

INFORMATIENOTA (AANBIEDING AAN HET PUBLIEK)

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

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 juli 2021

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 gedeelde (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 4.236.684. Dit betreft 6 leningen die de uitgevende instelling over de komende 2,5 jaar afgelost moet hebben.
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 maanden te voldoen: ja

Beschrijving van elke wijziging van betekenis in de financiële of handelspositie die 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 Le Theta B.V., Wiggerd B.V. en Daniel Sebastiaan van Maanen

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 aanbidding van beleggingsinstrumenten

A. Beschrijving van de aanbidding

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

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

De aanbiddingsperiode begint op 19-07-2021 en eindigt op 18-07-2022, of zoveel eerder als op de gehele aanbidding is ingeschreven.

Gedurende de aanbiddingsperiode 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 aanbiddingsperiode.

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 aanbidding

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 15^e 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 gereguleerde 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 Le Theta B.V., Wiggerd B.V. en Daniel Sebastiaan van Maanen.

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 gereguleerde 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 gereguleerde 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.

EFC UGANDA LIMITED (MDI)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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COMPANY INFORMATION

DIRECTORS

Mr. Charles W. Nalyaali** - Chairperson
Ms. Diana Ninsiima Kibuuka** - Vice Chairperson
Mr. Julius Tichelaar•
Mr. Alexis Losseau****
Mr. Stevens Mwanje**
Mrs. Florence Bamwine**
Mr. Bruno Degoy***
Mr. Brent Wilson••
Mr. Shem Edmond Kakembo**

*Dutch **Ugandan ***Canadian ****Belgian *****French

COMPANY SECRETARY

Shamim Nambuusi
5th Floor, Rashida Towers
Plot 6, Mabua Road, Kololo
P.O. Box 33667
Kampala, Uganda

REGISTERED OFFICE

5th & 6th Floor - Rashida Towers
Plot 6 Mabua Road, Kololo
P. O. Box 33667
Kampala, Uganda

INDEPENDENT AUDITORS

BDO East Africa
Certified Public Accountants of Uganda
6th Floor, Block C
Nakawa Business Park
Plot 3-5 New PortBell Road
P.O. Box 9113
Kampala, Uganda

PRINCIPAL BANKER

Standard Chartered Bank (U) Limited
Plot 5, Speke Road
Kampala, Uganda
P.O.Box7111

SECONDARY BANKERS

Bank of Africa (U) Limited
Plot 45 Jinja Road
P. O. Box 2750
Kampala, Uganda

DFCU Bank (U) Limited
Plot 2, Jinja Road
P.O. Box 70,
Kampala, Uganda

COMPANY INFORMATION (CONTINUED)

SECONDARY BANKERS (CONTINUED)

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

NCBA Bank Uganda Limited
Rwenzori Towers, Nakasero
P.O. Box 28707
Kampala, Uganda

Cairo Bank Uganda Limited
Plot 16 Lotis Towers, Mackinnon Road
P.O.Box 7052
Kampala Uganda

Exim Bank Uganda Limited
Plot 6, Hannington Road
P.O.Box 36206
Kampala Uganda

Tropical Bank Uganda Limited
Plot 27, Kampala Road
P.O.Box 9485
Kampala Uganda

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of EFC Uganda Limited (MDI) (the "Company").

1. Principal activities

The activity of the Company continues to be that of providing financial services to entrepreneurs, micro, small and medium enterprises in Uganda on a permanent and sustainable basis while contributing to wealth creation and poverty reduction.

2. Results

The results of the Company for the year ended 31 December 2020 are set out on page 13.

3. Dividend

The directors do not recommend the payment of a dividend for the year (2019: Nil).

4. Directors

The directors who held office at the date of this report are shown on page 1.

5. Share capital

The authorized & issued share capital is UGX 30,196.1 million (2019: UGX 30,196.1 million) and paid-up share capital is UGX 24,263.6 million (2019: UGX 24,263.6 million) comprising 10,575 million (2019: UGX 10,575 million) ordinary shares with a nominal value of UGX 1 (2019: UGX 1), 18,951.6 million (2019: 18,951.6 million) Class A Ordinary shares with a nominal value of UGX 0.248 (2019: UGX 0.248) and 184,211 million (2019: 184,211 million) Class B ordinary shares with a nominal value UGX 0.081 per share.

