholders' equity	28,224,389	19,476,511

The financial statements on pages 11 to 45 were approved and authorised for issue by the Board of directors on **27th April 2019** and were signed on its behalf by:

CHARLES W. NALYAALI	**DIANA K NINSIIMA**	**SHEM E KAKEMBO**
CHAIRPERSON BOARD OF DIRECTORS	**DIRECTOR**	**MANAGING DIRECTOR**

EFC Uganda Limited (MDI)
Financial statements
For the year ended 31 December 2018

Statement of changes in equity

For the year ended 31 December 2018	Share capital Shs '000	Accumulated losses Shs '000	Regulatory reserve Shs '000	Total Shs '000
At 1st January 2018				
As previously reported	15,275,000	(13,139,682)	1,085,754	3,221,072
Adjustment on initial application of IFRS 9:				
Transfer from regulatory reserve	-	-	(703,938)	(703,938)
As restated	15,275,000	(13,139,682)	381,816	2,517,134
Changes in equity in 2018				
Issue of shares	8,988,683	-	-	8,988,683
Stamp duty paid on issue of shares	-	(245,706)	-	(245,706)
Loss for the period	-	(1,862,354)	-	(1,862,354)
Transfer to regulatory reserve	-	285,455	(285,455)	-
Balance as at 31st December 2018	24,263,683	(14,962,287)	96,361	9,397,757

For the year ended 31 December 2017	Share capital Shs '000	Accumulated losses Shs '000	Regulatory reserve Shs '000	Total Shs '000
At 1 January 2017	15,275,000	(10,117,282)	680,338	5,838,056
Stamp duty paid on issue of shares	-	(53,218)	-	(53,218)
Loss for the period	-	(2,563,766)	-	(2,563,766)
Transfer to regulatory reserve	-	(405,416)	405,416	-
Balance as at 31 December 2017	15,275,000	(13,139,682)	1,085,754	3,221,072

EFC Uganda Limited (MDI)
Financial statements
For the year ended 31 December 2018

Statement of cash flows

	2018 Shs '000	2017 Shs '000
Cash flows from operating activities		
Interest receipts	5,187,525	6,053,277
Interest payments	(2,506,976)	(3,726,012)
Fee and commission income	2,466,422	1,506,738
other incomes	906,599	141,945
Payments to employees	(4,045,831)	(3,726,012)
Payments to suppliers and other payments	(3,183,853)	(3,355,269)
Grants received	-	434,172
Income tax paid	(54,192)	(17,687)
Cash flows generated from operating activities before changes in operating assets and liabilities	**(1,230,306)**	**(2,688,848)**
Decrease/(increase) in operating assets and liabilities:		
Investments	(3,025,216)	(480,261)
Loans and advances to customers	(5,484,653)	6,386,879
Other assets	(910,485)	(255,879)
Customer deposits	5,002,067	671,791
Other liabilities	(24,089)	(610,418)
Fair value of derivative instrument	-	(1,330,178)
	(5,672,683)	**1,693,086**
Cash flows from investing activities		
Additions to property and equipment	(131,505)	(284,805)
Additions to intangible assets	(10,738)	(276,175)
Proceeds from sale of property and equipment	1,894	-
Net cash flows from operating activities	**(140,350)**	**(560,980)**
Cash flows from financing activities		
Issue of shares	8,988,683	-
Repayment of borrowed funds	(2,399,669)	(4,669,497)
Stamp duty on shares	(245,706)	(53,218)
Net cash used in financing activities	6,343,308	(4,722,715)
Net (decrease)/increase in cash and cash equivalents	530,275	(3,590,609)
Cash and cash equivalents - beginning of the year	960,823	4,551,432
Cash and cash equivalents - end of the year	1,491,099	960,823

CONTACTINFORMATION

EFC Uganda is governed by a Board of Directors with vast experience in the financial and private sectors.

EFC Uganda Limited(MDI)

Head Office

5th&6th Floor, Rashida Towers, Plot 6B,
Mabua, Kololo Kampala, Uganda.
Website: www.efcug.com Email:
info@efcug.com

Ndeeba Branch Master
Wood Plaza, 1156
MasakaRoad,
Block 7, Ndeeba,
Tel: +256 393 202 981

Kololo Branch
Ground Floor, Acacia Place, Plot6,
AcaciaAvenue,Kololo
P.O.Box 33667, Kampala - Uganda Tel: +256
393 202556/557

Business Service Centres

Kalerwe
Gayaza Road,
Tel: +256 414 697 410

Kireka Uda
House Jinja
Road,
Tel: +256 414 697 412

Nansana
Opposite Nansana Inn Hoima
Road,
Tel: +256 414 663 429

Nateete
Nateete
Covenant Hardware Building Masaka
Road,
Tel: +256 414 663 430

Mukono
Highway Hostel Building Jinja Road
Tel: +256 414666695

The next step for your business

Head Office

5th & 6th Floor, Rashida Towers Plot 6B, Mabua, Kololo Kampala, Uganda.
Website: www.efcug.com Email: info@efcug.com

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Corporate information

Board of directors

	Nationality	Date of appointment	Date of Resignation
Mr. Patrick Banya	Ugandan	20-May-14	22-Nov-17
Mr. Julius Tichelaar	Dutch	13-Dec-11	
Ms. Diana Ninsiima	Ugandan	20-May-14	
Mr. Charles W. Nalyaali	Ugandan	20-May-14	
Ms. Jessie Greene	Canadian	27-Apr-16	7-Dec-17
Mr. Claude Lafond	Canadian	24-May-16	
Mr. Alexis Losseau	Belgian	14-Oct-16	

Managing director
Mr. Claude Lafond — Canadian

Company secretary
MMAKS Advocates
3rd Floor, Diamond Trust Centre
Plot 17/19 Kampala Road, P. 0. Box
7166, Kampala

Registered office
EFC Uganda Limited (MDI)
P.O. Box 33667
2nd Floor, Acacia Place
Plot 6, Acacia Avenue, Kololo
Kampala, Uganda

Independent auditor
RSM Eastern Africa Certified
Public Accountants
P.O. Box 31704
Kampala, Uganda

Principal banker
Standard Chartered Bank (U) Ltd
P.O. Box 711 Speke
Road Kampala,
Uganda

Secondary bankers
Bank of Africa (U)Ltd
Plot 45 Jinja Road
P.O. Box 2750 Kampala
Uganda

DFCU Uganda Limited
Plot 2 Jinja Road
P.O Box 70,Kampala
Uganda

KCB Bank Uganda Limited Commercial
Plaza 7, Kampala Road
P.O Box 7399 Kampala
Uganda

Legal advisor
MMAKS Advocates
3rd Floor, Diamond Trust Centre
Plot 17/19 Kampala Road, P. 0 . Box
7166, Kampala

Report of the directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the company.

1 Incorporation

The company was incorporated and is domiciled in Uganda, in accordance with the Ugandan Companies Act, 2012.

2 **Review** of activities

Main business and operations

The company is currently engaged in the provision of financial services to entrepreneurs and operates only in Uganda. On 10 November 2014, the company received a licence from Bank of Uganda to operate as a Microfinance Deposit-Taking Institution (MDI) under the MicrofinanceDeposit-Taking Institutions Act, 2003.

The net loss for the period of Shs 2.56 billion (2016: 4.76 billion) has been transferred to accumulated losses. The directors do not recommend declaration of dividends for the period.

3 Going concern

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.

The ability of the company to continue as a going concern is dependent on a number of factors . The most significant of these is that the shareholders continue to procure funding for the ongoing operations for the company

4 **Events after the reporting period**

As at the reporting date, additional financing of Shs 8.98billion was received from the shareholderson 27 March 2018 in order to comply with Bank of Uganda capital adequacy ratio. Therefore, a new capital structure has been drawn which will increase the total shares to 213.7 billion, classified into 10.575 billion ordinary shares at 1 Shs,
18.95 billion, Class A ordinary shares at Shs 0.248 and 184 billion Class B shares at Shs 0.081 of this, 111 billion
to be fully paid by AfricInvest and BIO and the remaining73 billion to remain unallotted.

