ANNUAL REPORT 2013

CRDB MICROFINANCE SERVICES COMPANY LIMITED

CRDB Microfinance

A Subsidiary of CRDB Bank PLC


CRDB BANK HOUSE

Table Of Contents

BOARD CHAIRMAN'S STATEMENT

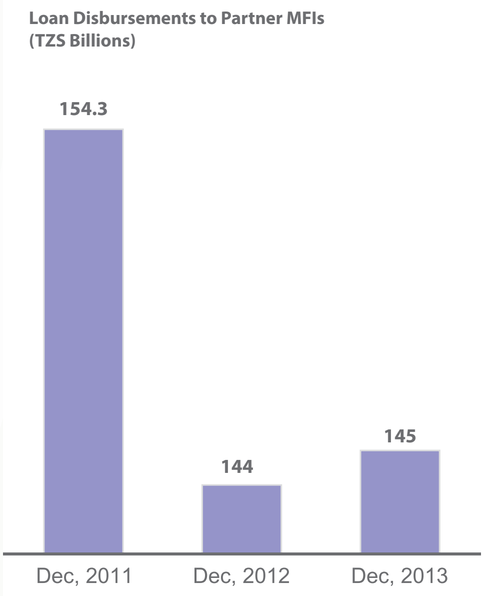
The year 2013 was another year of exciting results for the CRDB Microfinance Services Company Ltd (CRDB MFSCL). During the year, as indicated below in Exhibit A, the subsidiary achieved impressive financial results despite high investment in resources in product and network development.

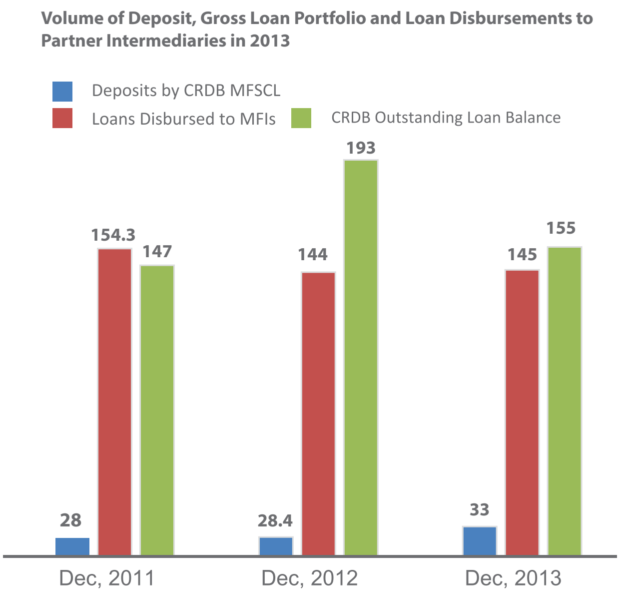
Exhibit A. Summary of financial results and growth: 2012 - 2013

Details	2012	2013	Growth rate (%)
Profit before Income Tax (TZS Million)	4,114	6,174	50
Mobilized Deposits on behalf of parent company (TZS Million)	28,357	33,359	18
Portfolio-at-Risk > 90 days	5.8	5.7	-0.1
Earnings per share (TZS)	420	578	38
Cost to income ratio (in %)	62	57	5

Net profit made in the year increased by 50 percent from TZS 4,114 million in 2012 to TZS 6,174 million, partly reflecting improved cost to income ratio from 62 percent in 2012 to 57 percent in 2013. The quality of the subsidiary's loan portfolio also improved during the year from Portfolio at Risk (PAR) of 5.8percent in 2012 to 5.7 percent.

The origination of loans and deposits for the parent Company recorded a mixed outturn as shown in Exhibit B below. For instance, customer deposits mobilized during the year increased by 18 percent, while the loan portfolio saw some decline associated with reduced appetite for loans to tobacco sector, and delayed rollout of retail





We owe the success in 2013 partly to the favorable prevailing macroeconomic conditions, i.e., the rate of inflation dropped to single digit during the year; the economy expanded at 7 percent; and recent reforms in our country's mining sector, which contributed to increased export earnings. Nevertheless a greater part of the subsidiary's performance is attributable to the continued commitment and handwork of the staff and management. Furthermore the microfinance market has continued to offer many opportunities and strong growth prospects for savings, microcredit, insurance and mobile money transactions.

As of 2012, for instance, there were 2.8 million micro, small and medium-sized enterprises in Tanzania, which then represented slightly more than 95 percent of all businesses in the country. Together, they contribute about 35 percent of the country's Gross Domestic Product (GDP) and are creating up to 40 percent of total employment. Close to 20.6 million of our people are still unbanked. Our focus on growing our microfinance business by further entering into integrated wholesale and retail microfinance in 2013 is aimed at supporting job creation.

In the year under review we are proud to have successfully piloted our first microfinance service centers, which we plan to rollout rapidly with the assistance of Financial Sector Deepening Trust Fund (FSDT).

Corporate Governance

CRDB MFSCL continues to embrace and implement global best practices in the governance and management of the business. As a result, we are confident that the business is managed prudently and is in compliance with all regulatory obligations. A more detailed description corporate governance report is included on pages 15 to 17 of this Annual Report.

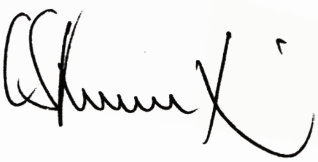
Outlook for 2014

We launched our new 2013 - 2017 strategic business plan during the year and our prospects for 2014 are promising. The new growth path for our subsidiary depends on a well-trained and motivated workforce. It further embraces a consolidated and integrated wholesale and retail microfinance business models, the deployment of multiple delivery channels, and heightened application of emergent Information and Communication Technologies (ICT). As we begin the new journey, our main objective is to generate more value for our customers and bank group. It is also our goal to continue leading in our country in search for provision of convenient, affordable, and appropriate financial solutions to the people.

Appreciation

We continue to applaud our friends and partners who have stood with us over the years, offering a helping hand for us to deepen the delivery of financial services to the poor. I am extremely grateful to my fellow Board Members for their valuable contributions which have helped the company to grasp better the workings of the microfinance market and to be ahead of others in product designing and development. To our microfinance customers, we owe the most of our success in 2013 as in previous years, their continued trust in us, hard work, and admirable resilience which made it possible for our company to grow and prosper despite many challenges. We shall continue to listen and be at their service. To the Financial Sector Deepening Trust (FSDT), Danish International Development Agency (DANIDA), Government of Tanzania, and the Bank of Tanzania, we express our appreciation for their support and encouragement on the efforts we are making to improve financial inclusion. Their faith in us and our dream for greater financial access for the ordinary man and woman in Tanzania is a source of strength to us.

To all I say many thanks to all of you again!



Dr. Charles Kimei
Board Chairman, CRDB Microfinance Services Company Limited
12 March 2014

GENERAL MANAGER'S REPORT

The year 2013 has been a good one for CRDB MFSCL, continuing on its mission to provide market driven and profitable financial products and services to the bottom of pyramid clientele using motivated, knowledgeable and skilled work force supported by state of the art technology.

It is therefore with great pleasure that I can report that the company's financials have continued to develop strongly, with record Profit After Tax (PAT) of TZS 4.21 billion (up 38 percent from previous year, return on assets of 38 percent, and return on shareholders' funds of 38 percent.)

