

MUCORA BANK PUBLIC LIMITED COMPANY
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2017



TAC ASSOCIATES

**P.O. BOX 580
DAR ES SALAAM
TANZANIA**

MUCOBA BANK PUBLIC LIMITED COMPANY**MUCOBA BANK PUBLIC LIMITED COMPANY****AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2017**

TAC Associates
Certified Public Accountants
10 Malik Road, Upanga
P.O. Box 580;

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Dar es Salaam, Tanzania

MUCOBA BANK PUBLIC LIMITED COMPANY

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MUCOBA BANK PUBLIC LIMITED COMPANY**COMPANY INFORMATION**

Directors	: Mr. Attilio Mohele : Mr. Golden Sanga : Ms. Marcelina Mkini : Mr. Ernest Usangira : Dr. Dominicus Kasilo : Mr. Yessaya Mwakyalanda
Chief Officers	: Mr. Ben Mahenge : Mr. Job Malekela : Mr. Yoely Sangana : Mr. Philip Raymond
Company Secretary	: Mr. Ben Mahenge : P. O. Box 147 : Mafinga, Iringa : Tanzania
Independent Auditors	: TAC ASSOCIATES : Certified Public Accountants : P.O. Box 580 : Dar-es-Salaam
Bankers	: Bank of Tanzania (BOT) : NMB Bank PLC : NBC Bank PLC : CRDB Bank PLC : DCB Commercial Bank : Mwanga Community Bank : TIB Development Bank : Akiba Commercial Bank
Registered Office	: Market Street : Plot No: 3,4,5 Block B : P.O. Box 147 : Mafinga, Iringa : Tanzania
Contact	: Telephone 026- 2772165 : Fax 026- 2772075 : mucoba@mucobatz.com

MUCOBA BANK PUBLIC LIMITED COMPANY**DIRECTORS' REPORT FOR THE YEAR ENDED****31ST DECEMBER, 2017****1.0 Preamble**

The Directors hereby present their report together with the audited financial statements for the year ended 31st December, 2017. The Bank was incorporated in December 1998 and commenced its operations in June, 1999. Due to expansion of its operational area the name was changed from Mufindi Community Bank to MUCOBA BANK PUBLIC LIMITED COMPANY. The name was changed with effect from 29th May, 2014 vide certificate of change of name no 35471. The Bank was listed in Dar es Salaam Stock Exchange Market (DSE) on 08th June, 2016

2.0 Activities

The Bank is registered to carry on the business of banking under the Banking and Financial Institutions Act, 2006. The Bank offers wide range of financial services from deposit taking, issuing different types of loans and agency services.

3.0 Results

The bank recorded a 1.86% growth in deposits (from TZS 14.31 billion in 2016 to TZS 14.58 billion in 2017), a 17.86% increase in profit before tax (from TZS 381.48 million in 2016 to TZS 449.63 million in 2017), a 8.35% decrease in loan portfolio (from TZS 10.65 billion in 2016 to TZS 9.76 billion in 2017) and a 3.12% growth in capital during the year 2017 (from TZS 3.2 billion in 2016 to TZS 3.3 billion in 2017).

Such positive results were attributed to increased outreach, increased loan portfolio and promotional activities in line with compliance in the government's Rural Financial Deepening policy.

It was during this period that the bank made a survey and realized actual financial needs of people in the rural areas and found the reason for establishing more new customer service centers in various parts of the region in 2017, in order to serve a bigger number of un-banked population.

The bank has always been in the forefront in ensuring that capacity building for its workforce is given due consideration. Staff are continuously getting

MUCOBA BANK PUBLIC LIMITED COMPANY

training opportunities, which empower them to work efficiently in this competitive and challenging environment.

The bank pays special tribute to TRIAS, a Belgian-based international non-governmental organization, to Marketing Infrastructure Value Addition & Rural Finance (MIVARF), International Solidarity for Development and Investment (SIDI), Financial Sector Deepening Trust (FSDT) and Alliance for Green Revolution in Africa (AGRA) for their tireless support in capacity building, working capital and provision of working facilities to the bank.

4.0 Solvency

Management of a bank's capital is very crucial in safeguarding the bank's ability to continue as a going concern. The Bank monitors its capital adequacy employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania, for supervisory purposes. The required information is filed with Bank of Tanzania on monthly basis.

