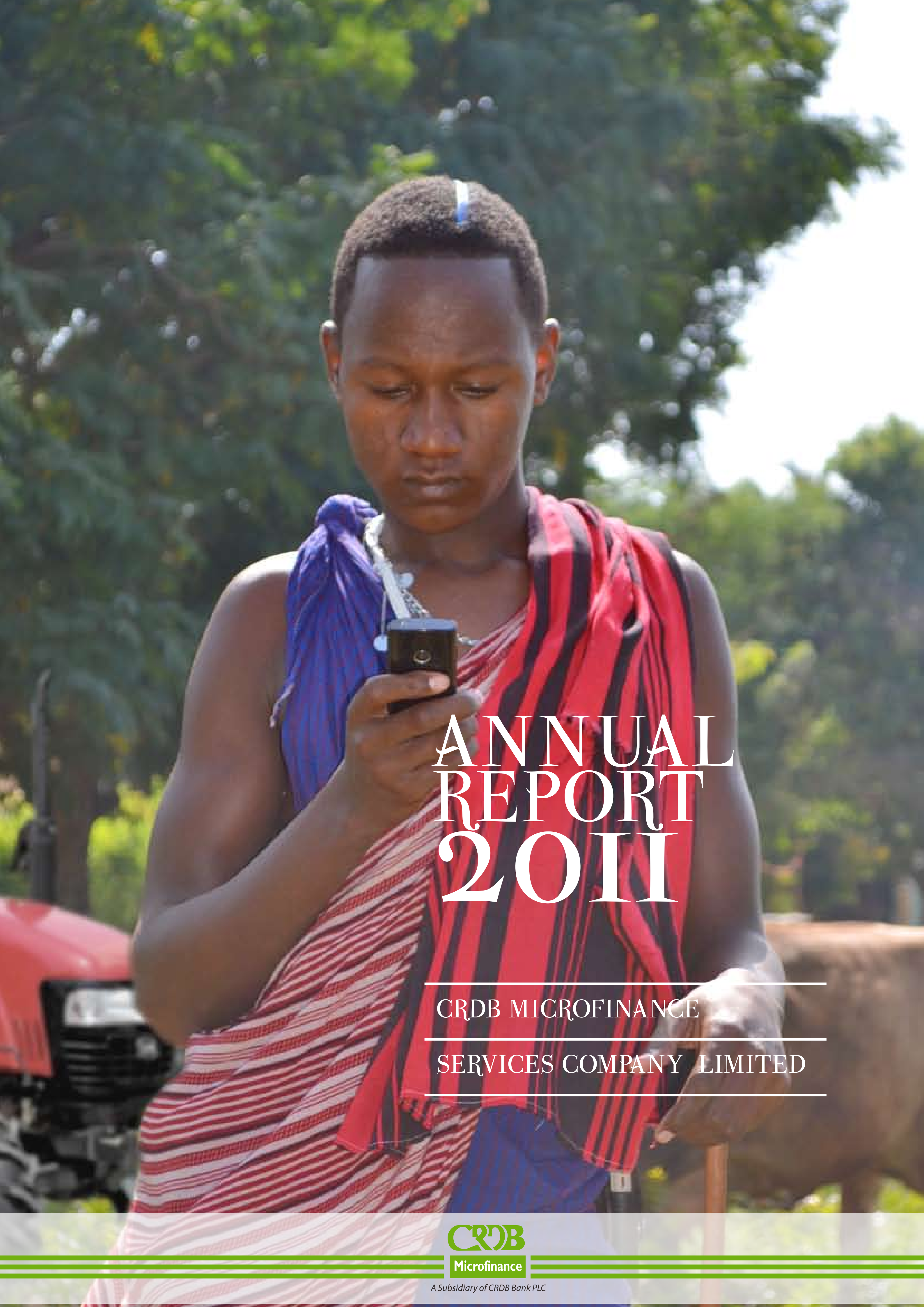

ANNUAL REPORT 2011

CRDB MICROFINANCE SERVICES COMPANY LIMITED

CRDB Microfinance

A Subsidiary of CRDB Bank PLC

The Widest Reach

Through our linkages
we can reach all places

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CRDB BANK HOUSE

OUR VISION

We aspire to provide financial and non-financial services throughout Tanzania targeting people below the banking pyramid so as to cultivate them into CRDB Bank customers and ultimately include them in the country's financial system.

OUR MISSION

We are a market leader in wholesale microfinance, providing a wide range of needs-driven financial services to retail financial intermediaries using a motivated, knowledgeable and skilled workforce. We will operate commercially, adding volume of business to the parent company from a market segment that was previously impossible to harness with the normal banking system.

OUR VALUES

These 10 values listed below have held the key to our bank's and all its subsidiaries' past successes and remain that glue that keeps our entire workforce motivated and client-oriented.

Accountability

Commitment

Cost consciousness

Courtesy

Decisiveness

Knowledge

Professional integrity

Promptness

Result oriented

Responsiveness

OUR BELIEF

We believe that all people are created equal and should be treated fairly. That poor people are capable of improving their lives through economic activities if given the opportunity by having access to financial services (including credit), while having their entrepreneurial skills enhanced.

DIRECTORS

Name	Remarks	Nationality
Dr. Charles Kimei	Chairman	Tanzanian
Prof. Andrew E. Temu	Member	Tanzanian
Dr. Deograsias Mushi	Member	Tanzanian
Mr. Anderson Mlabwa	Member	Tanzanian
Mrs. Nellie Ndosa	Member	Tanzanian
Mr. Sebastian Masaki *(General Manger)*	Member *(Ex-officio)*	Tanzanian

REGISTERED OFFICE
CRDB Bank House, Mikocheni Industrial Area
P. O. Box 268
Dar es Salaam, Tanzania

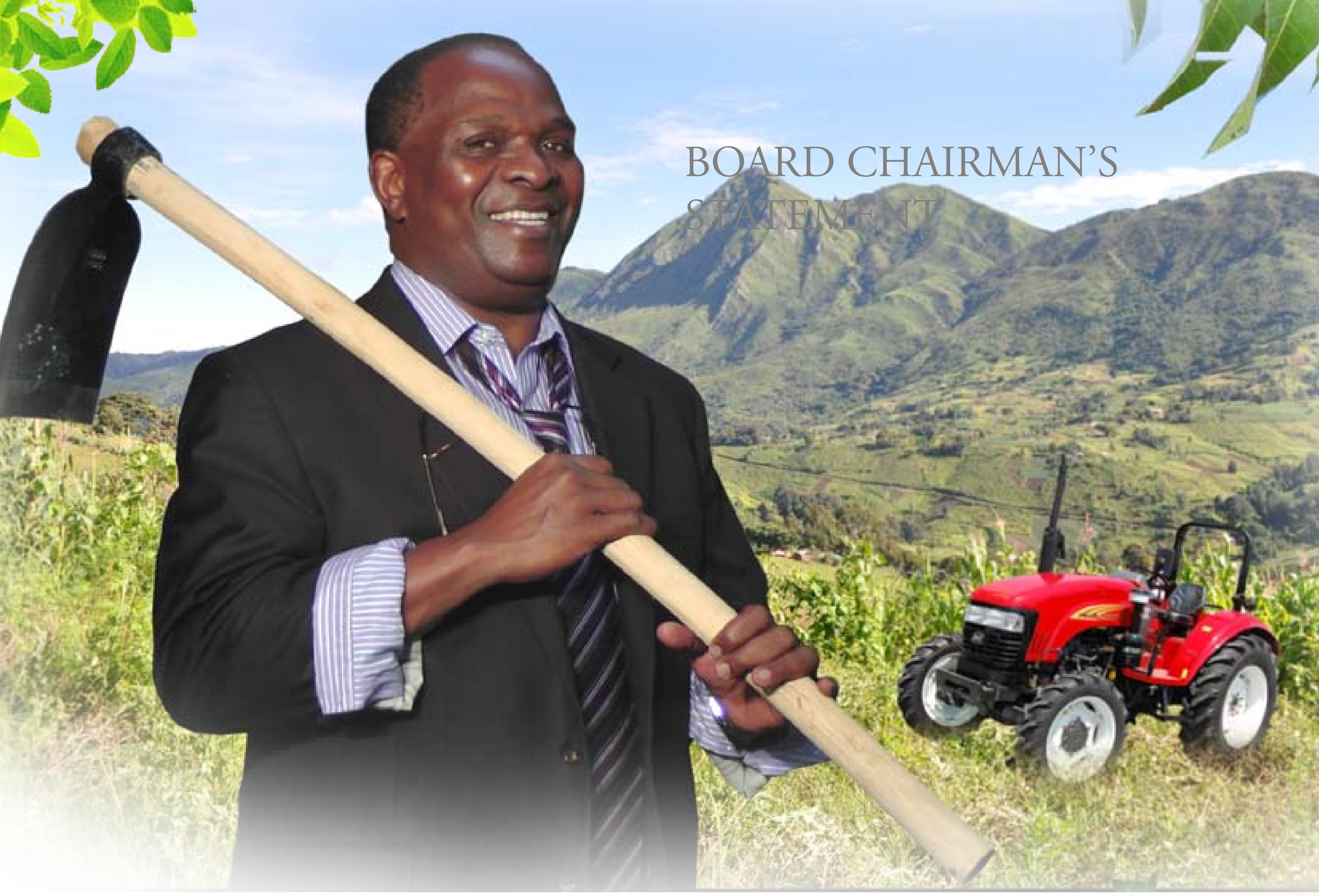
PARENT COMPANY
CRDB Bank Public Limited Company
Azikiwe Street
P. O. Box 268
Dar es Salaam, Tanzania