Summary of activities undertaken in year 2013

The just-ended year 2013 is the first year in our new five-year strategic business plan, we are proud to note that most of the activities implemented during the year were in track with our goals except for a few indicators that were not as per our expectations.

Performance Highlights

Details	31-Dec-11	31-Dec-12	31-Dec-13
Number of Regions where MFSCL has a presence	26	30	30
Number of Districts where MFSCL has a presence	127	127	135
Number of Partner intermediaries	491	422	441
Number of Parent bank branches (Hubs) hosting whole-sale microfinance	21	23	25
Number of Staff	71	71	86
MFIs Deposit with Parent Company branches (TZS Billion)	28	28	33
Total cumulative amount of loans disbursed to MFIs since 2001 (TZS Billion)	547	691	820
Profit Before Tax (TZS Million)	2,016	4,114	6174

As shown above, we managed to increase our profit before tax by 50 percent of the amount in 2012. The amount of cumulative loans disbursed reached TZS 820 billion in 2013. Meanwhile deposits mobilized from partner microfinance institutions increased by 18 percent from the TZS 28 billion mobilized in 2012 to TZS 33 billion in 2013.

During the year we had set out to consolidate and scale up the company's insurance business. We had also set out to strengthen the capacity of our partner microfinance institutions to offer value added financial products and services, enhance efficiency, and increase their customer base. And perhaps our most ambitious goal in the year and subsequent period was to implement our long-term plan of integrating our current wholesale microfinance channel with retail microfinance by establishing innovative new alternative delivery outlets specifically aimed at the most financially excluded populations. Among the alternative service delivery channels that we started exploring in the year are third party outlets (also known as agency banking) and simplified delivery outlets called service centers.

We took advantage of the demand for automation and drive for greater efficiency among financial intermediaries; especially from our partner MFIs but also microcredit companies and aggressively commercialized our ICT services during the year.

Within the new regulated framework for agency banking, along with the diffusion of new digital financial technologies, and investment in alternative payments delivery channels, we continued with our drive for linkage with various like-minded microcredit companies for increasing and deepening financial access. It is a strategy that aligns perfectly with our country's current view of this emerging category of MFIs as having strong prospects for complimenting the cooperative movement's drive in providing convenient financial services to people below the banking pyramid.

Besides working with local communities to set up their own financial intermediaries in 2013, we also continued to provide them with relevant training (on a cost-sharing basis), timely technical assistance, and linkage to value added financial services, for example, card solutions, internet payments, tailored deposit products, and credit products for on-lending to their members. We also support and provide them with advisory services in areas such as good governance, risk management and product development.

Key Results in 2013

Thanks to our wholesale microfinance channel, today our bank group has developed the most elaborate network of services delivery infrastructure in the country. Through strategic partnership with 441 microfinance institutions who have signed service level agreements with us, we now have a presence in 135 districts and a service delivery footprint that covers 94.4 percent of Tanzania mainland and Zanzibar (with a total of 142 districts).

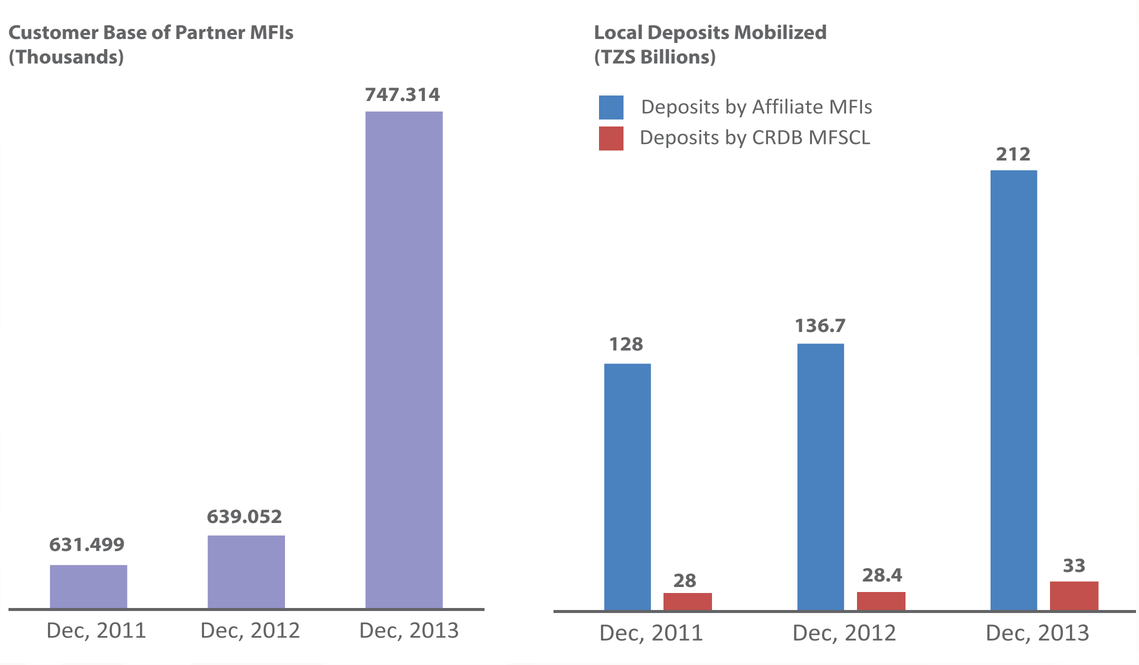
Among the key results achieved during the year 2013 include our increased capacity for financial intermediation at the low-end market and our presence as we are now within reach of any community at 94.4 percent of the vast country.

Outreach: Deepening and expanding access

In addition to the increased number of SACCOS within our partner network now numbering 441 as of 31 December 2013, we are also working with 225 Agricultural Marketing Cooperative Societies (AMCOS) and 18 Financial Non-government Organizations (NGOs) and microcredit companies. This linkage relationship creates a dense platform and network of outlets, geographically covering 135 districts of Tanzania's 142. In the two islands of Pemba and Zanzibar, where financial inclusion is one of the lowest in the country, we already have linkages with 30 partner microfinance institutions, majority of them newly established from scratch since 2011 with our help and support.

As of 31 December 2013, the combined customer base of our partners was 747,314 people. As shown in Exhibit E below, together, these institutions held a total deposit base of TZS 212 billion. The outstanding loan portfolio as at the end of the year was TZS 322 billion, these intermediaries had made loans totaling TZS 1.135 trillion. Indeed this is a remarkable achievement for our partner MFIs. Once again in 2013 they have dispelled the misplaced myth that poor people cannot save, and sustained our faith that small loans can benefit the majority of the financially excluded populations.