5.0 Directors

The directors of the Bank who held office during the year under review are as indicated below:

S/No.	Name	Position	Age/ Years	Qualification/Discipline	Nationality	Date of Appoint ment
1.	Mr. Atillio Mohele	Board Chairman	74	-Holder of BA and MA (Economics) -Former Director with CRDB Bank -Current Independent consultant	Tanzanian	August 2015
2.	Mr. Ernest Chanay Usangira	Board Member	71	-Holder of BSc (Ed) with Honours - Founder Board member of MUCOBA representing MET -Currently businessman	Tanzanian	August 2015
3.	Mr. Golden Sanga	Board Member	60	-Holder of Certificate in Teaching -Currently Head Teacher & Chairman of Mufindi Teachers SACCOS- Mafinga.	Tanzanian	August 2015
4.	Ms. Marcellina Mkini	Board Member	59	-Holder of Diploma in Agricultural Nutrition - Currently she is the Chairperson of FARAJA SACCOS - Mafinga	Tanzanian	August 2015
5.	CPA Dr.Dominicus Kasilo	Board Member	63	-Holder of PHD in Business Administration. -MBA (Industrialization and	Tanzanian	April 2016

MUCOBA BANK PUBLIC LIMITED COMPANY

				strategic management), ACPA and Advanced Diploma in Accountancy -Currently Lecturer at Ruaha Catholic University - Iringa		
6.	Mr. Yessaya Mwakyalanda	Board Member	54	-Holder of Advanced Diploma in Cooperative Business management and Ordinary Diploma in Cooperative Business Management. -Currently Independent Management Consultant	Tanzanian	May 2016

6.0 Board Committees

The Bank has two managing supervisory committees namely Credit and Human Resources Board Committee and Finance, Audit, Risk and IT Board committee.

6.1 Credit and Human Resources Board Committee

The Committee has the main function of deliberating issues relating to Credit and Human Resources. This comprises of the following Board members;

S/No.	Name	Position
1.	Mr. Ernest Chanay Usangira	Chairman
2.	Ms. Marcellina Mkini	Member
3.	Mr. Golden Sanga	Member

In year 2017 the Committee had six meetings to deliberate various Credit and Human Resources issues.

6.2 Finance, Audit, Risk and IT Board Committee

The Finance, Audit, Risk and IT Board Committee has the main function of deliberating Finance, Audit, Risk and Information Technology matters. It is comprised of the following Board members;

S/No.	Name	Position
1.	CPA Dr. Dominicus Kasilo	Chairman
2.	Mr. Ernest Usangira	Member
3.	Mr. Yesaya Mwakyalanda	Member

In year 2017 the Committee had five sittings which deliberated various issues relating to Finance, Audit, Risk and Information Technology.

MUCOBA BANK PUBLIC LIMITED COMPANY**7.0 Employees Welfare****7.1 Management /Employees Relationship**

Relationship between employees and the management was cordial. There were no unresolved complaints received by the management from the employees during the year.

Staff in various departments of the Bank i.e operations, credit and finance/ administration, played their role with adequate success. Marketing staff under the operations department advised the management on different new products to be introduced in the market and also new areas of investment which impact positively on the Bank's mission.

7.2 Training Facilities

During the year under review, Board members and staff received training in various aspects of banking and other activities. Both internally and externally trainings were conducted and attended during the year. Most of the trainings attended were organized by Bank Of Tanzania (BOT) and Tanzania Institute of Bankers. During the year the bank spent TZS 218.3 million on training in order to improve technical skills and performance of its employees.

7.3 Medical Assistance

The Bank reimburses its employees, their spouse and up to four of their children. Medical expenses incurred are reimbursed upon submission of medical prescriptions and receipts on a non-discriminatory basis. Such medical expenses are included under staff costs.

8.0 Challenges

The bank continued to face several challenges during the year 2017 which affected its performance objectives in portfolio quality, deposit growth, share capital growth and outreach expansion. As majority of businessmen are small and medium size in nature, their success depends largely on the harvesting of timber and agricultural crop in the region. The year 2017 witnessed a squeeze in timber harvesting- permits which directly affected the borrowers' loan repayments, retail businesses and slowed deposit growth. Also low prices of agricultural crops affected loan performance and deposit growth.

MUCOBA BANK PUBLIC LIMITED COMPANY

9.0 Future Bank Expectations

The strategic plan of the Bank for five years (2014-2018) focuses in increased outreach, use of technology as a means to reach the un-banked and to better serve customers.

The Bank also decided to employ more staff with a view to having them stationed in those centres in order to market services of the Bank, offer banking services, and provide confidence for rural deposits.

The introduction of a new customer service centre in Iringa Municipality will call for installation of an ATM to meet our customers' expectations. For other remote rural areas the Bank will serve customers using mobile Banking SMS banking, Point of sales (POS) devices, M-Pesa and Tigo-pesa. All these expected developments depend on adequacy in both capital and liquidity which the Bank management is working hard to ensure are achieved.