COMPANY SECRETARY
J.B. Rugambo
P. O. Box 268
Dar es Salaam, Tanzania

AUDITORS
Deloitte & Touche
Certified Public Accountants (Tanzania)
10th Floor, PPF Tower
Cnr of Ohio Street/Garden Avenue
P. O. Box 1559
Dar es Salaam, Tanzania

MAIN BANKER
CRDB Bank Plc
P. O. Box 268
Dar es Salaam, Tanzania

MAIN LAWYER
Adept Chambers
Peugeot House, 1st Floor
Ali Hassan Mwinyi Road
Dar es Salaam, Tanzania



BOARD CHAIRMAN'S STATEMENT

Once again, on behalf of the Board of Directors, it is my delight to present the performance of CRDB Microfinance Services Company Limited (CRDB MFSCL) for year 2011.

At the outset, I am proud to say that CRDB MFSCL a subsidiary of CRDB Bank Plc continued to be a market leader in provision of wholesale microfinance services in Tanzania. The company build capacity for Microfinance Institutions (MFIs mostly Savings and Credit Cooperative Societies, SACCOS) of which it seeks to partner with in delivery of financial services to the people at the bottom of the pyramid. Such services are ultimately linked to the CRDB Bank's delivery channels.

Unwavered implementation of our strategic plans and goals supported with realignment of the organizational structure has been instrumental to the good performance of the company in the year. During 2011, the focus of our business was on three strategic objectives: extending our outreach to underserved areas through technology and innovative products and services; strengthening of internal capabilities of affiliate MFIs to provide quality services to their target clients; and lastly, increasing the volume of our business, through lending and other non-core activities, without impairing the quality of our assets.

I am happy to report that during the year the company achieved milestones in many areas, but we are mostly impressed by the performance as reflected in our outreach indicators, including the number of people we were able to bring into the financial services net. The Company increased its network coverage to 127 (or 93%) of the country's total of 136 districts, through strategic partnerships with 490 microfinance institutions that provide customer tailored financial services to 631,499 individual clients. Total deposits mobilized by these institutions reached TZS 127.9 billion marking an increase of 19% from TZS 107.3 billion as at the end of December 2010.

Key Decisions

During the year the Board made the following major decisions:

- Introduction of 'Direct' individual or group based retail Microfinance business line to complement the existing wholesale microfinance: this was motivated by, among other considerations, the need to exploit the opportunities arising from the evolving information and communication technology especially mobile phones and mitigate risks associated with dependence on a single product line.
- Adoption of a linkage business model: Under this new microfinance services delivery system, the parent company outlets will be linked to the MFIs via service centers (kiosk-type outlets) that will be providing banking and mobile-money (Mpesa etc) products supported by mobile branches each serving a cluster.
- Reorganization of the CRDB MFSCL to cope with the new line of business and business model.
- Refocusing lending activity on MFIs that have potential for irrigated agriculture.

Financial Results:

Apart from the achievements made in the area of outreach, the Company recorded commendable financial results during 2011.

- Profit before Tax grew by 62%, from TZS 1,245 million in 2010 to TZS 2,016 million in 2011.
- The microfinance loan portfolio in the parent's company books grew by 57%, to outstanding amount of TZS. 146.6 billion from TZS. 93.3 billion at end of year 2010. This was the major driver of the growth in profit.
- The quality of the loan portfolio was good with portfolio in arrears for more than 90 days at 7%, just above our target level.

During the year, loans worth more than TZS 154.30 billion were disbursed to microfinance institutions compared to TZS. 117.6 billion disbursed in year 2010, an increase of 31% - largely disbursed to small-scale farmers and micro-entrepreneurs in rural and remote areas of the country.

Business outlook for 2012

The year 2012 promises to be a better year for the Company. The Company will cautiously expand its retail/ direct microfinance business whereby we expect to get better margins and unlimited volumes. Moreover, given the identified supply gap for insurance products to the poor, the company has prepared the groundwork for providing these services through its Microfinance partners. Furthermore, strategic partnerships have been pursued with mobile network operators with a view to facilitate financial services delivery through mobile money platforms. All these initiatives are supported by a new organization structure adopted for the MFSCL.

We understand the infrastructural and policy challenges of our country, poor roads, lack of irrigation systems, inadequate power supply, low levels of financial literacy, etc, that are intensely affecting the development of the rural Tanzania. However, with the ongoing innovation, strengthened strategic partnerships and efforts dedicated to better understanding the needs of our customers, we are confident that we will continue to provide unique services to the market.

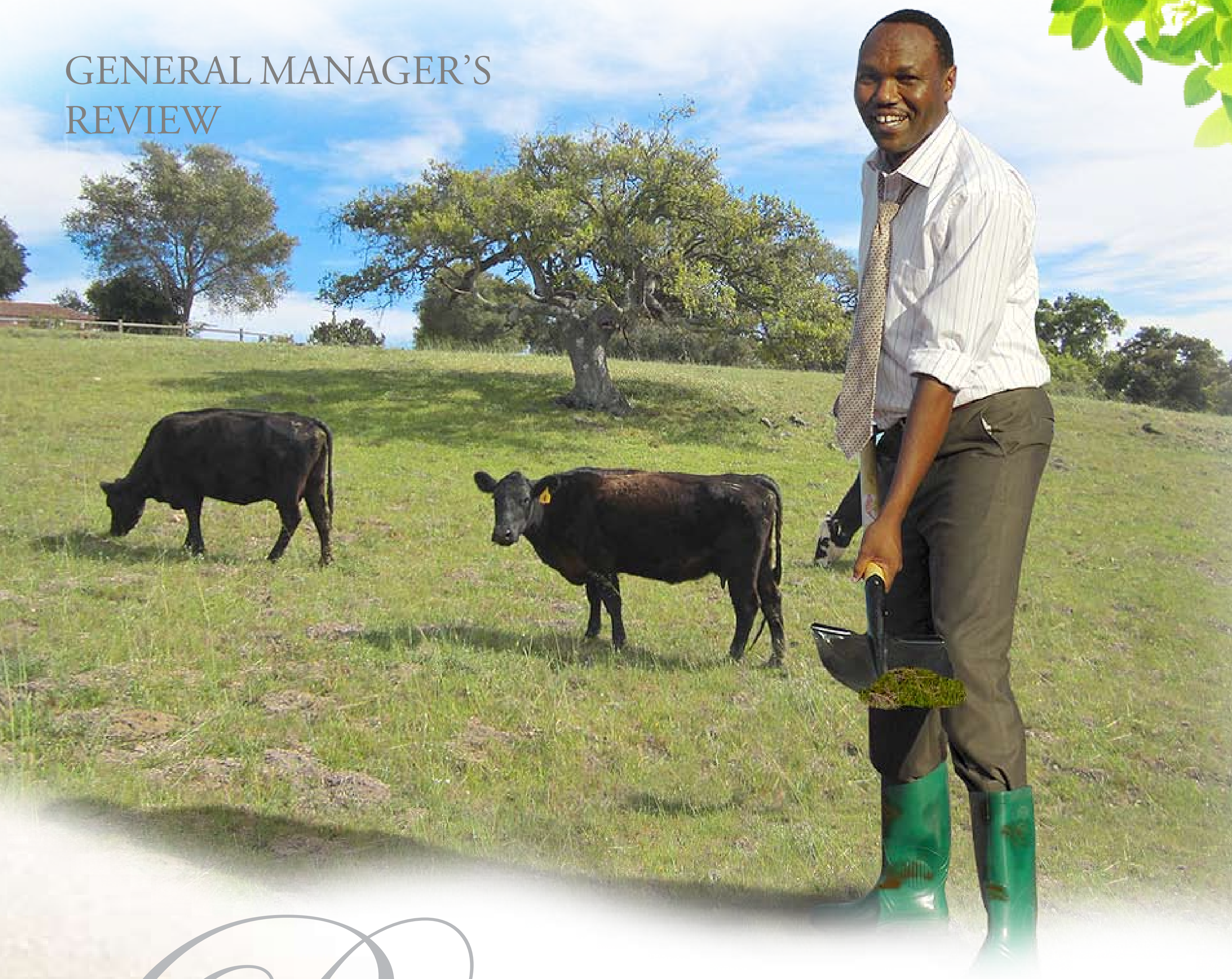
Acknowledgement

I strongly believe that these incredible results would have been impossible, if it was not for the unwavered support of our stakeholders, to whom we extend gratitude. In particular, I extend special appreciation to our shareholders, board members, management and staff for their commitment and dedication to the operations of the Company in 2011. Further, I am grateful to our esteemed customers, partner institutions, and their individual clients and wish to assure them of our continued commitment to fulfill our obligations under the partnership arrangements.

