

MUCOBA BANK PUBLIC LIMITED COMPANY
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

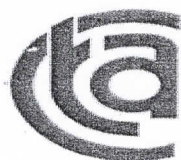


TAC ASSOCIATES

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

MUCOBA BANK PUBLIC LIMITED COMPANY

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018



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

Tel: +255 22 2137721/4
Fax: +255 22 2113142
E-mail: tac@tac-associates.co.tz
Website: tac-associates.co.tz
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. Philip Raymond : Mr. Job Malekela : Mr. Yoely Sangana : Mrs. Hilda Valerian
Company Secretary	: Mr. Philip Raymond : 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, 2018****1.0 Preamble**

The Directors hereby present their report together with the audited financial statements for the year ended 31st December, 2018. 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 11.38% decrease in deposits (from TZS 14.58 billion in 2017 to 12.92 billion in 2018), 99.70% decrease in profit before tax (from TZS 449.63 million in 2017 to TZS 1.33 million in 2018) and 10.45% decrease in loan portfolio (from TZS 9.76 billion in 2017 to TZS 8.74 billion in 2018)

The Bank made considerable achievements in 2018 such as opening of a new service centre at Pawaga town. The Bank also adapted the contemporary quick money transfer technology by using M-pesa and SMS banking for clients' convenience.

The Bank has always been in the forefront in ensuring that capacity building for its workforce is given due consideration. Staff are continuously getting training opportunities which empower them to work efficiently in this competitive and challenging environment.

The Bank pays special tribute to Marketing Infrastructure Value Addition and Rural Finance (MIVARF), International Solidarity for Development and

MUCOBA BANK PUBLIC LIMITED COMPANY

Investment (SIDI), Alliance for Green Revolution (AGRA) and Heifer International to Financial Sector Deepening Trust (FSDT) for their tireless support in capacity building, working capital and provision of working facilities to the Bank.

4.0 Solvency

Management of the 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. The Bank is also carefully observing liquidity ratios as per BOT guidelines and it operates smoothly without financial constraints and hence meeting financial obligations whenever they fall due.

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 strategic management), ACPA and Advanced Diploma in Accountancy -Currently Lecturer at Ruaha	Tanzanian	April 2016

MUCOBA BANK PUBLIC LIMITED COMPANY

				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
7.	Dr Lilian M. Mongela	Board Member	42	-Ph.D (Law), Masters of Law (LL.M), Bachelor of Law (LL.B), Dip in Law	Tanzanian	December, 2018

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

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

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, several staff members 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 55.53 million on staff 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 2018 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 in the district. The year 2018 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 (2017-2021) focuses to increased outreach, use of technology as a means to reach the un-banked and to better serve customers. In 2018 the Bank introduced new customer service delivery Units at Pawaga in Iringa Rural District and Kibao in Mufindi District.

The increase of customers and number of transactions at the service delivery centres of Iringa and Igowole 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.

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.

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 TZS 4.2 million to support education, TZS 5.1 million to support sports, TZS 0.9 million to support health and TZS 0.9 million to support other social activities.

MUCOBA BANK PUBLIC LIMITED COMPANY

12.0 Going Concern

During the year, the Bank made a profit of TZS 1.33 million before tax and it expects to improve its profit for the year 2019 due to expansion and introduction of new products. 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 2017 after tax profit. Total amount of dividend recommended equals to TZS 138,668,524.00 which is 44.06% of net profit after tax subject to approval of the Bank of Tanzania (BOT).

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 meetings 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 25th August, 2018. 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 25th August, 2018 as the auditors of the Bank's financial statements for the year ended 31st December, 2018.

