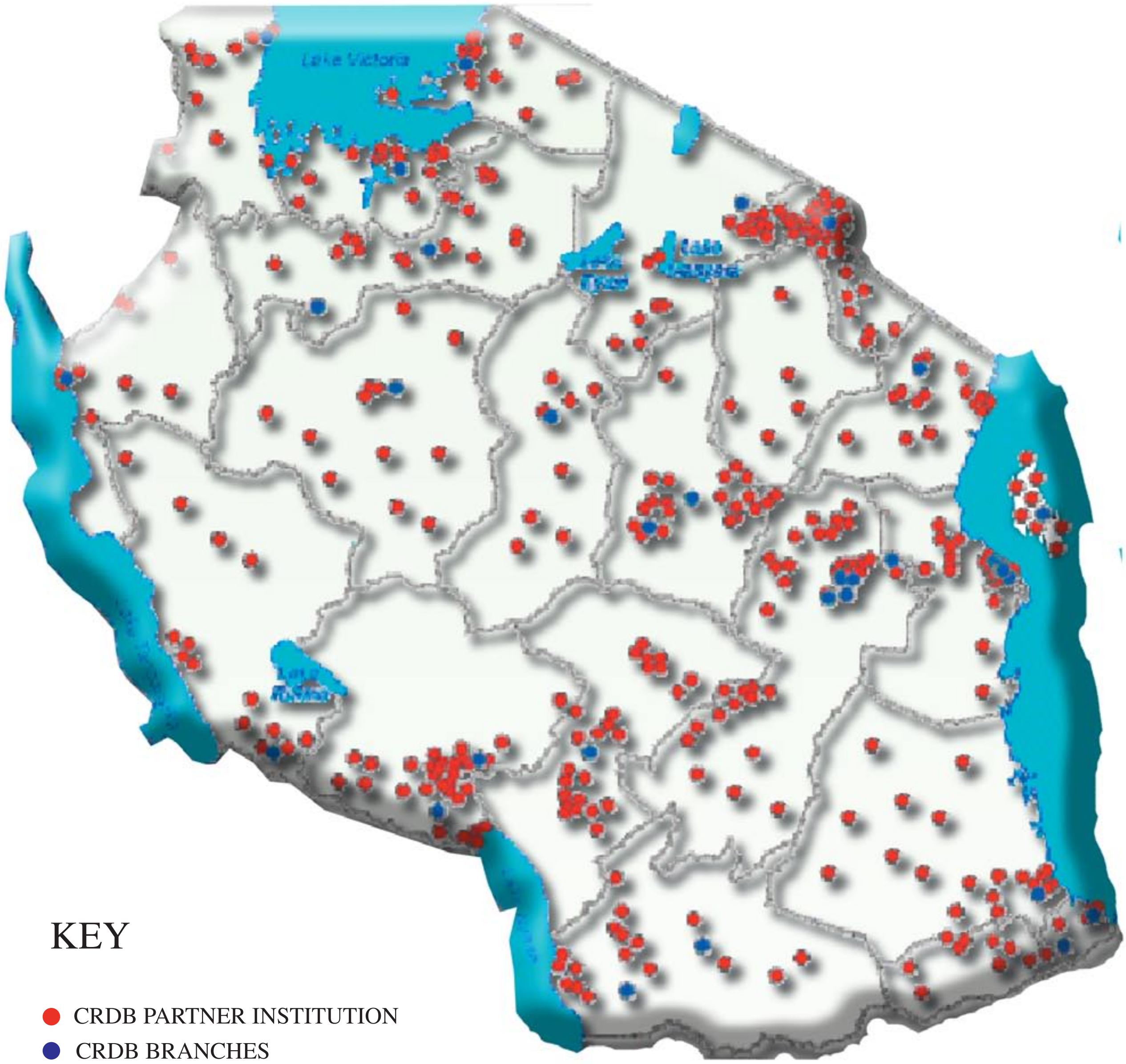
ANNUAL REPORT 2012

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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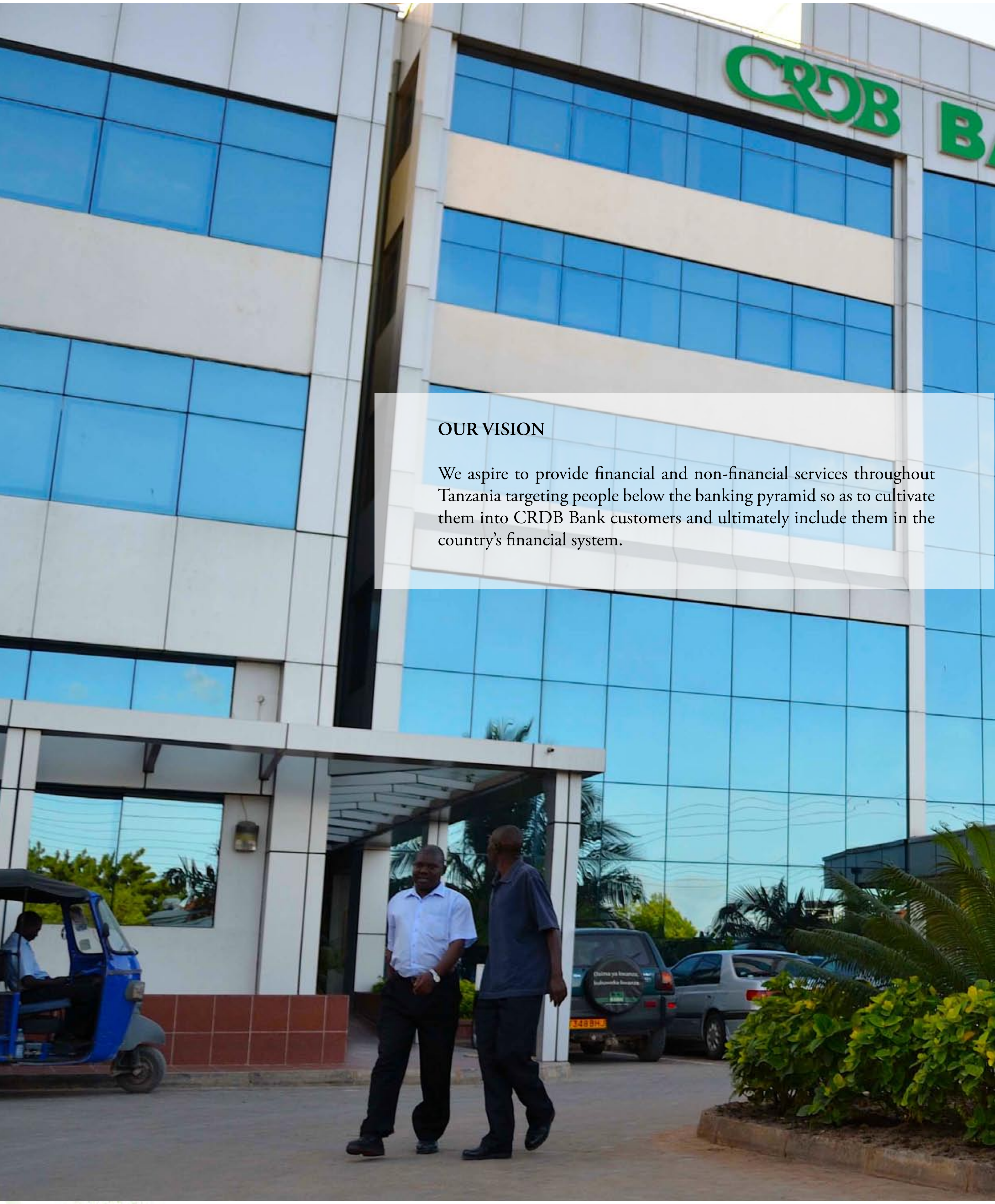

OUR VISION

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 Micro-finance, 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.