In a special way, I am obliged to recognize the support of our strategic partners, notably the Financial Sector Deepening Trust (FSDT), the Danish International Development Agency (DANIDA), the Government and Bank of Tanzania – undeniably it is their support that added to the speed of our growth and performance; and with them we are even more confident about our future business outlook. On behalf of the Board of Directors, I am extremely grateful for their support.

Dr. Charles Kimei
Chairman
18th April 2012

GENERAL MANAGER'S REVIEW



Perhaps allow me to give my highlights of 2011 by starting from where the Board Chairman has ended, this is especially considering in our future commitment in improving efficiency, enhancing internal controls, and overall cost reduction.

Automation of our affiliated Partner MFIs

Our efforts to tap into technology and automation goes back to early 2009 through our partnership with Financial Sector Deepening Trust Fund (FSDT). Our primary focus was to improve efficiency, but we are now increasingly looking at technology and automation as a completely new potential channel for service delivery. Up to now through generous support from our FSDT partner, we have automated 139 out of our 491 affiliated partner organizations. About 11 of these were automated in 2011, but even much was done in sensitizing our affiliate partner MFI board members and management on the importance and advantages of automation. In this regard we particularly emphasised on demonstrating to the partners involved the spectrum of reports, internal control mechanisms, and service support functionalities of our Financial Solution package. With time, we hope that in addition to appreciating the generous support, these affiliates will eventualy realise the benefits and value of their money resulting from integration and automation.

In 2011 a few of the non-affiliated MFIs got wind of the benefits resulting from automation and technology in today's financial services market, we are seeing more than just increasing enquiries on our Finance Solution Software by non-partner affiliates, and ultimately six micro credit institutions privately acquired and automated their operations with our software.

Challenges

Compared to 15 years ago, we can now finance our farmers to buy improved agricultural inputs, this will enable them to significantly improve their yields. However, despite the eased process to access financial services, the sector remains hindered by unpredictable weather.

The year started with great promises, with the rainy season taking off in good time. But things turned out badly due to the usual unpredictable macroeconomic forces, such as our currency losing its value and inflation hitting double digit after more than 12 years of moderate rises in the cost of living. The worst however was a continuation of the global financial crisis, which begun sometime in 2007. During the year the global banking industry faced a hit, as consequences of eurozone debt crisis, but also notably a regional hyper-inflation that hit East African economies towards the end of the year due to food shortages and unusually weak currencies. All these factors jeopardized our real income.

Performance Highlights

I am happy to report that in 2011, the company recorded another year of expanding outreach and financial growth. Our solid growth and lower-than expected risks allowed us to showcase a sound performance. Our company not only realized a 62 percent growth in profit-before-tax, but also growth its gross loan portfolio by 57 percent and deposits base by 19 percent. Although both Figure 1.1 and corresponding Table 1.2 show that our growth has been steady and progressive, still our performance in 2011 was just spectacular. This was achieved through improvement in customer service and introduction of superior products in the market.

Figure 1.1 Annual Profit Growths

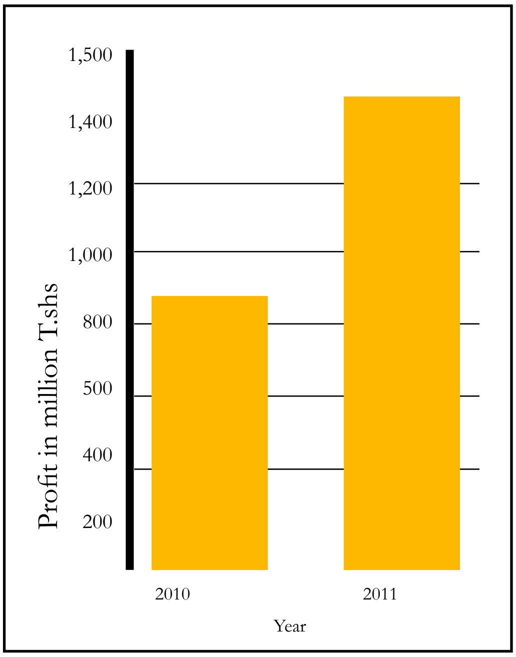


Table 1.2 Other Performance Indicators:

Details	Dec. 09	Dec. 10	Dec. 11
Region Covered by MFSC	24	26	26
District covered by MFSC	111	123	127
Number of partner MFIs	425	472	491
CRDB Loans Disbursement (cum) to MFI (Tshs.bn)	274.6	392.3	546.6
CRDB Outstanding Loan Portfolio (Tshs.bn)	69.5	93.3	146.6
CRDB Loans Repayment Performance (%)	97	98	98
MFI Deposits with CRDB (Tshs.bn)	12.45	13.62	28.47
Number of Offices (bureaus)	25	25	25
Number of Staff	48	51	51

Outreach

Our continued positive performance over years has led to the company setting a new number of customers from 369,850 customers as at 31 December 2007 to 631,499 as at year-end 2011. Customer growth over the five years has averaged between 10 percent per annum to about 15 percent. With this in mind, we further improved our national outreach and presence by creating 19 new partnerships from 472 partner affiliates in 2010 to 491 as at end-year 2011. The company has substancially increased its geographical footprint and now covers 127 districts out of 136 countrywide, this is 93.4% of the entire country administratively. Regionally, we now have a presence in all of the 26 regions of Mainland Tanzania and the two union Islands of Zanzibar and Pemba. Of the now 41 commercial banks operating in Tanzania, our parent company, CRDB Bank Plc, is the only one with a presence in all four of the four districts of Pemba Island and in five of all the six districts in the island of Zanzibar.

Those who join us are looking for reliable and often more affordable services. Given the economic and social benefits, timely access to finance is crucial for our clientele. Just as much as they are still hoping that we could further lower the cost of service, getting served quickly with respect seems to be a critical factor to our customers. But we are also increasingly appreciating the diversity in our customers financial needs, depending on their family and individual plans.

Lending

We place a premium on responding to market needs, especially the rural population that is actively involved in agricultural production and small businesses. Providing credit to the target market is at the heart of our activities and it's a fundamental means of generating income, as well as sustaining lives and businesses that generates jobs. In 2011, through 165 of our 491 partner affiliate intermediaries, we disbursed TZS 154.3 billion mostly for farming. This represents a growth of 31 percent compared to 2010, where disbursement stood at Tshs 117.6 billion.

Likewise, in 2011 our outstanding loan portfolio grew by 57 percent, from TZS 93.3 billion active in December 2010 to TZS 146.6 billion in December 2011, while maintaining spectacular quality; our overall loan repayment rate was maintained at 98 percent throughout the year. Indeed, these positive results portray the keenness of staff and trust of our brand in the market.

Micro insurance

In comparison with past years, there was also always a strong need for Micro-Insurance products and services, but the challenge had been few number of service providers. But all this changed in 2011, we had all along been aware of attempts to encourage and sell micro-insurance in various geographical parts of the country like Morogoro, Dodoma, and the like. Therefore, 2011 was significant year for us because we actually formulated a roadmap within the Company towards the provision of micro-insurance, bancassurance on a commercial scale, and even has created a fully autonomous insurance business function.

Consultancy

2011 opened up a fundamental landmark for our consultancy services, by conducting an initial market and development of the Business Plan for the CRDB Bank expansion in Burundi. Furthermore, we created strategic alliances with key development programs and collaborations with other consultancy firms aiming at creating more synergies in the market.

The Way Forward

Most of our future road has already been paved by recent board decisions, some already shared with you elsewhere in this report. Following intensive 90-day functional review and institutional assessment of our current capacity and ability to grow through an independent management advisory firm, we now have a new organizational chart, which has since been approved by the board of directors and will guide our future growth and strategic direction. So far towards increasing our management depth and enhancing capacity, six heads of the recommended full structure are already appointed and appropriately oriented. Next to the heads of departments, we have now have 10 of the 12 senior management team recommended in the new organizational chart. Other interesting routes into the future already discussed include the following:

- Hiring a specialized team to manage new lines of business, notably WOSS (Warehouse Operating Support Services), which we hope in future could play a more important role in commodities exchanges and pricing.

- Introducing and integrating retail and wholesale microfinance through modern technology, which itself will become a new platform of service delivery channel.

- Supporting and helping affiliated partner MFIs to build and upgrading their own proprietary technological platform; through VSAT Satellite telecommunications system they could link into our system with certification and permission, once they pass a level of stability.

