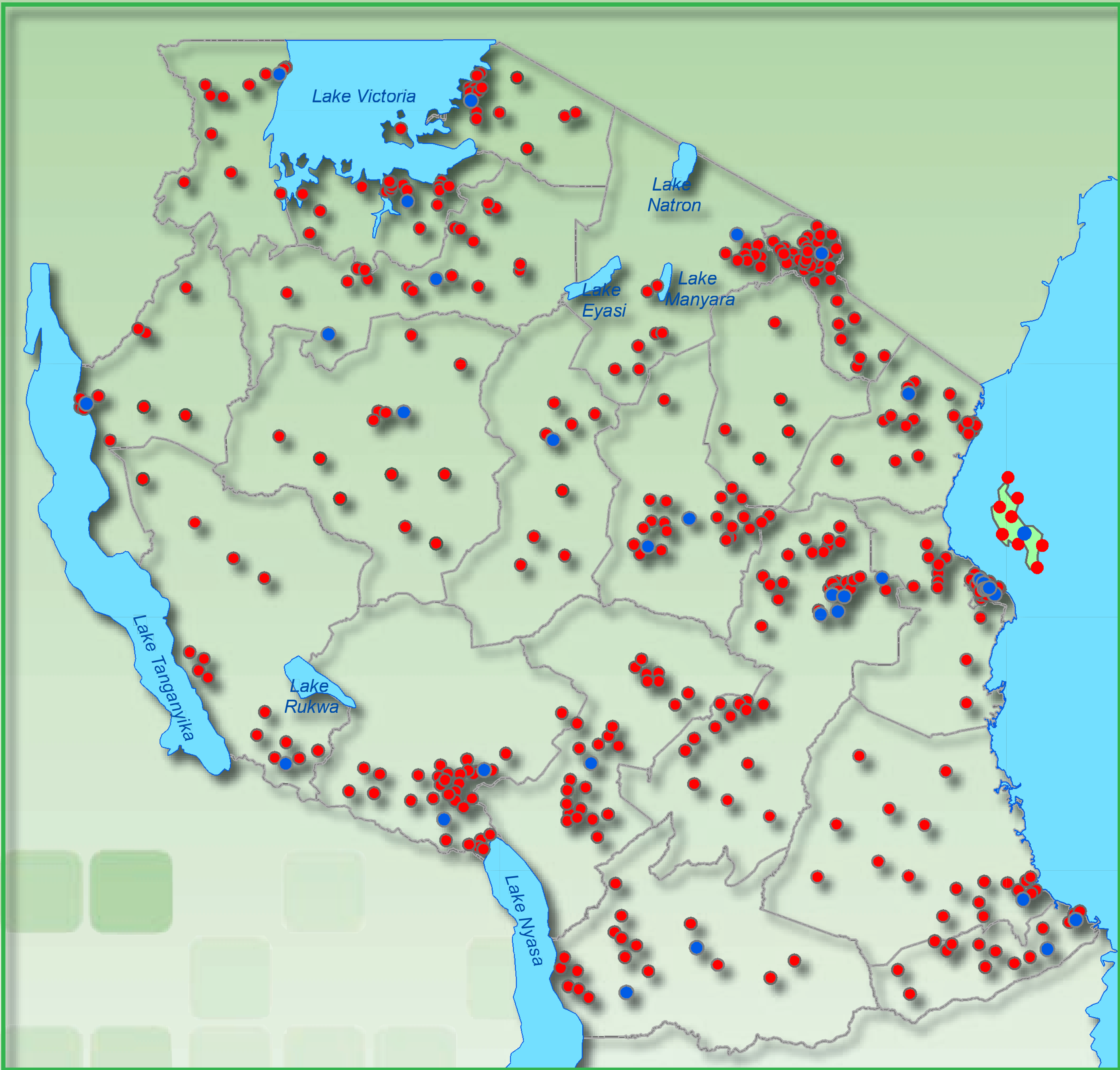
## CRDB MICROFINANCE SERVICES COMPANY LIMITED

# *Annual Report 2009*

CRDB Microfinance

*A Subsidiary of CRDB Bank Plc*

# THE WIDEST OUTREACH




***Through our linkages we can reach all places.***

***KEY:***

- CRDB Partner Institution
- CRDB Branches

**CRDB MICROFINANCE SERVICES COMPANY LIMITED**
**ANNUAL REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2009**

CONTENTS PAGE



## OUR VISION

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

## OUR MISSION

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

## OUR VALUES

- Accountability
- Commitment
- Cost consciousness
- Courtesy
- Decisiveness
- Knowledge
- Professional integrity
- Promptness
- Result oriented
- Responsiveness

## OUR BELIEF

We believe that people are created equal and should be treated fairly. That active low income earners 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.

# BOARD CHAIRMAN'S STATEMENT

I am pleased to announce that year 2009 was a successful year for CRDB Microfinance Services Company Ltd (CRDB MFSC). The Company continued to maintain its leadership position in the microfinance market segment. During the year, it expanded its presence from 21 to 23 of Tanzania's 26 regions and increased its network coverage to 112 of the country's total 136 districts through strategic partnerships with 425 affiliate microfinance institutions. In 2009, the company opened new offices at Mbozi in Mbeya region, Njombe in Iringa and Zanzibar in a bid to take services closer to our microfinance clients. The clients' base increased from 498,030 to 571,476 during the year.

Through this coverage, the company enabled the poor to mobilize savings for rural productive investment, with balances outstanding as at 31 December 2009 having increased by 26% from Tshs. 73 billion to Tshs. 92 billion.

### *Performance*

Despite many challenges in the year, including poor harvest (notably in the central regions of Dodoma, Northern regions of Tanga, Kilimanjaro and Manyara and also southern regions of Mtwara and Lindi), unreliable markets for export commodities due to the global financial crisis, and creeping politicization of financial cooperatives, the Company made a pre tax profit of Tshs. 50.6 million. The outstanding loan portfolio booked in the Holding Company accounts increased by 18.2% in 2009, from Tshs. 58.8 billion to Tshs. 70 billion. During the year, the Subsidiary Company contributed to the parent company's revenue base amounting to Tshs. 9.3 billion, as shown in the table below.

**Contribution of the MFSC in the income to the parent Company**

| s/n | Item | 2009 | 2008 |
|---|---|---|---|
| 1 | Interest Income | 8,747,205,140.72 | 9,083,382,403.00 |
| 2 | Loan application fees | 581,782,021.00 | 261,953,151.00 |
| | **Total** | **9,328,987,161.72** | **9,345,335,554.00** |

In the year alone, loans worth more than Tshs. 51.7 billion were disbursed to microfinance institutions compared to Tshs. 48.6 disbursed in year 2008. The outstanding loan portfolio is with small-scale farmers and grassroots-based micro-entrepreneurs, hence the subsidiary having a significant direct influence on poverty eradication. Of the amount disbursed in the year, about Tshs. 4 billion were disbursed under the *Mwananchi Empowerment Scheme*.

### *Dividends*

The Board will not recommend any dividend to the Annual General Meeting.

### *Prospects for 2010*

Looking ahead, CRDB MFSC will remain focused on achieving the following objectives:

1. In the year 2010 the Company plans to open up two new offices in Babati, (Manyara region) and Mpanda in (Rukwa region).
2. Dilute the percentage of its loan portfolio to employee-based financial cooperatives, which currently stands at 67% and increase lending to SACCOS in other sectors, particularly agriculture and trade.
3. Apply technology to augment the country's poor infrastructure and overcome the challenges of serving a widely dispersed population.
4. Take measures to increase the confidence of the population in saving with microfinance institutions, including modernization of delivery channels, enhancing security and internal controls while improving efficiency of operations through automation.
5. Remain responsive to the market needs by refining existing products and introducing others.

While the company has made great strides in serving the population particularly in rural areas, some challenges remain. For instance, poor infrastructure and lack of irrigation systems affect the development of the agricultural sector, hence the capacity to save or service existing loans.