OUR MISSION

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OUR VALUES

Accountability

Commitment

Cost Consciousness

Courtesy

Decisiveness

Knowledge

Promptness

Performance driven

Professional integrity

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.

CORPORATE INFORMATION

DIRECTORS

Name	Remarks	Nationality
Dr. Charles Kimei	Chairman	Tanzanian
Prof. Andrew E. Temu	Member	Tanzanian
Dr. Deograsias Mushi	Member	Tanzanian
Mrs. Esther Kileo Kitoka	Member	Tanzanian
Mr. Anderson Mlabwa	Member	Tanzanian
Mrs. Nellie Ndosa	Member	Tanzanian
Mr. Sebastian Masaki	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
Pricewater House Coopers
Certified Public Accountants (Tanzania)
Pemba House
P. O. Box 369
Toure Drive, Osterbay
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 STATEMENT

I am once again pleased to submit the 2012 Annual Report and accounts for our dedicated microfinance subsidiary-CRDB Microfinance Services Company Limited (CRDB MFSCL). Through our wholesale microfinance programme, our subsidiary has enabled us to create the most elaborate network of service delivery infrastructure in the country. By year-end 2012, through strategic partnerships with 422 microfinance institutions, we had a presence in 127 districts (or 93 percent) out of our country's total of 136 districts. Our microfinance customer base as at the end of the same period was 639,052 individual clients. Total deposits mobilized through this network during the year were TZS 28 billion.

During the year, our subsidiary adopted a new business model that combines wholesale and retail microfinance business lines in a bid to deepen our financial services targeted at the low-income and predominantly rural population. Our subsidiary's venture into both wholesale and retail microfinance is consistent with our bank group's overall goal of providing convenient financial services to all citizens regardless of their gender or income. In addition to introducing retail microfinance products and services, our subsidiary also ventured into the insurance market. According to one of the most recent survey of access to financial services, just 6.4 percent of our adult population had purchased some kind of insurance as of 2009. Very few of those who hold insurance have life insurance cover, medical, or business cover.

In response to these needs, we transferred our fledging bank group's insurance brokerage business to the subsidiary in July 2012 so as to increase access and tap into the huge underserved insurance market. During the second half of the year, insurance products were rolled out throughout our bank branches, agencies, and on a pilot basis through our dense network of affiliated partner MFIs.

Apart from the achievements made in the area of outreach, our microfinance subsidiary also achieved remarkable growth and financial results during 2012, as shown in the table below.

At the corporate level, the Board made various major decisions, including the involvement of our firm in pursuing value addition projects in the form of Public Private Partnership (PPP). The seaweed cultivation project in Pemba, for instance, commenced during the year. This project aims at enabling 20,000 farmers to access the necessary capital to expand their farming activities.

Table 1.1. Financial Performance of CRDB MFSC in 2012

s/n	PARAMETER	2011	2012	GROWTH RATE (Percent)
1	Profit before Income Tax (TZS Million)	2,016	4,114	104
2	Microfinance loan portfolio in Parent's company books (TZS Billion)	147	193	31
3	Portfolio-at-Risk > 90 days	7.0	5.8	1.2

Another major goal pursued by our subsidiary in the year 2012 was the diversification of its revenue base by capturing new markets and introducing new products. In this regard, our subsidiary introduced new and more reliable and professional Warehouse Operations Support Services (WOSS). This new business line was first introduced in 2005 but had not performed as well as expected. The newly improved WOSS is designed to give customers a wider choice of high quality services; these range from stock audit services, collateral management services, monitoring services, due diligence services, warehouse inspection, and quality certification services. Others include clearing and forwarding services and training on WOSS. Though new, the enhanced WOSS is proving to be quite attractive.

We comprehend that the infrastructural challenges of our country; poor roads, lack of irrigation systems, inadequate power supply and rising illiteracy levels, among others can not be eliminated in a short period and will continue to affect the development of the rural Tanzania, particularly the agriculture sector and hence the performance of our Company. These challenges suggest that we should use more technology and innovations to mitigate the impact on our ability to achieve the set targets.

Looking back to the beginning of the year 2012 and the periods before, I recognize how difficult it could have been for us to record such a startling performance without the goodwill and support of our development partners. In particular, I would like to extend my special thanks to our shareholders, board members, management and staff for delivering this year's strong financial performance. On behalf of the Board of Directors, I would like to express special thanks to the Financial Sector Deepening Trust (FSDT), the Danish International Development Agency (DANIDA), the Government of Tanzania, and the Bank of Tanzania. We have no doubt that their support helped a lot in fuelling our growth and performance. We bank on their continued support to enable us deepen financial services in the country. Our target is to increase our base of customers to one million by 2014.

We cherish the resilience of our hardworking customers who have the faith and trust in banking with us, as well as the commitment and efforts made by our affiliated partner institutions and their individual clients. It is our sincere hope that we too are a worthy partner in their daily struggles to improve their wellbeing and in pursuit of their individual dreams. To them all, I wish to reassure them of our continued commitment to fulfill our duty, especially our intention of making services more affordable and delivering demand-driven services

Our business outlook for 2013 is a promising one, as we begin to implement the new five-year strategic business plan (2013/2017). We shall explore new profitable business opportunities and take advantage of the emerging Information and Communication Technologies (ICT) to generate more value for the Bank Group.

Dr. Charles Kimei
Chairman
21st March 2013

GENERAL MANAGER'S REPORT

In the year 2012, we had five major goals and objectives. First and foremost, we had planned to diversify our revenue base. We also targeted to expand our customer base by delivering retail microfinance products and services for the first time since we ventured into microfinance 12 years ago. Furthermore we planned to improve the quality of our loan portfolio, while at the same time increasing our visibility and presence through creation of new and unique service delivery outlets.

Despite many economic challenges that we faced in 2012, I am encouraged by our spectacular performance during the year. In the last two years, our country, has suffered a prolonged drought that has pushed food prices upwards, thereby causing food inflation to rise up to 13.4 percent in the year. Notwithstanding the many challenges, our company continued to record remarkable growth at many fronts. Our profit-before-tax, for instance, more than doubled, representing a positive increase of 104 percent, against the growth of 62 percent achieved in 2011. Our gross loan portfolio grew by 31 percent

(see Figure 1.1 and Table 1.2 overleaf).