- Creating a new retail, marketing, and distribution channel outside and beyond the parent banks current existing orbit.

- Introducing a wider mix of micro-insurance products along with widening its geographical coverage.

For 2012, in terms of outreach and financial performance, our overall performance for year 2011 has already shown the benchmark, and we will pay particular attention to increasing more awareness campaigns on our products and services as one of those key growth factors. We will thus create a platform in gathering first-hand feedback from the market, and accordingly draw from this in further shaping our products and services to fit the needs of our customers.

As we look into the years ahead, I would like to re-affirm that our future lies with the future of our rural population, especially with the fortunes of our farmers, small-businesses, and all low-income families who are struggling on a daily basis for better and more reliable livelihoods. We now know from our past five years that we can all do well if all and each one of us does their part well to ensure that we all survive, grow, and slowly build assets little by little.

As I look back to 2011, I cannot help but be most thankful to you all. To my staff and colleagues at the MFSCL and our parent company. I cannot thank you enough four successes in 2011; I know for sure that it did not just happen, it was because of your thoughtfulness, drive, commitment, and know-how. For our customers, more than enough has been said, and for my board; keep us engaged, motivated, and disciplined. In all, I therefore, sincerely appreciate the efforts that have been put by each and every staff of the institution, as well as the Board of Directors of the Company. My silent prayer and hope is that we will maintain this momentum in 2012 and beyond, and that we could continue unlocking further success in the years to come. Lastly, for our customers, who have been supporting us throughout the year; we will stand by you when you need us most. We shall never abandon you, notwithstanding our recent successes.

Performance and Outreach	2007	2008	2009	2010	2011
Regions- countrywide	26	21	23	26	26
Regions- covered	21	23	26	26	26
Districts- total number nationally	136	136	136	136	136
Districts- total number covered	105	109	112	123	127
Affiliated intermediaries	345	376	425	472	490
Total customer base nationally	369,850	498,030	571,476	613,782	631,499
Number of fully automated Affiliates -		1	27	54	85
Number of equipped, trained, but not fully automated Affiliates		0	38	73	54
Growth in client numbers	2.8	6.9	12.9	48.5	2.8
Deposits mobilized (in TZs, billions) through affiliates nationally	10.9	73	92	1,073	1,279
Growth in Grassroots Deposits mobilized (percent)			26	17	19
Volume of loans (in TZS, billions) made through affiliated intermediaries		58.8	70	933	1,466
Growth in lending (percent)		93.3	18.2	127	57
Profit-before-Tax (in TZS, millions)		254	50.6	1,245	2,016
Growth in Profits-before-Tax					62
Volume of Portfolio (in TZS, billions) in arrears > 90 days				1.8	7.0

Sebastian Masaki
General Manager
18 April 2012

KEY ACTIVITIES FOR THE YEAR 2011

Wholesale Lending

During the year the company expanded its wholesale business by increasing the number of partner institutions from 472 MFIs in 2010 to 490 MFI partners; which represents an increase of 3.8 percent in affiliated partner MFIs. Likewise, the company grew by 31 percent in terms of credit services offered to partner MFIs. Thus our loans to MFIs increased from TZS 117.6 billion in 2010 to TZS 154.3 billion in 2011.

Insurance Services

The company further diversified its range of insurance products and improved others to MFIs, while colaborating with affiliated MFI's to create a vast network of selling points for insurance products, MFSCL also looked into enhancing various risk cover currently available to affiliated partner MFIs through the provision of general insurance services, in addition to other insurance products such as credit life insurance and Family funeral plan. During the year, out of total 490 affiliated partner MFIs, 85 (or 17.3 percent) got cover for various reasons, notably: Insurance services through our network grew by 37.5 percent.

Agricultural Financing

Implementation of our newly refined agricultural financing model under all organizational or group arrangements involved AMCOS and SACCOs and for increasing lending efficiency and deposit mobilization. For the first time, the arrangement enabled the Company to lend for inputs and other cultivation costs to farmers through their SACCOS, but with the involvement of AMCOS that play a role in administering supply and distribution of inputs. In this arrangement, farmers were required to sell their farm produce through the AMCOs, thereby enabling the AMCOS to collect and deduct loan proceeds and repay the SACCOS. This would of course enhance prompt loan repayment in this model, farmers are required to open and maintained individual accounts with the SACCOS closest to their areas of residence, thus enabling them fast and cost-effective access whenever they need money. This arrangement was mostly applied in coffee, tobacco, tea, sunflower, millet and cashew nuts growing areas.

In this regard, the interventions in agricultural financing have enabled the bank to finance farmers in Tabora region in large numbers through their 88 AMCOS loans worth TZS. 29 billion, in Kigoma tobacco financing has enabled the extension of USD 5.8 million loans to tobacco farmers.

Irrigation Schemes

During the year, the company capitalized business in irrigated farming schemes of Tanzania through mapping of irrigation schemes that were previously operational in Dodoma region for vine yard farms. This move is envisaged to increase business in the entire chain of production from inputs, all the way to storage, bulking, and marketing.

Automation of partner institutions

The exercise of automating partner institutions continued in year 2011 to meet the set targets. During the year, 11 partner MFIs were installed with Finance Solution software and provided with equipment that enabled them to improve efficiency and ease report production. This was a 18.6 percentage increase in number of automated MFIs, from 129 in 2010 to 139 MFIs now fully automated in 2011. Moreover, the incorporation of bulk payment solution to MFIs with big numbers of members to process salary payments for their employers was initiated at Ngome and JKT Staff SACCOS and the move is on process.

Consultancy Services

During the year, the company strengthened its consultancy department by adding more staff and extending scope of service beyond our domestic market border. One of the activities carried out by the unit involved our bank's own first cross-border in Burundi, where the unit conducted the feasibility study and prepared a business plan.

In our efforts to build up this consultancy service and business unit, the company further created strategic alliances with key development programs and collaborations with other already existing consultancy firms to creating more synergies in the market.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2011, which discloses the state of affairs of the Company.

1. INCORPORATION
CRDB Microfinance Services Company Limited (CRDB MFSCL) was incorporated in the United Republic of Tanzania on 27 November 2007 under the Companies Act, 2002 as a private Company limited by shares, registration number 49884. It is wholly owned by CRDB Bank Plc, a company incorporated and domiciled in the United Republic of Tanzania.

2. VISION
We aspire to provide financial and non-financial services throughout Tanzania targeting people below the banking pyramid so as to develop and facilitate them to grow to become CRDB Bank customers and include them in the country's financial system.

3. MISSION
We are a market leader in wholesale microfinance, providing a wide range of needs-driven financial and non-financial services to retail financial intermediaries using a motivated, knowledgeable and skilled workforce. We will operate profitably, adding volume of business to the parent company from a market segment previously exceedingly challenging to harness with the normal banking system.

4. CORPORATE VALUES
Accountability, Commitment, Cost Consciousness, Courtesy, Decisiveness, Knowledge, Promptness, Performance driven, Professional integrity and Responsiveness.

5.PRINCIPAL ACTIVITIES
The principal activity of the Company is the provision of microfinance services in Tanzania through CRDB banks branch network. The company provides technical assistance, capacity building, development of management information systems, and various tailor made financial products and services to microfinance institutions (MFI's), mostly Savings and Credit Cooperative Societies (SACCOs) throughout Tanzania.

6. COMPOSITION OF THE BOARD OF DIRECTORS

The following Directors served during the year

Name	Position	Age	Qualifications/ Discipline	Nationality	Appointed	Date of Appointment
Dr. Charles S. Kimei	Chairman	58	Economist	Tanzanian	Appointed	May 2004
Prof. Andrew E. Temu	Member	51	Agricultural Economist	Tanzanian	Appointed	January 2008
Dr. Deogratias P. Mushi	Member	49	Economist	Tanzanian	Appointed	August 2011
Mr. Anderson Mlabwa	Member	50	Banker	Tanzanian	Appointed	October 2004
Mrs. Nellie Ndosa	Member	55	Banker	Tanzanian	Appointed	May 2008
Mr. Sebastian P. Masaki (also General Manager)	Member (ex-officio)	43	Banker	Tanzanian	By position	May 2004

7. COMPANY SECRETARY

The Company Secretary during the year was Mr. John B. Rugambo.

8. CORPORATE GOVERNANCE

Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfill this role, the board is responsible for the overall corporate governance of the Company including formulating its strategic direction, approving and monitoring business plans and budgets, setting remuneration, appointing, removing and creating succession policies for the General Manager and management team, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal controls, legal compliance and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for operation and administration of the Company to the General Manager assisted by a management Team.

Board structure

The board is composed of members with a mix of skills and diversity. The board assesses existing and potential directors' skill to ensure they have appropriate microfinance industry expertise. The board's policy is to seek to have composition of directors with a mix of experiences, competencies and skills, gender and ethnicity which mirrors the environment in which Company operates.