BY ORDER OF THE BOARD

CHAIRMAN



DATE

4/11/2019

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, 2018. 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 17 were approved by the Directors at a Board meeting and signed on its behalf by:


CHAIRMANDATE 4/11/2019
DIRECTOR

MUCOBA BANK PUBLIC LIMITED COMPANY

DECLARATION OF THE HEAD OF FINANCE

JOB MALEKELA 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, 2018 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, 2018, 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

NBAA Membership No.:

DATE: 4 / 11 / 2019

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, 2018

Introduction

We have audited the accompanying financial statements of MUCOBA Bank Public Limited Company which comprise the Statement of Financial Position as at 31st December, 2018, 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.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the matters referred to below, the financial statements present fairly, in all material respects, the financial position of the MUCOBA Bank Public Limited Company as at 31st December, 2018 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Anomalies on Accrued Interests Receivable, Delay Fines and Interest in Suspense on Loans Receivable

Detailed break down schedules in terms of individual loans' beneficiaries for Accrued Interest Receivables and Delay Fines reflected disagreement with the corresponding balances as stated in the books of account, whereas, Interest in Suspense stated at TZS 491,000,000 in the books had no break down details in terms of the loans' beneficiaries. The stated anomalies have been attributed by management to instability of the core banking system which is used in processing the information.

The anomalies are tabulated below:-

	Discription of Loans Components	Balance as per Books of Account	Balance as per schedule	Differences	Remarks
		TZS	TZS	TZS	
1.0	Accrued Interest Receivable	3,189,074,000	2,707,723,000	481,351,000	
2.0	Delay Fines	50,388,000	17,402,054	32,985,946	
3.0	Interest in Suspense	491,000,000	0	491,000,000	No individual schedule

MUCOBA BANK PUBLIC LIMITED COMPANY

Further, the schedule of Accrued Interest Receivable reflected some balances of credit nature implying that the Bank owes to loan beneficiaries in this regard.

Delay Fines represent penalties for late payment of loans contrary to terms and conditions of the respective loan agreements. Interest in Suspense represents interest on loans originally recognized but has been suspended due to delay in payment of corresponding loans.

Given the circumstances, correctness of Accrued Interest Receivable, Delay Fines and Interest in Suspense as stated in the books of account could not be ascertained.

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.

Emphasis of Matter

Without further qualifying our opinion we draw your attention on the following:-

As can be observed from note 21, the Bank's core capital of TZS. (4,137,811,000) is below the minimum capital requirement of TZS 2,000,000,000 by TZS (6,687,080,000), contrary to section (5) of the Banking and Financial Institution (Capital Adequacy) Regulations, 2014.

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.

MUCOBA BANK PUBLIC LIMITED COMPANY

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.

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*)

ORIGINAL SIGNED BY:-

S. F. SAYORE

S. F. SAYORE - FCCA
MANAGING PARTNER

DAR ES SALAAM

05 NOV 2019
DATE:.....



M. KAVALLO - ACPA
ENGAGEMENT PARTNER

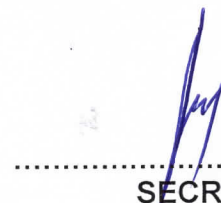
MUCOBA BANK PUBLIC LIMITED COMPANY

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2018

	NOTE	2018 TZS '000'	2017 TZS '000'
INTEREST INCOME	3	3,341,616	2,985,839
INTEREST EXPENSE	4	<u>(752,324)</u>	<u>(762,113)</u>
NET INTEREST INCOME		2,589,292	2,223,726
OTHER INCOME	5	<u>1,147,259</u>	<u>1,351,657</u>
TOTAL OPERATING INCOME		3,736,551	3,575,383
OPERATING EXPENSES			
STAFF COSTS	6	(1,493,207)	(1,596,657)
OTHER GENERAL AND ADMINISTRATIVE EXPENSES	7	(1,504,184)	(1,221,465)
DEPRECIATION AND AMORTIZATION		<u>(225,843)</u>	<u>(222,207)</u>
TOTAL OPERATING EXPENSES		<u>(3,223,234)</u>	<u>(3,040,329)</u>
OPERATING PROFIT		513,317	535,054
PROVISION FOR BAD AND DOUBTFUL DEBTS		<u>(511,989)</u>	<u>(85,428)</u>
PROFIT BEFORE TAX		1,328	449,626
TAXATION	8(a)	<u>(398)</u>	<u>(134,888)</u>
		930	314,738
ADD:			
OTHER COMPREHENSIVE INCOME		<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>930</u>	<u>314,738</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 4/11/2019 and were signed on its behalf by:


 CHAIRMAN
 MUCOBA BANK PLC
 BOARD
 04 NOV 2019
 CHAIRMAN
 P. O. Box 147, MAFINGA
 DATE 4/11/2019


 SECRETARY

MUCOBA BANK PUBLIC LIMITED COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2018

	NOTE	31.12.2018 TZS'000	31.12.2017 TZS'000
ASSETS			
Cash and Bank Balances	9	1,923,387	3,678,926
Loans and Advances to Customers	10(a)	8,742,909	9,764,717
Other Assets	11	4,341,796	7,180,349
Property, Plant and Equipment	12	558,346	543,242
Intangible Assets	13	237,841	215,374
Tax Recoverable	8(b)	112,444	(7,620)
TOTAL ASSETS		<u>15,916,723</u>	<u>21,374,988</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	644	22,444
Regulatory Reserve	17	2,363,259	504,923
General Reserve	18	61,322	88,021
Retained Earnings/(Loss)		<u>(5,619,523)</u>	<u>706,340</u>
Total Capital and Reserves		<u>(532,555)</u>	<u>3,983,471</u>
Current Liabilities			
Deposits	19	12,922,798	14,579,278
Other Liabilities	20	<u>3,526,480</u>	<u>2,812,239</u>
Total Current Liabilities		<u>16,449,278</u>	<u>17,391,517</u>
TOTAL EQUITY AND LIABILITIES		<u>15,916,723</u>	<u>21,374,988</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 4/11/2019 and were signed on its behalf by:

CHAIRMAN

SECRETARY

DATE.....

4/11/2019



MUCOBA BANK PUBLIC LIMITED COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2018

	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 1/01/2017	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
As at 1/01/2018	2,039,243	622,500	0	706,340	22,444	88,020	504,924	3,983,471
Provision on Igowole Losses and Other Assets	0	0	0	(4,177,402)	0	0	0	(4,177,402)
Profit/Loss for the Year	0	0	0	930	0	0	0	930
General provisions	0	0	0	26,698	0	(26,698)	0	0
Amortization of Grant	0	0	0	0	(21,800)	0	0	(21,800)
Prior year Adjustment	0	0	0	30,081	0	0	0	30,081
Prior year Taxes	0	0	0	(347,835)	0	0	0	(347,835)
Dividend declared	0	0	0	0	0	0	0	0
Regulatory reserve	0	0	0	(1,858,335)	0	0	1,858,335	0
As at 31/12/2018	2,039,243	622,500	0	(5,619,523)	644	61,322	2,363,259	(532,555)

Auditors Report is on pages 11 to 13. The Financial Statements on pages 18 to 28 were approved by the Board of Directors on 4/11/2019, and were signed on its behalf by:

[Signature]
CHAIRMAN

DATE.....
4/11/2019

[Signature]
SECRETARY



MUCOBA BANK PUBLIC LIMITED COMPANY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2018

	2018 TZS '000'	2017 TZS '000'
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	1,328	449,626
Adjustment for items not involving movement of cash:-		
Depreciation and Amortization	225,843	222,207
Prior year adjustment	30,081	
Prior year adjustments	<u>(4,177,402)</u>	<u>0</u>
Net cash inflows from/(used in) operating activities before changes in working capital items	<u>(3,920,150)</u>	<u>671,833</u>
CHANGES IN WORKING CAPITAL ITEMS		
Loans and advances	1,021,808	889,539
Other assets	2,838,553	(1,038,464)
Deposits	(1,656,480)	266,917
Other liabilities	<u>714,242</u>	<u>1,342,136</u>
	<u>2,918,123</u>	<u>1,460,128</u>
Cash inflows from/(used in) operating activities	(1,002,027)	2,131,961
Tax paid	<u>(468,298)</u>	<u>(177,477)</u>
Net cash inflows from/(used in) operating activities	<u>(1,470,325)</u>	<u>1,954,484</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:		
Purchase of Property, Plant and Equipment & Intangible Assets	(263,414)	(293,665)
Dividends issued	<u>0</u>	<u>(138,669)</u>
Net cash inflows from/(used in) investing activities	<u>(263,414)</u>	<u>(432,334)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:		
Grant amortised	<u>(21,800)</u>	<u>(67,376)</u>
Net cash inflows from/(used in) investing activities	<u>(21,800)</u>	<u>(67,376)</u>
NET CASH INFLOWS/(OUTFLOWS) FOR THE YEAR	(1,755,539)	1,454,774
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	3,678,926	2,224,152
BALANCE AS AT 31ST DECEMBER	<u>1,923,387</u>	<u>3,678,926</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 4/11/2019 and were signed on its behalf by:

CHAIRMAN

DATE

4/11/2019

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, 2018 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

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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 costs 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 2,363,258,000.