Figure 1.1.Annual Profit Growth

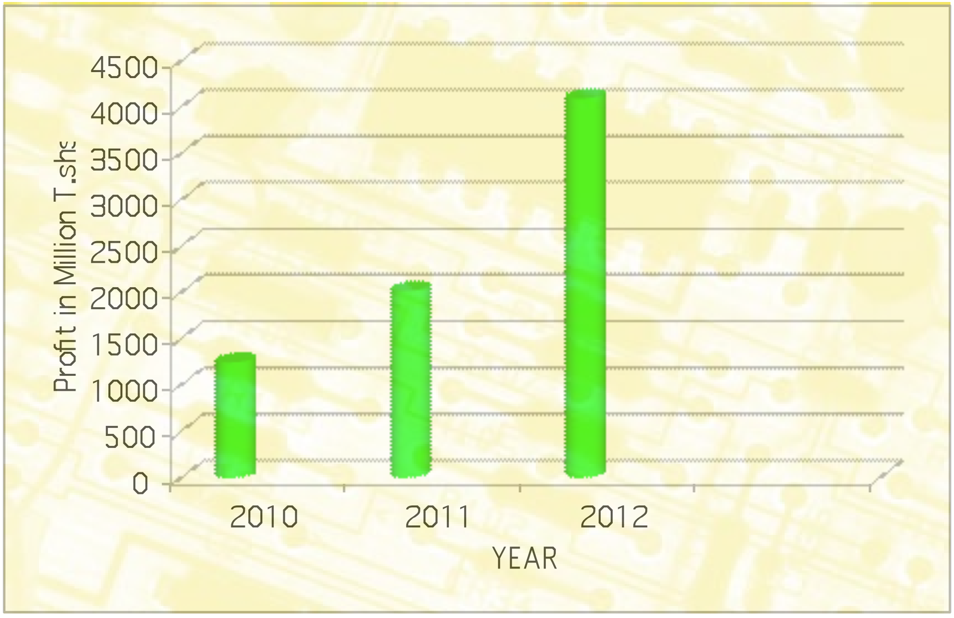

Table 1.2: Non-Financial Performance

Detail	*Dec. 2009*	*Dec. 2010*	*Dec. 2011*	*Dec. 2012*
Regional Covered by MFSC	24	26	26	30
District Covered by MFSC	111	123	127	127
Number of Partner MFIs	425	472	491	422
CRDB Loan Disbursement (cum) to MFIs (TZS bn)	275	392	547	691
CRDB Outstanding Loan Portfolio (TZS bn)	70	93	147	193
CRDB Loan Repayment Performance (percent)	97	98	98	98
MFI Deposit with CRDB (TZS bn)	12	14	28	28
Number of Offices (bureaus)	25	25	25	23
Number of Staff	48	51	51	71

Outreach

To increase our customer base, diversify our revenue base, and sustain growth in the next five years, we developed an elaborate transformation strategy in 2012, which is going to guide our operations as from 2013. It is our overall aim to remain a viable and strong Microfinance institution. Though our nation-wide coverage was maintained at 127 districts, we withdrew our partnership with 90 previously affiliated MFIs. Most of the de-affiliated MFIs were formed during the government-funded *Uwezeshaji Credit Scheme*, and were slow (even reluctant) in adopting the minimum standards of best practice. Despite the 14.1 percent drop in affiliate partner MFIs, we still managed to increase our customer base from 631,499 as at 31 December 2011 to 639,052 by year-end 2012.

Lending

Our wholesale lending will remain our flagship product for some time. During the year 2012, we made loans to the low-income population totaling to TZS144 billion. Most of this portfolio was to small businesses who wished to scale-up their operations. Our outstanding loan portfolio grew by 31 percent, from TZS 147 billion in 2011, to TZS 193 billion as at the end of year 2012. And we maintained a healthy loan portfolio at a repayment-rate of 98 percent.

Insurance Services

For the first time we not only sold more insurance policies in the year ended 31 December 2012, but also increased the range of available products. In addition to credit life and funeral plan, we further introduced general insurance and deployed a multi-channel delivery network. During the year, we took advantage of our vast retail network, which included 80 plus branches to offer insurance cover through our affiliated partner MFIs. To delight our customers, we have automated our insurance processes so that they are immediately issued with their insurance policy covers as soon as they make a purchase.

Automation of Partner MFIs

During the year 2012, we continued with our affiliate MFIs automation plans. In addition to our affiliated partner MFIs, we also continued to respond to the market demand for automation services to non-partner MFIs. The automation of MFIs operations using our proprietary MIS software known as Finance Solution has enabled many microfinance institutions to greatly transform their service offerings; automation has helped to increase the trust and confidence of communities they serve. Automation is at the top of our main goals towards improving operational efficiency and enhancing many MFIs' reporting. For the 148 automated microfinance institutions, there is a 90 percent utilization level, which is a remarkable achievement in an environment in which very few MFIs are able to produce reports in a timely manner.

Consultancy

In 2012 we witnessed our Consultancy Services make great strides. The department conducted assignments particularly in enhancing rural finance and outreach in Tanzania and Burundi, where the Department assessed the retail microfinance market. In our domestic home market, the Department was engaged in activities aimed at enhancing rural finance in Tanzania. We see an even brighter future for the Consultancy services in year 2013.

The Outlook for the year 2013 and beyond

Tanzania is expected to remain a rock of stability in year 2013, recording solid growth and strengthened fiscal discipline and a deceleration in the rate of inflation. GDP is forecasted to grow at a rate of between 6.5 percent and 7 percent in the year. Our government's commitment to continue investing in infrastructure, particularly those in rural areas including transport and irrigation schemes, is likely to create many new prospects for our rural interventions.

We will support programs that aim at connecting farmers to markets and those encouraging cultivation of high value non-traditional crops and the development of off-farm activities.

In year 2013 the Company will continue to develop and sustain a quality loan portfolio; mobilize adequate resources for financing business growth; increase the share of income from non- lending activities, and enhance our corporate governance and risk management framework.

Appreciation

As already mentioned by our Board Chairman in this report, our success in 2012 was not an easy one, and our sense of gratitude to the many stakeholders that stood by us is immense. My gratitude goes to every member of our Board of Directors for their tireless efforts and support. I likewise deeply appreciate the self-less dedication and professionalism of our staff in pursing outstanding performance in the past years. Indeed, in the same spirit, am convinced and confident that our business will surpass out 2012 milestones. To our esteemed customers, many sincere thanks to you for your trust and support; we would not have made any progress at all without your support and trust.

Sebastian Masaki
General Manager
21st March, 2013

KEY ACTIVITIES FOR THE YEAR 2012

SCALING-UP INSURANCE BUSINESS

Giving a helping hand to all in need

Starting in the year 2012, our CRDB Bank Group now offers affordable insurance products and services to all segments of the population and closer to their home. And we give free advice on insurance services at all our bank outlets.

The range of our insurance products is as wide as the risks that frequently threaten our people, especially the low-income population. We offer:

- Health insurance cover, to enable the sick seek for timely and affordable treatment
- Life assurance cover, which comes along with a 'family funeral plan'
- General insurance, under which we have motor insurance—comprising of 'comprehensive' and 'third party' covers; house owners and householders covers—for all pertinent risks; personal covers—for all relevant risks and money insurance

In the same year our bank group began developing Crop Insurance Cover, which aims at covering farmers against possible losses due to drought, hail storms, wind and fire. With this Crop insurance cover our bank group hopes to encourage farmers to expand their farming activities while at the same time encouraging banks and other financial intermediaries to increase agricultural financing.

ENHANCING AGRICULTURE CULTIVATION THROUGH USE OF TECHNOLOGY

As a dedicated microfinance subsidiary, we are big in small-scale agriculture, where 45 percent of our total loan portfolio was held in 2012.

Hardworking Seaweed farmers currently reaping from our bank's aid

Seaweed farming

Through our collaboration with the SHIRIKANI SACCOS, our bank group in 2012 enabled 153 farmers of the Kiuyu group to escalate seaweed farming in Zanzibar. The production of seaweed in the two islands of Zanzibar and Pemba has increased from about eight thousand tons in 2007 to thirteen thousand tons by 2011. The Kiuyu group is among 26 such group of farmers in Pemba Island to be aided with farm inputs and financing from our bank.