5 **Authorised and issued capital**

The authorised share capital stands at Shs 15,275,000,000 with 18,951,612,903 Class A Ordinary shares of par value Shs 0.248 and 10,575,000,000 ordinary shares of par value Ushs 1.

6 **Dividends**

No dividendswere declared or paid during the year ended 31 December 2017.

7 **Directors**

The directors of the company during the year and to the date of this report are stated on page 1.

D

Report of the directors (continued)

8. Company secretary

The company secretary is stated on page 1.

9. Independent auditor

RSM Eastern Africa, Certified Public Accountants was appointed as the company auditors in accordance with Section 167 (1) of the Ugandan Companies Act, 2012 at the shareholders' meeting which took place on the 27th April 2017. The auditor is willing to continue in office in accordance with Section 167(2) of the Uganda Companies Act, 2012.

10.Shareholders

The shareholding of EFC Uganda Limited is as below;

Share capital structure as at 31 December 2017

Name	Ordinary Shares '000'	%of paid up shares	Class A Ordinary Shares ·nnn·	Total Shares '000'
Development International Desjardins Inc.	3,102,344	33 .90 %	8 , 368,4 1 6	11,470,760
AfricInvest Financial Sector Ltd.	2,241,406	24.90%	6,296,523	8,537,929
Uganda Gatsby Trust	1,125,000	7.36%		1,125,000
Belgian Investment Company for Developing Countries	1,406,250	16.17%	4,286,674	5,692,924
Bamboo Financial Inclusion Mauritius	1,575,000	10.31%		1,575,000
ASN-NOVIB Microkredietfonds	1,125,000	7.36%		1,125,000
	10,575,000		**18,951,613**	**29,526,613**

Share capital structure as at 31 December 2016

Name	Ordinary Shares '000	%of paid up shares	Class A Ordinary Shares '000	Total Shares '000
Development International Desjardins Inc.	3,102,344	33.90%	8,368,416	11,470,760
AfricInvest Financial Sector Ltd.	2,241,406	24.90%	6,296,523	8,537,929
Uganda Gatsby Trust	1,125,000	7.36%		1,125,000
Belgian Investme nt Company for Developing Countries	1,406,250	16.17%	4,286,674	5,692,924
Bamboo Financial Inclusion Mauritius	1,575,000	10.31%		1,575,000
ASN-NOVIB Microkredietfonds	111251000	7 .36 %		1,125 000
	10,575,000		**18,951,613**	**29,526,613**

I

Report of the directors (continued)

11. Financial risk management objectives andpolicies

The company's activities expose it to a variety of financial risks including credit, liquidity, and market risks. The company's overall risk management policies are set out by the board and implemented by management. These policies involve analysis, evaluation, acceptance and management of some degree of risk or a combination of risks. These risk management objectives and policies are outlined in detail in Note 4 of the financial statements.

12. Corporate governance

The Board of directors consists of five directors. One of the directors, Mr. Claude Lafond, holds an executive position in the company as it is a requirement by the Bank Of Uganda. The Board takes overall responsibility for the company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of managemen,t business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Managing Director assisted by senior management. The managing director is also a member of the Board and the audit committee facilitates the effective control of all the company's operational activities, acting as a medium of communication and coordination between all the stakeholders.

13. Borrowings/liquidity

The company's main source of liquidity presently is borrowings and shareholders' funds. Borrowings have decreased over the year by 31% (2016: decreased by 9.3%) from 15,277 million to 10,560 million by 31 December 2017. The company is currently devising strategies to mobilise savings with a plan to finance its loan book by up to 30% by 31 December 2018.

14. Employees' welfare

The company's employment terms are reviewed annually to ensure that they meet statutory and market conditions. The company has a medical insurance policy in place to cover medical expenses for employees and their immediate dependents.

To improve human resource skills as well as augment employee motivation, the company provides training to its staff. In addition, senior management also holds regular meetings with the staff on business growth and development and to elicit their views on the promotion of customer service and working conditions.

15. Related party transactions

Transactions with related parties during the year were in the normal course of business as disclosedin Note 24 to these financial statements.

By order of the board

....

Company secretary
Kampala

MMAKS ADVOCATES
COMPANY SEC RETARY

Statement of Directors' responsibilities

The Ugandan Companies Act, 2012 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 keeps proper accounting records that: (a) show and explain the transactions of the company; {b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2012.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act, 2012. They also accept responsibility for:

i) Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

ii) Selecting and applying appropriate accounting policies;

iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainites related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

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

Approved by the board of directors on ....Apti .l..... .1 .... 2018 and signed on its behalf by:

....
Director

....
Director

RSM Eastern **Africa**
Certified Public Accountants

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Report of the independent auditor to the members of EFC Uganda Limited **(MDI)**

Opinion

We have audited the accompanying financial statements of EFC Uganda Limited (MDI), set out on pages 9 to 39, which comprise the statement of financial position as at 31 December 2017, the profit or loss account and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Ugandan Companies Act, 2012, and the Micro Finance Deposit- Taking Institutions Act, 2003

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loans and advances

The company's loans and advances amount to Shs 15,091 million (2016: Shs 21,478 million). The company is exposed to credit risk on its lending portfolio. Our audit work included but was not limited to the following matters:

For a sample of loans and advances, we checked that the loans and advances process is designed and is operating effectively. We checked this by tracing a sample of transactions from application to when final approvals were obtained;
For a sample of loans and advances, we checked that the loan is performing satisfactorily by confirming that repayments from the borrower were being made on time and where this was not the case, we checked that management had raised an appropriate provision for impairment. We also checked that loan files were complete.

Interest income

Interest income amounts to Shs 7,406 million (2016: Shs 7,156 million). Interest income is computed and allocated by the system and there's the risk that this could be misstated as a result of inaccurate computations. Our audit procedures included;

For a sample of loans issued out, we checked that the interest was properly computed by ensuring that the correct interest rate was applied to the customer as documented on the customer file;

For a sample of loans issued out during the period, we applied specialist IT tools to recalculate the interest income to ensure that the interest was accurately computed; and

We checked that interest income was assigned to the correct period. Other information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Ugandan Companies Act, 2012 and the Micro Finance Deposit-Taking Institutions Act, 2003, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropirate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

evaluate the appropiratenessof accounting policies used and the reasonableness of accounitng estimates and related disclosures made by management;

conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based

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on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern;

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

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

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

Report on other legal requirements

As required by the Ugandan Companies Act, 2012 we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA John Walabyek,i Practising Certificate P0301.