### *Acknowledgement*

Throughout the year, we received an overwhelming support from all stake holders, including our shareholders, board members, management and staff of the company as well as our esteemed customers. I would like to reassure our partnering MFIs and their members our continued commitment to offer best services that will open greater opportunities for Tanzania's economic growth.

Lastly, I wish to acknowledge the support from our strategic partners, including the Financial Sector Deepening Trust Fund, National Economic Empowerment Council, the Government of Tanzania, and the Bank of Tanzania. With their support and commitment I believe we can achieve even better results in the coming years. For this the Board is highly appreciative and grateful.

Dr. Charles Kimei

*Chairman*
*15 March 2010*

# GENERAL MANAGER'S REPORT

### *Performance Highlights*

As shown in the table below, we helped the parent company to mobilize Tshs. 12.5 billion from the previously unbanked rural population, and disbursed Tshs. 274.6 billion in response to their demand. In the process, our company is helping re-address the rural-urban biases in which the savings of the poor were always invested in the metropolis.

| *Details* | *Dec.2007* | *Dec.2008* | *Dec.2009* |
|---|---|---|---|
| *Regions covered by MFSC* | 21 | 21 | 24 |
| *Districts covered by MFSC* | 105 | 109 | 111 |
| *Number of partners MFIs* | 345 | 376 | 425 |
| *CRDB Loans Disbursement (Cum) to MFIs (Tshs. bn)* | 183.6 | 215.57 | 274.6 |
| *CRDB Outstanding Loan Portfolio (Tshs. bn)* | 72.3 | 58.8 | 69 |
| *CRDB Loans Repayment Performance (%)* | 99 | 93.2 | 97 |
| *MFIs Deposit with CRDB (Tshs. bn)* | 10.87 | 9.5 | 12.45 |
| *Number of Offices (bureaus)* | 21 | 23 | 25 |
| *Number of Staff* | 35 | 42 | 48 |

### *Outreach*

During the just concluded year, the number of our partner intermediaries (and hence our geographical coverage) increased by 49 new institutions, rising from 376 as at 31 December 2008 to 425. These partners are spread in 112 districts of Tanzania, which is coverage of 82% of all 136 Tanzania mainland and islands districts.

For the first time, the company extended its microfinance services to Zanzibar during the year, where two partner intermediaries were recruited; by end of March 2010, eight more partner intermediaries would have been identified and strengthened in the island.

To maximize the benefits of our network, we have enhanced front office services being provided by our intermediaries through the construction of modern office buildings, counter construction and enhancing of security. These efforts are helping to increase the public's confidence in saving and conducting all sorts of financial transactions with our partner institutions.

By combining our extensive geographical coverage with the newly emerging mobile phone-based money transfer services, we see our network helping to break new grounds in the delivery of financial services to the still unbanked population; it is estimated that the total number of mobile phone subscribers in Tanzania has now reached 14 million[1] . If this diffusion of mobile phone technology maintains the current momentum of growing at slightly above 20% per annum, there will be as many as 16.8 million subscribers by end of 2010. Our challenge, therefore, is harnessing this network and the mobile phone platform to provide last-mile services, e.g., the provision of financial literacy training, remittances, and especially the mobilization of very small deposits at the remotest parts of the country.

### *Automation of partner institutions*

During the year under review, the Company continued rolling out the automation of its partner intermediaries operations exercise, such that 63 MFIs were installed with the software by December 2009. Moreover 257 employees of 105 partner MFIs were trained on the management of the system, which exceeded the year's targets by five institutions.

New features have been introduced into the information system that is being rolled-out to MFIs to allow SMS banking, whereby customers through their mobile phones can inquire on account balances, get mini statements, receive notifications on loan due dates, receive marketing information (as the MFI may opt), or transfer funds electronically between accounts within the same MFI. This feature is expected to enhance financial deepening by allowing clients residing far from the MFIs to conduct transactions, reducing transaction costs, while saving clients' time by having prior information about their accounts status before visiting their respective MFIs.

Due to an unprecedented demand by our partner MFIs, the Company plans to reintroduce Tembocard services in year 2010 as many have expressed the need for this service due to its convenience of use, safety and minimal cost compared to other electronic alternative means.

### *Micro Insurance Products*

In the year under review 2009, the Company introduced two unique insurance products targeting wholesale microfinance institutions. The two include a Credit Life and Funeral Plan insurance products. Despite their introduction in the later part of 2009, the uptake of the products has exceeded our targets for 2009.

### *Support to partner MFIs*

In cognizance of the need of having startup equipment such as money safes and attractive counters at all our partners' premises, the company has been assisting them with these essential facilities. Provision of safes aims at enhancing security for the money held at partners' premises, while attractive counters give the MFI an office outlook which is essential in attracting customers and building their confidence towards the institution. The initial support is expected to be a catalyst for growth and as the supported institution grows in size and ability, it is expected that it will be able to build its own capacity to acquire adequate facilities. In year 2009 the Company distributed 90 safes and counter construction for 16 MFIs.

[1] Tanzania Communications Regulatory Authority (TCRA) data for June 2009.

Also in the year, the Company continued with capacity building to MFIs through training and coaching. We consider training to be key component in imparting best practices to microfinance institutions, especially for those which are new in the market. The idea is to give them knowledge and skills to manage financial institutions at acceptable standards. In year 2009 we were able to train 1,489 board members and 13,272 ordinary shareholder-members.

### *Lending Activities*

By the close of the year 2009, the number of institutions with CRDB Bank loans stood at 222. Total loan disbursements in the year were Tshs. 51.7 billion.

The bulk of these loans went to employee-based financial cooperatives, which was Tshs. 46.7 billion (or 67 percent of the total loan portfolio). In terms of concentration risk, this is something we are working to change, but in terms of penetration, the SACCOS which had been loaned in the year represent over 75 percent of employee based SACCOS in the country.

The Company continued to finance agriculture in different stages of the value chain, through the provision of farm credit for inputs, e.g., power tillers/tractors for improving cultivation efficiency, farm maintenance in the case of Sugar cane cultivation and herbicides/fungicides for cashew nuts farming. Inventory credit through warehouse receipt system for crops that are less susceptible to damage has also benefited farmers by enabling them to secure better prices.

We realize that in order for the Government's push for Kilimo Kwanza (Agriculture First) to succeed, there will be need for concerted efforts to provide farmers with access to reliable financial services, some of which will go to support in the construction of irrigation schemes, mechanization of agricultural production, and construction of warehouses to facilitate warehouse receipt system and the provision of agricultural inputs at reasonable cost. CRDB MFSC shall co-operate with the government in pursuit of this objective.

Agricultural loans constituted 16% of the portfolio and are expected to grow in the coming year, especially considering efforts directed in developing SACCOS in irrigated farming schemes and financing of tobacco, tea and coffee in year 2010.

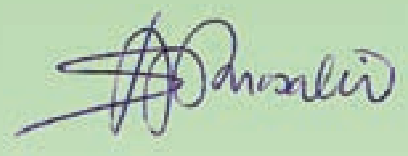
### *Participation in Credit Guarantee Schemes*

Through strategic partnership with various Government of Tanzania efforts towards the economic empowerment of the poor, e.g., under the Uwezeshaji Credit Guarantee Scheme (the JK Fund) and Mwananchi Empowerment Fund, our two companies were able to disburse Tshs. 22.9 billion to 203 SACCOS countrywide under Uwezeshaji Scheme and Tshs. 4.0 billion to 27 SACCOS under Mwananchi Empowerment Fund.

Uwezeshaji Credit Guarantee Scheme phased out in October 2009 following expiry of the MOU with the Government with performance exceeding targets by 104%. The Mwananchi Empowerment Fund, also administered by the National Economic Empowerment Council (NEEC), is focusing on marginalized regions of Ruvuma, Rukwa, Manyara, Lindi, Mtwara and Singida. The start up guarantee fund is expected to be enhanced annually, with each subsequent Government budgets aiming to reach more regions.