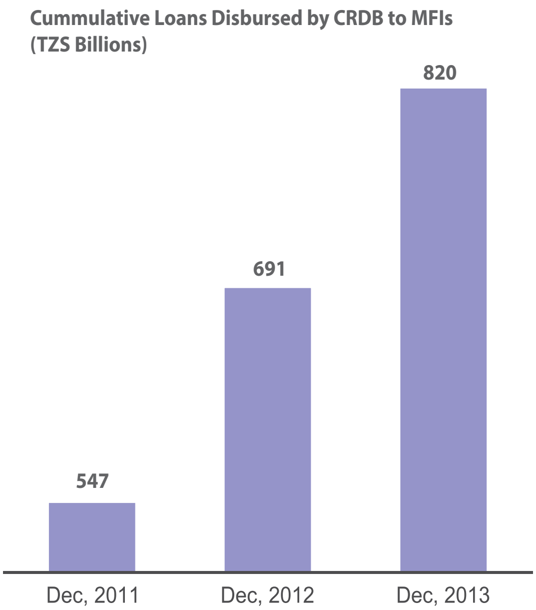
Exhibit E. Performance of Partner Intermediaries in 2013

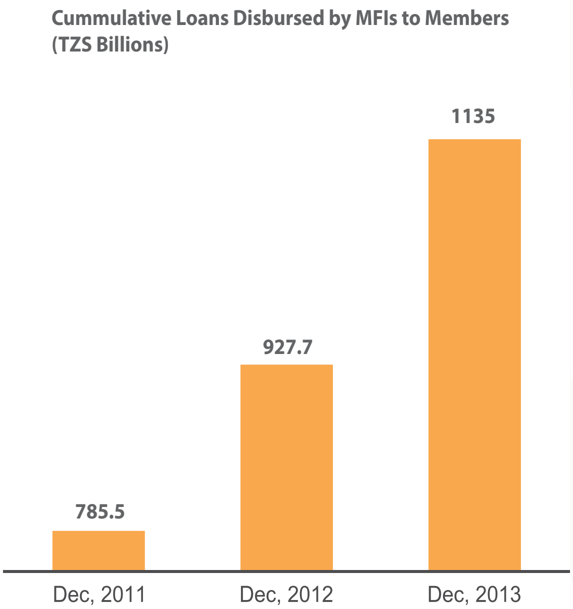


Members of these partner MFIs rightfully continue to bank their hopes in our relationship with their intermediaries as right vehicle to pull them out of poverty and improve financial inclusion. These intermediaries continue to act as trusted baskets through which they can safely and securely deposit and accumulate their little savings and from where they can take loans to invest in viable and rewarding ventures.

Lending activities

Our lending products targeted to finance agricultural value chain, housing micro-financing, capital enhancement to micro-entrepreneurs, these loans beneficiaries included women and youth, enabling them to realize their dreams by expanding their economic activities and thus contributing to the countries growth. During the year 2013, we made loans to the partner microfinance institutions totaling to TZS.129 billion and the outstanding loan portfolio under the management of the Company was TZS. 155 billion and the cumulative loans disbursed reached TZS. 820 billion.





Insurance Agency Services

During the year we achieved mixed results in our insurance agency business. Our earnings from insurance more than doubled during the year (rising by 105 percent), while total premium collected during the year increased to TZS 8.2 billion, with the bulk of the business being in general insurance (TZS 7.7 billion).

This increase in general insurance represents a 97.1 percent growth over the premiums collected over a period of six months in 2012.

Exhibit F. Growth in Insurance Premiums and Commission in 2013

	Jun-Dec 2012	Jan - Dec 2013	Change (%)
General Insurance			
Premium collected (TZS Millions)	4,300	7,680	79
Number. of Claims	31	274	784
Amount of Claims (TZS Millions)	222	2,720	1,125
Percentage of Claims (%) Paid	71	88	17
Life Insurance			
Premium collected (TZS Millions)	532	503	-6
Number of Claims	88	99	13
Amount of Claims (TZS Millions)	174	215	24
Percentage of Claims (%) Paid	91	93	2
Total commission received (TZS Millions)	**597**	**1,221**	**105**

For the year 2013 our settlement rates of claims remains the highest in the market, at 88 percent and 93 percent for general and life insurance cover, respectively, against the market average of 75 percent. To enhance customer experience, we automated our insurance operations in 2013 so that customers can get fast service and would no longer need to carry all their documentation while looking for services.

We have further improved our processes so that clients get advised properly on the right insurance cover for their various needs, and we respond fast to shocks in the event of loss to reduce their burden.

Automation of microfinance intermediaries

During the year, we accelerated the pace of automation and responded more aggressively to the demand for ICT solutions from non-partner MFIs. Apart from automation of microfinance intermediaries, other services offered were commercialized trainings and ICT consultations

Exhibit G. Automation of Intermediaries in year 2012 - 2013

Details	Partner MFIs	Non-partner MFIs	Total
Cumulative total number of automated MFIs as at 31/12/2012	130	19	149
Cumulative total number of automated MFIs as at 31/12/2013	135	29	164
Cumulative total number of staff trained as at 31/12/2012	639	40	679
Cumulative total number of staff trained as at 31/12/2013	679	87	766

As indicated in Exhibit G. above, the percentage of non-partner MFIs that are automated increased to 34.4 percent of the total during the year. The increase in the total number of grassroots intermediaries being automated was 3.7 percent. The total cumulative number of staff trained in automation also increased during the year, from 679 officers in 2012 to 766 officers in 2013.

Among the automated intermediaries so far there are demonstrated efficiency gains, timely financial reporting, and drop in reported incidences of fraud. The system and trainings also seems to be helping the MFIs in their portfolio management. It further seems to be helping users in correctly computing and posting interest on customer deposits to their accounts.

During the year, we also reviewed and upgraded the activities of our ICT Department by including a center of innovation for researching and developing technological solutions those being demanded by microfinance intermediaries in the local market.

Retail microfinance services

We introduced retail microfinance during the year 2013. So far a total of four service centers have been constructed to serve retail customers while another five were in various stages of construction. In addition four retail microfinance windows that are exclusively dedicated for the retail microfinance segment were opened in our parent bank's branches.

Exhibit H. Specialized outlets for retail microfinance

Details	31-12-13
Number of operation units (windows in bank branches and service centers)	8
Number of units under construction	5
Number of retail microfinance customers recruited	1,628
Number of retail microfinance loans	172

The four service centers are located in epicenters of small business activities in the economy such as Mbezi Louis (in Dar es Salaam), Kwa Mrombo and Ngaramtoni (in Arusha), and Sikonge (in Tabora). And the four retail microfinance windows are in our branches, Mwanza (in Mwanza), Mwanjelwa (in Mbeya), Tegeta and Tabata (both in Dar es Salaam). These outlets in addition to serving individual customers also act as hubs for our bank agents and mobile money agents.

The need to extend financial services to more people in Tanzania is reinforced by the fact that 26.8 percent and 55.3 percent of the Mainland and Zanzibar populations respectively, are totally financially excluded; at 34.4 percent and 59.6 percent for Mainland and Zanzibar, financial exclusion is even higher in the rural areas compared to urban where exclusion is at 13.7 percent and 44.7 percent respectively. But this data reveals the fact that even in urban areas a majority of the people still excluded despite of concentration of financial institutions.

Consultancy services

During the year we carried out some assignments. We provided training services to 142 of our partner MFIs. Similarly, a commercial training on credit management and customer service was delivered to more than 30 microcredit institutions – as the basis for establishing a Training and Competence Center for financial inclusion. During the period, we facilitated efforts to enable our company to get some financial support from MIVARF and initiated a new working relationship with the program. Importantly, we supported the Burundi subsidiary to refocus its strategies on microfinance business – on both wholesale and retail microfinance.

WOSS

Warehouse Operations Support Services (WOSS) is a package of services designed to give customers a wider choice of high quality services in managing various non-perishable food commodities. Among these are:

- Stock audit services,
- Collateral management services,
- Collateral monitoring and due diligence services,
- Warehouse inspection, and,
- Quality certification services.