10.0 Shareholders

The Shareholders of the Bank are as follows;

	No. of shares	Nominal Value TZS.	Percentage
Individuals (TZS 500,000/= and above)	3,079,601	769,900,250	37.75%
Individuals (below TZS 500,000/=)	1,057,723	264,430,750	12.97%
Companies and Institutions	1,353,222	338,305,500	16.59%
Groups	<u>2,666,424</u>	<u>666,606,000</u>	<u>32.69%</u>
	<u>8,156,970</u>	<u>2,039,242,500</u>	<u>100.00%</u>

11.0 Corporate Social Responsibility

MUCOBA Bank PLC values giving back to the communities by ensuring sustainable social, economical and environmental impact to the community. During the year the Bank participated in number of endeavors that included support for both government and non-government institutions with a special focus on education, health and other social services. During the year the bank donated Tsh18.1 million.

MUCOBA BANK PUBLIC LIMITED COMPANY**12.0 Going Concern**

During the year, the Bank made a profit of TZS 449.6 million before tax. The Directors also expect additional financial assistance from donors and further capital contribution to increase the capital base of the Bank.

13.0 Dividend

The directors recommend the payment of dividend of TZS 17 per share from 2016 after tax profit and it was approved by the Annual General Meeting. Total amount of dividend recommended equals to TZS 138,668,524.00 which is 44.06% of net profit after tax.

14.0 Related Parties 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.

The volumes of related party transactions for the year and the corresponding outstanding amounts at the year-end are as stated under note number 22 to the financial statements.

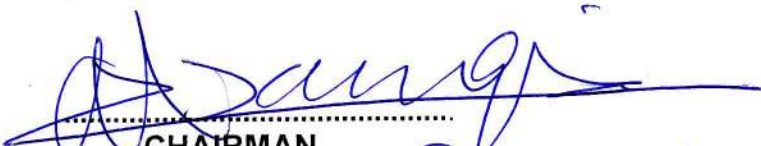
15.0 Annual General Meeting

The Bank conducts annual general meeting as per Bank's articles of association and as per requirement by regulatory bodies. During the year the Bank conducted its 18th Annual general meeting on 26th August, 2017. The Bank encourages shareholders to attend annual general meetings or to appoint their representatives in case they fail to attend.

16.0 Independent Auditors

TAC Associates were appointed by the Annual General Meeting held on 26th August, 2017 as the auditors of the Bank's financial statements for the year ended 31st December, 2017.

BY ORDER OF THE BOARD


.....
CHAIRMAN
for

DATE 31/03/2018


.....
DIRECTOR

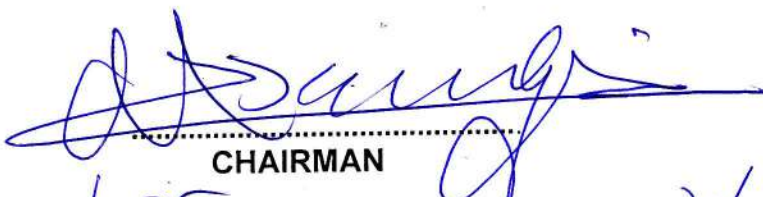
MUCOBA BANK PUBLIC LIMITED COMPANY**STATEMENT OF DIRECTORS' RESPONSIBILITY**

The directors are required by the Companies Act, 2002 to prepare the financial statements of each financial year that give a true and fair view of the state of affairs of the company (hereinafter referred to as the "bank" in this report and the financial statements) as at the end of the financial year and of the profit or loss of the Bank for that year.

The Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgment and estimates have been made in the preparation of the financial statements for the year ended 31st December, 2017. The Directors also confirm that International Financial Reporting Standards (IFRS) have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and which enable them to ensure that the financial statements comply with the Companies Act, 2002. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

Consequently, the financial statements on pages 14 to 28 were approved by the Directors at a Board meeting and signed on its behalf by:


.....
CHAIRMAN
for

DATE 31/03/2018


.....
DIRECTOR

MUCOBA BANK PUBLIC LIMITED COMPANY

DECLARATION OF THE HEAD OF FINANCE

I JOB MALEKAT the Manager of Finance and Administration of MUCOBA Bank Public Limited Company hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December, 2017 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view in all material respect, the financial position, financial performance and cash flows of the MUCOBA Bank Public Limited Company as at 31st December, 2017, in accordance with the International Financial Reporting Standards (IFRS) and that they have been prepared based on properly maintained financial records.

FINANCE MANAGER

POSITION:

[Signature]

SIGNATURE

NBAA Membership No.:

DATE: 31/03/2018

MUCOBA BANK PUBLIC LIMITED COMPANY**INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS**

To: Mr. A. Mohele,
Board Chairperson,
MUCOBA Bank Public Limited Company,
P.O. Box 147,
MAFINGA.