(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 5%.

(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 21, the Bank did not comply 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

	2018	2017
	TZS '000'	TZS '000'
Loans	3,300,492	2,922,153
Fixed Deposits	41,124	63,686
TOTAL	<u>3,341,616</u>	<u>2,985,839</u>

NOTE: 4 INTEREST EXPENSE

Savings Deposits	262,981	265,380
Fixed Deposits	249,799	340,268
Borrowings	239,544	156,465
TOTAL	<u>752,324</u>	<u>762,113</u>

NOTE: 5 OTHER INCOME

Saving Administration Income	15,539	16,634
Loan Administration Income	145,034	147,498
Loan Application Fee	31,999	16,280
Fines Income	136,055	204,781
Revenue Grant	521,000	635,000
Other Income	297,632	331,464
TOTAL	<u>1,147,259</u>	<u>1,351,657</u>

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NOTE: 6 STAFF COSTS

	2018 TZS '000'	2017 TZS '000'
Salaries and Benefits	1,280,682	1,217,473
Social Security Contributions	156,993	160,837
Training and Seminars	55,532	218,347
TOTAL	1,493,207	1,596,657

NOTE: 7 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Audit Fees	23,027	16,030
Casual Labours	0	855
Rent	33,347	27,928
Board Expenses	93,815	66,050
Other Professional /Consultancy Fees	125,280	119,579
Deposit Insurance Fund	21,695	21,290
Motor Cycle/ Running Car Expenses	76,331	65,777
Stationery	79,219	61,123
Insurance	14,013	9,962
Maintenance Cost	135,407	95,747
Marketing and Advertisement	244,572	183,539
Postage, Telephone and Internet	106,710	113,707
Transport and Travelling	135,789	116,414
Bank Charges	16,306	18,870
Utilities	26,456	18,204
Security	123,410	98,110
Subscription	4,500	5,509
Other Expenses	244,307	182,771
TOTAL	1,504,184	1,221,465

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NOTE: 8 TAXATION

(a)		2018	2017
		TZS '000'	TZS '000'
	Tax Charge for the Year	398	134,888
	TOTAL	398	134,888
(b) Tax payable/recoverable is made up as follows;			
	Balance as at 1 st January	(7,620)	(16,758)
	Tax charge for the year	(398)	(134,888)
	Tax charge for prior years	(347,836)	(33,451)
	Tax paid for prior year	347,835	33,451
	Tax paid during the year	120,463	144,026
	Balance as at 31 st December	<u>112,444</u>	<u>(7,620)</u>

NOTE: 9 CASH BALANCES WITH OTHER BANKS

	31.12.2018	31.12.2017
	TZS '000'	TZS '000'
Cash in Hand	763,579	1,352,492
Balances with other Banks	<u>1,159,808</u>	<u>2,326,434</u>
TOTAL	<u>1,923,387</u>	<u>3,678,926</u>

NOTE: 10(a) LOANS AND ADVANCES

Term Loan	10,156,680	10,288,765
Allowance for Probable Losses (10b)	(922,211)	(440,321)
Interest in Suspense	(491,560)	(83,727)
TOTAL	<u>8,742,909</u>	<u>9,764,717</u>

10(b) MOVEMENT OF PROVISION FOR IMPAIRMENT

As at 1 st January	440,321	354,895
Additional provision during the year	511,989	85,426
Loan write off during the year	(30,099)	0
As at 31 st December	<u>922,211</u>	<u>440,321</u>