6. Financial risk management objectives and procedures

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 under note 4 in the financial statements.

7. Corporate governance

The Board of directors consists of nine (9) directors. One of the directors, Mr. Shem Edmond Kakembo holds an executive position (Managing Director) in the company as it is a requirement by 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 management, business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operating effectively, 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 business operations to the Managing Director who is assisted by senior management. 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.

DIRECTORS' REPORT (CONTINUED)

8. Board committees

To ensure effectiveness, the Board set up various committees which operate within and in accordance with clearly set terms of reference. The committees report to the Board at periodic intervals and by circulation .

These committees include the following;

8.1 Board Audit Committee (BAC)

The BAC sits on a quarterly basis and its mandate includes the following;

- a) Monitoring the financial reporting process, its output and the integrity of the Company's financial statements including any formal announcements relating to the company's financial performance;
- b) Monitoring and reviewing the effectiveness of the Company's internal audit function while ensuring that the internal audit function maintains open communication with senior management, external auditors, the supervisory authority, and the Audit Committee;
- c) Recommending to the board or shareholders for their approval, the remuneration and terms of engagement of the external audit firm; and
- d) Ensuring that the Company has identified the major risks it faces and has established procedures and practices necessary for optimal control of these risks.

The committee comprises the following members:

- | | |
|------------------|-------------|
| • Stevens Mwanje | Chairperson |
| • Bruno Degoy | Member |
| • Alexis Losseau | Member |

8.2 Human Resource & Compensation Committee (HRCC)

The HRCC seats on a quarterly basis and it's mandated to;

- a) Ensure that EFC's human resources management function and activities are adequate and effective;
- b) Provide strategic oversight and governance relevant to the adequacy and effectiveness of the HR management, organizational structure and function of the company; Review all existing HR policies while ensuring that there are adequate policies additions being considered for guidance and Board approval;
- c) Review, monitor and, if advisable, make recommendations for Board approval on the Company's performance evaluation and compensation parameters as deemed appropriate and in the best interests of the company, including remedial actions in case of unsatisfactory evaluations and with due consideration to the company 's performance, shareholder return and competitive benchmarks; and
- d) Annually review the Company's management succession plans and contingency preparedness.

The committee constitutes of the following members:

- | | |
|--------------------|-------------|
| • Florence Bamwine | Chairperson |
| • Julius Tichelaar | Member |
| • Alexis Losseau | Member |
| • Brent Wilson | Member |

DIRECTORS' REPORT (CONTINUED)

8.3 Risk, Assets and Liabilities Committee (RALCO)

The RALCO seats on a quarterly basis and it 's mandated to ;

- a) Establish and oversee the overall asset and liability strategies including risk limits, tolerance and/or appetite and recommending asset and liability management policies and procedural guidelines;
- b) Ensure the risk limits, policies and procedural guidelines adequately provide for the identification, measurement, monitoring and control of risks inherent in investment and liquidity management decisions;
- c) Review and oversee management of changes to the EFC's balance sheet, including structural changes and achievement of strategic objectives in relation to growth or shrinkage;
- d) Monitor the aggregate level of compliance with risk limits;
- e) Recommend types of products and treasury instruments with an appropriate duration and interest rate to manage the overall balance sheet structure; and
- f) Oversee the treasury function relative to implementation of the duly approved strategies, limits and procedures relating to all key risks inherent in the company's financial activities.

The committee constitutes of the following members:

- | | |
|--------------------------|-------------|
| • Diana Ninsiima Kibuuka | Chairperson |
| • Brent Wilson | Member |
| • Julius Tichelaar | Member |
| • Bruno Degoy | Member |

8.4 Board Transformation Committee

In 2019, the board set up a Transformation Committee, as a sub- committee of RALCO. Its mandate is to provide;

- a) Oversight over the acquisition and implementation of a new state of the art Core Banking System to support the MDI in the digitalization Strategy. EFC went live on the new system in the 4th Quarter of 2020;
- b) Oversight over the upgrade of the Institution's License and transform into a tier 2 bank; and
- c) Review, Monitor and if advisable make recommendations to the board on the various activities required to achieve the 2 transformational projects.