### *Appreciation*

I would like thank all our affiliate microfinance institutions for their confidence in us and giving us business in year 2009. We are renewing our commitment to continue providing them with quality products and services through our dedicated team of staffs. I would also like to thank our staff for their loyalty, commitment and hard work while serving our customers. To the Board of Directors, I extend my appreciation for the support and guidance which has been critical for the success of the Company.



Sebastian A.P. Masaki
General Manager

15 March 2010

The following were the key activities for the year 2009.

### Wholesale Personal Loans

Lending to employees based SACCOS has been an effective way of delivering loans and convenient way of accessing loans to employees.

Through the wholesale loans, employees have been able to build residential houses, upgrading their education, and start businesses aiming at increasing their incomes which later improves their standard of living and working morale.

### Agriculture Finance Loans

The Company continued to finance agriculture at various stages of the value chain that included farm inputs; farm implements (power tillers, tractors, grab loaders); farm maintenance and harvesting which improved productivity.

Good cases are in Kilombero and Mtibwa where sugarcane production has increased by 125% and 200%, acreage cultivated increased by 381% and 351 % whereas renderment has increased by 30% and 50% for the two districts respectively

| | Item | Kilombero Sugar | | | Mtibwa Sugar | | |
|---|---|---|---|---|---|---|---|
| | | 2000 | 2009 | Increase | 2000 | 2009 | Increase |
| 1 | Acrage '000 | 3.24 | 15.6 | 381% | 1.95 | 8.8 | 351% |
| 2 | Production per acre (tons) | 20 | 45 | 125% | 10 | 30 | 200% |
| 3 | Renderment % | 8 | 10.4 | 30% | 8 | 12.5 | 56% |

Wholesale microfinance technology has proven to be an effective way of transforming and linking micro-entrepreneurs to small and corporate customers to most banks.

## SACCOS' members graduated to banks clients

A good case of a customer who graduated from a SACCOS to a bank customer is that of Mr. Elisa Dickson Mnguruta who in August 2000 borrowed from SACCOS a loan of Tshs. 500,000/= and bought 7 acres of land. In December 2002 Mr. Mnguruta borrowed another loan of Tshs. 7,000,000/= and used to cultivate a total of 100 acres. Having applied all the best practices in sugarcane farming the production per tone rose from 20 to 40 per acre. From 2003 to 2009 he secured loans worth a total of Tshs. 80,000,000/=. That enabled him to expand his farming area to 206 acres, Increase production per acre to 45 tones, employment 546 employees (with 100 farm casual laborers, 400 cane cutters, 18 drivers, 16 chain boys, 6 watchmen and 6 office clerks including manager, accountant and others). Managed to form and register his company MSHIHWI AND FAMILY COMPANY LIMITED which now owns a fleet of cars including 16 trucks for cane transportation, 2 minibuses for carrying passengers, one double cabin, 3 tractors, 2 Cane loaders each worth Tshs. 100.0 milion. Three hostels for cane cutters with 48 rooms. He owns and cultivates 150 acres of paddy and 80 acres of sisal and maize. Has obtained a contract from Kilombero Sugar Company for cutting and transporting cane from out-growers to the factory for 4 years. As a result sales turnover has increased from a mere Tshs. 2,000,000/= to Tshs. 800,000,000/= per annum in 2008. He has succeeded to graduate from borrowing from SACCOS to commercial Bank.

*Our loans facilitate development of human capital*

***Improved agriculture production through adoption of modern technology. Drip Irrigation - Chamwino, Dodoma.***

## Stock Financing
Stock financing through warehouse receipt system to crops less susceptible to damage has benefited farmers by enabling them to secure better prices compared to prices during the harvesting season. Good examples are that of Magugu in Manyara region and Chimala in Mbeya region, which are shown in the table below.

| S/N | MFI | Price during Harvest (100kgs) | Selling Price after storage (100kgs) | Change % |
|---|---|---|---|---|
| 1 | Mshikamano Magugu | 35,000 | 70,000 | 100 |
| 2 | Chimala SACCOS | 35,000 | 90,000 | 157 |

## Remakable Project of the year 2009

During the year 2009, the first project of its kind in Tanzania targeting poor farmers was started at Dodoma Region in Chamwino district. The project included financing members who are engaged in modern grape cultivation using drip irrigation system. This technology enables efficient use of underground water. Farmers were required to contribute labour in clearing land and digging furrows.

## Office Improvement Loans
Housing loans have been made available to affiliate MFIs to facilitated improvement of front office operations. The product enables MFIs to improve the outlook of their office buildings and working environment, which is essential in increasing customers' confidence for depositing with the microfinance institutions. In year 2009, five SACCOS had benefited from front office loans.

## Automation
As our affiliate institutions are facing critical problems in producing timely reports to monitor and plan their operations, risks related to unreliable information, susceptibility to fraud, etc increases. Similarly, the inefficiencies related to their manual systems are as well of great concern. Therefore, the introduction of CRDB Finance Solution has greatly taken care of these risks and inefficiencies. Moreover, the system is robust with flexibility in such a way it allows MFIs to design deposit products of their liking. Has a variety of interest rates schemes on loans and deposits, having in built electronic approval system, high security with allowance of setting different access levels to users, rich in reports and accommodates use of customer credit scoring in issuing of loans. It has multilingual functionality with users customizing their interface to use the language of their choice including Kiswahili and many more features including supporting devices such as ATMs and Point of Sale (POS) devices. SMS banking allows customers through their mobile phones to inquire on account balances, get mini statements, receive notifications on loan due dates, receive marketing information or conduct funds transfers between accounts within the same MFI.

## Micro Insurance Products
In a health partnership with African Life Assurance, the Company introduced two unique insurance products targeting wholesale microfinance institutions -Credit Life and Funeral Plan.

## Consultancy Activities

Based on our vast experience and the growing internal expertise in areas of microfinance, micro-enterprise development and rural financing, we have established a consultancy department that will literally commercialize what we have been doing over the past eight years – but beyond our affiliate institutions in a more competitive manner.

The department will support financial institutions or/and projects/programmes on the following:

1. Capacity building to microfinance institutions – (strategic planning, development of marketing strategies, market intelligence support, product development, internal systems and processes, etc);
2. Rural financial interventions – (rural market assessments, awareness campaigns, project design and implementation)
3. Training programmes – Credit Management, Human Resources, Accounting & Finance, Marketing and Product development, Internal Controls, Strategic planning, Customer Services, Risk Management, Financial Education and Basic Entrepreneurial Skills, etc;
4. MIS needs assessment and installations (CRDB Finance Solution™)
5. Project planning, monitoring and evaluation.

The department will continually ensure sustainable benefits to its clients while bringing in profitable engagements to the Company.

## Deposit Mobilization

Deposit mobilization continued to be emphasized through adoption of front office concept and construction of modern office buildings. These efforts help to build society's confidence to save and conduct financial transactions with the microfinance institutions.

## Capacity Building Support

The Company continued with capacity building to MFIs through training and coaching. Training were based on established training needs that allowed tailoring of financial training programs to address the identified gaps.

## Equipment Support

In the year essential startup equipment such as counter and safes continued to be provided to partners to enhance their office outlook and security for the money which are important in attracting customers and build their confidence towards the supported institution.