John Walabyeki
....
CPA John Walabyeki

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Certified Public Accountants
Kampala, Uganda

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Statement of profit or loss and other comprehensive income

	Notes	2017 Shs '000	2016 Shs '000
Interest income		7,406,225v	7,156,300
Interest expense		(3,726,012)	(4,480,889)
Net interest income	17	3,680,213	2,675,411
Grant income	19	434,172	1,256,940
Net fee and commission income	18	1,506,738	762,425
Other operating income	20	155,525	235,375
Total income		5,776,648	4,930,151
Impairment losses on loans and advances	6b)	(813,722)	(367,789)
Income after provision for loan and advance losses		4,962,926 v	4,562,362
Operating expenses			
Salaries and employee benefits	21	(3,572,151)	(2,573,658)
Administrative expenses		(3,462,657)	(6,172,359)
Depreciation and amortization	8,9	(491,884)	(572,744)
Total operating expenses		(7,526,692)	(9,318,761)
Loss before tax		(2,563,766)	(4,756,399)
Income tax	23		
Loss for the year		(2,563,766)	(4,756,399)

Statement of financial position

	Notes	2017 Shs '000	2016 Shs '000
Cash and cash equivalents	5	960,823	4,551,432
Net loans and advances	6	15,091,847	21,478,726
Investments	7	1,000,000	519,739
Current tax recoverable		304,959	287,272
Other assets	11	750,583	494,704
Receivable from related parties		19,317	
Property and equipment	8	1,027,448	1,179,227
Intangible assets	9	321,534	100,659
Tota l assets		19,476,511	28,611,759
Liabilities			
Borrowings	14	10,639,571	15,277,462
Deposits from customers	12	4,076,606	3,404,815
Compulsory term deposits	13	929,649	1,541,218
Other liabilities	15	609,613	1,220,031
Fair value of derivative instrument	15b)		1,330,178
Total liabilities		16,255,439	22,773,704
Shareholders' equity			
Share capital	16	15,275,000	15,275,000
Accumulated losses		(13,139,682)	(10,117,282)
Regulatory reserve	16	1,085,754	680,337
Total equity		3,221,072	5,838,055
Total liabilities and shareholders' equity		19476511	28,611,759

The finpncial stat m ts on pages 9 to 39 were approved and authorised for issue by the Board of directors on ....r.-.pr.!1.... J. .... 2018 and were signed on its behalf by:

Director **Director**

Statement of changes in equity

	Share capital	Accumulated losses	Regulatory reserve	Total
For the year ended 31 December 2017	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
At 1 January 2017	15,275,000	(10,117,282)	680,338	5,838,056
Stamp duty paid on issue of shares		(53,218)		(53,218)
Loss for the period		(2,563,766)		(2,563,766)
Transfer to regulatory reseNe		{405,416)	405,416	
Balance as at 31st December 2017	15,275,000	(13,139,682}	1,085,754	3,221,072

	Share capital	Accumulated losses	Regulatory reserve	Total
For the year ended 31 December 2016	**Shs '000**	**Shs'OOO**	**Shs '000**	**Shs '000**
At 1 January 2016	10,575,000	(4,733,359)	143,931	5,985,572
Issue of ordinary shares	4,700,000			4,700,000
Stamp duty paid on issue of shares		(91,117)		(91,117)
Loss for the period		(4,756,399)		(4,756,399)
Transfer to regulatory reseNe		{536,407)	536,407	
Balance as at 31 December 2016	15,275,000	(10,117,282}	680,338	5,838,055

Statement of cash flows

	2017 Shs '000	2016 Shs '000
Cash flows *tom* operating activities		
Interest receipts	6,876,060	6,585,878
Interest payments	{2,983,755)	{3,562,321)
Net fees and commission	1,506,738	1,256,940
Net trading and other income received	695,584	1,973,769
Cash paid to suppliers and employees	{6,343,831)	(9,079,975)
Income taxes paid	(17,687)	(41,896)
	(266,891)	**(2,867,605)**
Cash flows from investing activities		
Purchase of property and equipment	(284,805)	(254,546)
Purchase of investments	(587,817)	(19,739)
Purchase of intangible assets	(220,875)	(27,552)
Net cash flows fro operating activities	**(1,093,497)**	**(301,837)**
Cash flows from financing activities		
(Net settlement of)/proceeds from borrowings	(2,177,003)	(1,314,898)
Stamp duty on issue of new shares	(53,218)	(91,117)
Issue of shares		4,700,000
Net cash used in financing activities	(2,230,221)	3,293,985
Net (decrease)/increase in cash and cash equivalents	(3,590,609)	124,543
Cash and cash equivalents - beginning of the year	4,551,432	4,426,889
Cc1sh and cash equivalents - end of the year	960,823	4,551,432

Notes to financial statements

1. General Information

EFC Uganda Limited(MDI) ("EFC" or the "Company") is incorporatedunder the Ugandan Companies Act, 2012. The principal activity of the Company is the provision of microfinance services in Uganda under the Micro Finance Deposit-Taking Institutions Act, 2003. The address of the company's registered office is P.O. Box 33667, 2nd Floor Acacia Place, Acacia avenue, Kololo.

2. Summary of significant accounting policies

The significant accounting policies adopted in the preparaiton of these general purpose financial statements are set out below:

a) Basis of preparation

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

Bas is of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Uganda Shillings, which is also the functional currency (see (c) below), rounded to the nearest thousand (Shs '000).

The financial statements comprise statement of profit or loss and other comprehensive income, statement of financid position, statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassificationadjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensiveincome in the current or previousperiods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis.) Inputs used are consistent with the characteirstics of the asset / liability that market participants would take into account.

Notes (continued)

2. Summary of significant accounting policies (continued)

a) Basis of preparation

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly(ie as prices) or indirectly (ie derived from prices).

• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

b) New and revised standards

i) Adoption of new and revised standards

A number of amendments to standards became effective for the first time in the financial year beginning 1st January 2017 and have been adopted by the company. None of them has had an effect on the company's financial statements

ii) New and revised standards that have been issued but are not yet effective

The company has not applied any new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2017 (see Note 29).

c) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency, the Uganda Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise, except for differences arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

d) Interest income and expenses

Interest income and expenses are recognised in the statement of comprehensive income using the effective interest method. This involves calculating the amortized cost of a financial asset or liability and then allocating the interest income or interest expense over the relevant period. The effective interest rate is one that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to obtain the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument excluding future credit losses. The calculation includes transaciton costs and income between parties to the contract as well as premiums or discounts.

Interest income and expenses as presented in the statement of comprehensive income include:
- interest on financial assets and liabilities measured at amortised cost; and
- interest on held-to-maturity investments

Notes (continued)

2. Summary of significant accounting policies (continued)

e) Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the related service has been performed. Loan appraisal fees for loans that have been or are likely to be drawn are deferred and recognised over the period of the loan using the effective interest method. Fees and commission expense are deferred and recoi::inised on accrual basis when incurred.

f) Income tax

Income tax expenseis the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit or loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax

Current tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Ugandan Income Tax Act.

Deferredincometax

Deferredtax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expectedto apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequencesthat would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value mode,l there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferredtax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transactionaffects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxab le profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropr iate, the recognised amount is adjustedto reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

g) Share capital and sharepremium

Ordinary shares are recognised at par value and classified as 'sharecapital' in equity. Any amounts received over and above the par value of the shares issued are classifiedas 'share premium' in equity.

Notes (continued)

2. Summary of significant accounting policies (continued)

h) Financialinstruments

Classification

The company classifies its financial instrumentsinto thefollowing categories:

i) **Financial assets and financial liabilities at fair value through profit or loss,** which comprise financial assets and financial liabilities acquired or incurred principallyforthepurpose of sellingor repurchasingin the near term or to generate short-term profit-taking;

ii) **H eld-to-maturity investments,** which comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the companyhas a positive intention and ability to hold to maturity.

iii) **Loans and receivables,** which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludesassets which the company intendsto sell immediatelyor in the near term or those which the companyupon initial recognition designatesas at fair valuethrough profit or loss or as available-for-salefinancial assets.

iv) **Available-for-salefinancial assets,** which comprise non-derivative financial assets that are designated as available-for-salefinancial assets, and not classified under any of the other categories of financial assets.

v) **Financial liabilities,** which comprise all financial liabilities except financial liabilities at fair value through profit or loss.

Financial instruments held during the year were classifiedas follows:

- Demand and term deposits with bankinginstitutionsand trade and other receivables were classified as 'loans and receivables'.
- Borrowingsand trade and other liabilitieswere classified as financial liabilities.
- Forward exchangecontracts were classified asfinancial liabilitiesatfair value through profit or loss.

Recognition and measurement

Financial assets:

All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale. Financial assets carried at fair value through profit or loss are initiallyrecognised at fair value and the transaction costs are expensed in the profit and loss account. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction cost.