As at 31 December 2011, the Board comprised of 5 directors. Three members are directors of CRDB Bank plc, and two are independent members. The General Manager is an ex-officio member. All directors are non executive with the exception of the General Manager.

To assist in the execution of its responsibilities, the board has an Audit Committee. The activities of the Committee are governed by the Committee Charter which is reviewed on a regular basis. The Committee reports to the full board.

Audit Committee

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability. The Committee held one meeting during the year. The General Manager attended in the meeting.

Audit Committee Members

Name	Position	Qualifications/ Discipline	Nationality	Remarks
Prof. Andrew Temu	Chairman	Agricultural Economist	Tanzanian	Associate professor at Sokoine University of Agriculture
Mr. Anderson Mlabwa	Member	Banker	Tanzanian	Director of Credit at CRDB Bank Plc.
Mrs. Nellie Ndossa	Member	Banker	Tanzania	Director of Retail Banking at CRDB Bank Plc.

Board meetings

The board held five (5) meetings in 2011, plus strategy and budget meeting and extraordinary meeting that deliberated on reviewed of an organization structure of the Company.

The meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	Audit Committee Meeting
Dr. Charles S. Kimei	5	-
Prof. Andrew E. Temu	5	1
Dr. Deogratias P. Mushi	2	-
Mr. Anderson Mlabwa	4	1
Mrs. Nellie Ndosa	5	1
Mr. John B. Rugambo (Secretary)	5	1
Mr. Sebastian P. Masaki (General Manager)	5	1

Dr. Deogratias P. Mushi was appointed in August 2011.

9. CAPITAL STRUCTURE

At 31 December 2011, the ordinary share capital of the Company was:

	Number of shares	
	2011	**2010**
Authorised with par value of TZS 100	50,000,000	50,000,000
Issued and fully paid with par value of TZS 100	7,281,359	7,281,359

10. MANAGEMENT

The Management of the Company is under the General Manager and is organized into the following departments:

- Finance and Administration
- Operations
- Credit
- Consultancy
- Information and Communication Technology
- Monitoring and Compliance

11. SHAREHOLDERS OF THE COMPANY

The total number of shareholders at 31 December 2011 was 2 shareholder (2010: 2 shareholders)

The shares of the Company are held as follows:

S/N	Shareholders	2011 and 2010	
		Ordinary shares	Preference shares
1	CRDB Bank Plc	7,281,358	-
2	Dr. Charles Kimei	1	-
	TOTAL	7,281,359	-

Directors holding share in the Company include:

S/N	Name	Nationality	Number of Ordinary share(s)
1	Dr. Charles S. Kimei	Tanzanian	1

12. FUTURE DEVELOPMENT PLANS

In 2012, the Company plans to continue focusing on its strategies to increase growth in order to maintain its position as a leading 'microfinance services' company. The Company will strive to improve its profitability through introduction of innovative products, focusing on value-added services and expansion of business while carefully managing both costs and risks.

Scaling-up insurance business

The Company will expand its profile of insurance products by adding a line of general insurance to its existing line of life assurance. A wider profile of insurance products, including health insurance at rather affordable rates is expected to enhance demand for these products. Moreover, crop insurance will be introduced with the aim of covering farmers against possible losses due to drought, hail storms, wind and fire. This will encourage farmers to increase investments in agricultural cultivation with the knowledge of their access to means of addressing key risks.

Expansion of Retail Microfinance Outlets.

In year 2012, the Company will introduce microfinance service centres for provision of retail microfinance services in selected areas in the country, that have limited access to financial services but with proven demand demonstrated by economic activities of micro-entrepreneurs.

13. RESULTS AND DIVIDENDS

Profit for the year was TZS 1,388 million (2010: TZS 890 million). The major source of income is fees from services rendered to CRDB Bank Plc.

The directors do not recommend payment of a dividend in respect of the year 2011.

14. PERFORMANCE FOR THE YEAR

The year 2011 is the fourth year of implementing the five – year business strategy of the Company, whose focus is improving and sustaining quality of the microfinance loan portfolio; developing and retaining a strong effective and result oriented workforce; promoting and maintaining MFIs with huge business potential; increasing income contribution from non-core products and services; and promoting deposits from MFIs.

The Company has delivered a record performance for the year ended 31 December 2011. Profit before taxation rose by 62% to TZS 2.016 billion from TZS 1.245 billion in 2010. Income growth was driven by growth of wholesale microfinance lending, well diversified income from non-core products and services, proactive risk management and discipline on expenses.

Fee and commission income increased by 35% to TZS 5.91 billion. The Increase was largely due to growth in interest income due to favourable yields on term loans to partner affiliates. The Company receives commission of 5% out of effective lending rate of 16% (2010: 5% out of 16%).

In year 2011, the Company also received 3.5% commission on deposits mobilized from MFI partners (2010: 3.5%) and 50% commission on loan application fees and guarantees.

Other operating income (excluding amortised grants) increased by 4% from TZS 283 million in 2010 to TZS 295 million in 2011, primarily due to increase in commission by 51% to TZS 132 million (2010: TZS 87 million) and other income to TZS 65 million . However, software fees declined by 26% from TZS 104 million in 2010 to TZS 77 million in 2011. Software fee decline is due to higher concentration on utilization of the installed rather than expansion to new MFIs. Interest income from Uwezeshaji declined by TZS 13 million to TZS 16 million in 2011 due to termination of the arrangement with the Government in 2010.

Staff and administrative expenses (excluding MFIs training and support financed by Financial Sector Deepening Trust (FSDT) grant in 2011) increased by 22% as at 31 December 2011.

The Company enters 2012 with adequate capital, liquidity and risk foundations well placed to meet the opportunities and challenges that lie ahead.

Deposits

Total deposits mobilized from Partner MFIs and banked with CRDB Bank Plc increased by TZS 14.85 billion or 109% from TZS 13.62 billion in 2010 to TZS 28.47 billion as at 31 December 2011.

Lending

The outstanding loan portfolio as at 31 December 2011, under management of the Company but held by CRDB Bank Plc increased by 57% from TZS 93.3 billion in 2010 to TZS 146.6 billion in 2011. Increase in loan portfolio was mainly contributed by agricultural finance. The amount of loans in arrears was 2% (2010: 1.6%) while Portfolio at Risk (PAR) with past due over 30 days was 7% (2010: 1.8 %.)

The loan portfolio is built around three categories of MFI's namely; employee-based 52% (2010: 62%); agricultural based 35% (2010: 28%) and trade based MFI's 13% (2010: 11%). Total number of borrower MFI's as at 31 December 2011 was 408 (2010: 321) representing a 21% increase.

Number of partners

During the year 2011, the number of partner MFIs increased by 4% from 472 in 2010 to 490 as at 31 December 2011. The Company MFIs consolidation strategy for stability and sustainability contributed to a lower pace of growth. The Company continued to expand its outreach with a coverage of 127 districts as at 31 December 2011 (2010: 123 districts)

15. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control system of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 December 2011 and is of the opinion that they met accepted criteria.

The Board carries out risk and internal control assessment through the Board Audit Committee.

16. SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectations that the Company has adequate resources to continue in operational existence for the foreseeable future.

17. EMPLOYEES' WELFARE

Management and Employees Relationship

There were continued good relation between employees and management for the year 2011. There were no unresolved complaints received by Management from the employees during the year.

Training Facilities

During the year, the Company spent a sum of TZS 196 million (2010: TZS 172 million) on staff training in order to improve employee's technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels, some form of annual training to upgrade skills and enhance development.

Medical Assistance

All members of staff, their spouses, and up to a maximum of four beneficiaries (dependants) were availed medical services by the Company. AAR Tanzania provides the current services for Dar es salaam based staff and Tanzania Consortium of Hospitals and Clinics (TCHC) for up country based staff.

Health and safety

The Company takes all reasonable and practicable steps to safeguard the healthy, safety and welfare of its employees. A safe working environment is ensured for all employees by providing adequate and proper personal protective equipment, training and supervision as necessary.

Financial Assistance to staff

Loans are available to all confirmed employees depending on the assessment of and the discretion of management as to the need and circumstances. The Management has also encouraged staff to establish and join the Company Welfare Revolving Fund to assist in promoting the welfare of its employees.

Persons with Disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. The training of, career development and promotion of disabled persons should as far as possible be identical to that of other employees. Currently, the company has no disabled staff member.

Employees' Benefit Plan

The Company pays mandatory contributions to a publicly administered pension schemes which qualifies to be a defined contribution plan.

Staffing

During the year the Company employed six (6) new staff due to staff turnover and transfers. The average number of employees at the year end was 51 (2010: 51).

However, the Company kept with the overall strategy of rolling the microfinance operations to the district level and automation of the partner MFIs.

18. GENDER PARITY

The Board is committed to having an appropriate blend of diversity on the Board and the Company's senior management.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion, and disability which does not impair ability to discharge duties.