*Modern and secure office buildings enhance society's confidence to deposit and conduct financial transactions through the MFIs.*

# CRDB MICROFINANCE SERVICES COMPANY LIMITED

## CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS
AND REGISTERED OFFICE

Azikiwe Street
P.O. Box 268
Dar es Salaam

MANAGEMENT

| | |
|---|---|
| Mr. Sebastian Masaki | General Manager |
| Mr. Abdallah Mrisho | Finance and Administration Manager |
| Mr. Samson Keenja | Operations Manager |
| Mr. Titus Tumaini | Credit Manager |
| Mr. Gideon Gabriel | Consultancy Manager |
| Mr. Kaimu Ismail | Monitoring and Compliance Manager |
| Mr. Arnold Ngeleshi | Information and Communication Technology Manager |

DIRECTORS

| **Name** | **Remarks** | **Nationality** |
|---|---|---|
| Dr. Charles Kimei | Chairman | Tanzanian |
| Prof. Andrew E. Temu | Member | Tanzanian |
| Mr. Jens Ole Pedersen | Member | Danish |
| Mr. Anderson Mlabwa | Member | Tanzanian |
| Mrs. Nellie Ndossa | Member | Tanzanian |
| Mr. Sebastian Masaki | Member (ex-officio) | Tanzanian |

AUDITORS

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

MAIN BANKERS

CRDB Bank Plc
P.O. Box 72344
Dar es Salaam

## CRDB MICROFINANCE SERVICES COMPANY LIMITED

## DIRECTORS' REPORT
## FOR THE YEAR ENDED 31st DECEMBER 2009

### Principal activities and business review

CRDB Microfinance Services Company Limited (CRDB MFSCL) was incorporated in the United Republic of Tanzania on 27 November 2007 under the Companies Act 2002 with registration number 49884. It is wholly owned by CRDB Bank Plc, a company also incorporated in the United Republic of Tanzania.

The principal business activities of the Company are to offer microfinance services in Tanzania through  the parent company'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

### Deposits

Total deposits mobilized from Partner MFIs and banked with the parent company stood at Tshs. 12.45 billion as at 31 December 2009.

### Lending

The outstanding loan portfolio in 2009,under the management of the Company but held in the books of the  parent company increased by 18% from Tshs. 58.8 billion in December 2008 to Tshs. 70 billion in December 2009. Total credit exposure was Tshs. 110 billion with arrears rate at 3%. The deceleration in growth of the portfolio during 2009 sought to focus efforts on management of emerging loan arrears and improve the quality of the partner MFIs.

The loan portfolio is built around three categories of SACCOS namely; employee-based 67%, agricultural-based 16% and trade based SACCOS 17%.  Under the "Mwananchi" Empowerment Fund, the Company successfully disbursed to 27 MFIs a total of Tshs. 3.9 billion with an outstanding balance of Tshs. 3.4 billion at year end.

### Number of partners

The Company offers its wholesale microfinance services through a network of MFI partners. The number of partner MFIs increased by 13% from 376 in December 2008 to 425 at the end of 2009. These MFIs are located in 111 districts, spread in 24 regions of mainland Tanzania and Zanzibar.

### Future plans of the Company

***Insurance product***
The CRDB Microfinance Services Company Limited in collaboration with African Life Assurance introduced two insurance products that are also administered through the partner MFIs : (i) Credit Life Assurance and (ii) Funeral Plan Assurance . Selling of insurance products to MFIs will be emphasized in year 2010.

***Front office concept for MFIs***
A front office concept that involving  construction of counters, having physical security installations and putting in place risk mitigation measures such as money insurance will be given priority. This will stimulate deposit mobilization campaigns by partner institutions.

***Tembocard SACCOS***
The CRDB Microfinance Services Company management will put emphasis on the use of "Tembocard" at partner MFIs. The card services will be expanded beyond the

places that had been using the service before it was temporarily withdrawn for improvement. Consideration will also be given to installing ATMs at SACCOS premises for serving bank as well as SACCOS customers.

***Automation of partner institutions***

Automating partner institutions will continue to be given priority. By automating partner MFIs operations, the effectiveness and efficiency of the MFIs will be improved especially in producing accurate MIS reports and improving customer service at the MFIs.

***"Kilimo Kwanza"***

In the spirit of contributing towards the current national agricultural development drive under "Kilimo Kwanza", the Company will implement its recent initiative of mapping irrigation schemes and development of SACCOS in the business centers around such schemes. The potentials offered by the irrigation schemes will provide an opportunity for the Company to serve MFI clients over the entire crop value chains from the supply of farm implement and inputs, production and marketing. Specific model for financing cash crops is being developed that will enable the bank to effectively lend agricultural loans for inputs and farm maintenance that will increase bank's market share while effectively managing repayments. The model will also assist in deposit mobilization as all payments and collections will be routed through the farmers' SACCOS accounts.

***Trade***

The Company will continue to give special consideration to the trade sector as it has the largest proportion of the entrepreneurs and it accounts for 16% of the country's GDP. Focus will continue be in tailoring products to address the needs of the micro-entrepreneurs in this sector.

***Employee Based MFIs***

Serving employees through their SACCOS has proved to be an efficient way of granting loans to salary-based employees in a cost effective manner. Emphasis will continue to be directed to transformation of the employees MFIs to provide services closer to their clients for convenience but also for deposit taking and effective management of payments.

***Solvency***

The state of affairs of the Company as at 31 December 2009 is set out on page 26 of the financial statements. The directors consider the Company to be solvent within the meaning ascribed by the Companies Act 2002.

***Results and dividends***

Profit before income tax for the year ended 31 December 2009 was Tshs. 50.58 million. The major source of income is fees from the services rendered to the parent company as agreed by both parties. The directors do not recommend payment of a dividend because the Company requires capital enhancement for future expansion and operations.

***Share capital***

The capital of the Company was Tshs. 728,135,900 comprised of 7,281,359 issued and fully paid ordinary shares at the end of the year.

# CRDB MICROFINANCE SERVICES COMPANY LIMITED

### *Directors*

The following directors served the Company during the year:

| | Name | Position | Nationality |
|---|---|---|---|
| 1 | Dr. Charles Kimei | Chairman | Tanzanian |
| 2 | Prof. Andrew E. Temu | Member | Tanzanian |
| 3 | Mr. Jens Ole Pedersen | Member | Danish |
| 4 | Mr. Anderson Mlabwa | Member | Tanzanian |
| 5 | Mrs. Nellie Ndossa | Member | Tanzanian |
| 6 | Mr. Sebastian Masaki (also General Manager) | Member (ex-officio) | Tanzanian |

### *Directors' remuneration*

All Directors except one ex- officio member were non- executive. Remuneration for one independent non executive Director was approved by the last Annual General Meeting. Total fees paid for the year were Tshs. 16,770,600.

### *Employee welfare*

As at December 2009 the Company had 48 employees out of whom 45 were males and 3 females. The annual growth in staffing was 17% from 41 employees in 2008. This is in keeping with the overall strategy of rolling the microfinance operations to the district level and automation of the partner MFIs.

### *Auditors*

Deloitte & Touche were the Auditors for the year under review.

### *Acknowledgement*

The Board wishes to thank customers, management, employees and other stake-holders for their support in Microfinance business development.

BY ORDER OF THE BOARD

CHAIRMAN

15 March 2010

# CRDB MICROFINANCE SERVICES COMPANY LIMITED

# DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE

The Directors consider corporate governance a key to good performance of the Company. In view of this, the Directors strengthened good governance system by reviewing policies in the areas of the Board activities and general management of the Company.

***Board structure***

The Board comprises of 5 directors. Four members are executive directors of the Holding Company, and one is an independent member. The General Manager is an ex-officio member. All directors are non executive with the exception of the General Manager.

***Board meetings***

The Board held four (4) meetings in 2009.

***Committees***

The Board established an Audit Committee on 24th February 2010. The activities of the Audit Committee are governed by the Committee Charter.

Audit Committee members are:

| Name | Position |
|---|---|
| Prof. Andrew Temu | Chairman |
| Mr. Anderson Mlabwa | Member |
| Mrs. Nellie Ndossa | Member |

The Committee held one meeting subsequent to the year end. The external auditors were invited to and attended that meeting. The General Manager, the parent company's, Director of Finance and Administration, and Director of Internal Auditing participated in the meeting.

Appointment of directors

The Annual General Meeting of the Company appoints all Directors to the Company.