The committee constitutes of the following members:

- | | |
|--------------------------|------------------|
| • Diana Ninsiima Kibuuka | Chairperson |
| • Julius Tichelaar | Member |
| • Shem Kakembo | Member/Secretary |

9. Board Evaluation

In order to ensure that the Board remains efficient and effective while discharging its responsibilities, a Board assessment and review on performance is currently being undertaken for the year ended 31st December 2020.

DIRECTORS' REPORT (CONTINUED)

10. Management Committees

For effective delegation the Managing Director also set up various committees made up of senior management entrusted with different responsibilities which operate within prescribed Terms of Reference. These Committees include Executive Committee (EXCO), Management Asset and Liabilities Committee (MALCO), Credit Risk Management Committee (CRMC), Management Risk Committee (MRC) and Procurement Committee. The committee meetings are held on a monthly basis.

11. Independent auditors

The Company's auditors, BOO East Africa, Certified Public Accountants of Uganda, were appointed during the year and being eligible, have expressed their willingness to continue in office in accordance with Section 167(2) of the Companies Act, 2012 of Uganda.

12. Approval of Financial Statements

The financial statements were approved at a meeting of the board of directors held on **29 April 2021**.

By Order of The Board

SECRETARY

Date: 29 April 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and fair presentation of the annual financial statements of EFC Uganda Limited (MDI), comprising of the statement of financial position as at 31 December 2020 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes in accordance with the International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda and the Microfinance 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 misstatements, whether due to fraud or error.

The directors are ultimately responsible for the internal controls. The directors delegate responsibility for internal control to management. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the Company's assets. Appropriate accounting policies supported by reasonable and prudent judgments and estimates, are applied on a consistent and going concern basis. The directors are also responsible for maintaining adequate accounting records and an effective system of risk management.

The directors have assessed the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern for the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the annual financial statements of EFC Uganda Limited (MDI) are fairly presented in accordance with the International Financial Reporting Standards, the Companies Act, 2012 of Uganda and the Microfinance Deposit-taking Institutions Act, 2003.

Approval of the financial statements

The annual financial statements of EFC Uganda Limited (MDI) were approved by the board of directors

on - - .JP.?-:\ and signed on its behalf by:

DIRECTOR

DIRECTOR

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EFC UGANDA LIMITED (MDI)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of EFC Uganda Limited (MDI) (the Company), which comprise: the statement of financial position as at 31 December 2020; and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Micro Finance Deposit Taking Institute Act 2003 and requirements of the Companies Act, 2012 of Uganda.

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 of 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 other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Impairment of loans and advances

The impairment of loans and advances is a key audit matter due to the degree of judgment and estimation required. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, observable market and economic matters. The use of different modelling techniques and assumptions could produce significantly different estimates of impairment loss provisions. Management has made a number of assumptions when designing and implementing impairment model that is compliant with IFRS 9 *Financial Instruments*. The model uses risk parameters; such as loss given default, exposure at default, and probability of default to calculate an expected credit loss based on past experience and judgment in situations where this past experience is not considered to be reflective of future outcomes due to limited or incomplete data. Refer to note 13 (a) that describes the assumptions made in determining impairment.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EFC UGANDA LIMITED (MDI)
(CONTINUED)****Report on the Audit of the Financial Statements (Continued)****Key Audit Matters (Continued)**

Our audit procedures included the following, amongst others:

- We reviewed the expected credit loss impairment model and impairment methodology adopted by management.
- Tested the assumptions underlying the impairment quantification.
- Tested the appropriateness and accuracy of inputs to the model and where available compared data and assumptions to external benchmarks; and

Evaluated the output of the impairment models in comparison to the adjustments in the general ledger. For a sample of customer accounts, we evaluated management assessment of credit risk arising from the customer balances.

The combination of the data validation and substantive tests that we carried out gave us sufficient evidence to rely on the inputs of the model and the impairment charge included in the financial statements.

