

**CANARA BANK (TANZANIA) LIMITED  
DAR ES SALAAM  
Annual Report 2019**

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**CANARA BANK (TANZANIA) LIMITED**  
**Bank information**  
**For the year ended 31st December 2019**

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**BOARD OF DIRECTORS**

|                                |                               |           |                             |
|--------------------------------|-------------------------------|-----------|-----------------------------|
| Mr. Matam Venkata Rao          | Chairman (Non-executive)      | Indian    | (w.e.f. 18.03.2019)         |
| Mr. Santanu Kumar Majumdar     | Director (Non-executive)      | Indian    | (w.e.f. 13.05.2019)         |
| Mr. T R Balaji Rao             | Managing Director (Executive) | Indian    | (w.e.f. 16.07.2019)         |
| Mr. Rajab Seleman Kakusa       | Director (Non-executive)      | Tanzanian | (w.e.f. 17.08.2016)         |
| Mr. Patrick Ambwene Muwowo     | Director (Non-executive)      | Tanzanian | (Contract ended 09.12.2019) |
| Mr. Vibhuti Nath Roy Choudhary | Director (Executive)          | Indian    | (w.e.f. 16.07.2019)         |

**INDEPENDENT AUDITORS**

Bakertilly DGP & Co  
Certified Public Accountants  
P.O. Box 1314  
Dar es Salaam

**BANKERS**

- i) Bank of Tanzania  
P.O. Box 2939  
Dar es Salaam
- ii) Citi Bank  
New York  
United States of America
- iii) Bank of India (T) Limited  
Maktaba Street  
P.O. Box 7581  
Dar es Salaam
- iv) CRDB Bank Plc  
Azikiwe Street  
P.O. Box 268  
Dar es Salaam
- v) Canara Bank, India  
Integrated Treasury Wing  
5th/6th floor, Plot no. G-14, C Block  
Bandra Kurla Complex, Bandra -East  
Mumbai 400051, India

**REGISTERED CORPORATE OFFICE**

Canara Bank (T) Limited  
16/1 Elia Complex  
Zanaki, Bibi Titi Street  
P.O. Box 491  
Dar es Salaam  
Telephone: +255 22 2112534  
Email: mdcbt@canarabank.co.tz

**PARENT BANK CORPORATE OFFICE**

Canara Bank India Head Office  
112, J C Road  
Bengaluru  
Karnataka - India 560002

## **INTRODUCTION**

We have great pleasure in presenting the Bank's 4th Annual Report along with the Audited financial statements for the year ended 31 December 2019

Canara Bank (Tanzania) Ltd was registered under Tanzania company Act, 2002 on 2 November 2015. The license to conduct Banking Business was granted to our Bank on 5 May 2016 by Bank of Tanzania in accordance with the provisions of Section 7 of the Banking and Financial Institutions Act 2006. However, actual Banking operations started on 9 May 2016 with opening of Dar es Salaam Branch which is the only branch as on date.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Bank is to provide banking and related services stipulated by the Banking and Financial Institutions Act 2006. There have been no changes in the principal activities of the Bank during the financial year ended 31 December 2019.

## **OUR PARENT BANK: Canara Bank, India**

Widely known as a customer-centric Bank, Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town in Karnataka. The Bank has gone through the various phases of its growth trajectory over hundred and thirteen years of its existence. Growth of Canara Bank was phenomenal, especially after nationalization in the year 1969, attaining the status of a national level player in terms of geographical reach and clientele segments. The eventful journey of the Bank has been characterized by several memorable milestones. Today, Canara Bank occupies a premier position in the comity of Indian banks, with a Business mix as on 31st December 2019 stood at USD 152 Billion with Operating Profit of USD 1466 Million and Net Profit of USD 47.14 Million.

Over the years, the Bank has scaled up its market position to emerge as a major 'Financial Conglomerate' with as many as five subsidiaries/sponsored institutions/joint ventures in India and abroad. Presently, the Bank has further expanded its number of branches to 6329, excluding 4 branches abroad at New York, London, Dubai, and Hong Kong. The Bank's joint venture in Russia, viz., Commercial Indo Bank LLC is functioning since 2003 in association with State Bank of India.

Not just in commercial banking, the Bank has also carved a distinctive mark, in various corporate social responsibilities, namely, serving national priorities, promoting rural development, enhancing rural self-employment through several training institutes and spearheading financial inclusion objective. "A good bank is not only the financial heart of the community, but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people". These insightful words of the Bank's Founder continue to resonate even today in serving the society with a purpose. We strongly believe that the Bank's second century is going to be equally rewarding and eventful not only in service of the nation but also in helping the Bank emerge as a "Preferred Bank with Best Practices".