Chairman
15 March 2010

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

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

| | |
|---|---|
| CHAIRMAN | DIRECTOR |
| 15 March 2010 | 15 March 2010 |

## CRDB MICROFINANCE SERVICES COMPANY LIMITED

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CRDB MICROFINANCE SERVICES COMPANY LTD

**Report on the financial statements**

We have audited the accompanying financial statements of CRDB Microfinance Services Company Limited set out on pages 25 to 49 which comprise the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 the requirements of the Companies Act 2002. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 financial affairs of the Company as at 31 December 2009 and of its results of operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2002.

**Report on other legal requirements**

As required by the Companies Act 2002 we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Deloitte + Touche

Certified Public Accountants (T)
Dar es Salaam
Signed by: E. A. Harunani

31 March 2010

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2009

| | Notes | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---|---|---|
| Fee and commission income | 5 | 2,865,618 | 2,125,211 |
| Other income | 6 | 1,098,394 | 773,053 |
| General and administrative expenses | 7(a) | (2,333,841) | (1,416,388) |
| Staff costs | 7(b) | (1,579,590) | (1,241,057) |
| Profit before income tax | 8 | 50,581 | 240,819 |
| Income tax (expense)/ credit | 9 | (244,224) | 13,246 |
| (Loss)/ profit for the year | | (193,643) | 254,065 |
| Other comprehensive income: | | | |
| Gain on revaluation of assets | | 129,818 | - |
| Income tax relating to the gain on revaluation of assets | 9 | (38,945) | - |
| Total comprehensive (loss) / income for the year | | (102,770) | 254,065 |

## STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2009

| | Notes | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---|---|---|
| **ASSETS** | | | |
| Property and equipment | 10 | 877,287 | 554,856 |
| Intangible assets | 11 | 301,404 | - |
| Deferred income tax assets | 12 | - | 13,246 |
| Other assets | 13 | 62,120 | 293,284 |
| Current income tax assets | 14 | 193,716 | 103,164 |
| Balances due from parent company | 19 | - | 248,195 |
| Cash and bank balances | | 432,963 | 519,761 |
| | | | |
| **Total assets** | | 1,867,490 | 1,732,506 |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 15 | 728,136 | 728,136 |
| Retained earnings | | 21,477 | 254,065 |
| Revaluation reserve | | 129,818 | - |
| | | 879,431 | 982,201 |
| | | | |
| **Liabilities** | | | |
| FSDT grant | 16 | 300,543 | 334,228 |
| RFSP Asset grant | 17 | 57,750 | 115,500 |
| Deferred income tax liabilities | 12 | 117,475 | - |
| Accruals and other liabilities | 18 | 56,309 | 300,577 |
| Balances due to parent company | 19 | 455,982 | - |
| **Total liabilities** | | 988,059 | 750,305 |
| **Total equity and liabilities** | | 1,867,490 | 1,732,506 |

The financial statements on pages 25 to 49 were approved by the Board of Directors on 15 March 2010 and signed on its behalf by:

| | | | |
|---|---|---|---|
| Dr. Charles Kimei<br>*Chairman* | Mr. Sebastian Masaki<br>*General Manager* | Mr. Anderson Mlabwa<br>*Director* | Prof. Andrew Temu<br>*Director* |

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2009

| | Share capital Tshs'000 | Retained earnings Tshs'000 | Revaluation reserve Tshs'000 | Total Equity Tshs'000 |
|---|---|---|---|---|
| | | | | |
| At January 2008 | - | - | - | - |
| Issue of ordinary shares | 728,136 | - | - | 728,136 |
| Total comprehensive income for the year | - | 254,065 | - | 254,065 |
| At 31 December 2008 | 728,136 | 254,065 | - | 982,201 |
| At 1 January 2009 | 728,136 | 254,065 | - | 982,201 |
| Loss for the year | - | (193,643) | - | (193,643) |
| Other comprehensive income for the year | - | - | 90,873 | 90,873 |
| Total comprehensive loss for the year | - | (193,643) | 90,873 | (102,770) |
| At 31 December 2009 | 728,136 | 60,422 | 90,873 | 879,431 |

* Revaluation reserve represents the surplus realised from revaluation of the Company's motor vehicles which were last year classified as assets held for sale but could not be sold within the year. As a result, these assets have been re-classified back to property and equipment as required by International Financial Reporting Standard (IFRS) 5.

## STATEMENT OF CASH FLOW
## FOR THE YEAR ENDED 31 DECEMBER 2009

| | 2009 Tshs'000 | 2008 Tshs'000 |
|---|---|---|
| **Operating activities:** | | |
| Profit before income tax | 50,581 | 240,819 |
| *Adjustment for non-cash items:* | | |
| Depreciation of property and equipment | 230,803 | 161,071 |
| Amortization of intangible assets | 40,038 | - |
| | 321,422 | 401,890 |
| *Movement in working capital items:* | | |
| (Increase)/ decrease in other assets | 231,164 | (541,479) |
| Net movement in grants | (91,435) | 449,728 |
| Increase/( decrease) in accruals and other liabilities | (244,268) | 300,577 |
| Net movement in balances with related parties | 704,177 | - |
| Net cash generated from operating activities | 921,060 | 610,716 |
| Income tax paid | (243,000) | (103,164) |
| **Net cash generated from operating activities** | 678,060 | 507,552 |
| **Investing activities:** | | |
| Purchase of property and equipment | (423,416) | (715,927) |
| Purchase of intangible assets | (341,442) | - |
| **Net cash used in investing activities** | (764,858) | (715,927) |
| **Financing activities:** | | |
| Proceeds from issue of ordinary shares | - | 728,136 |
| **(Decrease)/ increase in cash and cash equivalents** | (86,798) | 519,761 |
| **Cash and cash equivalents at 1 January** | 519,761 | - |
| **Cash and cash equivalents at 31 December** | 432,963 | 519,761 |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**1. PRINCIPAL ACCOUNTING POLICIES**

## Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted, which remain unchanged from previous year, are set out below.

Adoption of new and revised International Financial Reporting Standards
The following revised Standard has been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out below:

## Standard affecting presentation and disclosure

• IAS 1 (as revised in 2007) - Presentation of Financial Statements: Amendments resulting from May 2008 Annual Improvements to IFRSs (effective annual periods beginning on or after 1 January 2009). IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

## Standards and interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective annual periods beginning on or after 1 October 2008);
- IFRS 1 First-time Adoption of International Financial Reporting Standards (revised May 2008) – Amendment relating to cost of an investment on first-time adoption (effective for annual periods beginning on or after 1 January 2009);
- IFRS 2, Share-based Payment – Amendment relating to vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009);
- IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about fair value and liquidity risk (Revised March 2009 ) – effective for annual periods beginning on or after 1 January 2009;
- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009);
- IFRS for SMEs – International Financial Reporting Standard for Small and Medium-sized Entities (Original issue 2009) - effective immediately on issue;

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**Adoption of new and revised International Financial Reporting Standards (Continued)**

**Standards and interpretations adopted with no effect on the financial statements (Continued)**

- IAS 16 Property, Plant and Equipment – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009);

- IAS 19, Employee Benefits – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective annual periods beginning on or after 1 January 2009);

- IAS 20, Government Grants and Disclosure of Government Assistance – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective annual periods beginning on or after 1 January 2009);

- IAS 23, Borrowing Costs, (amendments resulting from May 2008 Annual Improvements to IFRSs and comprehensive revision to prohibit immediate expensing (effective for annual periods beginning on or after 1 January 2009);

- IAS 23, Borrowing Costs, Comprehensive revision to prohibit immediate expensing (effective for accounting periods beginning on or after 1 January 2009);

- IAS 27, Consolidated and Separate Financial Statements: Amendment relating to cost of an investment on first-time adoption (revised 2008) and Amendments resulting from May 2008 Annual Improvements to IFRSs (May 2008 ) – effective for annual periods beginning on or after 1 January 2009;

- IAS 27, Consolidated and Separate Financial Statements: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009); amendment relating to cost of an investment on first-time adoption (effective for annual periods beginning on or after 1 January 2009);