The Company's gender parity was as follows:

	31 December 2011		31 December 2010	
	Male Number (%)	Female Number (%)	Male Number (%)	Female Number (%)
Board	5(83%)	1(17%)	5(83%)	1(17%)
Key Management Personnel	7(100%)	-	7(100%)	-
Other Employees	41(93%)	3(7%)	41(93%)	3(7%)

19. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 23 to the financial statements.

20. POLITICAL AND CHARITABLE DONATIONS

The Company does not make any political donations. During the year no charitable donations were made (2010: Nil).

21. ENVIRONMENTAL CONTROL PROGRAMME

The Company does not operate in a business sector which causes pollution or other adverse environmental effects.

22. CORPORATE SOCIAL RESPONSIBILITY

In its strategy to market the Company's initiatives to support the Cooperative movement and other stakeholders,the company participated in three events pertaining to Cooperatives. The Company contributed TZS 5 million to the International Cooperative Day held in Kagera on 1 July 2011 and TZS 11 million to the International Credit union Day held in Dar es Salaam and Mwanza on 20 October 2011.

In cognizance of the needs for financial education to the majority of Tanzanians, the company continued with training programs that aimed at enhancing financial education. During the year, a total of TZS 1.1 billion was used to train members, Board members, supervisory committee members, professional staff and providing safe and strong room doors support.

Nane Nane Exhibitions were used to provide financial education to a multitude of people that visited the Company pavilion in Dodoma from 1 to 9 August 2011.

For a period of two months from April and May 2011, the Company conducted training to members of Agricultural Marketing Cooperatives (AMCOS) that aimed at imparting knowledge on sustainable tobacco farming practices in growing areas of Tabora. The Company also participated and contributed in facilitating the unions' general meeting in recognition of the solidarity created by the Unions in improving the economic welfare of the Tobacco farmers.

In September 2011, the Company commissioned a study on the economic activities conducted in Turiani Division in Morogoro region for the purpose of identifying the missing gaps in the supply of financial services, with the aim of recommending appropriate methods and financial products that will satisfy the community's financial needs and promote their economic activities.

To bring financial services closer to people without such services, the Company continued establishing microfinance institutions in areas without financial service providers. The Company has been bearing all costs associated with the establishment of the MFIs until they are able to independently run on their own.

23. AUDITORS

The Annual General Meeting held on 25 June 2011 appointed Deloitte & Touché as auditors of the Company for the year under review.

BY ORDER OF THE BOARD

Dr Mushi
Director

18 April 2012

STATEMENT OF THE DIRECTORS RESPONSIBILITIES

The Companies Act 2002 requires Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2002, and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the annual financial statements, which have been prepared us¬ing appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Com¬panies Act 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going con¬cern for at least the next twelve months from the date of this statement.

Chairman
18 April 2012

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CRDB MICROFINANCE SERVICES COMPANY LIMITED

Report on the financial statements

We have audited the accompanying financial statements of CRDB Microfinance Services Company Limited, set out on pages 33 to 59, which comprise the statement of financial position as at 31 December 2011, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2002, 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the Company's preparation of financial statements that give a true and fair view 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of CRDB Microfinance Services Company Limited as at 31 December 2011, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2002.

Report on other legal requirements

As required by the Companies Act 2002 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 comprehensive income (profit and loss account) are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (T)
Dar es Salaam

Signed by: D. C. Nchimbi

18 April 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 TZS '000	2010 TZS '000
Fee and commission income	7	5,907,107	4,366,216
Other operating income	8	1,434,229	1,856,669
General and administrative expenses	9	(2,965,043)	(2,979,947)
Staff costs	10	(2,360,163)	(1,997,872)
Profit before tax		2,016,130	1,245,066
Income tax charge	11	(627,839)	(354,723)
Profit for the year		1,388,291	890,343
Other comprehensive income		-	-
Total comprehensive incomefor the year		1,388,291	890,343

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	Note	2011 TZS '000	2010 TZS '000
ASSETS			
Property and equipment	12	589,857	662,405
Intangible assets	13	164,828	233,116
Deferred tax asset	14	28,151	-
Other assets	15	35,706	42,876
Current tax recoverable	16	454,118	441,080
Balances due from parent company	23	1,784,687	309,139
Cash and bank balances		310,139	543,012
Total assets		3,367,486	2,231,628
LIABILITIES AND EQUITY			
Liabilities			
FSDT grant	17(a),(b)	138,645	398,789
Accruals and other liabilities	19	70,776	60,096
Deferred tax liability	14	-	2,969
Total liabilities		209,421	461,854
Equity			
Share capital	21	728,136	728,136
Retained earnings		2,340,997	934,538
Revaluation reserve		88,932	107,100
Total equity		3,158,065	1,769,774
Total equity and liabilities		3,367,486	2,231,628

The financial Stetements on Page 29 to Page 55 were approved and authorised for issue by the Board of Directors on 18 April 2012 and signed on behalf by:

Dr. Charles Kimei
Chairman

Mr. Sebastian Masaki
General Manager

Prof. Andrew Temu
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Retained earnings	Revaluation Reserve	Total
	TZS'000	TZS'000	TZS'000	TZS'000
At January 2010	728,136	21,477	129,818	879,431
Profit for the year	-	890,343	-	890,343
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	890,343	-	890,343
Transfer of excess depreciation	-	32,454	(32,454)	-
Deferred tax on excess depreciation	-	(9,736)	9,736	-
At 31 December 2010	728,136	934,538	107,100	1,769,774
At 1 January 2011	728,136	934,538	107,100	1,769,774
Profit for the year	-	1,388,291	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	1,388,291	-	1,388,291
Transfer of excess depreciation	-	25,955	(25,955)	-
Deferred tax on excess depreciation	-	(7,787)	7,787	-
At 31 December 2011	728,136	2,340,997	88,932	3,158,065

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,016,130	1,245,066
Adjustments for:			
Depreciation of property and equipment		221,844	346,003
Amortization of intangible assets		68,288	68,288
		2,306,963	1,659,357
Movements in working capital items:			
Decrease in other assets		7,170	19,244
(Decrease)/Increase in grants		(260,144)	40,497
Increase in accruals and other liabilities		10,680	3,787
Increase in balances due from parent company		(1,475,548)	(765,121)
Cash generated from operations		588,421	957,764
Income tax paid		(671,997)	(716,594)
Net cash (used in)/generated from operating activities		(83,576)	241,170
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(149,296)	(131,121)
Net cash used in investing activities		(149,296)	(131,121)
Net (decrease)/ increase in cash and cash equivalents		(232,873)	110,049
Cash and cash equivalents at 1 January		543,012	432,963
Cash and cash equivalents at 31 December		310,139	543,012
Represented by:			
Cash and bank balances		310,139	543,012

1. REPORTING ENTITY

CRDB Microfinance Services Company Limited is incorporated in the United Republic of Tanzania under the Companies Act 2002 and is domiciled in Tanzania. The address of its registered office is as follows:

CRDB Bank House
Mikocheni Industrial Area
P.O. Box 268
Dar es Salaam.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

(i) New and revised IFRSs effective for the year ended 31 December 2011

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 1, Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Company continued to disclose such items in the statement of changes in equity and the amendment had no effect on the Company's financial statements.
IAS 24 Related Party Disclosures (as revised in 2009)	IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company is not government-related entity and have no equity interest in any associate. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.

(ii) New and revised IFRSs effective for the year ended 31 December 2011

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement	IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendment had no effect on the Company's financial statements.
Improvements to IFRSs issued in 2010	The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the Company's financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

(iii) New and revised IFRSs in issue but not yet effective for the year ended 31 December 2011

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 7	1 July 2011
IFRS 9, Financial Instruments – Classification and Measurement (2010)	1 January 2015
IAS 12, Income Taxes – limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 1, Presentation of Financial Statements – presentation of items of other comprehensive income	1 July 2012
IAS 19, Employee Benefits (2011)	1 January 2013
IAS 27, Separate Financial Statements (2011)	1 January 2013
IAS 28, Investments in Associates and Joint Ventures (2011)	1 January 2013
IFRS 10, Consolidated Financial Statements	1 January 2013
IFRS 11, Joint Arrangements	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013
Amendment to interpretations	
IFRIC 20 – Stripping costs in the production phase of a surface mine	1 January 2013

- IFRS 9, Financial Instruments

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss

2. APLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

(iii) Impact of new and revised IFRSs on the financial statements for the year ended 31 December 2011 and future annual periods (Continued)

- IFRS 9, Financial Instruments (Continued)

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that IFRS 9 will be adopted in the Bank's financial statements for the annual period beginning 1 January 2015. The impact of the application of IFRS 9 on amounts reported in respect of the Bank's financial assets and financial liabilities will be assessed at the time of adoption of the Standard.

- IFRS 13 Fair Value Measurements

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).
With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3 - unobservable inputs for the asset or liability.

The Directors anticipate that the adoption of IFRS 13 when effective may affect the amounts reported and result in more disclosures in the financial statements.