**RE: INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF
MUCOBA BANK PUBLIC LIMITED COMPANY FOR THE FINANCIAL YEAR
ENDED 31ST DECEMBER, 2017**

Unqualified Opinion

We have audited the accompanying financial statements of MUCOBA Bank Public Limited Company which comprise the Statement of Financial Position as at 31st December, 2017, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 18 to 28 of this report.

In our opinion, the financial statements present fairly, in all material respects, the financial position of MUCOBA Bank Public Limited Company as at 31st December, 2017 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and Banking and Financial Institutions Act, 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of MUCOBA Bank Public Limited Company in accordance with the ethical requirements that are relevant to our audit of financial statements in United Republic of Tanzania and have fulfilled other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

MUCOBA BANK PUBLIC LIMITED COMPANY**Key Audit Matters**

This section of our auditor's report is intended to describe the matters selected from those communicated with MUCOBA Bank Public Limited Company management that, in our professional judgment, were of most significance in our audit of the financial statements. We have determined that there are no such matters to report.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making the 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 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 management, as well as evaluating the overall presentation of the financial statements.

MUCOBA BANK PUBLIC LIMITED COMPANY**Report on Other Legal and Regulatory Requirements**

We are reporting, as required by the Tanzania Companies Act, 2002, that in our opinion:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- Proper books of account have been kept by the Bank as seen from our examination of those books;
- The Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account.

TAC ASSOCIATES (Certified Public Accountants)


S. R. SAYORE - FCCA
MANAGING PARTNER


M. KAVALO - ACPA
ENGAGEMENT PARTNER

DAR ES SALAAM

DATE: 03 APR 2018

MUCOBA BANK PUBLIC LIMITED COMPANY

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2017

	NOTE	2017 TZS '000'	2016 TZS '000'
INTEREST INCOME	3	2,985,839	2,889,835
INTEREST EXPENSE	4	<u>(762,113)</u>	<u>(677,733)</u>
NET INTEREST INCOME		2,223,726	2,212,102
OTHER INCOME	5	<u>1,351,657</u>	<u>1,175,888</u>
TOTAL OPERATING INCOME		3,575,383	3,387,990
OPERATING EXPENSES			
STAFF COSTS	6	(1,596,657)	(1,483,964)
OTHER GENERAL AND ADMINISTRATIVE EXPENSES	7	(1,221,465)	(1,221,370)
DEPRECIATION AND AMORTIZATION		<u>(222,207)</u>	<u>(196,371)</u>
TOTAL OPERATING EXPENSES		<u>(3,040,329)</u>	<u>(2,901,705)</u>
OPERATING PROFIT		535,054	486,285
PROVISION FOR BAD AND DOUBTFUL DEBTS		<u>(85,428)</u>	<u>(104,805)</u>
PROFIT BEFORE TAX		449,626	381,480
TAXATION	8(a)	<u>(134,888)</u>	<u>(114,444)</u>
		314,738	267,036
ADD:			
OTHER COMPREHENSIVE INCOME		<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>314,738</u>	<u>267,036</u>

Auditors Report is on pages 11 to 13. The Financial Statements on pages 14 to 28 were approved by the Board of Directors on 31/03/18 and were signed on its behalf by:



CHAIRMAN



SECRETARY

DATE

31/03/2018

MUCOBA BANK PUBLIC LIMITED COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2017

	NOTE	31.12.2017 TZS'000	31.12.2016 TZS'000
ASSETS			
Cash in Hand		1,352,492	852,493
Cash Balance with Other Banks	9	2,326,434	1,371,658
Loans and Advances to Customers	10(a)	9,764,717	10,654,256
Other Assets	11	7,180,349	6,141,885
Property, Plant and Equipment	12	543,242	544,839
Intangible Assets	13	215,374	142,319
Tax Recoverable	8(b)	(7,620)	(16,758)
TOTAL ASSETS		<u>21,374,988</u>	<u>19,690,692</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued Share Capital	14	2,039,243	2,039,243
Advance Towards Share Capital		0	0
Preference Shares - FSDT	15	622,500	622,500
Capital Grants	16	22,444	89,819
Regulatory Reserve	17	504,923	480,774
General Reserve	18	88,021	96,254
Retained Earnings/(Loss)		<u>706,340</u>	<u>579,638</u>
Total Capital and Reserves		<u>3,983,471</u>	<u>3,908,228</u>
Current Liabilities			
Deposits	19	14,579,278	14,312,361
Other Liabilities	20	<u>2,812,239</u>	<u>1,470,103</u>
Total Current Liabilities		<u>17,391,517</u>	<u>15,782,464</u>
TOTAL EQUITY AND LIABILITIES		<u>21,374,988</u>	<u>19,690,692</u>

Auditors Report is on pages 11 to 13. The Financial Statements on pages 14 to 28 were approved by the Board of Directors on 31/03/18 and were signed on its behalf by:



CHAIRMAN



SECRETARY

DATE

31/03/2018

MUCOBA BANK PUBLIC LIMITED COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2017

	Share Capital	Preference Shares	Advance Towards Share Capital	Retained Profit/ (Loss)	Capital Grants	General Provisions	Regulatory Reserve	Total
	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'
As at 1/01/2016	828,038	622,500	753,427	939,691	199,151	0	16,182	3,358,989
Issued during the year	1,211,205	0	(753,427)	0	0	0	0	457,778
Profit/Loss for the Year	0	0	0	267,036	0	0	0	267,036
General provisions	0	0	0	(96,254)	0	96,254	0	0
Amortization of Grant	0	0	0	0	(109,332)	0	0	(109,332)
Prior Year Adjustment	0	0	0	0	0	0	0	0
Prior year taxes	0	0	0	0	0	0	0	0
Dividend declared	0	0	0	(66,243)	0	0	0	(66,243)
Regulatory reserve	0	0	0	(464,592)	0	0	464,592	0
As at 31/12/2016	2,039,243	622,500	0	579,638	89,819	96,254	480,774	3,908,228
As at 1/01/2017	2,039,243	622,500	0	579,638	89,819	96,254	480,774	3,908,228
Issued during the year	0	0	0	0	0	0	0	0
Profit/Loss for the Year	0	0	0	314,738	0	0	0	314,738
General provisions	0	0	0	8,234	0	(8,234)	0	0
Amortization of Grant	0	0	0	0	(67,375)	0	0	(67,375)
Prior year taxes	0	0	0	(33,451)	0	0	0	(33,451)
Dividend declared	0	0	0	(138,669)	0	0	0	(138,669)
Regulatory reserve	0	0	0	(24,150)	0	0	24,150	0
As at 31/12/2017	2,039,243	622,500	0	706,340	22,444	88,020	504,924	3,983,471

Auditors Report is on pages 11 to 13. The Financial Statements on pages 14 to 28 were approved by the Board of Directors on 31/03/2018 and were signed on its behalf by:


CHAIRMAN

DATE: 31/03/2018

SECRETARY

MUCOBA BANK PUBLIC LIMITED COMPANY

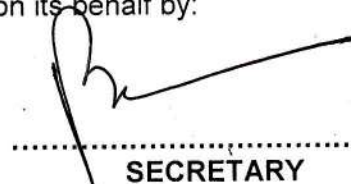
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2017

	NOTE	2017 TZS '000'	2016 TZS '000'
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax			381,480
		449,626	
Adjustment for items not involving movement of cash:-			
Depreciation		222,207	196,371
Adjustments		0	0
Prior year adjustment		0	0
Net cash inflows from/(used in) operating activities before changes in working capital items		<u>671,833</u>	<u>577,851</u>
CHANGES IN WORKING CAPITAL ITEMS			
Loans and advances		889,539	(741,120)
Other assets		(1,038,464)	(1,818,854)
Deposits		266,917	648,138
Other liabilities		<u>1,342,136</u>	<u>325,448</u>
		<u>1,460,128</u>	<u>(1,586,388)</u>
Cash inflows from/(used in) operating activities		2,131,961	(1,008,537)
Tax paid		<u>(177,477)</u>	<u>(92,740)</u>
Net cash inflows from/(used in) operating activities		<u>1,954,484</u>	<u>(1,101,277)</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:			
Purchase of Property, Plant and Equipment & Intangible Assets		(293,665)	(218,073)
Dividends issued		(138,669)	(66,243)
Disposal of Property, Plant and Equipment		0	0
Net cash inflows from/(used in) investing activities		<u>(432,334)</u>	<u>(284,316)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:			
Issue of shares		0	457,778
Grant received		0	0
Grant amortised		<u>(67,376)</u>	<u>(109,332)</u>
Net cash inflows from/(used in) investing activities		<u>(67,376)</u>	<u>348,446</u>
NET CASH INFLOWS/(OUTFLOWS) FOR THE YEAR		1,454,774	(1,037,147)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR		<u>2,224,152</u>	<u>3,261,299</u>
BALANCE AS AT 31 ST DECEMBER		<u>3,678,926</u>	<u>2,224,152</u>

Auditors Report is on pages 11 to 13. The Financial Statements on pages 14 to 28 were approved by the Board of Directors on 31/03/18 and were signed on its behalf by:


 for CHAIRMAN

DATE 31/03/2018


 SECRETARY

MUCOBA BANK PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1.0 BASIS OF ACCOUNTING

The financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRS). The Standards also encompass the International Accounting Standards (IAS), International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretation Committee (SIC).