2. IT systems and controls

The Company is dependent on IT systems to (a) serve customers, (b) support business processes, (c) ensure complete and accurate processing of financial transactions and (d) support the overall internal control framework. Many of the Company's internal controls over financial reporting are dependent upon automated application controls and completeness and integrity of data/reports generated by the IT systems. The Company acquired and implemented a new core banking system effective October 2020. Given the complexity of the infrastructure and a high dependency on the core banking system, we considered this to be a key audit matter for our audit.

Our audit procedures included the following, amongst others:

- Assessed management principles and processes for modifications to the IT-environment.
- Evaluated key controls like segregation of duties for personnel working with development and production environment.
- Evaluated controls around the interfaces of various systems of the company, evaluated the process for identity and access management, including access granting, change and removal.
- Evaluated the appropriateness of controls for security governance and system hardening to protect systems and data from unauthorised use, including logging of security events and procedures to identify known vulnerabilities.
- We also performed various data analytic tests to check the completeness, accuracy and reliability of data output reports from the core banking system.

The combination of the test of controls and data validation tests, that we carried out described above gave us sufficient evidence to rely on the results of the system for the purpose of our work.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EFC UGANDA LIMITED (MDI)
(CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the directors' 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Report on the Audit of the Financial Statements (Continued)*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 our audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EFC UGANDA LIMITED (MDI) (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 and Regulatory Requirements:

As required by the Companies Act, 2012 of Uganda 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 statement of financial position (balance sheet) and statement of profit or loss and other comprehensive income (income statement) are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Kenneth M. Makanga, Practicing Certificate No. P0324.



Kenneth Makanga
Partner

& Co

BDO East Africa
Certified Public Accountants of Uganda
P.O. Box 91 f3
Kampala, Uganda

Date

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020 UGX'000	2019 UGX '000
Interest income	5	17,787,861	10,388,218
Interest expense	6	(6,821,990)	(4,341,698)
Net interest income		10,965,871	6,046,520
Net fee and commission income	7	1,859,564	2,015,013
Investment income	8	726,117	734,383
Other income	9	152,978	789,207
Operating income		13,704,530	9,585,123
Staff costs	10 (a)	(4,517,412)	(4,632,962)
Administrative costs	10 (b)	(2,548,797)	(1,567,864)
Operational costs	10 (c)	(2,263,654)	(1,311,156)
Impairment charge	15 (b)	(1,730,064)	(1,286,868)
Finance costs	11	(215,062)	(211,364)
Profit before tax		2,429,541	574,909
Income tax charge	13 (a)		
Profit for the year		2,429,541	574,909
Other comprehensive income			
Total comprehensive income for the year		2,429,541	574,909

The notes set out on pages 18 to 65 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		2020	2019
	Notes	UGX'000	UGX'000
ASSETS			
Cash and cash equivalents	14	10,266,416	2,174,811
Investments	16(a)	9,836,740	9,404,147
Net loans and advances	15(a)	57,981,861	37,924,793
Other assets	17	1,333,327	2,076,626
Current tax recoverable	13(c)	472,660	459,266
Property and equipment	18	1,039,052	1,051,219
Right-of-use assets	19(a)	2,405,583	3,125,194
Intangible assets	20	<u>3,942,101</u>	<u>57,217</u>
Total assets		<u>87,277,740</u>	<u>56,273,273</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	21(a)	24,263,683	24,263,683
Accumulated losses		(11,861,476)	(14,340,263)
Regulatory reserve	22		<u>49,246</u>
		<u>12,402,207</u>	9,972,666
Liabilities			
Deposits from customers	25	38,850,998	25,619,610
Other liabilities	27	2,373,982	754,158
Borrowings	23	29,996,945	15,815,590
Provision	28	40,000	20,000
Lease liabilities	19(b)	2,459,406	3,022,786
Compulsory term deposits	26	<u>1,154,202</u>	<u>1,068,463</u>
		<u>74,875,533</u>	<u>46,300,607</u>
TOTAL EQUITY AND LIABILITIES		<u>87,277,740</u>	<u>56,273,273</u>

The financial statements on pages 13 to 65 were approved by the Board of Directors on -- and were signed on its behalf by:

 DIRECTOR

 DIRECTOR

The notes set out on pages 18 to 65 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital UGX'000	Accumulated losses UGX'000	Regulatory reserve UGX'000	Total UGX'000
At 1 January 2020	24,263,683	(14,340,263)	49,246	9,972,666
Total comprehensive income for the year		2,429,541		2,429,541
Transfer to regulatory reserve		49,246	(49,246)	
At 31 December 2020	<u>24,263,683</u>	<u>(11,861,476)</u>		<u>12,402,207</u>
At 1 January 2019	24,263,683	(14,962,287)	96,361	9,397,757
Total comprehensive income for the year		574,909		574,909
Transfer to regulatory reserve		471,115	(47,115)	
At 31 December 2019	<u>24,263,683</u>	<u>(14,340,263)</u>	49,246	<u>9,972,666</u>

The notes set out on pages 18 to 65 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		2020	2019
	Notes	UGX'000	UGX'000
Cash flows from operating activities			
Profit before tax		2,429,541	574,909
<i>Adjustments for non-cash items:</i>			
Amortization of right-of-use asset	19(a)	719,611	606,757
Depreciation and amortisation	10(c)	287,822	261,820
Interest on leases	19(b)	215,062	211,364
Interest on borrowings	23(b)	3,037,923	2,161,682
Unrealised foreign exchange on borrowings	23(b)	275,407	(56,140)
Prior year adjustment	19(b)	211,221	
Loss on disposal of property and equipment	10(b)'	28,847	170,828
Increase in provision	28	20,000	
Write off of property and equipment	9(b)		3,609
		7,225,434	3,934,829
Changes in working capital			
Increase in net loans and advances		(20,057,068)	(17,348,294)
Decrease/(Increase) in other assets		743,299	(1,237,356)
Increase in deposits from customers		13,231,388	16,619,918
Increase in compulsory term deposits		85,739	59,834
Increase in other liabilities		1,619,824	195,749
Cash used in operating activities		2,848,616	2,224,680
Less: Tax paid	13(c)	(13,394)	(100,115)
Less: Interest paid	23(b)	(2,759,442)	(2,052,967)
Net cash generated from/ (used in) operating activities		75,780	71,598
Cash flows from investing activities			
Investment in fixed term deposits		2,075,305	(5,378,931)
Purchase of property and equipment	18	(263,302)	(617,727)
Purchase of intangible assets	20	(3,931,865)	(17,767)
Proceeds from disposal of property and equipment		5,781	23,954
Net cash used in investing activities		(2,114,081)	(5,990,471)

STATEMENT OF CASH FLOWS (CONTINUED)

		2020	2019
	Notes	UGX'000	UGX'000
Cash flows from financing activities			
Proceeds from borrowings		19,563,689	11,697,516
Repayments of principal	23(b)	(6,125,653)	(4,174,402)
Lease payments	19(b)	{989,663}	{92015291
Net cash generated from financing activities		<u>12,448,373</u>	<u>61602,585</u>
Net increase in cash and cash equivalents		10,410,072	683,712
Cash and cash equivalents at start of year		2,174,811	1,491,099
Cash and cash equivalents at end of year	14 (b)	12,584,883	2,174,811

The notes set out on pages 18 to 65 form an integral part of these financial statements.

FINANCIAL STATEMENTS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

EFC Uganda Limited (MDI)
 Financial statements
 For the Year ended 31 December 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2019 UShs'000	2018 UShs'000
Interest income	5	11,122,601	5,339,420
Interest expense	6	<u>(4,553,062)</u>	<u>(2,211,560)</u>
Net interest income		6,569,539	3,127,860
Net fee and commission income	7	2,015,013	2,499,230
Other income	8	<u>789,207</u>	<u>906,599</u>
Operating income		9,373,759	6,533,689
Personnel costs	9 (a)	(4,632,962)	(4,213,475)
Administrative costs	9 (b)	(1,567,864)	(1,137,978)
Operational costs	9 (c)	(1,311,156)	(2,231,588)
Impairment losses on loans and advances	13(b)	<u>(1,286,868)</u>	<u>(813,001)</u>
Profit/ (Loss) before tax		574,909	(1,862,355)
Income tax charge	11(a)	<u>-</u>	<u>-</u>
Profit/ (Loss) for the year		574,909	(1,862,355)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/ (loss) for the year		<u>574,909</u>	<u>(1,862,355)</u>