- IAS 28, Investments in Associates – amendments resulting from May 2008 Annual Improvements to IFRSs (May 2008) – effective for annual periods beginning on or after 1 January 2009;

- IAS 29, Financial Reporting in Hyperinflationary Economies – amendments resulting from May 2008 Annual Improvements to IFRSs (May 2008) – effective annual periods beginning on or after 1 January 2009;

- IAS 31, Interests in Joint Ventures – amendments resulting from May 2008 Annual Improvements to IFRSs (May 2008) - effective annual periods beginning on or after 1 January 2009;

- IAS 32, Financial Instruments: Presentation – amendments relating to puttable instruments and obligations arising on liquidation (2008) – effective annual periods beginning on or after 1 January 2009;

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**Adoption of new and revised International Financial Reporting Standards (Continued)**

**Standards and interpretations adopted with no effect on the financial statements (Continued)**

- IAS 36, Impairment of Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective annual periods beginning on or after 1 January 2009;
- IAS 38, Intangible Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective annual periods beginning on or after 1 January 2009);
- IAS 39, Financial Instruments: Recognition and Measurement – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective annual periods beginning on or after 1 January 2009);
- IAS 40, Investment Property – amendments resulting from May 2008 Annual Improvements to IFRSs (May 2008) – effective annual periods beginning on or after 1 January 2009; and
- IAS 41, Agriculture – amendments resulting from May 2008 Annual Improvements to IFRSs (May 2008) - effective annual periods beginning on or after 1 January 2009

**Standards and interpretations issued but not effective in the current period**

- IFRIC 17, Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 18, Transfer of assets to Customers (effective for the accounting periods beginning on or after 1 July 2009);
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010);
- IFRS 1, First-time Adoption of International Financial Reporting Standards — amendments relating to oil and gas assets and determining whether an arrangement contains a lease (revised July 2009) – effective for annual periods beginning on or after 1 January 2010;
- IFRS 1, First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (revised January 2010) – effective for annual periods beginning on or after 1 July 2010;
- IFRS 2, Share-based Payment – amendments resulting from April 2009 Annual Improvements to IFRSs (April 2009) – effective for annual periods beginning on or after 1 July 2009;
- IFRS 2, Share-based Payment – amendments relating to group cash-settled share-based payment transactions (June 2009) – effective for annual periods beginning on or after 1 January 2010;

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Adoption of new and revised International Financial Reporting Standards (Continued)

### Standards and interpretations issued but not effective in the current period (Continued)

- IFRS 3, Business Combinations – Comprehension revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009);

- IFRS 5, Non-current Assets Held for Sale and Discontinued Operations – amendments resulting from May 2008 Annual Improvements to IFRSs (revised May 2008) – effective for annual periods beginning on or after 1 July 2009;

- IFRS 5, Non-current Assets Held for Sale and Discontinued Operations – amendments resulting from April 2009 Annual Improvements to IFRSs (April 2009) – effective for annual periods beginning on or after 1 January 2010;

- IFRS 1, First-time Adoption of International Financial Reporting Standards — Revised and restructured (revised November 2008) – effective for annual periods beginning on or after 1 July 2009;

- IFRS 8, Operating Segments – amendments resulting from April 2009 Annual Improvements to IFRSs (April 2009) – effective for annual periods beginning on or after 1 January 2010;

- IFRS 9, Financial Instruments – Classification and Measurement (November 2009) – effective annual periods beginning on or after 1 January 2013;

- IAS 1, Presentation of Financial Statements – amendments resulting from April 2009 Annual Improvements to IFRSs (April 2009) – effective annual periods beginning on or after 1 January 2010;

- IAS 7, Statement of Cash Flows – amendments resulting from April 2009 Annual Improvements to IFRSs (April 2009) – effective annual periods beginning on or after 1 January 2010;

- IAS 17, Leases – amendments resulting from April 2009 Annual Improvements to IFRSs (April 2009) – effective annual periods beginning on or after 1 January 2010;

- IAS 24, Related Party Disclosures – Revised definition of related parties (November 2009) – effective annual periods beginning on or after 1 January 2011;

- IAS 27, Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3 (2008) – effective for annual periods beginning on or after 1 July 2009;

- IAS 28, Investments in Associates – Consequential amendments arising from amendments to IFRS 3 (2008) – effective for annual periods beginning on or after 1 July 2009;

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**Adoption of new and revised International Financial Reporting Standards (Continued)**

**Standards and interpretations issued but not effective in the current period (Continued)**

- IAS 31, Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 (2008) – effective for annual periods beginning on or after 1 July 2009;

- IAS 32, Financial Instruments: Presentation – amendments relating to classification of rights issues (2009) – effective for annual periods beginning on or after 1 February 2010;

- IAS 36, Impairment of Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs (April 2009) – effective for annual periods beginning on or after 1 January 2010

- IAS 38, Intangible Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs (April 2009) – effective for annual periods beginning on or after 1 July 2009;

- IAS 39, Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items (July 2008) – effective for annual periods beginning on or after 1 July 2009;

- IAS 39, Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments (March 2009) – effective for annual periods ending on or after 30 June 2009; and

- IAS 39, Financial Instruments: Recognition and Measurement – Amendments resulting from April 2009 Annual Improvements to IFRSs (April 2009) – effective for annual periods beginning on or after 1 January 2010

- IFRS 7, Financial Instruments: Disclosures – Amendments enhancing disclosures about fair value and liquidity risk);

- IAS 28, Investments in Associates: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009);

- IAS 31, Interests in Joint Ventures: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009);

- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009); amendments for embedded derivatives when reclassifying financial instruments (effective for annual periods ended on or after 30 June 2009)

The directors are currently assessing the impact and expected timing of adoptio of these amendments on the Company's results and financial position.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

## Basis of preparation

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

## Fee and commission income

Turnover comprises of the fees and commission charged to CRDB Bank Plc recorded on an accruals basis. Other income which is also recorded on an accruals basis, is interest income.

## Foreign currencies

These financial statements are presented in Tanzania Shillings (Tshs.) which is also the functional currency of the Company. Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowing.

## Financial instruments

A financial asset or liability is recognised when the Company becomes party to the contractual provisions of the instrument.

The Company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans, advances and receivables; held to maturity investments; and available for sale financial assets. Management determines the appropriate classification of its investments at initial recognition.

## Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

## Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

## Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occur other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale.

## Available for sale financial assets

Financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans, and receivables, or (c) financial assets held to maturity.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans, advances and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognized or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payment is established.
Fair values of quoted investments in active markets are based on quoted bid prices. Equity securities for which fair values cannot be measured reliably are measured at cost less impairment.

## Impairment and uncollectability of financial assets

At each balance sheet date, all financial assets are subject to review for impairment. If it is probable that the Company will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment loss has occurred. The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate (recoverable amount). The carrying amount of the asset is reduced to its estimated recoverable amount. The amount of the loss incurred is included in profit or loss for the period. If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised directly in equity is removed from equity and recognised in profit or loss  for the period even though the financial asset has not been derecognised.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**Financial liabilities (Continued)**

## Financial liabilities

After initial recognition, the Company measures all financial liabilities other than liabilities held for trading at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs, finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to profit or loss using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## Taxation

The tax expense represents the sum of the current tax and deferred tax.

Current tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with the tax legislation.

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

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

Deferred tax is calculated at currently enacted tax rates and the net movement charged or credited in profit or loss.

## Retirement benefits obligations

The company contributes to two statutory defined pension schemes, the National Social Security Fund (NSSF) and Parastatal Pension Fund (PPF). Contributions are determined by local statute and are currently made at 10% of employee gross earnings per month.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**Financial liabilities (Continued)**

Contributions by the Company in respect of retirement benefit costs are charged to profit or loss in the year to which they relate.

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the liability for annual leave earned but not taken at the balance sheet date.

## Property and equipment

Except for motor vehicles which are stated at revalued amounts, other property and equipment are stated at cost less accumulated depreciation and accumulated impairment.