The other related WOSS services that we also provide include clearing and forwarding services.
During the year WOSS operations continued to be available to our parent bank customers under stock financing arrangement. For instance, some of the WOSS customers that had taken and fully repaid their loans still left their stock in our care, as they were still in need of the WOSS services. And even some non-customers of our parent bank have come to seek our WOSS services because of the witnessed professionalism and integrity exhibited by our staff in the course of their duties.

Because of the positive feedback we received in the year, we will significantly scale up our WOSS activities in 2014.

Profitability

Our profitability margin on turnover also improved, increasing to 29 percent as at December 2013 from 28 percent recorded in December 2012. The increase has largely resulted from our increased productivity and better cost management strategy. Our efficiency ratio was at 57 percent at end-year 2013; this was previously at 62 percent in December 2012.

Prospects for 2014

Our plans primarily hinge on improved benefits and quality service delivery to our customers through innovative solutions supported by appropriate technology. More details for our plans for the year 2014 are in page 19 of this Annual Report.

Word of Appreciation

We owe our success in 2013 to the smallholder farmers and small-business customers that continue to place trust in our products and services. To the Board of Directors, we express our appreciation as you have been a source of our deep inspiration, wisdom, and encouragement for our work. I would like to thank all our partner microfinance institutions who share our dreams and have continued to provide us with valuable insight into how we could together deepen and expand financial access in our country. To my colleagues and fellow managers at MFSCL: your dedication and commitment to serve has made us to succeed and become true market leaders. I thank you so much for your loyalty and hard work.

Sebastian A.P. Masaki
General Manager, CRDB Microfinance Services Company Ltd
12 March 2014

Key Activities Persued in Year 2013

Scaling up Insurance Services.

One worry among many Tanzanians is whether they will be paid their insurance claims timely. We at CRDB Microfinance have taken it at the core of whatever we do to ensure that our clients are advised properly on the right insurance cover for their assets or activities and when it comes to being compensated in the event of a peril it is mostly smiles to our customers. Mr. Nassoro Sanga of Mbeya says "I had ensured my godown including stocks and my house through CRDB Microfinance Services Insurance Agency, and burglars broke into my godowns and stole a considerable amount of my stocks, but through CRDB Microfinance Insurance Agency in a very short period of time I was compensated, the whole process of engaging assessors until claim payment was very transparent and took a very short time. In the past we used to be wary of purchasing insurance covers as we were not certain of being paid in the event of a peril, but now through CRDB Microfinance Insurance Agency my confidence has been restored and I am encouraging my fellow business people to buy insurance covers through CRDB Microfinance".

To enhance customer experience the Company has automated its insurance operations to ensure that the customer spends less time at our counters and works out with all the necessary documents for the insurance he/she has just bought.

Commercializing ICT Services

The general financial market which is growing at a fast rate has been constantly demanding for tailored solutions to comprehend with their sometimes unique or emerging business requirements. In response the Company has implemented an important milestone of creating a centre of innovation, which has the responsibility of researching and developing technological solutions for the market. In year 2013 the center has developed a solution that will enable automation and improvement in efficiency of Warehouse Operations Support Services.

Strengthen a Network of Strong MFIs for Enhanced Business Outreach.

Our focus of strengthening our affiliate microfinance institutions was enhanced during year 2013. The MFIs were provided with advisory services for improving their operations, linkage to value added financial services, such as card solutions, internet payments, tailored deposit products, and credit products for on lending to their members but also for acquiring MFIs infrastructure such as office buildings. Training programmes on cost sharing basis were implemented that provided more room for the partner microfinance institutions to request trainings based on their specific training needs requirements.

We worked with 225 Agriculture Marketing Cooperative Societies (AMCOS) serving farmers engaged in cultivation of various crops including grapes, tobacco and cocoa. We conducted capacity building activities to the societies delivering financial products that did not only benefit their members farming activities but also elevated their wellbeing.

We extended collaborations with microcredit companies, financial NGOs and Community banks for the purpose of extending a combined experience, knowledge and expertise including technologically reaching and providing financial services to the micro-entrepreneurs of Tanzania.

Establishment of a Network of Service Centers and Services Windows

The need to extend financial services to more people in Tanzania is reinforced by the fact that over 26 percent of Tanzanians are not accessing formal or semi formal financial services, the situation is worse in rural areas with over 34 percent of the population is not accessing the financial services compared to urban at 13.7. But this data reveals the fact that even in urban areas despite of concentration of financial institutions yet a majority of the people are still excluded.

The company embarked in opening simple outlets known as Service Centers to serve the low income earners both in urban and rural areas. By December 2013 four service centers were constructed and are operational while five were at various stages of construction. Four retail microfinance windows dedicated for the segment in CRDB Bank branches were also opened.

Report of Directors
for the year ended 31 December 2013

The Directors submit their report together with the audited financial statements for the year ended 31 December 2013, which disclose the state of affairs of the CRDB Microfinance Services Company Limited ("MFSCL" or 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. It is wholly owned by CRDB Bank Plc, a commercial bank incorporated and domiciled in the United Republic of Tanzania.

2. PRINCIPAL ACTIVITIES

The Company is engaged in the provision of microfinance services in Tanzania through CRDB Bank's branch network. Likewise, the Company provides advisory services and capacity building to partner microfinance institutions (MFIs).

The Company provides financial products and services including originating and managing loans on behalf of the parent company, insurance products and services, information and communication technology solutions and support, and microfinance business advisory services.

In addition, Company mobilises deposits from its partner MFIs on behalf of the parent company.

3. VISION

We aspire to be the market leader in the provision of business advisory and financial services to the people at the bottom of the banking pyramid in Sub-Saharan Africa.

4. MISSION

To provide market-driven and profitable financial products and services to the bottom of the pyramid clientele using motivated, knowledgeable and skilled workforce supported by state of the art technology.

5. CORPORATE VALUES

The Company embraces the following values: "Professionalism, Responsiveness, Accountability, Commitment, Teamwork, Innovation, Courtesy and Efficiency which are summarized by the acronym PRACTICE."

6. ETHICAL BEHAVIOUR AND ORGANIZATION INTEGRITY

The Company governance structure involves managing and controlling relations shared amongst different stakeholders including shareholders, Board of Directors, employees, customers, suppliers and the community at large. Additionally, the corporate governance is also about commitment to values and ethical business practices as enshrined in the parent company's (CRDB Bank Group's) code of ethical conduct, which governs all its business interactions and relationship to stakeholders.

Report of Directors
for the year ended 31 December 2013

7. COMPOSITION OF THE BOARD OF DIRECTORS

The appointment of directors is regulated by the Memorandum and Articles of Association of the Company. The Chairman and all other members of the Board of Directors are appointed by the annual general meeting.

The Board is composed of members with a mix of skills, expertise, competencies and industry experience to guide the company and ensure that the objective of shareholder value maximization and providing the financial services at the bottom of the banking pyramid are achieved.

The Board had six directors, of which four members are executive directors of CRDB Bank Plc, and two are non-executive directors. The General Manager is an ex-officio member.