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

These amend IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The Company will apply this amendment prospectively. The directors anticipate no material impact to the Company's financial statements currently. However, the Company would have to apply this standard to any such arrangements entered into in the future.

2. APLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

iii) Impact of new and revised IFRSs on the financial statements for the year ended 31 December 2011 and future annual periods (Continued)

- IAS 1, Presentation of Financial Statements - presentation of items of other comprehensive income (Continued)

These amend IAS 1 Presentation of Financial Statements to revise the way other comprehensive income is presented.

The amendments:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income' – rather than requiring a single continuous statement as was proposed in the exposure draft.

- Require entities to Company items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified

- Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods

The above amendments are generally effective for annual periods beginning on or after 1 July 2012. The Company will apply the amendments prospectively. If adopted the amendments will only impact on the presentation of the financial statements with no impact on amounts reported.

- IAS 19 (as revised in 2011)- Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Company's financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 will not have any impact on the company's financial statements.

(iv) Early adoption of IFRSs

The Company did not early-adopt any new or revised IFRSs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards.

For the Companies Act 2002 reporting purposes, in these financial statements the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

Basis of preparation

The financial statements have been prepared on the historical cost basis with exception of some assets which have been carried at revalued amounts.

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

Presentation of financial statements

The financial statements comprise the statements of comprehensive income, statements of financial position, the statements of changes in equity, statements of cash flows and the notes to the financial statements.

The Company classifies its expenses by the nature of expense methodology.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in note 5.

The Company statements of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities.

Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiating or participating in the negotiation of, a transaction for a third party are recognized on completion of the underlying transaction. Turnover comprises of the fees and commission charged to CRDB Bank Plc recorded on an accruals basis. Other income are also recorded on accrual basis.

Foreign currencies

(a) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Tanzania shillings, which is the Company's functional and presentation currency.

Except as indicated, financial information presented in Tanzania Shillings has been rounded to the nearest thousand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

(b) Transactions and balances

In preparing the financial statements, transactions in currencies other than the Tanzania Shilling are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Financial instruments

Financial assets and liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

i. Financial assets

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL

(a) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(c) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(d) Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed off or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Impairment of financial assets

(a) Assets carried at amortised cost

The Company reviews regularly, on a case-by–case basis, whether any objective evidence exists of impairment, individually for financial assets that are significant and individually or collectively for financial assets that are not individually significant. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss as 'impairment loss on loans and receivables'. When a loan or receivable is uncollectible, it is written off against the related allowance account. Subsequent recoveries of amounts previously written off are credited through profit or loss.

Objective evidence that loans and receivables are impaired can include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue), the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Company are considered indicators that the loans or receivable is impaired.

(b) Amounts classified as available for sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Financial instruments (Continued)

ii. Financial liabilities and equity instruments

(a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

(ii) Other financial liabilities

Other financial liabilities including borrowings and trade and other payables are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Income taxation

The tax currently receivable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's assets for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that 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 and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Employee costs

(a) Retirement benefits obligations

The Company's contributions in respect of retirement benefit costs are charged to the profit or loss in the year to which they relate. The Company makes contributions to National Social Security Fund and Parastatal Pension Fund which are statutory defined contribution pension schemes. The Company's obligations under the schemes are limited to specific contributions legislated from time to time and are charged to the profit or loss in the year in which they relate.

Contract staff are entitled to gratuity payment at the completion of the contract. Provision is made for gratuity in line with the contracts.

Entitlements to annual leave are recognized when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued at the end of the reporting period end.

(b) Short-term benefits

Short-term employee benefit obligations (e.g. medical reimbursements and insurance) are measured on an undiscounted basis and are expensed as the related service is provided.

Property and equipment

Motor vehicles are stated at revalued amounts, being the fair value at the date or revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The valuation was determined with reference to the market value of the motor vehicles.

Any revaluation increase arising on the revaluation of such motor vehicles is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in the profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such motor vehicles is recognized in the profit or loss to the extent that it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Computer equipments	5 years
Motor vehicles	5 years
Furniture and fittings	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Acquired computer software and related licenses are stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Where software is not an integral part of the related hardware it is recognised as an intangible asset.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is three to five years.

The estimated useful life and amortisation method of intangible assets are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss.

If objective evidence on impairment losses exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

In determining the recoverable amount, the Company considers the higher of the fair value of the asset less costs to sell, and value in use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

In estimating value in use, the Company is cognisant of the estimated future cash flow discounted to the present value using a pre-tax discount rate that is reflective of the current market assessment of time value of money and the risks specific to the asset itself.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, and when there is indication that the asset may be impaired.

Where impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized

Share capital

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

Grants

Grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Provisions for liabilities and other claims

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows

Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition. Such assets are generally subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF UNCERTAINITIES

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Property, equipment and intangible assets

Critical estimates are made by the directors in determining the useful lives of property, equipment and intangible assets as well as their residual values.

The Company reviews the estimated useful lives of property, equipment and useful lives at the end of each reporting period. During the year, the directors determined that the useful lives of certain assets should be increased as follows:

Property, equipment and intangible assets (Continued)

Asset category	Useful life 2011	Useful life 2010
Motor vehicles	5 years	4 years

This has led to decrease in depreciation expense for the year by TZS 29.8 million.

Taxation

The Company is subjected to various taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Company recognises liabilities for the anticipated tax /levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and services offered. The most important types of risks are:

- Credit risk
- Liquidity risk
- Market risk

a) Credit risk

Credit risk refers the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, and other sundry receivables. The company deposits short-term cash surpluses with its parent company, which is of a quality credit standing.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Credit risk (Continued)

Trade receivables comprise amounts receivable from its parent company, CRDB Bank Plc. The Company does not consider existence of any significant concentrations of credit risk.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Companies' management based on prior experience and the current economic environment. The carrying amount of financial assets represents the maximum credit exposure.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2011 without taking account of the value of any collateral was:

	Fully performing TZS' 000	Past due TZS' 000	Impaired TZS' 000
Balances due from parent company	1,784,687	-	-
Cash and bank balances	310,139	-	-
	2,094,826	-	-

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2010 without taking account of the value of any collateral obtained was:

	Fully performing TZS' 000	Past due TZS' 000	Impaired TZS' 000
Balances due from parent company	309,139		
Cash and bank balances	543,012	-	-
	852,151	-	-

b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The Company manages liquidity risk by monitoring forecast cash flows. The directors may from time to time at their discretion raise or borrow funds for the Company as they deem fit. There are no borrowing limits in the articles of association of the Company.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Liquidity risk (Continued)

Maturity analysis for financial liabilities at 31 December 2011 showing the remaining undiscounted contractual maturities:

					Total TZS' 000
Financial assets					
Cash and bank balances	-	98,445	211,694	-	310,139
Due from related parties	-	-	1,784,687	-	1,784,687
Total	-	98,445	1,996,381	-	2,094,826
Financial liabilities					
Accruals other liabilities	-	(52,307)	-	-	(52,307)
Total	-	(52,307)	-	-	(52,307)
Net liquidity gap	-	46,138	1,996,381	-	2,042,519

Maturity analysis for financial liabilities at 31 December 2010 showing the remaining undiscounted contractual maturities:

	<2 month TZS' 000	2 - 5 months TZS' 000	5 -12 months TZS' 000	> 1 year TZS' 000	Total TZS' 000
Total financial assets	17,842	357,555	494,596	-	852,151
Total financial liabilities	-	(32,935)	-	-	(32,935)
Net liquidity gap	17,842	324,620	494,596	-	819,216

c) Market risk

Interest rate risk

The Company is not exposed to interest rate risk as it does not have interest bearing instruments (2010: Nil).

Foreign exchange risk

The Company exposure to exchange rate fluctuations for both current and previous year is insignificant as there is limited number of transactions denominated in foreign currencies.

6. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to sustain a strong capital base to support the development of business and to safeguard the Company's ability to continue as a going concern, in order to provide returns to shareholders and maintain an optimum structure to reduce the cost of capital.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company.

The Board of Directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital.