Chinangali grapes, a new found source of income for Tanzanian farmers

Chinangali Drip Irrigation Project

Our bank group provides the capital and infrastructure that keeps the Chinangali Drip Irrigation Project working. The Chinangali grapes farming project, which targets peasant farmers, using drip irrigation system, is the first project of its kind in Tanzania. This technology enables the efficient use of water, which is scarce in Dodoma and similarly dry areas of the country. The 2012 crop is the fifth harvest of white, red, and some table grapes. While the white and red varieties are produced for commercial markets, the table grapes are mainly used as fruits for farmers' own use, though some are retailed in local Dodoma markets and subsequently sold in other markets outside Dodoma.

RETAIL MICROFINANCE SERVICES

Purposely-designed outlets closer to our retail microfinance customers

Deepening financial services access to the geographically isolated and economically marginalized segments of our country's low-income population has always been our dream. In November 2012, after successfully introducing our wholesale microfinance channel in 2000, we made our second most important step towards this goal by commencing with construction of three purposely-designed service centers as a platform for our retail microfinance channel. Our new retail microfinance channel is aimed at the rural and semi urban population that still lives far off any of our existing bank group outlets. Together with our already existing wholesale microfinance channel, the possibility of reaching this still isolated and hardly banked market through a combination of simplified, cost effective structures, and state-of-the art technology-driven mobile platform, is within our reach. Through our new dual channel we are determined to deliver affordable financial services to the geographically dispersed population closer to their homes. populations at relatively lower costs bringing to them convenient financial services close to their homes.

WAREHOUSE OPERATION SUPPORT SERVICES (WOSS)

We stand by our smallholder farmers before and after harvest

Farming is a risky and costly enterprise in our country. In a bad year, when the rains fail, farmers suffer heartbreaking losses; in a good year, when it rains, farmers get a bounty harvest but reap little from their sweat. In 2012, in response to our customers needs for professional and reliable services, we enhanced and re-introduced our WOSS operations. From stock audit services, collateral management services, monitoring services, due diligence services, warehouse inspection, and quality certification services. The other services include clearing and forwarding and training on WOSS. We now offer a wider choice of high quality services to farmers, enabling them to convert their wealth in grains into a steady stream of income while fetching best price for their produce.

CONSULTANCY SERVICES

Inspiring and supporting innovation and diffusion of technology

Our workforce of 71 individuals continues to grow as a reservoir of highly specialized knowledge in inclusive finance. From rural finance to agricultural finance and appropriate financial services to the low-income population and household-based enterprises, our Consultancy Department exists to support other organizations and communities aiming to provide similar services. In 2012 the Department provided technical services and support towards enhancing rural finance and outreach in Tanzania and Burundi. In our domestic home market, the Department was engaged in building the capacity of grassroots financial intermediaries in different districts. market, the Department was engaged in building the capacity of grassroots financial intermediaries in different districts.

ICT SERVICES

Enabling digital financial revolution in Tanzania

Newly emerging Information and Communications Technologies (ICT) are enabling financial services providers to cut costs, offer new products, and serve customers far beyond their traditional networks. In the year 2012 our initiative of automating partner institutions gathered pace with more MFIs getting linked.

Our proposed designed in-house software and technology shall provides a platform that links the retail customers of our 422 partner MFIs' to our bank group's ATMs and Point-of-Sale (POS) payments terminals. Once automated and trained, the card-based system shall provides our MFI partners with a seamless interface with our core MIS software the Universal Banking (UB), whereas our proprietary MIS software, Finance Solution, allow their retail customers to make deposits, payments, or cash withdrawals using the bank group network. Our technology further facilitates bulk payments by our partner MFIs through internet links and SimBanking Services through the M-Pesa, Tigo-Pesa, and Z-Pesa platforms.

REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2012, which disclose the state of affairs of the CRDB Microfinance Services Company Limited (the "Company").

1 INCORPORATION

CRDB Microfinance Services Company Limited 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 commercial bank incorporated and domiciled in the United Republic of Tanzania.

2 PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of microfinance services in Tanzania through CRDB bank's 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.

3 VISION

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

4 MISSION

To be 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. To operate profitably, adding volume of business to the parent company from a market segment previously experiencing challenges to harness with the normal banking system.

5 CORPORATE VALUES

Accountability, Commitment, Cost Consciousness, Courtesy, Decisiveness, Knowledge, Promptness, Performance driven, Professional Integrity and Responsiveness.

6 ETHICAL CODE OF CONDUCT

In order to adhere to the core values, the Company abides by the following code of ethical conduct: Integrity and ethical behaviour, Confidentiality, Transparency, Client protection, Governance, Fair recruitment, Client education and Feedback.

7 COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Company at the date of this report and who have served during the year are:

Name	Position	Age	Discipline	Nationality	Date of Appointment
Dr. Charles S. Kimei	Chairman	59	Economist	Tanzanian	On incorporation
Prof. Andrew E. Temu	Member	52	Agricultural Economist	Tanzanian	January 2008
Dr. Deogratias P. Mushi	Member	50	Economist	Tanzanian	August 2011
Mrs Esther Kitoka	Member	41	Accountant	Tanzanian	November 2012
Mr. Anderson Mlabwa	Member	51	Banker	Tanzanian	On incorporation
Mrs. Nellie Ndosa	Member	56	Banker	Tanzanian	May 2008
Mr. Sebastian P. Masaki (General Manager)	Member (ex-officio)	44	Banker	Tanzanian	On incorporation

8 COMPANY SECRETARY

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

9 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 plan for the General Manager and Management team, establishing and monitoring the achievement of Company's goals and ensuring the integrity of risk management, internal controls, legal compliance, and management information systems. It is also responsible for financial and regulatory reporting.

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.

9 CORPORATE GOVERNANCE (CONTINUED)

Board structure (continued)

As at 31 December 2012, the Board was composed of seven Directors. Five members are Directors of CRDB Bank Plc, and two are independent members. The General Manager is an ex-officio member and other Directors are non executive.

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 that is reviewed on the regular basis. The Committee reports to the full Board.

Audit Committee

The Board Audit Committee reviews the significant accounting and financial reporting controls of the Company. In line with the above responsibility, it ensure that, the Company's financial statements and disclosures are complete and accurate and in accordance with International Financial Reporting Standards (IFRS) and applicable laws, rules and regulations.

The Committee also looks at the adequacy of the Risk management function in particular as it relates to market, credit, operational and reputation risk. The Committee held one meeting during the year. The General Manager attended the meeting.

Audit Committee members are shown in the table below:

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

Below is the summary indicating the number of meetings attended by the Board members;

Director	Board Meetings	Audit Committee Meeting
Dr. Charles S. Kimei	4	Not applicable
Prof. Andrew E. Temu	4	1
Dr. Deogratias P. Mushi	4	Not applicable
Mrs. Esther Kitoka	1	Not applicable
Mr. Anderson Mlabwa	4	1
Mrs. Nellie Ndosa	4	1
Mr. John B. Rugambo (Secretary)	4	1
Mr. Sebastian P. Masaki		
(General Manager)	4	1

9 CORPORATE GOVERNANCE (CONTINUED)

The Board held four meetings during the year as planned with one of the meetings devoted to the review and development of the Company's business strategy.