The Directors of the Company, who served throughout the year to the date of this report, were:

Name	Position	Age	Discipline	Nationality	Date of Appointment
Dr. Charles S. Kimei	Chairman	60	Economist	Tanzanian	2007
Prof. Andrew E. Temu	Member	53	Agricultural Economist	Tanzanian	January 2008
Dr.Deograsias P. Mushi	Member	50	Economist	Tanzanian	August 2011
Mrs Esther K. Kitoka	Member	42	Accountant	Tanzanian	November 2012
Mr. Anderson Y. Mlabwa	Member	52	Banker	Tanzanian	2007
Mrs. Nellie M. Ndosa	Member	57	Banker	Tanzanian	May 2008
Mr. Sebastian P. Masaki (General Manager)	Member (ex-officio)	45	Banker	Tanzanian	2007

8. COMPANY SECRETARY

The Company Secretary during the year was Mr. John B. Rugambo, who is also the Director of Corporate Affairs of the parent company.

9. DIRECTORS' INTEREST

Dr. Charles S. Kimei held one (1) ordinary share of the company as disclosed in note 14.

10. CORPORATE GOVERNANCE

All Directors and employees adhere to the Code of Conduct in all their dealings on behalf of the company. The Code of Conduct ensures that all actions are in the best interests of the company and reflects the highest standards of integrity, ethical behaviour and compliance with applicable laws and regulations.

The Board is responsible and accountable for providing effective corporate governance, direction and control of the company. The directors have a duty to exercise leadership, enterprise, integrity and judgement based on transparency, fairness, accountability and responsibility.

Report of Directors
for the year ended 31 December 2013

10. CORPORATE GOVERNANCE (CONTINUED)

The Board is also responsible for appointing the management team, managing good relationships with all stakeholders, developing a corporate strategy, policies, and monitoring operational performance including identifying risks impacting the company performance.

The Board has delegated the day-to-day management of the business to the General Manager.

a. Board meetings and its Committee

The Board meets at least once every quarter. Additional meetings are held whenever deemed necessary.

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.

Attendance at board meetings during the year under review is set out in the following table:

Director	Board Meetings
Dr. Charles S. Kimei	4
Prof. Andrew E. Temu	4
Dr.Deograsias P. Mushi	4
Mrs. Esther K. Kitoka	4
Mr. Anderson Y. Mlabwa	4
Mrs. Nellie M. Ndosa	3
Mr. Sebastian P. Masaki (ex-officio)	4

b. Audit Committee

To assist in the execution of its responsibilities, the Board has an Audit Committee. The Committee report to the full Board. At year end, the committee was reconstituted into the Audit and Risk Management Committee.

The Board Audit Committee reviews the significant accounting policies and financial controls of the Company. In line with the above responsibility, it ensures 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 internal audit functions are outsourced to the parent company. The internal auditor reports directly to the committee and it receives regular reports of major findings by internal auditors and how management is addressing the issues reported.

Report of Directors
for the year ended 31 December 2013

10. CORPORATE GOVERNANCE (CONTINUED)

Audit Committee members are shown in the table below:

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

c. Directors' induction and training

On appointment, an induction programme designed to meet the needs of each new director is implemented.

The Board has adopted a system of training its members for each year for the crucial programme in order to equip members of the Board with the necessary knowledge, skills and practical environment that will enable to execute and achieve the desired objectives of the company.

During the year under review, the Board has exposed its members on Corporate Governance course, and practical environment for exploiting technology to serve the mass market, especially the un-banked low income population in rural and remote areas.

d. Board evaluation

On annual basis the Board undertakes self-assessment and evaluation in order to improve governance of the Board and its Committee.

11. DIRECTORS' REMUNERATION

The remuneration of all directors is subject to annual review to ensure that levels of emoluments and compensation are appropriate. This is after considering industry benchmarks and international practices. The remuneration for services rendered by the non-executive Directors of the Company in 2013 was TZS 78.52 million (2012: TZS 66.49 million).The information on the individual fee paid to Directors is disclosed in note 21 to the financial statements.

12. CAPITAL STRUCTURE

At 31 December 2013, the ordinary share capital of the Company was:

	Number of shares	
	2013	2012
Authorised with a par value of TZS 100	50,000,000	50,000,000
Issued and fully paid with a par value of TZS 100	7,281,359	7,281,359

Details of the capital structure have been disclosed under note 18.

Report of Directors
for the year ended 31 December 2013

13. MANAGEMENT TEAM

The organization structure of the Company comprises the following Departments:-

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

The General Manager reports to the Board and the Heads of Departments report to the General Manager.

14. SHAREHOLDERS OF THE COMPANY

The total number of shareholders as at 31 December 2013 was two (2012: two shareholders). The shares of the Company were held as follows:

	Shareholders	**2013 and 2012**
		Ordinary shares
1	CRDB Bank Plc	7,281,358
2	Dr. Charles S. Kimei	1
	TOTAL	**7,281,359**

15. PERFORMANCE FOR THE YEAR

The Company's results and financial position are set out on page 14 to 15 of the financial statements. In 2013, the Company made a net profit of TZS 4,205 million (2012: 3,057 million) and the performance was as follows:

- The Company recorded a profit before tax of TZS 6,174 million (2012: TZS 4,114 million).The good performance was contributed by the overall growth of business activities and efficient implementation of cost management strategy.
- Fee and commission income increased from TZS 9,738 million in 2012 to TZS 13,683 million. This was mainly attributable to growth in interest income on term loans and an increase in insurance commission.
- Total assets of the Company increased to TZS 11,143 million (2012: TZS 6,969 million). The growth was significantly driven by the increase of amount due from the parent company which was due to an increase in fee and commission generated.
- Operating cost (excluding the grant supported expense) grew by TZS 1,605 million, a 27% increase from the previous year. This is mainly caused due to increase in number of staff and business activities of insurance and warehouse operations.

Report of Directors
for the year ended 31 December 2013

15. PERFORMANCE FOR THE YEAR (CONTINUED)

- Total deposits mobilized from Partner MFIs and banked with CRDB Bank Plc increased by 15 percent to TZS 33 billion as at 31 December 2013 (2012: TZS 28 billion). This is attributed to the increase in number of partner institutions and their members.
- Partner MFIs increased by 5 percent from 422 in 2012 to 441 in 2013, and membership escalated from 639,052 in 2012 to 679,777 (Men: 399,869 and Women 279,908).
- Outstanding loan portfolio under management of the company but held by CRDB Bank Plc decreased by 20 percent from TZS 193 billion in 2012 to TZS 155 billion in 2013. This situation was caused by delayed utilization of agro-financing loan.
- Other Key Performance Indicators (KPIs) achieved by the company were:

Performance indicator	Definition and calculation method	2013	2012
Return on equity	(Net Profit / Total Equity) * 100%	38%	45%
Return on assets	(Net Profit / Total Assets) *100%	38%	44%
Cost to income Ratio	Total costs (excluding grant related expenses) / Total Income (Excluding grants) *100%	56%	60%
Earnings per share	Profit attributable to equity shareholders / Number of Ordinary shares in issue	TZS 578	TZS 420
Growth in total assets	(Trend (Current year total assets – Previous year total assets) /Previous year total assets) * 100%	60%	107%

16. FUTURE DEVELOPMENT PLANS

Future development plans centre around improved benefits and quality service delivery to customers through innovative solutions which are driven by technology. In this endeavour, the following priority areas have been identified:

- Diversification of microfinance business by extending the products menu and services;
- Growth of insurance business through brokerage to suit varied needs of customers in all segments;
- Establishment of the Training and Competence Centre for financial inclusion that will offer microfinance training programs;
- Establishment of a centre for innovation to provide a technological solution to microfinance services;
- Growth of retail microfinance services through microfinance windows that are within service centres and CRDB Bank branches;
- Business Advisory support to CRDB Bank Burundi SA in microfinance services;
- Support to CRDB Bank Plc in areas of the subsidiary's competencies.