Depreciation is calculated on the straight-line method to write off the cost of the property and equipment over their expected useful lives, which are as follows:-

| | |
|---|---|
| Buildings improvements | 55 years |
| Trailers, tractors, and tools | 3-5 years |
| Computers, furniture, and fittings | 3-5 years |
| Motor vehicles | 3-5 years |
| Intangible assets | 3-5 years |

## Impairment of assets

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such conditions exist, the assets' recoverable amount is estimated and an impairment loss recognised whenever the carrying amount of an asset exceeds its recoverable amount.

## Dividends

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Dividends declared after the balance sheet date, are not recognized as liabilities at the balance sheet date.

## Grants

Grants related to assets are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

Grants towards improvement of the Company and its affiliate processes are recognized as income over the periods necessary to match them with the related costs.

## Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash, short term liquid investments which are readily convertible into known amounts of cash and which are within three months maturity from the date of acquisition.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

## 2.. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF UNCERTAINITIES

In the process of applying the Company's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of judgement in applying the company's accounting policies are dealt with below:

### Impairment losses

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

### Property and equipment

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment 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 utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

**3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

- Credit risk
- Liquidity risk
- Market risk particularly interest rate risk

## a) Credit risk

Credit risk refers the risk that a 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 major banks of quality credit standing. Trade receivables comprise amount receivable from its parent company, CRDB Bank Plc. The Company does not consider there exist significant concentrations of credit risk which had not been adequately provided for.
The amounts presented in the balance sheet 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 2009 without taking account of the value of any collateral obtained was:

| | Fully performing Tshs' 000 | Past due Tshs' 000 | Impaired Tshs' 000 |
|---|---|---|---|
| Sundry debtors | 62,120 | - | - |
| Cash and cash equivalents | 432,963 | - | - |
| | | | |
| Total credit exposure | 495,083 | - | - |

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2008 without taking account of the value of any collateral obtained was:

| | Fully performing Tshs' 000 | Past due Tshs' 000 | Impaired Tshs' 000 |
|---|---|---|---|
| Sundry debtors | 293,284 | - | - |
| Cash and cash equivalents | 519,761 | - | - |
| Total credit exposure | 813,045 | - | - |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

**3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

## b) Liquidity risk

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

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

Maturity analysis for financial liabilities at 31 December 2009 showing the remaining undiscounted contractual maturities:

| | <2 month Tshs' 000 | 2 - 5 months Tshs' 000 | 5 -12 months Tshs' 000 | > 1 year Tshs' 000 | Total Tshs' 000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and bank balance | 132,420 | 300,543 | - | - | 432,963 |
| Sundry debtors | - | 62,120 | - | - | 62,120 |
| | 132,420 | 362,663 | - | - | 495,083 |
| **Financial liabilities** | | | | | |
| Other liabilities | (18,283) | - | (10,865) | (27,161) | (56,309) |
| Due to related parties | - | - | (455,982) | - | (455,982) |
| | (18,283) | - | (466,847) | (27,161) | (512,291) |
| Difference in contractual cash flows | 114,137 | 362,663 | (466,847) | (27,161) | (17,208) |

Maturity analysis for financial liabilities at 31 December 2008 showing the remaining undiscounted contractual maturities:

| | <2 month Tshs' 000 | 2 - 5 months Tshs' 000 | 5 -12 months Tshs' 000 | > 1 year Tshs'000 | Total Tshs' 000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| | | | | | |
| Cash and bank balance | - | 334,228 | 185,533 | - | 519,761 |
| Sundry debtors | - | 94,510 | - | - | 94,510 |
| Due from related parties | - | - | 248,195 | - | 248,195 |
| | - | 428,738 | 433,728 | - | 862,466 |
| **Financial liabilities** | | | | | |
| Other liabilities | (22,792) | (277,785) | - | - | (300,577) |
| Difference in contractual cash flows | (22,792) | 150,953 | 433,728 | - | 561,889 |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

## c) Interest rate risk

The company is not exposed to interest rate risk as it does not have interest bearing instruments.

### 4. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The company's objective when managing capital are  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 the 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.

The constitution of company's share capital is as shown in the statement of changes in equity.

### 5. FEE AND COMMISION INCOME

| | 2009 Tshs'000 | 2008 Tshs'000 |
|---|---:|---:|
| | | |
| Commission income | 2,616,613 | 2,077,416 |
| Deposit mobilization fee | 249,005 | 47,795 |
| | 2,865,618 | 2,125,211 |

### 6. OTHER OPERATING INCOME

| | 2009 Tshs'000 | 2008 Tshs'000 |
|---|---:|---:|
| "Uwezeshaji" disbursed loan | 5,593 | 56,535 |
| "Uwezeshaji" guarantee interest | 137,786 | 188,025 |
| Grants amortization | 930,245 | 528,493 |
| Software fee | 15,900 | - |
| Commission received -  insurance | 8,870 | - |
| | 1,098,394 | 773,053 |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

## 7. (a) GENERAL AND ADMINISTRATIVE EXPENSES

| | 2009 Tshs'000 | 2008 Tshs'000 |
|---|---:|---:|
| Directors' fees | 16,771 | 15,246 |
| Auditors' remuneration | 21,392 | 13,450 |
| Depreciation and amortization of intangible assets | 270,841 | 161,072 |
| MFIs training and support | 861,162 | 470,743 |
| Other expenses | 1,163,675 | 755,877 |
| | 2,333,841 | 1,416,388 |

## 7. (b) STAFF COSTS

| | 2009 Tshs'000 | 2008 Tshs'000 |
|---|---:|---:|
| Salaries & wages | 1,062,387 | 852,364 |
| Staff training | 91,191 | 80,835 |
| Social security contribution | 138,839 | 107,791 |
| Provision for post - employment benefits | 81,157 | 44,659 |
| Leave allowance | 65,124 | 59,423 |
| Medical expenses | 42,545 | 30,953 |
| Others | 98,346 | 65,031 |
| | 1,579,590 | 1,241,057 |

## 8. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

| | 2009 Tshs'000 | 2008 Tshs'000 |
|---|---:|---:|
| Depreciation of property and equipment | 230,803 | 161,072 |
| Amortization of intangible assets | 40,038 | - |
| Directors fees | 16,771 | 15,246 |
| Auditors remuneration | 21,392 | 13,450 |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

## 9. INCOME TAX EXPENSE/ (CREDIT)

(a) Tax charge/ (credit) comprises:

| | 2009<br>Tshs'000 | 2008<br>Tshs'000 |
|---|---|---|
| Current tax charge on profit for the year at 30% including adjustments recognized in the current year in relation to the current tax of prior year | 152,448 | - |
| Deferred tax charge/ (credit) | 91,776 | (13,246) |
| Deferred tax charge relating to revaluation surplus | 38,945 | - |
| | 283,169 | (13,246) |

(b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit:

| | 2009<br>Tshs'000 | 2008<br>Tshs'000 |
|---|---|---|
| Profit before income tax | 50,581 | 240,819 |
| | | |
| Tax at applicable at the rate of 30% | 15,174 | 72,246 |
| Effect of income not subject to tax | 158,548 | (158,548) |
| Effect of expenses not allowable for tax | 557 | 73,056 |
| Prior year tax under provision | 108,890 | - |
| | 283,169 | (13,246) |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