Board capacity building

In order to help Board members acquire, maintain, and deepen their knowledge and skills and to fulfil their responsibilities, the board visited Philippines to expose the board members and key management staff on best practices, given the ongoing strategies for consolidating and strengthening the wholesale business; and preparing accordingly for successful implementation of the retail microfinance.

10 DIRECTORS' REMUNERATION

The remuneration policies of independent Directors are the same with independent Directors of the Parent Company as approved at the shareholders Annual General Meeting. Information on the fees paid to Directors are disclosed in note 21 to the financial statements.

11 CAPITAL STRUCTURE

At 31 December 2012, the ordinary share capital of the Company was:

	Number of shares 2012	2011
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

12 MANAGEMENT TEAM

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

- o Finance and Administration
- o Operations
- o Credit
- o Consultancy
- o Information and Communication Technology
- o Risk and Compliance

13 SHAREHOLDERS OF THE COMPANY

The total number of shareholders as at 31 December 2012 was two (2011: two shareholders)

The shares of the Company were held as follows:

Shareholders		2012 and 2011 Ordinary shares
1	CRDB Bank Plc	7,281,358
2	Dr. Charles Kimei	1
	TOTAL	7,281,359

The Board chairman, Dr. Charles S. Kimei holds one ordinary share in the Company.

14 FUTURE DEVELOPMENT PLANS

In line with the Company vision, the Company plans to move to a new platform for its microfinance services operations with a clear focus on providing greater customer satisfaction, leveraging business growth and strengthening internal controls. The Company will continue to improve its profitability through the introduction of innovative products, focusing on value added customer services and selective expansion of business while carefully managing both costs and risks. The Company will continue to focus on improving productivity and introducing new products to the market.

We list below a few of our future plans as a part of the implementation of the Company's 5-year Business strategy covering 2013-2017.

Transformation of wholesale business

In year 2013, the Company plans to diversify its portfolio, which is currently dominated, by Saving and Credit Cooperative Society (SACCOS) and Agricultural Marketing Cooperative Society (AMCOS) and extend the services to financial Non-Government Organisatios, Community Banks and Micro credit companies. Moreover, the company will commence its retail operations in year 2013 for increasing financial inclusion within the country. Apart from core business, the company will enhance its non-core income generating businesses lines including insurance, consultancy, warehouse operations and supporting services. These business lines will contribute significantly to the improvement of shareholders' value.

Expansion of insurance business

The company will enhance the insurance business by tapping more in general and life insurance. In particular, the Company will dedicate more effort into providing access to medical insurance to the rural and semi urban population. Credit life assurance and general insurance have great potential as seen in various reports which indicate that insurance is contributing less than 1% to GDP. The company has planned to provide insurance service from the low-income earners to corporate clientele by designing tailor made products to in line with segment needs.

14 FUTURE DEVELOPMENT PLANS (CONTINUED)

Provision of Warehouse Operation Support Services (WOSS)

In year 2013, the Company will continue with the provision of WOSS activities to clients financed by CRDB Bank Group who require collateral management on agricultural products and other merchandise; this will increase the volume of income generation to the Company and safeguard interest of the Bank on those clients. The Company will extend its services to the partner MFIs which provide Warehouse Receipt loans, thus support them in strengthening the credit controls.

Expansion of Retail Microfinance

In the year 2013, the company will establish cost effective microfinance service centers for provision of retail microfinance services. Mapping of areas has been conducted and thirteen service centers are expected to be established in 2013 in various regions to provide convenient services to mostly unbanked populations particularly in rural and semi-urban areas.

Going to Burundi

The Company will assist the CRDB Bank Burundi to develop and implement the microfinance business operations within the country.

15 PERFORMANCE FOR THE YEAR

The year 2012 is the fifth year of implementing a 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 2012. Profit before the taxation rose by 104% to TZS 4.114 billion from TZS 2.016 billion in 2011. 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 59% to TZS 9.74 billion. The increase was largely due to growth in interest income due to favourable yields on term loans to partner affiliates and increase in insurance commission by 352% to TZS 597 million (2011: TZS 132 million). The Company receives commission of 5% out of effective lending rate of 16% (2011: 5% out of 16%). In year 2012, the Company also received 3.5% commission on deposits mobilized from MFI partners (2011: 3.5%) and 50% commission on loan application fees and guarantees (2011: 50%).

Software fees increased by 44% from TZS 77 million in 2011 to TZS 111 million in 2012 while interest income from Uwezeshaji increased by TZS 2 million to TZS 18 million in 2012 due to close follow up of Uwezeshaji loan, a non performing loan.

Staff and administrative expenses (excluding MFIs training and support financed by Financial Sector Deepening Trust (FSDT) grant in 2012) increased by 41% as at 31 December 2012 from TZS 4.21 billion to TZS 5.94 billion.

15 PERFORMANCE FOR THE YEAR (CONTINUED)

The Company enters 2013 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 remained constant to TZS 28 billion as at 31 December 2012 (2011: TZS 28 billion).

Lending

The outstanding loan portfolio as at 31 December 2012, under management of the Company but held by CRDB Bank Plc increased by 31% from TZS 147 billion in 2011 to TZS 193 billion in 2012. Increase in loan portfolio was mainly contributed by agricultural finance. The amount of loans in arrears was 2.52% (2011: 2%) while Portfolio at Risk (PAR) with past due over 30 days was 8.5% (2011: 7 %.)

The loan portfolio is built around three categories of MFI's namely; employee-based 48% (2011: 52%); agricultural based 45% (2011: 35%) and trade based MFI's 7% (2011: 13%). Total number of borrower MFI's as at 31 December 2012 was 419 (2011: 408) representing a 3% increase.

Partners Institutions

Implementation of the consolidation strategy for the wholesale business in the year 2012, witnessed the decrease in the number of partner MFIs by 14% from 490 as at December 2011 to 422 as at December 2012. However, there was a remarkable increase in number of MFIs affiliate membership from 631,669 as at 31 December 2011 to 639,052 as at 31 December 2012.

16 BORROWING

The Company was not engaged in borrowing from any Bank as part of its day to day liquidity management and funding.

17 RESULTS AND DIVIDENDS

Profit after taxes for the year was TZS 3,057 million (2011: TZS 1,388 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: Nil).

18 RESOURCES

Employees with appropriate skills and experience in running the business are a key resource available to the Company and they assist in pursuing the Company's business objectives. The Company continues to encourage open and honest communication in decision making. Employment issues, financial and economic factors affecting the Company's performance are regularly shared with the employees.

19 PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks that may significantly affect the Company's strategies and development are mainly operational and financial risks. Below we provide a description of operational and financial risks facing the Company.

Operational risk

This is a risk of loss resulting from operational transaction risk, fraud risk, Regulatory and Legal compliance risks resulting from noncompliance with Regulations and Laws. The Management ensures that the Company enhances the capacity of its own staff to manage the business and proper advices to the Partner institutions.

Financial risk

Financial risks include credit , liquidity and market risks. The Company's overall risk management policies are set out by the Board and implemented by the Management. These policies involve identification, evaluation and mitigation of such risks. More details of the financial risks facing the Company are provided in note 3 of the financial statements.

20 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 2012 and is of the opinion that they met accepted criteria.

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

21 KEY PERFORMANCE INDICATORS

The following Key Performance Indicators (KPIs) are effective in measuring the delivery of the Company's strategy and managing the business.