Report of Directors
for the year ended 31 December 2013

17. BORROWING

The company did not borrow from financial institutions to meet its day to day liquidity management and funding needs.

18. RESULTS AND DIVIDENDS

During the year, CRDB Microfinance Services Company Limited had profit after tax of TZS 4,205 million (2012: TZS 3,057 million), an increase of 37 percent.

The directors do not recommend payment of dividends in respect of the year 2013 (2012: Nil) in order to increase the Company's equity for future growth and transformation.

19. RESOURCES

The company recognises that the human capital is critical towards achieving both short and long term objectives. The company is committed to creating a compelling employee value proposition for long-term sustainability. This is dependent on meeting employees' expectations through fair employment policies, career development, as well as wellness and lifestyle support. Staff development plans, training, management development programmes and employee wellness programmes are ingredients geared towards this objective.

20. PRINCIPAL RISKS AND UNCERTAINTIES

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

Operational risk

Is the risk of loss suffered as a result of inadequacy of, or a failure in internal processes, people, systems or external events. It includes reputation, legal and franchise risks associated with business practices or market conduct that the company or its affiliates may undertake with respect to activities as a principal or as an agent. Management ensures that the company complies with Know Your Customer (KYC) and other internal procedures.

Credit risk

Is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due, for any reason. Credit risk comprises counterparty risk, settlement risk and concentration risk. The management ensures that credit risk is properly identified; evaluated and appropriate measure is taken to manage the inherent risk. Regular reviews of credit process are carried out to identify the gaps and recommend for enhancement of controls.

Compliance risk

Is the risk of legal or regulatory sanctions, financial loss or damage to the reputation that the company may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice that are applicable to its financial services activities.

Report of Directors
for the year ended 31 December 2013

21. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems 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 company has Risk and Compliance department, which is responsible for checking and identifying all the risks and the proper ways to mitigate these risks.

Likewise, the board assessed the internal control systems throughout the financial year ended 31 December 2013 and is of the opinion that they met accepted criteria.

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 relationship between employees and Management for the year 2013. There were no unresolved complaints received by Management from the employees during the year.

Training Facilities

For the year 2013, the company increased its spending for staff training by 31 percent to TZS 385 million in order to improve employee technical skills and hence effectiveness (2012 : TZS 295 million).

Training programs have been and are continually being developed to ensure employees are adequately trained at all levels.

Report of Directors
for the year ended 31 December 2013

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 outsourced to a private service provider.

Health and Safety

The company takes all reasonable and practicable steps to safeguard the health, 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 under various schemes 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 loan, personal loan and other loans.

Persons with Disabilities

It is the company's policy to provide employment for disabled persons wherever practicable. Currently, there is no disabled staff member.

Employees' Benefit Plan

The company makes statutory contributions in respect of staff retirement benefits to licensed social security schemes.

Staffing

The number of employees at the end of the year totalled 86 as compared to 71 at the end of 2012. The annual growth in staffing was 21 percent.

25. GENDER PARITY

The company is an equal opportunity employer. It gives 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, race, religion and disability which does not impair ability to discharge duties. As at 31 December 2013 the company had 73 male (85 percent) and 13 (15 percent) female employees (2012: 61 male (86 percent) and 10 female (14 percent) employees).

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. Donations made to charitable organizations amounted to TZS 16 million (2012: TZS 8.8 million).

Report of Directors
for the year ended 31 December 2013

28. RELATIONSHIP WITH STAKEHOLDERS

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

29. RELATIONSHIP WITH CUSTOMERS

The company objective is to ensure that customers enjoy their experience with us and build on a mutually beneficial and sustainable relationship. In order to create a sustainable business, the Company engages meaningfully with its customers in order to provide them with relevant products and services. The range of microfinance products, services and solutions remain customer centric.

30. ENVIRONMENTAL CONTROL PROGRAMME

The projects financed by the company are required to be both socially responsible for reflecting sound environmental management practices. The company is bound to ensure that the customers to whom we lend evaluate and actively avoid, manage or mitigate the social and environmental impacts of the projects for which they require financing.

31. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The company encourages its employees' initiatives on participating in the CSR activities. Various activities were carried out during the year including supporting the Cooperative Department by providing support for inspection and supervision activities. Likewise, the company continued with training programs aimed at enhancing financial literacy. During the year, a total of TZS 503 million was used to train 4,327 members, 673 Partner MFIs ' Board members, and 240 supervisory committee members of collaborating microfinance institutions (MFIs). Moreover, in an attempt to increase confidence of the community towards the services offered by partner MFIs, the company contributed TZS 15 million used in the construction of MFIs offices, and 15 strong room doors were issued to raise controls in cash management to MFIs, which collects a large amount of cash.

32. AUDITORS

The Annual General Meeting appointed PricewaterhouseCoopers to be the auditor of the company for the year 2013. The auditor, PricewaterhouseCoopers has expressed their willingness to continue in office and is eligible for re-appointment. A resolution proposing the appointment of the company's auditors for the year ending 31 December 2014 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

	12 March 2014
DR. CHARLES KIMEI **CHAIRMAN**	**Date**

Statement of Directors' Responsibilities
for the Year ended 31 December 2013

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 the 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 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.

12 March, 2014

DR. CHARLES KIMEI
CHAIRMAN

Date

Report of the Independent Auditor
to the member of CRDB Microfinance Services Company Limited

We have audited the accompanying financial statements of CRDB Microfinance Services Company Limited, which comprise the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 Act No. 12 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 2013 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 No. 12 of 2002.

Report of the independent Auditor (Continued)
to the member of CRDB Microfinance services Company Limited

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 Act No. 12 of 2002 and for no other purposes.

As required by the Companies Act, CAP 212 Act No. 12 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.

3 April 2014

Michael Sallu, FCPA - PP
For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

Date

Financial Statements
for the year ended 31 December 2013

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2013 TZS '000	2012 TZS '000
Fee and commission income	5	13,683,338	9,738,169
Other operating income	6	586,212	1,201,547
Other operating expenses	7	(3,272,543)	(3,240,833)
Staff costs	8	(4,823,454)	(3,584,530)
Profit before tax		**6,173,553**	**4,114,353**
Income tax expense	9	(1,968,309)	(1,057,018)
Profit for the year		**4,205,244**	**3,057,335**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property and equipment		-	654,829
Total comprehensive income for the year		**4,205,244**	**3,712,164**

Financial Statements
for the year ended 31 December 2013

STATEMENT OF FINANCIAL POSITION	Note	2013	2012
		TZS '000	TZS '000
ASSETS			
Non-current assets			
Property and equipment	10	1,310,847	1,189,021
Intangible assets	11	28,251	96,540
Deferred income tax asset	12	89,776	160,085
		1,428,874	**1,445,646**
Current assets			
Other assets	13	234,709	312,627
Current tax recoverable	14	318,837	220,698
Amount due from parent company	21	8,928,775	4,694,865
Cash and bank balances		231,423	207,624
FSDT grant	15	-	87,675
		9,713,744	**5,523,489**
Total assets		**11,142,618**	**6,969,135**
LIABILITIES AND EQUITY			
Current liabilities			
FSDT grant	15	33,219	-
Accruals and other liabilities	16	33,926	98,906
Total liabilities		**67,145**	**98,906**
Equity			
Share capital	18	728,136	728,136
Retained earnings		9,676,804	5,415,371
Revaluation reserve		670,533	726,722
Total equity		**11,075,473**	**6,870,229**
Total equity and liabilities		**11,142,618**	**6,969,135**