Subsequently, held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method, while all other financial assets are carried at their fair values, without deduction for transaction costs that may be incurred on sale. However, investmentsin equity shares classifiedas available-for-sale assets for which there is no active market and whose fair value cannot be reliablymeasured are carried at cost less impairment.

Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairmentor uncollectibility.

The companyassesses at each reporting date whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds tts recoverableamount. In the case of held-to-maturity investmentsand loans and receivables, the recoverable amount is the present value of the expected future cash flows, discountedusing the asset's effectiveinterestrate.

Notes (continued)

2. Summary of significant accounti ng **policies (continued)**

h) Financial instruments(continued)

Changes in fair value of financial assets at fair value through profit or loss are recognised in the profit or loss account.

Changes in fair value for available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognisedin profit or loss), which are recognised in the profit or loss account. In the year of sale, the cumulative gain or loss recognised in other comprehensive incomeis recognised in profit or loss account as a reclassificationadjustment.

Changes in the carrying values and impairment losses of held-to-maturity investments and loans and receivables are recognised inthe profit or loss account. Trade and other receivables not collectible are written off against therelated provision. Subsequent recoveries of amounts previously written off are credited to the profit or loss account in the year of recovery.

Financial liabilities:

All financial liabilities are recognised initially at the fair value of the consideration given less the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensedin the profit or loss account.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss which are carried at fair value.

Derivatives

All derivatives are initially recognised and subsequently carried at fair value. The Company policy is to use derivatives only for hedging purposes. Sometimes, the Company enters into certain derivatives in order to hedge some transactions but the strict hedging criteria prescribed by IAS 39 are not met. In those cases, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised in profit or loss and accounting for the hedged item follows the Company's policies for that item.

Presentation

All financial assets are classified as non-current except financial assets at fair value through profit or loss, those with maturities of less than 12 months from the balancesheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except financial liabilities at fair value throughprofit or loss, those expected to be settled in the company's normal operating cycle, those payable or expectedto be paid within 12 months of the balance sheet date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derecognition:

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Notes continued

2. Summary of significant accounting policies (continued)

h) Financial instruments (continued)

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

i) 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.

j) Property and equipment

All categories of property, plant and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment. Freehold land/buildings/plant and machinery/furniture and equipment/computers, copiers and faxes/motor vehicles and all other items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the company over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Depreciaiton is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residualvalue over its estimated useful life using the following annual rates:

	Rate
Office equipment	25.0%
Furniture & fittings and other equipment	25.0%
Computer equipment	37.5%
Motor vehicles	37.5%
Leasehold improvements	12.5%

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reportingdate.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operaitng profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

Notes continued

2. Summary of significant accounting policies (continued)

k) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 37.5%.

l) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand and term deposits and Mobile money receivables, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

n) Regulatory Reserve

Where impairment losses required by the regulators exceed those computed under IFRS, the excess is recognised as a regulatory reserve and is accounted for as an appropriation of retained earnings. The regulatory reserve is not distributable.

o) Provisions

A pro vision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle theobligation.

p) Grant income and grant expense

Grant income is relating to support from African Development Bank under a capacity development agreement between Developpement International Desjardins and EFC. The amount of support during the year is recognized in profit or loss as grant income and grant expense.

Notes continued

3. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the company, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experienceand other factors, including expectationsof future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognisedin the year in which the revision is made.

a) Significant judgements made in applying the company's accounting policies

The judgements made by the directors in the process of applying the company's accounting policies that have the most significanteffect on the amounts recognised in the financial statements include:

i) Whether it is probable that future taxableprofits will be available against which temporarydifferencescan be utilised; and

ii) Whether the company has the ability to hold 'held-to maturity' investments until they mature. If the company were to sell other than an insignificantamount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

i) Impairment losses

Estimates made in determining the impairment losses on receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset.

ii) Useful life of depreciable assets

Management reviews the useful life of depreciable assets at each reporting date. As at 31st December, 2017, management established that the useful lives represent the expected utility of the assets to the company. The carrying amounts are presented in Notes 8 and 9.

Notes continued

4. Risk Management objectives and policies (continued)

a) Financial risk management (continued)

I) Credit risk (continued)

Framework

The company has implemented fundamental segregation of duties underlying the credit-granting process:

- an independent credit analysis function;
- credit approval process by a committee made of at least two Management Officers; and
- independent audit, risk review and compliance function.

The company's credit policy reflects its risk tolerance i.e. credit risk appetite. This, as a minimum, reflects a strategy to grant loans based on various products, economic sectors, client segments and target markets giving due consideration to risks specific to the target markets.

Salient features of the company's risk approval process are delineated below:

- Every extension of credit requires approval by various pre-defined levels of approving authorities as defined in the Delegation of Lending Authorities Policy.
- All business units must apply consistent standards in arriving at their credit decisions as defined by the credit policies authorized and revised yearly by the Board of Directors.
- Every material change to a credit facility requires approval at the appropriate/pre-defined level.

The disbursement of credit facilities is managed by a centralized Loan Disbursement Department, reporting directly to the Managing director. This department is also responsible for collateral/documents management including safekeeping.

The company monitors its credit portfolio on a continuing basis. Procedures are in place to identify, at an early stage, credit exposures for which there may be a risk of loss. The objective of an early warning system is to address potential problems while various options may still be available. Early detection of problematic loans is a tenet of our credit culture and is intended to ensure that greater attention is paid to such exposure.

The company follows the guidelines of the Bank of Uganda regulations for the classification/write off procedures relating to problematic loans.

Collateral held and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Management defines, adopts, implements, monitors and controls policies and procedures for covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are land mortgages, vehicles and chattels.

ii) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The ultimate responsibility for liquidity risk management rests with the board of director, which has established an appropriate liquidity risk management framework for the management of the entity's short, medium and long term funding and liquidity management requirements. The entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching maturity profiles of financial assets and liabilities.

Notes continued

4. Risk Management objectives and policies

a) Financial risk management

The company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The company's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the company's performance by setting acceptable levels of risk.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis. The company does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

The maximum exposure of the company to credit risk as at the balance sheet date is as follows:

31 December 2017	Fully performing Shs'000	Past due but not impaired Shs'000	Impaired Shs '000	Total Shs '000
Loansand advances	10,887,138	2,153,768	2,036,207	15,077,113
Other assets (Receivables)	398,185			398,185
Fixed term deposit	1,000,000			1,000,000
Cash at bank	960,823			960,823
Maximum credit risk exposure	13,246,146	2 153 768	2,036,207	17,436,121

31 December 2016	Fully performing Shs '000	Past due but not impaired Shs '000	Impaired Shs '000	Total Shs '000
Financial assets	19,884,731	1,040,351	553,644	21,478,726
Other assets	168,452			168,452
Fixed term deposit	519,739			519,739
Cash atbank	4,551,432			4,551,432
Maximum credit risk exposure	25,124,354	1 040 351	553 644	26,718,349

The past due debtors are not impaired and continue to be paid. The management continues to actively follow up past due and impaired receivables.

Credit risk makes up for the largest part of the company's risk exposures. The company's credit process is governed by centrally established credit policies and procedures, rules and guidelines whose main objective is to maintain a well-diversified credit portfolio. Credit risk policies and procedures are reviewed by management and are approved by the Board of directors on annual basis.

Notes continued

4. Risk Management objectives and policies (continued)

a) Financial risk management (continued)

ii) Liquidity risk (continued)

The table below presents the undiscounted cash flows of receivables and payables by the company under financial assets and liabilities by remaining contractual maturities at the financial position date.