Presently, Government of India holds 78% of Bank's total shareholding.

## **ECONOMIC OVERVIEW: TANZANIA**

The East African nation of Tanzania has an estimated population of 55.7 million as of 2019. The country has made great strides in economic and structural reforms, which helped aid the country's relatively stable and high growth performance over the last decade (average 6.8% per annum). The rate of growth of economy has been noted to be higher than the rate of decrease in poverty. According to NBS the increase of GDP by 10% is expected to reduce poverty at 4.5%, due to concentration of employment in slow growing sectors.

**CANARA BANK (TANZANIA) LIMITED**  
**Directors' Report (Continued)**  
**For the year ended 31st December 2019**

Tanzania's economic growth is expected to average 6.2% between 2018 and 2026. The growth is underpinned by infrastructure development and a growing consumer base. Heavy infrastructure investment into rail, port and road is expected to be one of the main drivers of Gross Domestic Product

Inflation, at 3.8% in December 2019 due to increase in food and Non-food inflation higher domestic food prices and lagged effects of the Tanzanian shilling's depreciation, compared to 3.3 % in December 2018. The National Bureau of Statistics of Tanzania (NBS) indicates that, the Annual headline Inflation Rate for the month of December, 2019 has stagnated 3.8% as it was recorded in November, 2019. The government is projecting improvement in GDP from 7% to 7.1% while targets to Contain inflation to single digit between 3% and 4.5%, Increase domestic revenue from 14.3% to 15.8 %, increase tax revenue from 12.1% to 13.1% and increasing government expenditure from 21.6% to 22.7%

The 2019/20 budget reflects the government's high priorities in development expenditure. The government intends to improve business environment, promote investment and simplify taxes while trimming nonessential expenses.

**BANKING SECTOR OVERVIEW:**

Tanzania embarked on financial liberalization in 1992 aimed at sustaining growth in the real sector by boosting resource mobilization, motivating competition in the financial market and enhancing quality and efficiency in credit allocation. These reforms have changed the direction and quality of financial services offered in the country. New merchant banks, commercial banks, bureau de change, insurance companies, stock exchange and related financial units have been established. The entry of new banks and non-bank financial institutions has enhanced the competition and improved the quality and type of financial products and services provided.

As per Bank of Tanzania (BOT) monthly economic report , during the year ending December 2019, credit to private sector grew by 11.1 percent in year ending December 2019 compared to a growth of 4.9 percent for the year ending December 2018. The growth was largely supported by sustained accommodative monetary policy, coupled with ongoing measures implemented to improve the business environment.

**BANK'S PERFORMANCE DURING 2019**

We have started our commercial operation since 9 May 2016 after getting BOT license on 5 May 2016. During 2019, we have achieved aggregate business of TZS 105.48 Billion and made Net Profits of TZS1472 Million

The highlights of the performance in 2019 were as under:

**KEY BUSINESS FIGURES**

| Particulars           | (Amount in Tzs. Millions) | (Amount in Tzs. Millions) |
|-----------------------|---------------------------|---------------------------|
|                       | December 31, 2019         | December 31, 2018         |
| Aggregate Deposits    | 69,899                    | 66,563                    |
| Aggregate Advances    | 35,634                    | 34,856                    |
| Total Business        | 105,533                   | 101,419                   |
| Investments           | 25,372                    | 22,747                    |
| Gross NPA             | 4,126                     | -                         |
| Net NPA               | 4,085                     | -                         |
| Net Interest Income   | 5,365                     | 4,599                     |
| Operating Profit      | 2,151                     | 1,276                     |
| Net Profit/(Loss)     | 1,472                     | 892                       |
| Business per employee | 4,588                     | 4,749                     |

#### **KEY BUSINESS RATIOS**

| <b>Particulars</b>         | <b>December 31, 2019</b> | <b>December 31, 2018</b> |
|----------------------------|--------------------------|--------------------------|
| Net Interest Margin        | 5.56%                    | 4.90%                    |
| Cost to Income Ratio       | 64.66%                   | 74.58%                   |
| Return on capital employed | 4.09%                    | 2.58%                    |
| Return on Assets           | 1.36%                    | 0.95%                    |
| Gross NPA                  | 11.54%                   | Nil                      |
| Net NPA                    | 11.43%                   | Nil                      |

#### **WAY FORWARD**

- Introducing Internet banking facility for customers.
- Launching new deposit and credit products.
- Increased use of IT enabled services.
- Automation of Management Information System.