All existing and currently applicable IFRSs as of 31st December, 2017 were observed. The financial statements are presented in Tanzania shillings (TZS) and the amounts are rounded to the nearest thousands, except where otherwise indicated.

NOTE: 2 ACCOUNTING POLICIES

(a) Interest Income and Expense

Interest income and expense are recognized in the statement of comprehensive income on the accrual basis. Interest on loans and advances is accrued to income unless reasonable doubt exists with regard to its recoverability.

(b) Fees and Commission Income

Fees and commission income is recognized in the statement of comprehensive income on the accrual basis.

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation on property, plant and equipment is calculated on a straight line method based on the cost of the assets at the following rates:

	<u>%</u>
Motor vehicles	25
Motor cycles	25
Office Equipment	25
Office Furniture & Fittings	20
Application Software	25

MUCOBA BANK PUBLIC LIMITED COMPANY

Assets purchased during the year are depreciated from the date the assets were put into use up to the end of the financial year under reference.

Property, plant and equipment are periodically reviewed for impairment. If the carrying value of an asset is estimated to be greater than its recoverable amount, it is written down to its estimated recoverable amount.

Costs incurred on computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortization and accumulated impairment losses.

(d) **Provision for Bad and Doubtful Debts**

Provision for bad and doubtful debts is made in accordance with International Financial Reporting Standards (IFRS). Provisions for loan impairment are established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

In case IFRS provision is less than Bank of Tanzania (BOT) provision a special reserve account is created through an appropriation of distributable reserves to eliminate the shortfall. This reserve is not part of the Bank's core capital.

However, the Provision for Bad and Doubtful debts governed by section 15(a) of the Banking and Financial Institutions Act, 2006 differs with the International Financial Reporting Standards. In order to facilitate compliance with the Bank of Tanzania guidelines, regulatory non-distributable reserve have been created in the accounts amounting to TZS 504,922,883.

(e) **Retirement Benefits**

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

MUCOBA BANK PUBLIC LIMITED COMPANY

(f) Dividends Distribution

Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until approved at the Annual General Meeting. Payment of dividends is subjected to withholding tax at the enacted rate of 10%.

(g) Capital Adequacy

The Bank monitors the adequacy of its capital using ratios established by the Bank of Tanzania (BOT). These ratios measures capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, off balance sheet commitments and market and other risk positions at a weighted amount to reflect their relative risks. The Central bank requires MUCOBA BANK PLC to:

- Maintain at all time a minimum of core capital of not less than two billion shillings
- Maintain Core capital ratio of not less than twelve and one half per cent of its total risk-weighted assets and off balance sheet exposure; and
- Maintain total capital ratio of not less than fourteen and one half per cent of its total risk weighted assets and off balance sheet exposure

The Bank's capital is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Intangible assets and prepaid expenses are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, revaluation reserve and loan portfolio general provision.

During the year as per note 15, the Bank complied with minimum capital requirements as stipulated in the Banking and financial Institutions Act, 2006.

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(h) Grants

Grants are recognized when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of PPE (grants related to assets) are generally off set against the acquisition or production costs of the respective assets and reduce future depreciations accordingly. Grants awarded for other than non-current assets (grants related to income) are reported in the Consolidated Statements of Income under the same functional area as the corresponding expenses. They are recognized as income over the periods necessary to match them on a systematic basis to the costs that are intended to be compensated. Grants for future expenses are recorded as deferred income.

(i) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprises cash and amounts due from other banks and Bank of Tanzania.

NOTE: 3 INTEREST INCOME

	2017	2016
	TZS '000'	TZS '000'
Loans	2,922,153	2,721,239
Fixed Deposits	63,686	168,596
TOTAL	2,985,839	2,889,835

NOTE: 4 INTEREST EXPENSE

Savings Deposits	265,380	258,557
Fixed Deposits	340,268	275,752
Borrowings	156,465	143,424
TOTAL	762,113	677,733

NOTE: 5 OTHER INCOME

Saving Administration Income	16,634	16,487
Loan Administration Income	147,498	198,841
Loan Application Fee	16,280	16,402
Fines Income	204,781	197,702
Revenue Grant	635,000	383,805
Other Income	331,464	362,651
TOTAL	1,351,657	1,175,888

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NOTE: 6 STAFF COSTS

	2017	2016
	TZS '000'	TZS '000'
Salaries and Benefits	1,217,473	1,181,912
Social Security Contributions	160,837	132,540
Training and Seminars	218,347	169,512
TOTAL	1,596,657	1,483,964