	Note	Up to 1 Month Shs '000	1 - 3 Months Shs '000	3 -12 Months Shs '000	1 - 5 years Shs '000	Total Shs '000
As at 31 December 2017						
Financial assets						
Cash/cash equivalents	5	960,822		1,000,000		1,960,822
Loans and advances	6	1,413,843	2,412,068	7,392,074	3,859,128	15,077,113
Other assets	11	769,900			10,337,666	11,107,566
		3,144,565	2,412,068	8,392,074	14,196,794	28145 ,501
Financial liabilities						
Customer deposits	12	(1,528,099)	(500,653)	(1,652,992)	(394,861)	(4,076,605)
Borrowings	13	(2,199,817)	(1,597,912)	(4,677,924)	(2,163,918)	(10,639,571)
Other liabilities	15	(609,613)				(609,613)
		(413371529)	(2 ,098 ,565)	(613301916)	(2,558?79)	(15,325,789)
Asset-liability gap		(1,192,964)	313,503	2,061,158	11,638,015	12,819,712

The negative one month liquidity gap relates to January 2018 when EFC will be settling its obligation to a tune of 1.8 Billion however, this will be covered by the overdraft facilities from KCB and Bank of Africa and repayments from the loans and advances.The gap will remain positive in the remaining months since the instittuition obtained additional capital by March 2018.

	Note	Up to 1 Month Shs '000	1 - 3 Months Shs '000	3 -12 Months Shs '000	1 - 5 years Shs '000	Total Shs '000
As at 31 December 2016						
Financial assets						
Cash/cash equivalents	5	2,451,432	2,100,000	500,000		5,051,432
Loans and advances	6	1,411,672	1,933,616	8,481,339	9,652,099	21,478,726
Other assets	11	168 452				:8.,4 52
		4,031 ,556	4,033,616	8,981,339	9,652,099	26,698,610
Financial liabilities						
Customer deposits	12	(2,411,339)	(523,491)	(1,045,660)	(965,543)	(4 , 946 , 033)
Borrowings	13	(4,569,020)	(2,324,188)	(5,804,900)	(2,579,355)	(15 , 277,463)
Other liabilities	15	(783,243)				(783 ,243)
Derivative	15			(432,235)	(897,943)	(1 330,178)
		(7,763,602)	(2,847,679)	(7,282,795)	(4,442,841)	(22 , 336 , 916)
Asset-liability gap		(3 732 046)	1 185 937	1,698,544	5,209,258	4,361 ,693

4. **Risk** Management objectives and policies (continued)

a) Financial **risk** management (continued)

iii) Market risk

Market risk is the risk of loss due to adverse movements in market rates or prices, such as foreign exchange rates, interest rates and equity prices . For EFC, the business model favoured significantly limits our risks to such exposures

The company carries a limited amount of market risk. Tolerance limits for market risk are approved by the board. Risk measurement is currently based on the monitoring of key performance indicators.

a) Currency risk

Currency risk arises on financial instruments denominated in foreign currency. The company has minimum exposure to foreign currency risk as its revenue is largely earned in local currency and operating expenditure is incurred principally in local currency. This exposure does not result in a significant risk as foreign currency assets and liabilities are normally settled within a fairly short time. The main exposure is as a result of the US Dollar borrowings, bank balances and balance payable to related parties which will be settled in US Dollars. The company has trade receivables, trade payables and borrowings that are denominated in foreign currency, mainly USO. The significant exposure in respectof each currency is as follows:

	2017 USO	**2016 USO**
Foreign currency assets	94,525	352,976
Foreign currency liabilities	9,210	431,451
Gap	85,315	(78,475)
Core capital	588,992	1,517,908
Foreign risk exposure	14.48%	-5.17%

The exchange rate as at 31st December 2017 was UShs 3625.38/1 USO (2016: Ushs 3,613.67/1 USO)

If the US Dollar were to appreciate against the Ugandan Shillings Ushs by 10%, with all other factors remaining constant, the post tax Loss would be lower by 309 million. If the US Dollar were to depreciateagainst the Ugandan Shillings, the effect would be the opposite.

b) Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, i.e. the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

In microfinance, the greatest interest rate risk typically occurs when the cost of funds increases faster than the institution can or is willing to adjust its lending rates. The cost of funds can sometimes exceedthe interests earned on loansand investments, resulting in a loss.

Interest rate risk exposure is greatly diminished because the margins between cost of funds to customer lending rates are sufficient to assure and maintain both financial and operational sustainability.

Management prepares a sensitivity analysis for the reasonably possible change in interest rates over the next 12 months. The MDl's strategy to manage interest rate risk is based on long term strategic partnerships that contribute equity and debt which are the primary sources of funds for customer lending activities. Our capacity to mobilise savings has also started rising and this will also provide a cheaper source of funding.

Interest ratestress test		**2017**		**2016**	
	2017 Shs '000'	**2% increase** in **interest rates**	**2% decrease** in **interest rates**	**2% increase** in **interest rates**	**2% decrease** in **interest rates**
Loss before tax	{2,563,766)	{2,540,581)	{2,586,951)	(4,692,270)	{4,820,528)
Total equity	3,221,072	3,244,257	12,186,570	5,902,184	**5,773,926**

An increase in interest rates by 2% would lead to a reduction in the loss by Ugx 23 Million (2016; 64 Million) and a decrease in interest rates by 2% would increase the loss by the same amount.

4. Risk Management objectives and policies (continued)

b) Interest rate risk (continued)

	Note	0 - 3 Month Shs '000	3 - 6 Months Shs '000	6 - 12 Months Shs '000	Over 12 Months Shs '000	Non Interest Shs '000	Total Shs '000
As at 31 December 2017 Financial assets							
Cash/cash equivalents	5	960,823					960,823
Investments	7			1,000,000			1,000,000
Loans and advances	6	4,641,859	3,139,456	3,695,733	3,614,798		15,091,847
Current tax recoverable						304,959	304,959
Property and equipment	8					1,027,448	**1,027,448**
Intangible asset	9					321,534	321,534
Other assets	11					750,583	750,583
Receivables from related party						19,317	19,317
		5,602,682	3,139,456	4,695,733	3,614,798	**2,423,841**	19,476,511
Financial liabilities							
Customer deposits	12	1,701,502	940,471	350,419	356,256	727,958	4,076,606
Complusory term deposits	13	929,649					929,649
Borrowings	**14**	3,797,729	2,943,648	3,080,012	**818,182**		10,639,571
Other liabilities	15					609,613	609,613
Shareholder equity						3,221,072	3,221,072
		6,428880	318841119	**3,430,431**	1,174,438	455816 43	191 476 ,511
Interest sensetivity gap		(826,198)	(744663)	11265 1302	2,4401360	(21134,802)	

As at 31 December 2016

	Note	0 to 3 month Shs '000	3 - 6 months Shs '000	; - 12 months Shs '000	Over 12 months Shs '000	Non interest Shs '000	Total Shs '000
Financial **assets**							
Cash/cash equivalents	5	4,551,432					4,551,432
Investments	7			519,739			519,739
Loans and advances	6	3,309,079	2,984,366	5,484,545	9,700,736		21,478,726
Current tax recoverable						287,272	287,272
Property and equipment	8					1,179,227	1,179,227
Intangible asset	9					100,659	100,659
Other assets	11					494,704	494,704
		7,860,511	2,984,366	6,004,284	9,700,736	2,061,862	28,611,759
Financial liabilities							
Customer deposits	12	313,309	248,932	642,139	1,152,283	1,048,152	3,404,815
Complusory term deposits	13	1,541,218					1,541,218
Borrowings	14	6,033,422	2,378,655	3,426,245	3,439,140		15,277,462
Fair value derivative		1,330,178					1,330,178
Other liabilities	15					1,220,031	1,220,031
Shareholderequity						5,838,055	5,838,055
		912181127	216271587	410681384	4591A23	81106,238	2816111759
Interes t sensetivity gap		1,357,616	356,779	1,935,900	5,109,313	(6,044,376)	

Notes continued

4. Risk Management objectives and policies (continued)

b) Capital management

The company's objectives when managing capital are as follows:

- Comply with the capital requirements as per the MDI Act 2003 for the Microfinance Deposit-Taking Institution licence;
- Safeguard the company as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders;
- Maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by the management, employing techniques based on the guidelines developed by the Basel Committee as implemented by Bank of Uganda for supervisory purposes. The required information is filed with Bank of Uganda on a monthly basis.