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NOTE: 11 OTHER ASSETS

	31.12.2018 TZS '000'	31.12.2017 TZS '000'
Stationery Stocks	22,783	19,969
Prepayments	290,481	264,721
Staff Advances	234,655	87,051
Accrued Interest	3,189,074	3,133,980
Cash Shortage	272,891	255,267
Accounts Receivable	2,639,492	3,422,023
Allowance for Probable Losses	(2,307,580)	(2,662)
TOTAL	4,341,796	7,180,349

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, 2018	72,678	113,600	776,335	97,354	208,102	1,268,069
Additions	0	13,000	133,105	12,200	0	158,305
As at 31 st December, 2018	72,678	126,600	909,440	109,554	208,102	1,426,374
Depreciation						
As at 1 st January, 2018	72,677	100,767	510,202	34,938	6,243	724,827
Charge for the year	0	7,425	117,426	10,026	8,324	143,201
As at 31 st December, 2018	72,677	108,192	627,628	44,964	14,567	868,028
Net Book Amount						
As at 31 st December, 2018	1	18,408	281,812	64,590	193,535	558,346
As at 31 st December, 2017	1	12,833	266,133	62,416	201,859	543,242

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NOTE: 13 INTANGIBLE ASSETS

	Application Software TZS'000
Cost	
As at 1 st January, 2018	442,427
Additions	105,109
	<u>547,536</u>
As at 31 st December, 2018	
Amortization	
As at 1 st January, 2018	227,053
Charge for the year	82,642
	<u>309,695</u>
As at 31 st December, 2018	
Net Book Amount	
	<u>237,841</u>
As at 31 st December, 2018	
As at 31 st December, 2017	<u>215,374</u>

NOTE: 14 SHARE CAPITAL

Authorized Shares:	No. of Shares	2018 TZS'000	2017 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.

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NOTE: 16 CAPITAL GRANTS

Capital grants stated at TZS 644 million represents donations from various donors. 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, 2018 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.

NOTE: 17 REGULATORY RESERVE

A special non distributable reserve of TZS 2,363 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 (2017) was TZS 504.9 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 61.32 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 88.02 million.

NOTE: 19 DEPOSITS

Interest Bearing	31.12.2018	31.12.2017
	TZS '000'	TZS '000'
Savings Deposits	9,607,530	11,789,945
Time Deposits	3,311,825	2,785,890
Special Deposits	3,443	3,443
TOTAL	<u>12,922,798</u>	<u>14,579,278</u>

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NOTE: 20 OTHER LIABILITIES

	31.12.2018	31.12.2017
	TZS '000'	TZS '000'
Borrowing from Other Institutions	3,058,333	2,150,000
Accrued Expenses	(377,682)	156,996
Subordinated Debts	300,000	300,000
Accounts Payable	59,167	205,243
Advance Towards Preference Shares	486,662	0
TOTAL	3,526,480	2,812,239

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

	31.12.2018	31.12.2017
	TZS '000'	TZS '000'
Issued and Fully Paid up Capital	2,039,243	2,039,243
Retained Earnings	(5,619,523)	706,340
Capital Grants	644	22,444
Prepaid Expenses	(290,482)	(264,721)
Application Software	(267,693)	(215,375)
Preference Shares	0	0
TOTAL	(4,137,811)	2,287,931

(ii) TOTAL CAPITAL

Core Capital	(4,137,811)	2,224,083
Preference Share - FSDT	622,500	622,500
Subordinated Debt	300,000	300,000
Loan Portfolio General Provisions	61,322	96,254
TOTAL	(3,153,989)	3,242,837

(iii) CAPITAL RATIOS

	Required Ratio	Bank's Ratio 2018	Bank's Ratio 2017
Total Risk Weighted Assets and off Balance Sheet Exposures		12,840,766	16,391,798
Tier 1 Capital	12.50%	(32.22)%	13.96%
Tier 2 Capital	14.50%	(24.56)%	20.12%

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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	31.12.2018 TZS 000	31.12.2017 TZS 000
Loans to:		
Management Board	12,000	6,000
Management personnel	0	0
Fees	5,000	5,000
Allowances	93,815	48,705
Key Management Personnel:		
Salaries	330,000	285,000
Other Benefits	<u>114,375</u>	<u>116,430</u>
TOTAL	<u>555,190</u>	<u>461,135</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.