The financial statements on pages 27 to 50 were approved on 12 March 2014 and authorised for issue by the Board of Directors and signed on its behalf by:

DR. CHARLES KIMEI
CHAIRMAN

Financial Statements
for the year ended 31 December 2013

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Revaluation reserve*	Total
	TZS'000	TZS'000	TZS'000	TZS'000
At 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	5,415,371	726,722	6,870,229
At 1 January 2013	728,136	5,415,371	726,722	6,870,229
Profit for the year	-	4,205,244	-	4,205,244
Other comprehensive income:				
Gain on revaluation of property and equipment	-	-		-
Total comprehensive income for the year	-	4,205,244	-	4,205,244
Transfer of excess depreciation	-	80,269	(80,269)	-
Deferred tax on excess depreciation	-	(24,080)	24,080	-
At 31 December 2013	**728,136**	**9,676,804**	**670,533**	**11,075,473**

*Revaluation reserve is made of periodical adjustment arising from the fair valuation of motor vehicles, net of related deferred taxation. The reserve is not available for distribution to the shareholders.

Financial Statements
for the year ended 31 December 2013

STATEMENT OF CASH FLOWS

	Note	2013	2012
		TZS›000	TZS›000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6,173,553**	4,114,353
Adjustments for:			
Depreciation of property and equipment	10	**278,260**	238,556
Amortization of intangible assets	11	**68,288**	68,288
Other write-off		**2**	-
		6,520,103	4,421,197
Movements in working capital items:			
Decrease /(increase) in other assets		**77,918**	(276,921)
Increase/(decrease) in grants		**120,894**	(226,320)
(Decrease)/increase in accruals and other liabilities		**(64,980)**	28,128
Increase in balances due from parent company		**(4,233,910)**	(2,910,178)
Cash generated from operations		**2,420,025**	1,035,906
Income tax paid	14	**(1,996,140)**	(955,530)
Net cash generated from operating activities		**423,885**	80,376
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	10	**(400,086)**	(182,891)
Net cash used in investing activities		**(400,086)**	(182,891)
Net decrease in cash and cash equivalents		**23,799**	(102,515)
Cash and cash equivalents at 1 January		**207,624**	310,139
Cash and cash equivalents at 31 December		**231,423**	207,624
Represented by:			
Cash and bank balances		**231,423**	207,624

Financial Statements
for the year ended 31 December 2013

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 statement of profit or loss and other comprehensive income, the statement of financial position, statement of changes in equity, statement of cash flows and explanatory 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 thousands, 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

The following new standards, amendments and interpretations are effective for accounting period beginning on or after 1 January 2013 and are relevant to the Company.

Amendment to IAS 1, 'Presentation of Financial Statements' (effective 1 July 2012), 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.

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Amended standards which became effective during the year (continued)

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.

(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 2013, 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:

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.

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

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 profit or loss.

(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.

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.

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Impairment (continued)

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.

(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 profit or loss 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.

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 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 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:

Office equipment	years 5
Motor vehicles	years 7
Furniture and fittings	years 5

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.

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

(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.

(k) Employee benefits

Retirement benefits obligations

The Company's contributions in respect of retirement benefit costs are charged to profit or loss in the year to which they relate. The Company makes contributions to licensed social security schemes 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 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.

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

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.

(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.

(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 minimize 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

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk

Interest rate risk

The Company is not exposed to interest rate risk as it does not have interest bearing instruments (2012: Nil).

Foreign exchange risk

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

Price risk

The Company does not hold any financial instruments subject to price risk. (2012: 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 2013 without taking account of the value of any collateral was:

	Fully performing	Past due	Impaired
	TZS' 000	TZS' 000	TZS' 000
Balances due from parent company	8,928,775	-	-
Cash and bank balances	231,423	-	-
Other assets (excluding prepayments)	234,709	-	-
	9,394,907	**-**	**-**

Financial Statements
for the year ended 31 December 2013

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 2012 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	4,694,865	-	-
Cash and bank balances	207,624	-	-
Other assets (excluding prepayments)	207,753	-	-
	5,110,242	**--**	

(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 2013 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	231,423	-	-	-	231,423
Due from related parties	-	-	8,928,775	-	8,928,775
Other assets (excluding prepayments)	234,709	-	-	-	234,709
Total	**466,132**	**-**	**8,928,775**	**-**	**9,394,907**
Financial liabilities					
Accruals and other liabilities	(32,840)	(1,086)	-	-	(33,926)
Total	(32,840)	(1,086)	-	-	(33,926)
Net liquidity position	**433,292**	**(1,086)**	**8,928,775**	**-**	**9,360,981**

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (Continued)

Maturity analysis for financial assets and financial 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 assets					
(excluding prepayments)	207,753	-	-	-	207,753
Total	**415,377**	**-**	**4,694,865**	**-**	**5,110,242**
Financial liabilities					
Accruals and 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**

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.

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.

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

	2013	2012
	TZS'000	TZS'000
Commission on interest income	10,715,997	7,635,412
Commission on deposits mobilisation	1,167,578	976,051
Commission on insurance	1,221,456	596,518
Commission on guarantees	200,448	373,688
Software fee	144,100	111,130
Consultancy fee	64,500	45,370
Warehouse operation income	169,259	-
	13,683,338	**9,738,169**

6. OTHER OPERATING INCOME

	2013	2012
Grants amortization	568,588	903,464
Other income	-	279,730
Uwezeshaji credit scheme loan recovery	17,624	18,353
	586,212	**1,201,547**

Uwezeshaji Credit Scheme was a Government program that intended to promote, support and empower citizens engaged in activities in all sectors of the economy by facilitating access to credit facilities thereby creating additional employment and income. The company is engaged in recovery of these loans.

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

7. OTHER OPERATING EXPENSES

Directors› fees	78,516	66,485
Auditors› fees	39,804	40,727
Depreciation and amortization of intangible assets	346,549	306,845
MFIs training and support	546,542	881,417
Hired services costs	82,169	53,775
Board expenses	333,771	207,237
Consultancy fees	38,441	79,297
Marketing	222,715	212,382
Travelling expenses	548,072	465,564
Motor vehicle costs	451,509	422,604
Telephone and fax	102,973	115,641
Water and electricity	83,514	63,358
Insurance	51,179	56,704
Generator fuel and maintenance	70,250	43,214
Printing and stationery	62,154	36,659
Periodicals	11,439	16,852
Other expenses	202,946	172,072
	3,272,543	**3,240,833**

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

8. STAFF COSTS

	2013	2012
	TZS'000	TZS'000
Salaries and wages	2,949,022	2,053,214
Staff training	385,379	295,099
Social security contribution	403,687	288,105
Provision for post - employment benefits	332,944	243,852
Employer's group endowment scheme	-	230,387
Skills and development levy	185,271	157,185
Leave allowance	163,216	116,445
Bonus payments	251,873	89,394
Medical expenses	82,813	62,449
Others	69,249	48,400
	4,823,454	**3,584,530**