FINANCIAL STATEMENTS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

EFC Uganda Limited (MDI)
Financial statements
For the Year ended 31 December 2019

STATEMENT OF FINANCIAL POSITION

	Notes	2019 UShs'000	2018 UShs'000
ASSETS			
Cash and cash equivalents	12	2,174,811	1,491,099
Net loans and advances	13(a)	37,924,793	20,576,500
Investments	14	9,404,147	4,025,216
Current tax recoverable	11(c)	459,266	359,151
Other assets	15	2,076,626	839,270
Property and equipment	16	1,051,219	878,709
Right-of-use assets	17(a)	3,125,194	-
Intangible assets	18	<u>57,217</u>	<u>54,445</u>
Total assets		<u>56,273,273</u>	<u>28,224,390</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19(a)	24,263,683	24,263,683
Accumulated losses	Page 15	(14,340,263)	(14,962,287)
Regulatory reserve	20	<u>49,246</u>	<u>96,361</u>
		<u>9,972,666</u>	<u>9,397,757</u>
Liabilities			
Borrowings	21	15,815,590	8,239,902
Lease liabilities	17(b)	3,022,786	-
Deposits from customers	23	25,619,610	8,999,692
Compulsory term deposits	24	1,068,463	1,008,630
Other liabilities	25	<u>774,158</u>	<u>578,409</u>
		<u>46,300,607</u>	<u>18,826,633</u>
TOTAL EQUITY AND LIABILITIES		<u>56,273,273</u>	<u>28,224,390</u>

The financial statements on pages 13 to 65 were approved by the Board of Directors on 26/03/2020 and were signed on its behalf by:




FINANCIAL STATEMENTS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

EFC Uganda Limited (MDI)
Financial statements
For the Year ended 31 December 2019

STATEMENT OF CASH FLOWS

	Notes	2019 UShs'000	2018 UShs'000
Cash flows from operating activities			
Profit/ (Loss) before tax		574,909	(1,862,355)
Adjustments for non-cash items:			
Amortization of right-of-use asset	17(a)	606,757	-
Depreciation and amortisation	9	261,820	216,412
Interest on leases	17(b)	211,364	-
Interest on borrowings	21(b)	2,161,682	1,578,480
Unrealised foreign exchange on borrowings	21(b)	(56,140)	-
Non cash transfers of intangible assets to work-in-progress	18	-	271,449
Adjustment on initial application of IFRS 9	13(a)	-	(703,938)
Loss on disposal of property and equipment	9(b)	170,828	56,718
Write off of property and equipment	9(b)	3,609	-
		3,934,829	(443,234)
Changes in working capital			
Increase in net loans and advances		(17,348,294)	(5,484,653)
Increase in other assets		(1,237,356)	(69,370)
Increase in deposits from customers		16,619,918	4,923,086
Increase in compulsory term deposits		59,834	78,981
Increase/ (decrease) in other liabilities		195,749	(31,204)
Cash used in operating activities		2,224,680	(1,026,394)
Less: Tax paid	11(c)	(100,115)	(54,192)
Net cash generated from/ (used in) operating activities		2,124,565	(1,080,586)
Cash flows from investing activities			

FINANCIAL STATEMENTS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

EFC Uganda Limited (MDI)
Financial statements
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STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	2019 UShs'000	2018 UShs'000
Cash flows from financing activities			
Proceeds from issue of shares		-	8,988,683
Stamp duty paid on issue of shares		-	(245,705)
Proceeds from borrowings	21(b)	11,697,516	5,800,000
Repayments of principal	21(b)	<u>(6,227,369)</u>	<u>(9,778,149)</u>
Net cash generated from financing activities		<u>5,470,147</u>	<u>4,764,829</u>
Net increase in cash and cash equivalents		683,712	530,276
Cash and cash equivalents at start of year		<u>1,491,099</u>	<u>960,823</u>
Cash and cash equivalents at end of year	12	<u><u>2,174,811</u></u>	<u><u>1,491,099</u></u>

EFC UGANDA LIMITED (MDI)

Head Office

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