## 10. PROPERTY AND EQUIPMENT

| | Motor vehicles at fair value Tshs '000 | Office equipment at cost Tshs '000 | Furniture at cost Tshs '000 | Total Tshs '000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 January 2008 | - | - | - | - |
| Additions during the year | 613,849 | 87,708 | 14,370 | 715,927 |
| At 31 December 2008 | 613,849 | 87,708 | 14,370 | 715,927 |
| At 1 January 2009 | 613,849 | 87,708 | 14,370 | 715,927 |
| Additions during the year | 330,885 | 78,778 | 13,753 | 423,416 |
| Gain on revaluation | 129,818 | - | - | 129,818 |
| At 31 December 2009 | 1,074,552 | 166,486 | 28,123 | 1,269,161 |
| | | | | |
| **Depreciation** | | | | |
| At 1 January 2008 | - | - | - | - |
| Charge for the year | 135,193 | 21,740 | 4,138 | 161,071 |
| At 31 December 2008 | 135,193 | 21,740 | 4,138 | 161,071 |
| At 1 January 2009 | 135,193 | 21,740 | 4,138 | 161,071 |
| Charge for the year | 192,212 | 32,291 | 6,300 | 230,803 |
| At 31 December 2009 | 327,405 | 54,031 | 10,438 | 391,874 |
| | | | | |
| **Net book value** | | | | |
| At 31 December 2008 | 478,656 | 65,968 | 10,232 | 554,856 |
| At 31 December 2009 | 747,147 | 112,455 | 17,685 | 877,287 |

The net book value of the motor vehicles as at 31 December 2009 was Tshs. 617,329,000.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

## 11. INTANGIBLE ASSETS

| Cost | 2009 Tshs '000 |
|---|---|
| | |
| At 1 January 2008 & 2009 | - |
| Addition during the year | 341,442 |
| At 31 December | 341,442 |
| | |
| **Amortization** | |
| At 1 January 2008 & 2009 | - |
| Charge for the year | 40,038 |
| At 31 December | 40,038 |
| | |
| **Net book value** | |
| At 31 December | 301,404 |

Intangible assets relate to computer software.

## 12. DEFERRED INCOME TAX (LIABILITIES)/ ASSETS

The deferred income tax asset is attributable to the following items:

| | 2009 Tshs'000 | 2008 Tshs'000 |
|---|---|---|
| Accelerated capital allowances | (155,220) | (66,509) |
| Tax losses carried forward | - | 66,357 |
| Other general provisions | 37,745 | 13,398 |
| | (117,475) | 13,246 |

The movement on the deferred tax account is as follows:

| | 2009 Tshs'000 | 2008 Tshs'000 |
|---|---|---|
| At 1 January | 13,246 | - |
| (Charge)/ credit to the statement of comprehensive income | (130,721) | 13,246 |
| | | |
| At 31 December | (117,475) | 13,246 |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

## 13. OTHER ASSETS

| | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---:|---:|
| Prepayments | - | 198,774 |
| Sundry debtors | 62,120 | 94,510 |
| | 62,120 | 293,284 |

Sundry debtors for 2009 are accrued interest on "Uwezeshaji" Credit scheme arrangement of Tshs. 62.12 million.

## 14. CURRENT INCOME TAX ASSETS

| | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---:|---:|
| Opening balance | 103,164 | - |
| Payments during the year | 243,000 | 103,164 |
| Amount charged to profit or loss | (152,448) | - |
| Closing balance | 193,716 | 103,164 |

## 15. SHARE CAPITAL

| **Authorised** | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---:|---:|
| 50,000,000 ordinary shares of Tshs. 100 each | 5,000,000 | 5,000,000 |
| **Issued and fully paid** | | |
| 7,281,359 ordinary shares of Tshs. 100 each | 728,136 | 728,136 |

## 16. FSDT GRANT

| | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---:|---:|
| At 1 January | 334,228 | - |
| Grant received during the year | 833,378 | 804,971 |
| Grant amortised to profit or loss during the year | (867,063) | (470,743) |
| At 31 December | 300,543 | 334,228 |

On 26 May 2008, CRDB Bank Plc signed a four years funding agreement with Financial Sector Deepening Trust of Tanzania (FSDT) amounting to US$ 3,806,500 as a grant for strengthening of the bank's microfinance partner institutions and increase outreach. In 2009 the amount of USD 654,708 was received by CRDB Bank Plc which transferred the amount to CRDB Microfinance Services Company Limited.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

## 17. RFSP ASSET GRANT

| | 2009 Tshs '000 | 2008 Tshs'000 |
|---|---|---|
| At January | 115,500 | |
| Grant transferred from CRDB Bank Plc | - | 173,250 |
| Grant received during the year | - | - |
| Grant amortised to profit or loss during the year | (57,750) | (57,750) |
| At 31 December | 57,750 | 115,500 |

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

## 18. ACCRUALS AND OTHER LIABILITIES

| | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---|---|
| Accrued expenses | 18,283 | 300,577 |
| CRDB grant ( Note 20) | 38,026 | - |
| | 56,309 | 300,577 |

## 19. BALANCES DUE FROM/ (TO) THE PARENT COMPANY

| | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---|---|
| At 1 January | 248,195 | - |
| Net (increase)/ increase during the year | (704,177) | 248,195 |
| At 31 December | (455,982) | 248,195 |

The balances due to and from the parent company mainly arise from commission income receivable from parent company as well as expenditure paid by the parent company on behalf of the Company

## 20. PARENT COMPANY GRANT

| | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---:|---:|
| At January | - | - |
| Grant transferred during the year | 43,458 | - |
| Grant amortised to profit or loss during the year | (5,432) | - |
| At 31 December | 38,026 | - |

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

## 21. CAPITAL COMMITMENTS

| | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---:|---:|
| Amount committed and contracted for | 300,543 | 334,228 |

Capital commitments authorized and contracted for are in respect of unutilised FSDT grant for capacity building of the partner affiliates.

## 22. RELATED PARTY TRANSACTIONS

**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.

| | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---:|---:|
| **CRDB Bank Plc:** | | |
| (i) Fees and commisions | 2,865,618 | 2,369,771 |
| (ii) Expenses paid by CRDB Bank Plc on be half of the Company | 90,269 | 83,609 |
| (iii) Fixed assets transfered from CRDB Bank PLc | - | 542,678 |

The Company provides Microfinance loan management services on behalf of its parent company and receives commission of 4.27% out of 16% charged to the customers by the parent company (2008: 3% out of 14%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)

## 22. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

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

| | 2009 Tshs '000 | 2008 Tshs '000 |
|---|---|---|
| Short term benefits | 367,154 | 294,177 |
| Post-employment benefits | 128,504 | 118,435 |
| | 495,658 | 412,612 |

## 23. INCORPORATION AND ULTIMATE PARENT COMPANY

The Company is incorporated in Tanzania under Companies Act 2002 and domiciled in the United Republic of Tanzania. The ultimate parent company is CRDB Bank Plc.

## 24. CURRENCY

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

## Improving Lives Through Personnel Loans

Through access to finance made available by Wholesale Personnel Loans, employees have been able to build residential houses, upgrading their education, and start businesses aimed at increasing their incomes, which to most of them has been a source of improvement in their work morale. A good example is that of two teachers who are husband and wife from Iringa who in year 2007 borrowed Tshs. 3 million from Iringa Rural Teachers SACCOS Ltd with husband borrowing Tshs. 2 million and wife Tshs. 1 million combined with their savings and bought a mini bus. Despite servicing, the loan from their salaries but the income from the operations of the bus was enough to meet family obligations plus retaining surplus for savings. In this way, the burden of repayment of the loan was never felt while savings enabled them to purchase a second bus in year 2009. Today they are having good income that gives them all reasons to teach happily, all being a result of finance obtained from SACCOS.

## Improved Agriculture through adoption of Modern Technology - Chamwino, Dodoma

This is the first project of its kind in Tanzania targeting peasant farmers engaged in grape cultivation using drip irrigation system. This technology enables efficient use of water, which is scarce in Dodoma. Farmers were required to contribute labour in clearing land and digging furrows, which are labour intensive. Families came together to accomplish this task which provided their commitment on the success of the farming. Interesting also is the way some farmers used the opportunity by providing services to other farmers such as selling of food and the surplus obtained from sales was used to hire labour for cultivating their pieces of land. This reinforced our belief that poor people are capable of improving their lives if provided with opportunities. Success of this project has inspired the Company to finance similar projects in the coming years.

CRDB Microfinance