The company manages its capital to meet The MDI Act 2003 requirements listed as follows:

a) hold the minimum level of regulatory core capital of Shs 500 million;
b) maintain core capital of not less than 15% of the risk-weighted assets;
c) maintain total capital of not less than 20% of risk-weighted assets.

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

- Core capital-Tier 1, which includes permanent shareholders' equity in the form of issued and fully paid ordinary shares, including retained reserves approved by the Central Bank.
- Supplementary capital-Tier 2, which includes general provisions (up to 1% of loan portfolio and 1.25% of Gross Risk-Weighted Assets, subordinated debts (up to 50% of core capital) and other reserves.

The company regulatory capital position as at 31 December 2017, was as follows:

	Note	2017 Shs '000	2016 Shs '000
Core Capital - Tier 1			
Paid-up share capital	16	15,275,000	15,275,000
Retained earnings at start of year		(10,117,282)	(4,733,359)
50% of current year-to-date profit , net of tax or 100% of current year-to-date loss		(3,022,400)	(5,383,923)
		2,135,318	5,157,718
Supplementary capital - Tier 2			
General provisions		1,085,754	680,337
Total capital		**3,221,072**	**5,838,055**
Total risk-weighted assets		16,892,812	23,926,870

	Actual ratios		Minimum requirement	
	2017 %	2016 %	2017 %	2016 %
Tier1 Capital to total risk-weighted assets	12.64	21.56	15.00	15.00
Total Capital to Total risk-weighted assets	19.07	**24.40**	20.00	20.00

The total capital adequacy ratio was at 19.07% below the required minimum. However, on 27 March 2018, EFC received Shs 8.98 billion from the shareholders as an increase in share capital to bring this ratio back into compliance.

Notes continued

4. Risk Management objectives and policies (continued)

c) Fair value of financial instruments

The following is the financial instrument measured at fair value

Hierarchy	2017 shs'OOO	2016 shs'OOO
Level 2 -forward contracts valuation		1,330,178

d) IFRS 9 impact

The MDI financial instruments are held solely for contractual cash flows of principal and interest and recorded at armortised cost. Changes in fair value are recognised in profit and loss when the asset is derecognised or reclassfiied.

IFRS 9 replaces the existing incurred loss model with a forward-looking Expected Credit Loss (ECL) model. The bank will now be required to consider historical, current and forward-looking information (including macro- economic data). This will result in the earlier recognition of credit losses as it will no longer be appropriate to wait for an incurred loss event to have occurred before credit losses are recognised. IFRS 9 also expands the scope of the impairment requirements to include issued loan commitments and financial guarantees. This will lead to increased impairment charges. The increase in impairment provisions that will be presented as a prior period adjustment in 2018 has beenprovisionally estimated as:

Amounts to be posted to reserves.	**Shs 000'**
IAS 39 provisions 31 December 2017	280,288
IFRS 9 provisions 31 December 2017	1,401,366
Difference to be posted to reserve	{1,121,078}

Impact on capital ratios

	Note	2017 Shs '000 IAS39	2017 Shs '000 IFRS 9
Core Capital - Tier 1			
Paid-up share capital	16	15,275,000	15,275,000
Retained earnings		(10,117,282)	(10,117,282)
50% of current year-to-date profit, net of tax or 100% of current year-to-date loss		(3,022,400)	(4,143,478)
		2,135,318	1,014,240
Supplementary capital - Tier 2			
General provisions		1,085,754	(35,323)
Total capital		**3,221,072**	**978,917**
Total risk-weighted assets		16,892,812	16,892,812

	Actual ratios 2017 (IAS 39)	2017 (IFRS 9)	2016 (IAS 39)	Minimum requirement 2017
Tier1 Capital to total risk-weighted assets	12.64%	6.00%	22.00%	15.00%
Total Capital to Total risk-weighted assets	19.07%	5.79%	24.00%	20.00%

The total capital adequacy ratio after the IFRS 9 adjustment would be at 5.79% and non-compliant with the minimum requirements by the regulator. However, per note 28, additional funds have been received to bring EFC back into compliance.

Notes continued

5. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2017 Shs '000	2016 Shs '000
Cash in hand	282,605	269,791
Mobile money	262,135	113,187
Cash and balances with other banks	416,083	**2,068,454**
Investment maturing in less than 3 months		2,100,000
	960,823	**4,551,432**

6. Loans and advances

		2017	2016
a)	Gross loans and advances	15,372,135	21,575,603
	Less: Allowance for impairment losses	(280,288)	(96,877)
	Net loans and advances	15,091,847	21,478,726

Movement in impairment allowance

	2017	2016
Balance at 31 December 2016	96,877	389,421
(Credit)/charge for the year	183,411	(292,544)
At 31 December 2017	280,288	96 877

b) **Impairment charge for the year**

	2017	2016
(Reduction)/increase in provision for the year	183,411	(292,544)
Loans written off during the year	630,311	660,333
	813,722	367,789

7. Investments

	2017	2016
Fixed term deposit	1,000,000	519,739

The fixed term deposits are with Bank of Africa (Shs 500 million) and KCB (Shs 500 million) for 1 year at an interest rate of 7% and 9% per annum respectively. They are encumbered since they were pledged as security for the overdraft facilities of Shs 500 million from Bank of Africa and Shs 1 Billion from KCB.

Notes continued

8. Property and equipment

For the year ended 31 December 2017

	Generators	Motor Vehicles	Furniture and Fixtures	Office Equipment	Computers and equipment	Leasehold Improvements	Total
Cost	**Shs '000**	**Shs '000**	**Shs '000**	**Shs'000**	**Shs '000**	**Shs '000**	**Shs'000**
At start of year	59,574	288,417	355,750	454,064	416,183	863,328	2,437,316
Additions		32,725	15,771	39,002	145,985	51,322	284,805
Write off	-	-	-	{4,019}	{55,484)	-	{59,503)
At end of period	59,574	321,142	371,521	489,047	506,684	914,650	2,662,618
Depreciation							
At start of year	55,603	239,921	217,061	202,767	280,381	262,356	1,258,089
Charge for the year	3,971	57,701	63,901	100,023	110,275	100,713	**436,584**
Write off		-	-	{4,019)	{55,484)		{59,503)
At end of year	59,574	297,622	280,962	298,771	335,172	363,069	1 635 170
Net book amount		**231520**	**90l 559**	**1901276**	**171 512**	**5511581**	**110271448**

For the year ended 31 December 2016

	Generators	Motor Vehicles	Furniture and Fixtures	Office Equipment	Computers and equipment	Leasehold Improvements	Total
Cost	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs'000**	**Shs '000**	**Shs '000**
At start of year	59,574	299,425	347,457	402,943	384,059	806,476	2,299,934
Additions	-	-	8,293	76,123	41,318	128,812	254,546
Disposals		{11,008)	-	{25,002)	{9,194)	{71,960)	{117,164)
At end of year	59,574	288,417	355,750	454,064	416,183	863,328	2,437,316
Depreciation							
At start of year	43,688	185,853	138,898	121,565	191,910	161,978	843,892
Charge for the year	11,915	64,388	78,163	98,997	97,665	172,338	523,466
Disposals	-	{10,320)	-	{17,795)	{9,194)	{71,960)	{109,269)
At end of year	55,603	239,921	217,061	202,767	280,381	262,356	1,258,089
Net book amount	3,971	48,496	138,689	251,297	135,802	600,972	1,179,227

The property and equipment has not been pledged as security for any of the borrowings.