7. FEE AND COMMISSION INCOME

	2011 TZS'000	2010 TZS'000
Commission income	4,751,427	3,783,522
Deposit mobilization fee	996,401	476,683
Commission on guarantees	159,279	106,011
	5,907,107	4,366,216

8. OTHER OPERATING INCOME

	2011 TZS'000	2010 TZS'000
Grants amortization	1,139,476	1,573,482
Commission received - insurance	131,701	87,272
Software fee	76,710	104,400
Other income	70,230	-
"Uwezeshaji" disbursed loan	16,112	29,308
"Uwezeshaji" guarantee interest	-	62,207
	1,434,229	1,856,669

9. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 TZS'000	2010 TZS'000
Directors' fees	56,882	17,609
Auditors' remuneration	31,416	37,185
Depreciation and amortization of intangible assets	290,133	414,291
MFIs training and support	1,117,894	1,493,065
Other expenses	1,468,718	1,017,797
	2,965,043	2,979,947

	2011 TZS' 000	2010 TZS' 000

10. STAFF COSTS

	2011 TZS' 000	2010 TZS' 000
Salaries & Wages	1,590,795	1,361,473
Staff training	196,245	171,663
Social security contribution	205,270	180,535
Provision for post - employment benefits	177,819	81,157
Leave allowance	91,237	82,483
Medical expenses	52,680	50,113
Others	46,117	70,448
	2,360,163	1,997,872

11. TAXATION

(a) Tax charge comprises:

	2011 TZS' 000	2010 TZS' 000
Current taxation at 30%	658,959	469,229
Deferred tax credit	(31,120)	(114,506)
	627,839	354,723

(b) Reconciliation of tax charge to the expected tax based on accounting profit:

	2011 TZS' 000	2010 TZS' 000
Profit before tax	2,016,130	1,245,066
Tax at applicable at the rate of 30% (2010: 30%)	604,839	373,520
Effect of income not subject to tax	(1,593)	-
Effect of expenses not allowable for tax	24,593	26,965
Prior year deferred tax over provision	-	(45,762)
	627,839	354,723

12. PROPERTY AND EQUIPMENT

	Motor vehicles TZS '000	Office equipment TZS '000	Furniture TZS '000	Total TZS '000
Cost or valuation				
At 1 January 2010	1,074,552	166,486	28,123	1,269,161
Additions	112,897	12,509	5,715	131,121
At 31 December 2010	1,187,449	178,995	33,838	1,400,282
At 1 January 2011	1,187,449	178,995	33,838	1,400,282
Additions	88,208	27,929	33,159	149,296
At 31 December 2011	1,275,657	206,924	66,997	1,549,578
Depreciation				
At 1 January 2010	327,405	54,031	10,438	391,874
Charge for the year	302,531	37,401	6,071	346,003
At 31 December 2010	629,936	91,432	16,509	737,877
At 1 January 2011	629,936	91,432	16,509	737,877
Charge for the year	179,527	34,158	8,159	221,844
At 31 December 2011	809,463	125,590	24,668	959,721
Net book value				
At 31 December 2010	557,513	87,563	17,329	662,405
At 31 December 2011	466,194	81,334	42,329	589,857

Motor vehicles were revalued at TZS 130 million as at 31 December 2009 by independent valuer Toyota Tanzania Limited. The valuer determined the fair value by reference to recent market transactions on an arm's length term. As at 31 December 2011, the net book value of motor vehicles based on original cost was TZS 395 million - (2010 – TZS 460 million).

Included in property and equipment are assets with a cost of TZS 232.428 million (2010 – TZS 30.143 million) which were fully depreciated but still in use. The notional depreciation charge on these assets would have been TZS 46.485 million (2010 – TZS 6.028 million).

	2011 TZS '000	2010 TZS '000

13. INTANGIBLE ASSETS

Cost		
At 1 January	341,442	341,442
At 31 December	341,442	341,442
Amortization		
At 1 January	108,326	40,038
Charge for the year	68,288	68,288
At 31 December	176,614	108,326
Net book value		
At 31 December	164,828	233,116

Intangible assets relate to computer software.

14. DEFERRED TAX ASSET/ (LIABILITY)

The deferred tax asset/ (liability) is attributable to the following items:

	2011 TZS '000	2010 TZS '000
Accelerated capital allowances	(84,096)	(91,946)
Other general provisions	112,247	88,977
	28,151	(2,969)

The movement on the deferred tax account is as follows:

	2011 TZS '000	2010 TZS '000
At 1 January	(2,969)	(117,475)
Credit to profit or loss	31,120	114,506
At 31 December	28,151	(2,969)

15. OTHER ASSETS

	2011 TZS '000	2010 TZS '000
sqSundry debtors	35,706	42,876

Sundry debtors for 2011 are accrued insurance commission of TZS 23.5 million and extended management meeting reimbursable expenses of TZS 12.2 million

	2011 TZS '000	2010 TZS '000
16. CURRENT TAX RECOVERABLE		
At 1 January	441,080	193,715
Payments during the year	671,997	716,594
Current year tax charge	(658,959)	(469,229)
At 31 December	454,118	441,080
17(a). FSDT GRANT		
At 1 January	357,529	247,480
Grant received during the year	862,881	1,603,114
Grant amortised to profit or loss	(1,117,894)	(1,493,065)
At 31 December	102,516	357,529
(b).FSDT ASSET GRANT		
At 1 January	41,260	53,063
Grant received during the year	7,760	-
Grant amortised to profit or loss	(12,891)	(11,803)
At 31 December	36,129	41,260
Total	138,645	398,789

On 26 May 2008, CRDB Bank Plc signed a four year funding agreement with Financial Sector Deepening Trust of Tanzania (FSDT) amounting to US$ 3,806,500 as a grant for strengthening of the Bank's microfinance partner institutions and increase outreach. In 2011 the amount of USD 547,338 was received by CRDB Bank Plc which was transferred the amount to CRDB Microfinance Services Company Limited

18. RFSP ASSET GRANT

	2011 TZS'000	2010 TZS'000
At 1 January	-	57,750
Grant amortised to profit or loss	-	(57,750)
At 31 December	-	-

In 2005, CRDB Bank Plc signed a Memorandum of Understanding (MoU) with Rural Financial Services Programme (RFSP) which is under the Prime Minister's office. The programme is aimed at developing a sustainable rural financial system which can be integrated within a gradually liberalized financial sector. Under the MoU, the Bank received four motor vehicles, which during the year were transferred to CRDB Microfinance Services Limited.

19. ACCRUALS AND OTHER LIABILITIES

	2011 TZS '000	2010 TZS '000
Accrued expenses	52,307	32,935
Parent Company grant (Note 20)	18,469	27,161
	70,776	60,096

20. PARENT COMPANY GRANT

At 1 January	27,161	38,026
Amortization during the year	(8,692)	(10,865)
At 31 December	18,469	27,161

The grant relates to taxes on purchase of the motor vehicle for the Company's General Manager which was paid on behalf by the parent company.

21. SHARE CAPITAL

	2011 TZS' 000	2010 TZS' 000
Authorised		
50,000,000 ordinary shares of TZS 100 each	5,000,000	5,000,000
Issued and fully paid		
7,281,359 ordinary shares of TZS 100 each	728,136	728,136

22. CAPITAL COMMITMENTS

	2011 TZS' 000	2010 TZS' 000
Amount authorized and contracted for	102,516	326,524

Capital Authorized and contracted for capital commitments relate to unutilised FSDT grant for capacity building of partner affiliates.

23. RELATED PARTY TRANSACTIONS

Balance due from parent Company

	2011 TZS' 000	2010 TZS' 000
At 1 January	309,139	(455,982)
Net increase during the year	1,475,548	765,121
At 31 December	1,784,687	309,139

The balances due from parent company mainly arise from commission income receivable from parent CRDB Bank Plc.

Transactions with related parties

The Company is a wholly owned subsidiary of CRDB Bank Plc. Presented below are the transactions with related parties during the year are as well as balances resulting from those transactions as at year end.

CRDB Bank Plc:	2011 TZS'000	2010 TZS'000
(i) Fee and commission income*	5,906,714	4,366,216
(ii)Expenses paid by CRDB Bank Plc on behalf of the Company	363,969	214,303

*The Company provides Microfinance loan management services on behalf of its parent company and receives commission of 5.0% out of 16% charged to the customers by CRDB Bank Plc (2010: 5.0% out of 16%).

Compensation of key management personnel

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

23. RELATED PARTY TRANSACTIONS (Continued)

The remuneration of directors, General Manager and heads of units who report directly to the General Manager were as follows:

	2011 TZS'000	2010 TZS'000
Short term benefits	524,178	459,209
Post-employment benefits	164,588	154,560
	688,766	613,769

The remuneration of directors is determined at the Shareholders Annual General meeting and by the board of directors for key management personnel having regard to performance of individuals and market trends.

Directors' fees, included in the compensation of key management personnel, were TZS 56.9 million (2010 - TZS 17.6 million).

DIRECTORS' REMUNERATION

Fees paid to Directors of the Company during the year are as follows:

Name	2011 TZS'000	2010 TZS'000
Prof. Andrew E. Temu	19,370	17,609
Dr. Deogratias P. Mushi	9,686	-
Dr. Charles S. Kimei	8,542	-
Mr. Anderson Mlabwa	6,428	-
Mrs. Nellie Ndosa	6,428	-
Mr. John B. Rugambo	6,428	-
	56,882	17,609

24. INCORPORATION AND ULTIMATE PARENT COMPANY

The Company is incorporated in Tanzania under Companies Act, 2002 and domiciled in Tanzania. The ultimate parent company is CRDB Bank Plc.

25. CURRENCY

These financial statements are presented in thousands of Tanzanian Shillings (TZS'000).