#### **DIVIDENDS**

Being newly established Bank and to increase the base for future business growth, we do not propose to pay dividend for the financial year 2019

#### **CAPITAL**

There was no change in the Capital of the Bank during the financial year 2019. During the financial year 2016, the Bank had started with initial capital of TZS 24.00 Billion from the parent Bank. Capital of Bank increased from 24 Billion to TZS 30 Billion on 11th May 2016. Further on 22nd Nov 2016 Capital increased from TZS 30 Billion to TZS 32.83 Billion. As per guidelines issued by Bank of Tanzania, the commercial banks should have minimum capital of TZS 15.00 Billion. The Bank has complied with the norm.

#### **CAPITAL ADEQUACY**

As per the regulations of Bank of Tanzania, Bank should maintain Total minimum capital adequacy of 12% of Risk weighted assets and Core capital adequacy of 10% of risk weighted assets. As against this, Bank is maintaining Total capital adequacy of 66% and Core capital adequacy of 65%.

#### **SOLVENCY**

As against minimum liquidity of 20% required as per BOT, bank is maintaining liquidity at 52% as on December 2019.

#### **BUSINESS REVIEW**

##### **A. DEPOSIT**

Bank provides all Banking services which includes accepting deposits in local TZS currency and foreign currency mainly USD that includes saving Accounts, Current Account and Fixed Deposits. During the year our deposits increased from TZS 66.56 Billions to TZS 69.90 Billions.

##### **B. ADVANCES**

Bank is active in financing various types of economic activities which mainly include trading, manufacturing, construction, services like transport, export of agricultural commodities, import of goods and personal loans. During the year our advances increased from TZS 34.856 Billion to TZS 35.634 Billion.

##### **C. REMITTANCES**

Bank Provides active remittance services to expatriates at attractive rates with speed. For speed remittance, Bank is using e-Remit service of Canara Bank, India which gives instant credit to Any Banks customer accounts in India.

#### BOARD OF DIRECTORS

The names of Directors of Board of Canara Bank (Tanzania) Limited in Financial Year 2019 are as under:

| Sl. no. | Name of director               | Nationality | Position                 | Serving since                 |
|---------|--------------------------------|-------------|--------------------------|-------------------------------|
| 1       | Mr. Matam Venkata Rao          | Indian      | Chairman (Non-executive) | w.e.f 18.03.2019              |
| 2       | Mr. Santanu Kumar Majumdar     | Indian      | Director (Non-executive) | (w.e.f 13.05.2019 )           |
| 3       | Mr. Patrick Ambwene Muwowo     | Tanzanian   | Director (Non-executive) | Contract ended<br>09.12.2019) |
| 4       | Mr. Rajab Seleman Kakusa       | Tanzanian   | Director (Non-executive) | w.e.f. 17.08.2016             |
| 5       | Mr. T R Balaji Rao             | Indian      | Director (Executive)     | (w.e.f. 16.07.2019)           |
| 6       | Mr. Vibhuti Nath Roy Choudhary | Indian      | Director (Executive)     | (w.e.f. 16.07.2019)           |

#### BOARD COMMITTEE

The Board was supported by the following committees during the year 2019

##### 1. Audit committee

| Sl. no. | Name of director           | Nationality | Position |
|---------|----------------------------|-------------|----------|
| 1       | Mr. Patrick Ambwene Muwowo | Tanzanian   | Chairman |
| 2       | Mr. Rajab Seleman Kakusa   | Tanzanian   | Member   |
| 3       | Mr. Santanu Kumar Majumdar | Indian      | Member   |

##### 2. Credit committee

| Sl. no. | Name of director           | Nationality | Position |
|---------|----------------------------|-------------|----------|
| 1       | Mr. Patrick Ambwene Muwowo | Tanzanian   | Member   |
| 2       | Mr. Rajab Seleman Kakusa   | Tanzanian   | Member   |
| 3       | Mr. Santanu Kumar Majumdar | Indian      | Chairman |

##### 3. Risk management committee

| Sl. no. | Name of director           | Nationality | Position |
|---------|----------------------------|-------------|----------|
| 1       | Mr. Patrick Ambwene Muwowo | Tanzanian   | Member   |
| 2       | Mr. Rajab Seleman Kakusa   | Tanzanian   | Chairman |
| 3       | Mr. Santanu Kumar Majumdar | Indian      | Member   |

Board meeting and other committee meetings were held as per guidelines of regulator during 2019 on 29 March 2019, 20 June 2019, 3 September 2019 and 24 December 2019.

#### DIRECTORS RESPONSIBILITY

The Board of Directors confirms that in the preparation of Annual financial statement for the year ended 31st December 2019.