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9. Intangible **assets**

Cost	**2017 Shs '000**	**2016 Shs '000**
At the start of the year	240,679	163,849
Additions	4,726	76,830
Work in progress	271,449	
Written off	(57,744)	
At end of year	459,110	240,679
Amortisation		
At start of the year	140,020	90,742
Charge for the year	55,300	49,278
Disposals	(57,744)	
At end of year	137,576	140,020
Net book amount	321,534	100,659

Intangible assets relate to software and are amortised over thirty-two months

10. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2016: 30%). The movement on the deferred tax account is as follows:

	2017 Shs '000	**2016 Shs'000**
At start of year	(2,860,566)	(1,383,195)
Credit to the statement of profit or loss	(642,920)	(1,477,371)
At end ofyear	(3,503,486)	(2,860,566)

	At start of year Shs '000	**Charge to profit or loss Shs '000**	**At end of year Shs '000**
Deferred tax liability			
Property and equipment	80,164	36,888	117,052
Impairment provision	24,621	14 368	381989
	104,785	51,256	156 ,041
Deferredtaxassets			
Carried forward tax losses	{2,965|443l	{6941176}	{3,659 |619l
Net deferred tax asset	{2,8601658)	(642,920}	(3,503,578}

Deferred tax assets have not been recognised in respect of tax losses because the institution has not made profit against which the company can utilise the benefits there from.

11. Other assets

	2017 Shs '000	**2016 Shs '000**
a) Accounts receivable (Note 11(b))	398,185	168,452
Prepaid expenses	324,706	302,032
Receivables from related parties	19,317	
Inventory - consumables	27,692	24,220
	769,900	**494,704**

b) **Breakdown of accounts receivable**

BIO grant receivable	210,272	
Recovery fees receivable from clients	128,671	112,479
Other receivables	59,242	55,973
	398,185	168,452

Notes continued

12. Deposits from customers

	2017	2016
	Shs '000	Shs '000
Regular savings	602,995	1,048,152
Premium savings	123,967	87,324
Voluntary term deposits	3,324,276	2,184,005
Dormant accounts	996	
Interest payable on deposits	24,372	85,334
	4,076,606	3,404,815

13. Complusory term deposits	929,649	1,541,218

14. Borrowings

Senior debts		
Symbiotics SA	2,929,565	1,548,248
FMO	6,148,480	7,206,811
Stromme	1,561,526	
ResponsAbility Africa		3,109,053
DID (Note 24)		3,413,350
	10,639,571	15,277,462

During the year, the company settled loans to the tune of Ushs 12.5 billion and obtained Shs 7.8 billion from FMO, Symbiotics and Stromme. The institution also acquired an overdraft facility from Bank of Africa and KCB for 12 months.

15. Other liabilities

	Shs '000	Shs '000
a) Accounts payable (Note 15 (c))	251,893	204,846
African Development Bank grant received in advance		225,247
	251,893	**430,093**
Payable to related parties (Note 24)		
Interest payable to DID		348,181
Other payables to DID	356,378	3,627
Other payables to BIO	1,122	1,12£
Other payables to AfricInvest	220	220
	357,720	**353,150**
	609,613	**783,243**
b) Derivative instruments (forward exchange contracts), at fair value		113301178
c) **Accounts payable**		
Bills payable	21,639	37,286
Pay As you Earn	73,933	46,869
National Social Security Fund contributions	39,213	28,928
Life insurance	4,163	9,343
Witholding tax	3,046	81,790
Accurals	109,439	436,788
Local Service Tax	460	630
	251,893	**641,634**

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16. Share Capital

	2017	2016
	Shs '000	Shs 'OOO'
Authorised and fully paid		
As at 31 December 2017, the authorised share capital comprised:		
Ordinary shares (10,575,000,000 at a nominal value of Shs 1)	10,575,000	10,575,000
Class A Ordinary shares (18,951,612,903 at a nominal value of Shs 0.248)	4,700,000	4,700,000
	15,275,000	15,275,000

	Share Price '000	Number of Shares	Total
Issued and fully paid ordinary shares 2017		Shs '000	Shs '000
Balance as at 1 January 2017	1.000	10,575,000	10,575,000
Class A Ordinary shares	0.248	4,700,000	1,165,600
Balance as at 31 December 2017		15,275,000	11,740,600
Issued and fully paid ordinary shares 2016		Shs '000	Shs '000
Balance as at 1 January 2017	1.000	10,575,000	10,575,000
Conversion of preference shares into ordinary shares	0.248	12,096,774	3,000,000
Issuance of new Class A Ordinary shares	0.248	6,854,839	1,700,000
Balance as at 31 December 2017		29,526,613	15,275,000

16b) Regulatory reserve

	Shs '000	Shs '000
	1,085,753	680,337

The regulatory reseNe represents an appropriation from retained earnings to comply with Bank of Uganda's Prudential Regulations. The balance in the reserve represents the excess of impairment provisions determined in accordance with the Prudential Regulations over the impairment provisions recognized in accordance with the MDI's accounting policy. The reserve is non-distributable.

17. Net interest income

	2017	2016
	Shs '000	Shs '000
Interest income		
Interest on loans and advances	7,288,312	6,876,991
Interest on investments	117,913	279,309
	7,406,225	7,156,300
Interest expenses		
Interests on deposits from customers	(663,219)	(750,910)
Interests on borrowings	(3,062,793)	(3,729,979)
	(3,726,012)	**(4,480,889)**
Net interest income	3,680,213	2,675,411

Notes continued

	2017 Shs '000	2016 Shs '000
18. Fee and commission income		
Loan fees	1,731,157	1,647,243
Monthly fees on clients accounts	286,441	149,914
	2,017,598	1,797,157
Other loan expenses		
Loan recovery allowances	45,509	11,925
Caveat , statutory declaration & legal registration fees	244,117	480,493
Valuation and boundary opening	87,835	224,387
Disbursement allowances	16,523	127,184
Compuscan related charges	36,089	
Other fees	80,787	100,159
Field visitation costs		90,584
	510,860	1,034,732
Net fee and commission income	1,506,738	762,425
19. Grant income		
Operations subsidies		
African Development Bank	224,504	864,859
Belgian Investment Company for Developing Countries (BIO)	209,668	392,081
Total grant income	434 172	1,256,940
20. Other income		
Recovery of loans written off	236,146	86,100
Foreign exchange gain /(loss)	(86,848)	136,422
Other	6,227	12,853
	155,525	235,375
21. Salaries and employee benefits		
Salaries and wages	2,958,951	1,974,993
Social security contribution	292,543	225,323
Medical and funeral	117,635	62,800
Staff recruitment	34,173	35,837
Incentive remuneration	115,487	131,330
Other personnel expenses	37,363	98,013
Training	15,999	45,362
	3,572,151	2,573,658

Notes continued

22. Administrative expenses

The following items have been recognised as expenses in determining profit before tax

	2017 Shs '000	2016 Shs '000
Depreciation & amortization	491,884	572,744
Salaries and employee benefits	3,572,151	2,573,658
Impairment losses on loans and advances	813,722	367,789

23 Income taxes

The components of the income tax expenses for the year ended 31st December 2017 are as follows:

	2017 Shs '000	2016 Shs'000
Current income tax expense:		
Current tax Deferred tax		
Tax charge		

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

	2017	2016
Loss before tax	(2,563,766)	(4,756,399)
Tax calculated at a tax rate of 30% (2016:30%)	(769,130)	(1,426,920)
Tax effect of expenses not deductible for tax purposes	115,609	12,021
Prior year deferred tax under provision	(40,655)	(62,472)
Movement in unrecognised deferred tax asset (Note 10)	694,176	1,477,371
Tax charge		

Notes continued

24. Related-party disclosures

Key management compensation

	2017 Shs '000	2016 Shs '000
Key management personnel of the company comprises the members of the Board of Directors		
Board members allowances	13,712	20,845

Insider loans

Insider loans as at 31st December 2017 amounted to Shs 44 million only in terms of outstanding amount. The following transactions were carried out with related parties.