Performance indicator	Definition and calculation method	2012	2011
Return on Equity	(Net Profit / Total Equity) * 100%	45%	44%
Return on Assets	(Net Profit / Total Assets) *100%	44%	41%
Cost to Income Ratio	(Total costs(excluding grants) / Total Income (Excluding grants) *100%	50%	67%
Earnings per share	Profit attributable to equity shareholders / Number of Ordinary shares in issue	TZS 420	TZS 191
Growth on total assets	(Trend (Current year total assets – Previous year total assets)/Previous year total assets) * 100%	117%	51%

22 SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious unfavourable matters that can affect the Company.

23 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.

24 EMPLOYEES' WELFARE

Management and Employees Relationship

There were continued good relation between employees and Management for the year 2012. 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 295 million (2011: TZS 196 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.

24 EMPLOYEES' WELFARE (CONTINUED)

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. Loans provided to employees include house loan, vehicle loans, personal loan and other loans.

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 fourteen (14) new staff and other transferred from the parent company due to business expansion, staff turnover and transfers. The average number of employees at the year end was 71 (2011: 51).

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

25 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 2012		31 December 2011	
	Male Number (%)	Female Number (%)	Male Number (%)	Female Number (%)
Board	5 (71%)	2 (29%)	5 (83%)	1 (17%)
Key Management personnel	7 (100%)	-	7 (100%)	-
Other employees	54 (84%)	10 (16%)	41 (93%)	3 (7%)

26 RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 21 to the financial statements.

27 POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year (2011: Nil). Charitable donations made during the year amounted to Tshs 8.8 million (2011: 3.5 million).

28 RELATIONSHIP WITH STAKEHOLDERS

The Company continued to maintain a good relationship with all stakeholders including the regulators.

29 ENVIRONMENTAL CONTROL PROGRAMME

The Company finance the tree plantation under Tobacco agricultural finance to support the Tobacco National Tree Plantation Programme. In so doing, the Company supports conservation and environmental protection efforts, and insists on compliance with statutory environmental impact assessment requirements for projects supported.

30 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company is as always, focused on presenting a safe, sound, sturdy, and responsible service which contributes its mite to the economic progress of the society as a whole. During the year major impetus was given to education, relationship with cooperative stakeholders, Partners Institutions capacity building and equipments support.

We list below a few of our contributions towards the society as a part of our commitment to CSR.

30 CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

Cooperative stakeholders

The Company's major clientele base is the Cooperative Department and other strategic partners. Thus,, the company participated in three events that were organised by Cooperatives Department under the Ministry of Agriculture, Food Security and Cooperatives. The company contributed TZS 5 million to the Financial Service Week and TZS 14 million to the International Credit Day.

Partners Institutions capacity building

In cognizance of the needs for financial education to the majority of Tanzanians, the company continued with training programs aimed at enhancing financial literacy. During the year, a total of TZS 451 million was used to train MFIs members, Board members, supervisory committee members and professional staff of collaborating MFIs. Moreover, in attempt to increase confidence of the community towards the services offered by partner MFIs, the company managed to contribute 56m to 12 MFIs to be used in construction of their offices, 346 million for purchasing safes and strong room doors to partner MFIs.

Education

The company also awarded 2 laptops to the best students 2 laptops and 1 Ipad to the best Teacher to Loyola High School; this was aimed at motivating students' performance.

Financial Services outreach

To bring financial services closer to those exluded, the company continued with establishment of microfinance institutions in areas without access to financial services by collaborating with micro credit companies, financial NGOs and community banks

31 AUDITORS

The CRDB Bank Group Annual General Meeting appointed PricewaterhouseCoopers to be the auditor of the Company. A resolution proposing the appointment of the Company's auditors for the year ending 31 December 2013 will be put to the CRDB Bank Group Annual General Meeting.

BY ORDER OF THE BOARD

DR. CHARLES KIMEI -
CHAIRMAN

22 April 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors are required by the Companies Act, CAP 212 (R.E. 2002) to prepare financial statements for each financial period that gives a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the year. The Directors are also obliged to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of Companies Act, CAP 212(R. E. 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 of its profit in accordance with International Financial Reporting Standards (IFRS). The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

DR. CHARLES KIMEI - CHAIRMAN

22 April 2013

REPORT OF THE INDEPENDENT AUDITOR 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, which comprise the statement of financial position at 31 December 2012, the statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies Act, CAP 212 (R.E. of 2002) and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurance that 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, 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 state of the company's financial affairs at 31 December 2012 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, CAP 212 Act (R.E. of 2002).

Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act, CAP 212 (R.E. of 2002) and for no other purposes.

As required by the Companies Act, CAP 212 (R.E. of 2002), we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.

Michael Sallu, FCPA

For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

23 April 2013

STATEMENT OF PROFIT OR LOSS

	Note	2012 TZS '000	2011 TZS '000
Fee and commission income	5	9,738,169	6,115,518
Other operating income	6	1,201,547	1,225,818
General and administrative expenses	7	(3,240,833)	(2,965,043)
Staff costs	8	(3,584,530)	(2,360,163)
Profit before tax		4,114,353	2,016,130
Income tax charge	9	(1,057,018)	(627,839)
Profit for the year		3,057,335	1,388,291

STATEMENT OF OTHER COMPREHENSIVE INCOME

Profit for the year		3,057,335	1,388,291
Other comprehensive income:			
Gain on revaluation of property and equipment		654,829	-
Total comprehensive income for the year		3,712,164	1,388,291
Earnings per share			
Basic and diluted	19	420	191

STATEMENT OF FINANCIAL POSITION

	Note	2012 TZS '000	2011 TZS '000
ASSETS			
Non-current assets			
Property and equipment	10	1,189,021	589,857
Intangible assets	11	96,540	164,828
Deferred income tax asset	12	160,085	28,151
		1,445,646	782,836
Current assets			
Other assets	13	312,627	35,706
Current tax recoverable	14	220,698	454,118
Amount due from parent company	21	4,694,865	1,784,687
Cash and bank balances		207,624	310,139
FSDT grant	15	87,675	-
		5,523,489	2,584,650
Total assets		6,969,135	3,367,486
LIABILITIES AND EQUITY			
Current liabilities			
FSDT grant	15	-	138,645
Accruals and other liabilities	16	98,904	70,776
Total liabilities		98,904	209,421
Equity			
Share capital	18	728,136	728,136
Retained earnings		5,415,373	2,340,997
Revaluation reserve		726,722	88,932
Total equity		6,870,231	3,158,065
Total equity and liabilities		6,969,135	3,367,486

The financial statements on pages 16 to 39 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

CHAIRMAN - DR. CHARLES KIMEI 22 April 2013

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Retained Earmomgs	Revaluation Reserve	Total
	TZS'000	TZS'000	TZS'000	TZS'000
At 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
At 1 January 2012	728,136	2,340,997	88,932	3,158,065
Profit for the year	-	3,057,335	-	3,057,335
Other comprehensive income:				
Gain on revaluation of property and equipment	-	-	654,829	654,829
Total comprehensive income for the year	-	3,057,335	654,829	3,712,164
Transfer of excess depreciation	-	24,341	(24,341)	-
Deferred tax on excess depreciation	-	(7,302)	7,302	-
At 31 December 2012	**728,136**	**5,415,373**	**726,722**	**6,870,231**

STATEMENT OF CASH FLOWS

	Note	2012	2011
		TZS'000	TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,114,353	2,016,130
Adjustments for:			
Depreciation of property and equipment	10	238,556	221,844
Amortization of intangible assets	11	68,288	68,288
		4,421,197	2,306,262
Movements in working capital items:			
(Increase)/decrease in other assets		(276,921)	7,170
Decrease in grants		(226,320)	
Increase in accruals and other liabilities		28,128	10,680
Increase in balances due from parent company		(2,910,178)	(1,475,548)
Cash generated from operations		1,035,906	588,420
Income tax paid	14	(955,530)	(671,997)
Net cash generated from/(utilised in) operating activities		80,376	(83,577)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	10	(182,891)	(149,296)
Net cash used in investing activities		(182,891)	(149,296)
Net decrease in cash and cash equivalents		(102,515)	(232,873)
Cash and cash equivalents at 1 January		310,139	543,012
Cash and cash equivalents at 31 December		207,624	310,139
Represented by:			
Cash and bank balances		207,624	310,139

NOTES

1 GENERAL INFORMATION

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
PO Box 268
Dar es Salaam.