NOTE: 7 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Audit Fees	16,030	13,030
Casual Labours	855	3,608
Rent	27,928	23,180
Board Expenses	66,050	44,673
Other Professional /Consultancy Fees	119,579	64,411
Deposit Insurance Fund	21,290	19,103
Motor Cycle/ Running Car Expenses	65,777	65,877
Stationery	61,123	50,342
Insurance	9,962	17,687
Maintenance Cost	95,747	115,596
Marketing and Advertisement	183,539	155,819
Postage, Telephone and Internet	113,707	103,168
Transport and Travelling	116,414	193,280
Bank Charges	18,870	14,398
Utilities	18,204	17,689
Security	98,110	91,628
Subscription	5,509	6,847
Other Expenses	182,771	221,034
TOTAL	1,221,465	1,221,370

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NOTE: 8 TAXATION

(a)		2017	2016
		TZS '000'	TZS '000'
	Tax Charge for the Year	134,888	114,444
	TOTAL	134,888	114,444
(b) Tax payable/recoverable is made up as follows;			
	Balance as at 1 st January	(16,758)	4,946
	Tax charge for the year	(134,888)	(114,444)
	Tax charge for prior years	(33,451)	0
	Tax paid for prior year	33,451	0
	Tax paid during the year	144,026	92,740
	Balance as at 31 st December	<u>(7,620)</u>	<u>(16,758)</u>

NOTE: 9 CASH BALANCES WITH OTHER BANKS

	31.12.2017	31.12.2016
	TZS '000'	TZS '000'
Fixed Deposits (FDR)	610,000	670,000
Saving Accounts	1,716,434	701,658
TOTAL	2,326,434	1,371,658

NOTE: 10(a) LOANS AND ADVANCES

Term Loan	10,288,765	11,177,568
Allowance for Probable Losses (10b)	(440,321)	(354,895)
Interest in Suspense	(83,727)	(168,417)
TOTAL	9,764,717	10,654,256

10(b) MOVEMENT OF PROVISION FOR IMPAIRMENT

As at 1 st January	354,895	250,090
Additional provision during the year	85,426	104,805
Loan write off during the year	0	0
As at 31 st December	<u>440,321</u>	<u>354,895</u>

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NOTE: 11 OTHER ASSETS

	31.12.2017	31.12.2016
	TZS '000'	TZS '000'
Stationery Stocks	19,969	12,690
Prepayments	264,721	342,297
Staff Advances	87,051	107,484
Accrued Interest	3,133,980	2,873,138
Cash Shortage	255,267	160,628
Accounts Receivable	3,422,023	2,648,310
Allowance for Probable Losses	(2,662)	(2,662)
TOTAL	7,180,349	6,141,885

NOTE: 12 PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles TZS'000	Motor Cycles TZS'000	Office Equipment TZS'000	Furniture and Fittings TZS'000	Building WIP TZS'000	TOTAL TZS'000
Cost						
As at 1 st January, 2017	72,678	113,600	620,624	94,361	208,102	1,109,365
Additions	0	0	155,711	2,993	0	158,704
As at 31st December, 2017	72,678	113,600	776,335	97,354	208,102	1,268,069
Depreciation						
As at 1 st January, 2017	57,536	83,804	397,324	25,862	0	564,526
Charge for the year	15,141	16,963	112,878	9,076	6,243	160,301
As at 31st December, 2017	72,677	100,767	510,202	34,938	6,243	724,827
Net Book Amount						
As at 31 st December, 2017	1	12,833	266,133	62,416	201,859	543,242
As at 31 st December, 2016	15,142	29,796	223,300	68,499	208,102	544,839

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NOTE: 13 INTANGIBLE ASSETS

	Application Software TZS'000
Cost	
As at 1 st January, 2017	307,466
Additions	<u>134,961</u>
As at 31 st December, 2017	<u>442,427</u>
Amortization	
As at 1 st January, 2017	165,147
Charge for the year	<u>61,906</u>
As at 31 st December, 2017	<u>227,053</u>
Net Book Amount	
As at 31 st December, 2017	<u>215,374</u>
As at 31 st December, 2016	<u>142,319</u>

NOTE: 14 SHARE CAPITAL

Authorized Shares:	No. of Shares	2017 TZS'000	2016 TZS'000
As at 1 st January 200,000,000 ordinary shares of TZS 250 each	<u>200,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
As at 31 st December	<u>200,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Issued and Fully Paid up Shares:			
As at 1 st January			
8,156,970 ordinary shares of TZS 250 each	8,156,970	2,039,243	828,038
Ordinary shares issued during the year	<u>0</u>	<u>0</u>	<u>1,211,205</u>
As at 31 st December	<u>8,156,970</u>	<u>2,039,243</u>	<u>2,039,243</u>

NOTE: 15 PREFERENCE SHARES

The Bank signed a Memorandum of Understanding (MOU) with M/S Financial Sector Deepening Trust (FSDT) in 2015, whereby, the former issued preference shares worth TZS 622.5 million to FSDT in the same year, redeemable in three years from 2017. In line with BOT regulations, a portion of it qualifies for computation of Total Capital, including the ratio of Total Capital to Total Risk Weighted Assets of the bank.