For the year ended 31st December 2017	DID Shs '000	BIO Shs '000	Afric Invest Shs '000	Total Shs '000
Profit or loss				
Interest expenses	126,406			126,406
Other operating income				
Operations subsidies (Note 19)		209,668		209,668
Administrative expenses				
Consultancy Fees	187,070			187,070
Capacity building contract	366,477			366,477
	679,953	209,668		889,621
Financial position				
Liabilities				
Other liabilities (Note 15)	356,378	1 122	220	357,720

For the year ended 31 December 2016	DID Shs '000	BIO Shs '000	Afric Invest Shs '000	Total Shs '000
Profit or loss				
Interest expenses	971,897			971,897
Administrative expenses				
Capacity building contract	2,298,314			2,298,314
Loss on derivative instruments	1,333,805			1,333,805
	4,604,016			4,604,016
Financial position				
Liabilities				
Borrowings (Note 14)-010	3,41 3,350			3,413,350
Interest payable on loan	348,181			348,181
Other liabilities (Note 15)	1,333,805	1,122	220	1,335,147
	5,095,336	1,122	220	5,096,678

Notes continued

25. Contingencies

No provision has been recognised in these financial statements as the directors do not consider any probable loss will arise.

26. Commitments

The company entered into commercial leases for premises. These leases have an average life of five years with a renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

	2017 Shs '000	2016 Shs'000
No later than 1 year	713,776	713,065
Later than 1 year and not later than 5 years	1,720,360	2,139,196
	2,434,136	2,852,261

The directors are of the view that future net revenues and fundings will be sufficient to cover this commitment.

27. Reclassifications

Where applicable, certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

28. Events after the reporting period

On 27 March 2018, EFC received Shs 8.98 billion from the shareholders as an increase in share capital in order to meet the regulators minimum requirements of core capital. This has been treated as non adjusting event in the financial statements in accordance with IAS 10 : Events after the Reporting Period.

Notes (continued)

29. New and revised financial reporting standards

The company has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2017.

IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC- 31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

IFRS 9 *Financial Instruments* (issued in July 2014) -This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirementsfor the classification and measurement of financial assets and financial liabilities, impairmen,t hedge accounting and derecognition:

- o IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- o For financial liabilities, the most significanteffect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- o For the impairment of financial assets, IFRS 9 introduces an "expectedcredit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
- o For hedge accounting, IFRS 9 introduces a substanital overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- o The derecognition provisions are carried over almost unchanged from IAS 39.

- Amendment to IAS 19 (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014) - The amendmen,t applicable to annual periods beginning on or after 1 January 2016, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

  Amendment to IFRS 5 (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014) - The amendment, applicable prospectively to annual periods beginning on or after 1 January 2016, adds specific guidance when an entity reclassifiesan asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribuiton accounting is discontinued.

- Amendment to IFRS 7 (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014) - The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvementin a transferred asset.
- Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014) - The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

(continued)

29. New and revised financial reporting standards (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 titled Investment Entities: Applying the Consolidation Exception (issued in December 2014) - The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify the applicationof the consolidation exception for investment entities and their subsidiaries.

Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014) - The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

IFRS 16 *Leases* (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

- Amendments to IAS 12 titled Recognition of Deferred Tax Assets (issued in January 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2017, provide additional guidance on the estimation of future taxable profits when considering the recoverability of deferred tax assets.
- Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2017, require enhanced disclosure concerning changes in liabilitiesarising from financing activities.
- Amendments to IFRS 2 titled Classification and Measurement of Share-based Payment Transactions (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share- based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the Group's consolidated financial statements.
- IFRIC 22 titled Foreign Currency Transactions and Advance Consideration (issued in December 2016) - The Interpretation, applicable to annual periods beginning on or after 1st January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetaryasset or liability.
- IFRS 17 Insurance Contracts (issued in May 2017) - The new standard, effective for annual periods beginning on or after 1st January 2021, establishes principles for the recognition, measuremen,t presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The company does not issue insurance contracts.
- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017) - The Interpretation, applicable to annual periods beginning on or after 1st January 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments.
- Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017) - The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Notes (continued)

29. New and revised financial reporting standards (continued)

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significantimpact on the company's financial statements.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017) - The amendments, applicableto annual periods beginningon or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounitng for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017 - The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidanceon applying the acquisition method to particular types of business combination.

Amendments to IAS 12 titled Recognition of Deferred Tax Assets (issued in January 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2017, provide additional guidance on the estimation of future taxable profits when considering the recoverability of deferred tax assets.

Amendments to IAS 7 titled Disclosure Initiative (issuedin January 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2017, require enhanced disclosure concerning changes in liabilities arising from financing activities.

Amendments to IFRS 2 titled Classification and Measurement of Share-based Payment Transactions (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share- based payments (SBP), the accounting for SBP transactionswith a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the Group's consolidated financial statements.

IFRIC 22 titled Foreign Currency Transactions and Advance Consideration (issued in December 2016) -
The Interpretation, applicable to annual periods beginning on or after 1st January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.

IFRS 17 Insurance Contracts (issued in May 2017) - The new standard, effective for annual periods beginning on or after 1st January 2021, establishes principles for the recognition, measurement , presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurancecontracts held and investment contracts with discretionaryparticipationfeatures issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. Thecompanydoes not issue insurance contracts.

IFRIC 23 Uncertainty over Income Tax Treatments (issuedin June 2017) - The Interpretation, applicable to annual periods beginning on or after 1st January 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments.

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017) . The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition ismet.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements with exceptionof IFRS 9.

Schedule of expenditure

Administrative expenses

	2017 Shs '000	2016 Shs '000
Capacity building (management fees)	366,477	2,298,314
Office rent & utilities and security	1,340,004	1,190,051
Stationery, telephone & e-mail	407,333	341,686
Consultancy fees	523,107	103,037
Advertising and promotion	149,018	103,004
Insurance	104,135	100,116
Other administrativeexpenses	157,800	330,200
Motor vehicle expenses	76,972	60,270
Audit fees	66,485	63,543
Travel &transportation& lodging and perdiem	134,309	63,060
Board meeting expenses	34,846	57,941
Other legaland professional fees	123,999	116,357
Software support costs	10,662	14,295
Operational losses	294,555	
Decrease in legal & administrative provision	(327,045)	
Loss on disposal of fixed assets		307
Loss on derivativeinstruments		1,330,178
	3,462,657	6,172,359

Transition impact of IFRS 9

We estimate that there will be an increase in impairment provision on the initial adoption of IFRS 9 which will result in a decrease in total equity approximately by 69.61% amounting to Shs 2.23 Billion.from Shs 3.22 Billion (IAS 39) to Shs 0.98 Billion (IFRS 9). After considering the impact on account of IFRS 9, core capital to risk weightedratio and total capital to risk weighted ratio is 6.00% and 5.79% respectively which will be lower than the statutory required ratios.

EFC Uganda Limited (MDI) is still in the process of developing a comprehensive policy and procedure for adoption of IFRS 9 which may change the actual impact on adoption.

Prior year restatement

This is not required since IFRS 9 is effective 1 January 2018

Estimated implemen tations cost of IFRS 9

The MDI estimated its first time annual implementation cost approximate to Shs 44 million and recurring annual cost of Shs 4.4 Million

Comparison of IFRS 9 vis-a-vis IAS 39 and MDI 2003 on loan loss Particula

rs	2017 Impairment loss Shs '000
IFRS 9	1,401,366
IAS 39	280,288
MDI 2003	1,366,041

Transition impact of IFRS 9 (continued)

Key implementation challenges

- Determination of Loss Given Default and probability default;
- Availability of reliable and forward looking information;
- Co-ordination of IFRS 9 task team that is Finance, Credit, Risk and IT departments;
- Limited resources to design and build test models; and
- Time constraints to plan and implement IFR9 along side business continuity, among others.