9. INCOME TAX EXPENSE

Current income tax – current year	1,898,000	1,188,950
Current income tax – prior years	-	2
Deferred income tax – current year (Note 12)	(7,011)	90,497
Deferred income tax – prior years (Note 12)	77,320	(222,431)
	1,968,309	**1,057,018**

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

9. INCOME TAX EXPENSE (CONTINUED)

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:

	2013	2012
	TZS'000	TZS'000
Profit before income tax	6,173,553	4,114,353
Tax calculated at the statutory income tax rate (30%)	1,852,066	1,234,306
Tax effect of:		
Non-taxable income		-
Depreciation on non-qualifying assets	33,838	43,571
Expenses not deductible for tax purposes	5,085	1,574
Under provisions in previous years tax- deferred tax	77,320	(222,431)
Under provision of tax in previous years- current tax	-	(2)
Income tax expense	**1,968,309**	**1,057,018**

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

10. PROPERTY AND EQUIPMENT

	Motor vehicles	Office equipment	Furniture	Total
	TZS '000	TZS '000	TZS '000	TZS '000
2013				
Cost or valuation				
At 1 January 2013	1,930,486	348,674	108,138	2,387,298
Additions	271,026	117,493	11,567	400,086
At 31 December 2013	**2,201,512**	**466,167**	**119,705**	**2,787,384**
Accumulated depreciation				
At 1 January 2013	991,500	166,751	40,026	1,198,277
Charge for the year	191,525	66,324	20,411	278,260
At 31 December 2013	**1,183,025**	**233,075**	**60,437**	**1,476,537**
Net book value				
At 31 December 2013	**1,018,487**	**233,092**	**59,268**	**1,310,847**
2012				
Cost or valuation				
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 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**	**1,198,277**
Net book value				
At 31 December 2012	**938,986**	**181,923**	**68,112**	**1,189,021**

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

11 INTANGIBLE ASSETS

	2013	2012
	TZS ‹000	TZS ‹000
Cost		
At 1 January and 31 December	341,442	341,442
Amortization		
At 1 January	244,902	176,614
Charge for the year	68,289	68,288
At 31 December	313,191	244,902
Net book value		
At 31 December	28,251	96,540

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:

	2013	2012
	TZS'000	TZS'000
At 1 January	160,085	28,151
Credit/(charge) to profit or loss (Note 9)	7,011	(90,497)
Under provision in prior year deferred income tax (Note 9)	(77,320)	222,431
At 31 December	**89,776**	**160,085**

13. OTHER ASSETS

Sundry debtors	234,709	207,753
Prepayment	-	104,874
	234,709	**312,627**

Sundry debtors relate to accrued insurance commission of TZS 131.96million (2012: 149.04 million), consultancy fee income of TZS 92.97 million (2012: TZS 16.14 million) and Warehouse operation income TZS 9.78 million (2012: Nil).

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

14. CURRENT TAX RECOVERABLE

	2013	2012
	TZS'000	TZS'000
At 1 January	220,698	454,120
Payments during the year	1,996,140	955,530
Current year tax charge (Note 9)	(1,898,000)	(1,188,952)
At 31 December	**318,837**	**220,698**

15. (a) FSDT GRANT

	2013	2012
	TZS'000	TZS'000
At 1 January	(110,450)	102,516
Grant received during the year	680,790	668,452
Grant amortised to profit or loss	(546,542)	(881,418)
At 31 December	**23,798**	**(110,450)**

(b) FSDT ASSET GRANT

At 1 January	22,775	36,129
Grant amortised to profit or loss	(13,354)	(13,354)
At 31 December	**9,421**	**22,775**
Total	**33,219**	**(87,675)**

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 2013 the amount of USD 415,560 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 2013 amounts to USD 3,806,500.

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

16. ACCRUALS AND OTHER LIABILITIES

	2013	2012
	TZS'000	TZS'000
Accrued expenses	32,840	60,809
Parent company grant (Note 17)	1,086	9,777
Sundry creditors	-	28,320
	33,926	**98,906**

17. PARENT COMPANY GRANT

At 1 January	9,777	18,469
Grant amortised to profit or loss	(8,691)	(8,692)
At 31 December	**1,086**	**9,777**

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

	2013	2012
	TZS'000	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.

	2013	2012
	TZS'000	TZS'000
Profit for the year	4,205,244	3,057,335
Weighted average number of shares ('000)	7,281	7,281
Basic and diluted earnings per share (TZS)	578	420

There were no potentially dilutive ordinary shares outstanding as at 31 December 2013 and 31 December 2012.

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

20. CAPITAL COMMITMENTS	2013	2012
	TZS'000	TZS'000
Amount authorized and contracted for	-	-

21. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, a number of transactions are entered with related parties' i.e. parent company, key management staff, and Directors.

	2013	2012
	TZS'000	TZS'000
Amount due from Parent Company		
At 1 January	4,694,865	1,784,687
Net increase during the year	4,233,910	2,910,178
At 31 December	**8,928,775**	**4,694,865**

The amount due from the parent company mainly arises from commission income receivable.

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 transactions with CRDB Bank Plc as at year end.

	2013	2012
	TZS'000	TZS'000
(i) Fee and commission income*	12,084,023	8,985,151
(ii) Expenses paid by CRDB Bank Plc on behalf of the Company	621,627	601,853

*The Company provides Microfinance loan management services on behalf of its parent company and receives commission of 6%. points out of 17%. points charged to the customers by CRDB Bank Plc (2012: 5 %. points out of 16%. points).

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. Key management personnel comprise Board of Directors, Company Secretary, General Manager and heads of departments who are reporting directly to the General Manager.

Financial Statements
for the year ended 31 December 2013

NOTES (CONTINUED)

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel (Continued)

The remuneration of General Manager and heads of units were as follows:

	2013	2012
	TZS'000	TZS'000
Short term benefits	688,632	561,765
Post-employment benefits	238,560	194,346
	927,192	**756,111**

The Board Secretary was paid a sum of TZS 7.03 million (2012: TZS 6.49 million).

Directors' remuneration

The remuneration for Directors is approved by the Annual General Meeting and for key management personnel is approved by the Board having regard to the performance of individuals and market trends.

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

Name	2013	2012
	TZS'000	TZS'000
Prof. Andrew E. Temu	23,438	21,157
Dr. Deograsias P. Mushi	23,438	21,157
Dr. Charles S. Kimei	10,547	9,588
Mrs. Esther K. Kitoka	7,031	1,599
Mr. Anderson Y. Mlabwa	7,031	6,492
Mrs. Nellie M. Ndosa	7,031	6,492
	78,516	**66,485**

22. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no events after the statement of financial position date which requires any adjustment to the financial statements.

CRDB MICROFINANCE SERVICES COMPANY LIMITED.

CRDB Microfinance Services Company Ltd | Head Office: CRDB Bank House 2nd Floor, Mikocheni Industrial Area, P. O. Box 268, Dar Es Salaam, Tanzania Tel: +255 22 2923000/1 | Fax: +255 22 2923002 | Email: Info@crdbmicrofinance.com | Website: Http//www.microfinance.co.tz

CRDB Microfinance

A Subsidiary of CRDB Bank PLC