2 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 periods presented, unless otherwise stated.

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Additional information required by the Tanzania Companies Act 2002 is included where appropriate.

The financial statements comprise the profit and loss account, statement of comprehensive income, the balance sheet, statement of changes in equity, cash flow statement and the notes. The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings (TZS) and the amounts are rounded to the nearest thousand, except where otherwise indicated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(i) Amended standards which became effective during the year

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that would be expected to have a material impact on the Company.

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

Amendment to IAS 1, 'Presentation of Financial Statements' is regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The application of this amendment will mainly impact the presentation of the primary statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The application of IFRS 13 may enhance fair value disclosures in a lot of circumstances.

IAS 19, 'Employee benefits', was amended in June 2012. The impact on the Company will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Directors are yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. Issued in November 2009 and October 2012, it replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Directors are yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

IFRS 10, Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Directors are yet to assess IFRS 10's full impact and intend to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Directors are yet to assess IFRS 12's full impact and intend to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(b) 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. Revenue comprises of the fees and commission charged to CRDB Bank Plc recorded on an accruals basis. Other income are also recorded on accrual basis

(c) Foreign currency translation

Transactions are recorded on initial recognition in Tanzania Shillings, being the currency of the primary economic environment in which the Company operates (the functional currency). Transactions in foreign currencies during the year are converted into the Tanzania Shillings using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(d) Financial assets

(i) Classification

All financial assets of the Company are classified as loans and receivables, based on the purpose for which the financial assets were acquired. The Directors determine the classification of the financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

NOTES (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(i) Classification (continued)

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

(f) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

(g) Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

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.

1. (i) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. (i) Intangible assets (continued)

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.

3. (j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

4. (k) Employee benefits

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.

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.

5. (l) 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.

6. (m) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.

8. (m) Grants (continued)

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.

9. (n) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

10. (o) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

3 FINANCIAL RISK MANAGEMENT

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:

- Market risk
- Credit risk
- Liquidity risk

(a) Market Risk

Interest rate risk

The Company is not exposed to interest rate risk as it does not have interest bearing instruments (2011: Nil).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk (continued)

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.

Price risk

The Company does not hold any financial instruments subject to price risk. (2011: Nil).

(b) 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.

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 2012 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	4,694,865	-	-
Cash and bank balances	207,624	-	-
Other debtors	207,753	-	-
	5,110,242	-	-

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit Risk (continued)

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 obtained was:

	Fully performing	Past due	Impaired
	TZS' 000	TZS' 000	TZS' 000
Balances due from parent company	1,784,687	-	-
Cash and bank balances	310,139	-	-
Other debtors	35,706	-	-
	2,130,532	-	-

(c) 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.

Maturity analysis for financial assets and liabilities at 31 December 2012 showing the remaining undiscounted contractual maturities:

	<2 months	2 - 5 months	5 -12 months	> 1 year	Total
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Financial assets					
Cash and bank balances	207,624	-	-	-	207,624
Due from related parties	-	-	4,694,865	-	4,694,865
Other debtors	207,753	-	-	-	207,753
Total	415,377	-	4,694,865	-	5,110,242
Financial liabilities					
Accruals other liabilities	(53,403)	(45,500)	-	-	(98,904)
Total	(53,403)	(45,500)	-	-	(98,904)
Net liquidity position	361,974	(45,500)	4,694,865	-	5,011,338

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (continued)

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

	<2 months TZS' 000	2 - 5 months TZS' 000	5 -12 months TZS' 000	> 1 year TZS' 000	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
Other debtors	35,706	-	-	-	35,706
Total	**35,706**	**98,445**	**1,996,381**	**-**	**2,130,532**
Financial liabilities					
Accruals other liabilities	(18,469)	(52,307)	-	-	(70,776)
Total	(18,469)	(52,307)	-	-	(70,776)
Net liquidity position	17,237	46,138	1,996,381	-	2,059,756

Capital 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

NOTES (CONTINUED)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Property, equipment and intangible assets

Critical estimates are made by the Directors in determining the useful lives of property, equipment and intangible assets based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

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 FEE AND COMMISSION INCOME

	2012 TZS'000	2011 TZS'000
Commission on interest income	7,635,412	4,751,427
Commission on deposits mobilisation	976,051	996,401
Commission on insurance	596,518	131,701
Commission on guarantees	373,688	159,279
Software fee	111,130	76,710
Consultancy fee	45,370	-
	9,738,169	6,115,518

6 OTHER OPERATING INCOME

	2012	2011
Grants amortization	903,464	1,139,476
Other income	279,730	70,230
"Uwezeshaji" disbursed loan recovery	18,353	16,112
	1,201,547	1,225,818

NOTES (CONTINUED)

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2012 TZS'000	2011 TZS'000
Directors' fees	72,977	56,882
Auditors' remuneration	40,727	31,416
Depreciation and amortization of intangible assets	306,845	290,133
MFIs training and support	881,417	1,117,894
Hired services costs	53,775	38,507
Board expenses	200,745	7,934
Consultancy fees	79,297	198,030
Marketing	212,382	138,842
Travelling expenses	465,564	277,407
Motor vehicle costs	422,604	379,150
Telephone and fax	115,641	83,102
Water and electricity	63,358	40,498
Insurance	56,704	61,867
Generator fuel and maintenance	43,214	45,454
Printing and stationery	36,659	24,201
Periodicals	16,852	13,388
Other expenses	172,072	160,338
	3,240,833	2,965,043

8 STAFF COSTS

	2012	2011
Salaries and wages	2,053,214	1,414,269
Staff training	295,099	196,245
Social security contribution	288,105	205,270
Provision for post - employment benefits	243,852	177,819
Employer's group endowment scheme	230,387	27,767
Skills and development levy	157,185	96,774
Leave allowance	116,445	91,237
Bonus payments	89,394	67,929
Medical expenses	62,449	52,680
Others	48,400	30,173
	3,584,530	**2,360,163**

9 INCOME TAX EXPENSE

	2012	2011
	TZS'000	TZS'000
Current income tax – current year	1,188,950	658,959
Current income tax – prior years	2	-
Deferred income tax – current year (Note 12)	90,497	(31,120)
Deferred income tax – prior years	(222,431)	-
-		
	1,057,018	627,839

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

	2012	2011
	TZS'000	TZS'000
Profit before income tax	4,114,353	2,016,130
Tax calculated at the statutory income tax rate (30%)	1,234,306	604,839
Tax effect of:		
Non-taxable income	-	(1,593)
Depreciation on non-qualifying assets	43,571	-
Expenses not deductible for tax purposes	1,574	24,593
Under provisions in previous years tax- deferred tax	(222,431)	-
Under provision of tax in previous years- current tax	(2)	-
Income tax expense	1,057,018	627,839