MUCOBA BANK PUBLIC LIMITED COMPANY

NOTE: 16 CAPITAL GRANTS

The Bank has been working towards provision of financial services to the society on its own as well as with the support of various donors including government support projects. As at 31st December, 2017 the Bank was under support of two Government projects namely Marketing Infrastructure Value Addition and Rural Finance (MIVARF) and Financial Sector Deepening Trust (FSDT). Both had been engaged to support the Bank's mission on training, MIS upgrading and System Development, Product Development and Outreach and Staff Mobility.

The amounts involved as at 31st December, 2016 and 2017 is as follows:-

	DONOR	31.12.2017 TZS	31.12.2016 TZS
1	MIVARF	15,187,500	25,476,423
2	FSDT	7,256,250	64,442,576
	TOTAL	22,443,750	89,918,999

NOTE: 17 REGULATORY RESERVE

A special non distributable reserve of TZS 504.9 million has been created with regard to provision for bad and doubtful debts computed according to IFRS, which is lower than corresponding amount computed in line with Banking and Financial Institutions Act. Corresponding amount for the previous year (2016) was TZS 480.7 million.

Section 26 (2) of Banking and Financial Institutions Regulations (Management of Risk Assets) directs that where provisions computed according to IFRS are less than those required by the regulations, a special non distributable reserve shall be created through an appropriation of distributable reserves to eliminate the shortfall.

NOTE: 18 GENERAL RESERVE

General reserve of TZS 88.02 million represents provision of 1% on unclassified loans disclosed in line with the Banking and Financial Institution Act. Corresponding amount for the previous year was TZS 96,254.00 million.

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NOTE: 19 DEPOSITS

Interest Bearing

	31.12.2017	31.12.2016
	TZS '000'	TZS '000'
Savings Deposits	11,789,945	11,060,168
Time Deposits	2,785,890	3,117,435
Special Deposits	3,443	134,758
TOTAL	14,579,278	14,312,361

NOTE: 20 OTHER LIABILITIES

	31.12.2017	31.12.2016
	TZS '000'	TZS '000'
Borrowing from Other Institutions	2,150,000	750,000
Accrued Expenses	156,996	345,307
Subordinated Debts	300,000	300,000
Accounts Payable	205,243	74,796
TOTAL	2,812,239	1,470,103

NOTE: 21 CORE CAPITAL COMPUTATIONS

(i) CORE CAPITAL

As per the requirement of BOT the bank shall commence operations with a core capital of not less than two billion shillings or such higher amount as the Bank may determine

	31.12.2017	31.12.2016
	TZS '000'	TZS '000'
Issued and Fully Paid up Capital	2,039,243	2,039,243
Retained Earnings	706,340	579,639
Capital Grants	22,444	89,819
Prepaid Expenses	(264,721)	(342,299)
Application Software	(215,375)	(142,319)
Preference Shares	0	0
TOTAL	2,287,931	2,224,083

(ii) TOTAL CAPITAL

	2,287,931	2,224,083
Core Capital	2,287,931	2,224,083
Preference Share - FSDT	622,500	622,500
Subordinated Debt	300,000	300,000
Loan Portfolio General Provisions	88,021	96,254
TOTAL	3,298,452	3,242,837

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(iii) CAPITAL RATIOS

	Required Ratio	Bank's Ratio	Bank's Ratio
		2017	2016
Total Risk Weighted Assets and off Balance Sheet Exposures		16,391,798	16,356,341
Tier 1 Capital	12.50%	13.96%	13.60%
Tier 2 Capital	14.50%	20.12%	19.83%

NOTE: 22 RELATED PARTIES TRANSACTIONS

Related party transactions for the year and the corresponding outstanding amounts at the year-end are as follows;

Related Party Transactions	31.12.2017 TZS 000	31.12.2016 TZS 000
Loans to:		
Management Board	6,000	15,625
Management personnel	0	9,533
Fees	5,000	5,000
Allowances	48,705	7,388
Key Management Personnel:		
Salaries	285,000	270,000
Other Benefits	116,430	45,000
TOTAL	<u>461,135</u>	<u>352,546</u>

NOTE: 23 OFF - SHORE BALANCE SHEET ITEMS

There were no off - shore balance sheet items as at the reporting date.

NOTE: 24 CONTINGENT LIABILITIES

There were not contingent liabilities as at the year end.

NOTE: 25 CAPITAL COMMITMENT

There were no capital commitments neither approved but not contracted for, or contracted for but not provided for in these financial statements.

NOTE: 26 INCORPORATION

The Bank is incorporated as a limited liability company under Companies Act, 2002.