10 PROPERTY AND EQUIPMENT

	Motor vehicles	Office equipment	Furniture	Total
	TZS '000	TZS '000	TZS '000	TZS '000
Cost or valuation				
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
At 1 January 2012	1,275,657	206,924	66,997	1,549,578
Additions	-	141,750	41,141	182,891
Gain on revaluation	654,829	-	-	654,829
At 31 December 2012	1,930,486	348,674	108,138	2,387,298
Accumulated Depreciation				
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)
At 1 January 2012	(809,463)	(125,590)	(24,668)	(959,721)
Charge for the year	(182,037)	(41,161)	(15,358)	(238,556)
At 31 December 2012	(991,500)	(166,751)	(40,026)	(1,198,27)
Net book value				
At 31 December 2011	466,194	81,334	42,329	589,857
At 31 December 2012	938,986	181,923	68,112	1,189,021

Motor vehicles were revalued at TZS 655 million as at 31 December 2012 by 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 2012, the net book value of motor vehicles based on original cost was TZS 185 million (2011: TZS 395 million).

Included in property and equipment are assets with a cost of TZS 246.86 million (2011: TZS 232.428 million) which were fully depreciated but still in use. The notional depreciation charge on these assets would have been TZS 49.37 million (2011: TZS 46.485 million).

NOTES (CONTINUED)

11 INTANGIBLE ASSETS

	2012 TZS '000	2011 TZS '000
Cost		
At 1 January	341,442	341,442
At 31 December	341,442	341,442
Amortization		
At 1 January	176,614	108,326
Charge for the year	68,288	68,288
At 31 December	244,902	176,614
Net book value		
At 31 December	96,540	164,828

12 DEFERRED INCOME TAX ASSET

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

	2012 TZS'000	2011 TZS'000
At 1 January	28,151	(2,969)
(Charge)/credit to profit and loss (Note 9)	(90,497)	31,120
Under provision in prior year deferred income tax (Note 9)	222,431	-
At 31 December	160,085	28,151

13 OTHER ASSETS

Sundry debtors	207,753	35,706
Prepayment	104,874	-
	312,627	35,706

Sundry debtors for 2012 are accrued insurance commission of TZS 149.04 million, Consultancy fee income of TZS 42.57 million and Insurance training reimbursable expenses of TZS 16.14 million.

Prepayments for 2012 are the expense related to extended management meeting TZS 36.09million and Board tour exposure visit TZS 68.78 million.

NOTES (CONTINUED)

14 CURRENT TAX RECOVERABLE	2012 TZS'000	2011 TZS'000
At 1 January	454,118	441,080
Payments during the year	(955,530)	(658,959)
Current year tax charge	1,188,952	671,997
At 31 December	220,698	454,118

15 (a) FSDT GRANT		
At 1 January	102,516	357,529
Grant received during the year	668,452	862,881
Grant amortised to profit or loss	(881,418)	(1,117,89)
At 31 December	(110,450)	102,516
(b) FSDT ASSET GRANT		
At 1 January	36,129	41,260
Grant received during the year	-	7,760
Grant amortised to profit or loss	(13,354)	(12,891)
At 31 December	22,775	36,129
Total	**(87,675)**	**138,645**

On 26 May 2008, CRDB Bank Plc signed a four year funding agreement with Financial Sector Deepening Trust of Tanzania (FSDT) amounting to USD 3,806,500 as a grant for strengthening of the Bank's microfinance partner institutions and increase outreach. In 2012 the amount of USD 437,756 was received by CRDB Bank Plc which was transferred the amount to CRDB Microfinance Services Company Limited. Total cumulative drawdown of the Grant to 31 December 2012 amounts to USD3,390,590.

16 ACCRUALS AND OTHER LIABILITIES	2012 TZS'000	2011 TZS'000
Accrued expenses	60,807	52,307
Parent company grant (Note 17)	9,777	18,469
Sundry creditors	28,320	-
At 31 December	98,904	70,776

NOTES (CONTINUED)

17 PARENT COMPANY GRANT

	2012 TZS'000	2011 TZS'000
At 1 January	18,469	27,161
Grant amortised to profit or loss	(8,692)	(8,692)
At 31 December	9,777	18,469

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.

18 SHARE CAPITAL

	2012 TZS'000	2011 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

19 EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributed to the shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

	2012 TZS'000	2011 TZS'000
Profit for the year	3,057,335	1,388,291
Weighted average number of shares ('000)	7,281	7,281
Basic and diluted earnings per share (TZS)	420	191

There were no potentially dilutive ordinary shares outstanding as at 31 December 2012 and 31 December 2011.

Diluted earnings per share are same as basic earnings per share.

20 CAPITAL COMMITMENTS

	2012 TZS'000	2011 TZS'000
Amount authorized and contracted for	-	102,516

21 RELATED PARTY TRANSACTIONS	2012	2011
Amount due from Parent Company	TZS'000	TZS'000
At 1 January	1,784,687	309,139
Net increase during the year	2,910,178	1,475,548
At 31 December	4,694,865	1,784,687

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.

	2012 TZS'000	2011 TZS'000
CRDB Bank Plc:		
(i) Fee and commission income*	8,985,151	5,906,714
(ii) Expenses paid by CRDB Bank Plc on behalf of the Company	601,853	363,969

*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 (2011: 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.

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

	2012 TZS'000	2011 TZS'000
Short term benefits	628,250	524,178
Post-employment benefits	194,346	164,588
	822,596	688,766

NOTES (CONTINUED)

21 RELATED PARTY TRANSACTIONS (CONTINUED)

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 72.9 million (2011: TZS 56.9million).

DIRECTORS' REMUNERATION

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

Name	2012 TZS'000	2011 TZS'000
Prof. Andrew E. Temu	21,157	19,370
Dr. Deogratias P. Mushi	21,157	9,686
Dr. Charles S. Kimei	9,588	8,542
Mrs. Esther Kitoka	1,599	-
Mr. Anderson Mlabwa	6,492	6,428
Mrs. Nellie Ndosa	6,492	6,428
Mr. John B. Rugambo	6,492	6,428
	72,977	56,882

CASH FLOW STATEMENT

Profit for the year	3,057,335	1,388,291
Weighted average number of shares ('000)	7,281	7,281
Basic and diluted earnings per share (TZS)	420	191

There were no potentially dilutive ordinary shares outstanding as at 31 December 2012 and 31 December 2011.

Diluted earnings per share are same as basic earnings per share.

20 CAPITAL COMMITTMENTS	2012 TZS'000	2011 TZS'000
Amount authorized and contracted for	-	102,516
There is no capital commitment for the year end 2012.		

21 RELATED PARTY TRANSACTIONS

Balance due from Parent Company

	2012 TZS'000	2011 TZS'000
At 1 January	1,784,687	309,139
Net increase during the year	2,910,178	1,475,548
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CASH FLOW STATEMENT

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CRDB Bank Plc:		
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	2012 TZS'000	2011 TZS'000
Short term benefits	628,250	524,178
Post-employment benefits	194,346	164,588
	822,596	688,766

Related Party Transactions (Continued)

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 72.9 million (2011 - TZS 56.9million).

CASH FLOW STATEMENT

DIRECTORS' REMUNERATION

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

Name	2012 TZS'000	2011 TZS'000
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