- Accounting policies framed in accordance with the guidelines of Bank of Tanzania, were consistently applied.
- The applicable accounting standards have been followed.
- Proper and sufficient care was taken for maintenance of adequate accounting records with the provisions of applicable guidelines governing Banks in Tanzania.
- True and fair view of the state of affairs of the Bank and profit of the Bank is given at the year ended 31 December 2019.

#### CORPORATE GOVERNANCE

Directors are committed to the principles of good corporate governance and recognize the need to conduct the Banking business with best practices. Therefore Directors confirm that:

- The Board of Directors conducted the meeting regularly in the year 2019.
- The position of the Chairman & Chief Executive officer are held by different persons.
- They have effective control over the company and its executive management.
- Board exercises the responsibility for policy decisions, budgeting & monitoring performance.

**CORPORATE SOCIAL RESPONSIBILITY**

Bank is committed for its corporate social responsibility towards Tanzanians. Bank is regularly involved in charitable activities to take care of underprivileged children. In year 2018 the bank had opened library in their office premises to cater to the students of nearby 4 Government schools. Through this, nearly 300 students of the schools are availing the benefits of students library. In year 2019 the bank had purchased books and provided stationery needs to students altogether amounting to TZS 386,500.

**RELATED PARTY TRANSACTIONS**

No loans/advances were due from the related parties to the Bank by virtue of common ownership. The amount of related party Deposits was TZS 27.6 Bn. The deposit was received from the parent bank in India.

**INFORMATION TECHNOLOGY**

The Bank has planned to focus on various new IT initiatives. The bank has set up its Both Primary and Secondary Data Centre and DR Site in Tanzania. The Bank has gone live with the E-RCS of Tanzania Revenue Authority.

**EMPLOYEES WELFARE**

Banks provides loan to their employees at concessional interest. Bank has taken Health Insurance of all employees & their Families. In House and formal training at various institutes is provided to the staff of the Bank. Bank management has cordial relations With staff of the Bank, who work as a team.

**AUDITORS**


Bakertilly DGP & Co were the auditors of the Bank during the year ended 31 December 2019. They have expressed their willingness to continue for the next financial year 2020.

**ACKNOWLEDGEMENTS**

The Board expresses its gratitude to the Bank of Tanzania and various department of Government of Tanzania for the valuable guidance and support received from them. The Board also acknowledges the support of its customers, other financial institutions, correspondent Banks for their support & Cooperation. The Board also wishes to place on record its appreciation for all staff members of the Bank for their dedicated services & contribution for the good performance of the Bank. Lastly, we thank the management and staff of Canara Bank, India, ( Our Parent Bank ) , for their continued support and guidance.

The directors are required in terms of the Tanzanian Companies Act 2002 to maintain adequate accounting records and are responsible for the content, integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements present fairly the state of affairs of the Bank as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

For and On Behalf of Board of Directors:

  
.....  
Mr. T R Balaji Rao  
Managing Director

Place: Dar Es Salaam

Date: .....



**CANARA BANK (TANZANIA) LIMITED**  
**Statement of Directors' Responsibilities**  
**For the year ended 31st December 2019**

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The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, requirements of the Companies Act, 2002 & the Banking and Financial Institution Act, 2006 and the guidelines of Bank of Tanzania.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

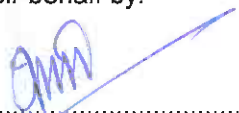
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the bank's cash flow forecast for the year to December 31, 2020 and, in light of this review and the current financial position, they are satisfied that the bank has or had access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently auditing and reporting on the bank's financial statements. The financial statements have been examined by the bank's external auditors and their report is presented on pages 9 to 12.

The financial statements set out on pages 13 to 36, which have been prepared on the going concern basis, were approved by the board of directors on \_\_\_\_\_ and were signed on their behalf by:

  
.....  
Mr. T R Balaji Rao  
Managing Director

  
.....  
Mr. Rajab Selemán Kakusa  
Director

Place: Dar Es Salaam

Date: .....

**CANARA BANK (TANZANIA) LIMITED**  
**Declaration of Head of Finance**  
**For the year ended 31st December 2019**

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The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/ Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

I FADHILI PETRO SANGA being the Head of Finance of Canara Bank (Tanzania) Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2019 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 position of Canara Bank (Tanzania) Limited as on 31 December 2019 and that they have been prepared based on properly maintained financial records.

Signed by:  .....

Position: HEAD OF FINANCE

NBAA Membership No. GA 5296

Date: 30/03/2020 .....

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
CANARA BANK (TANZANIA) LIMITED**

**Opinion**

We have audited the financial statements of Canara Bank (Tanzania) Limited (the Bank), which comprise the Statement of Financial Position as at 31st December 2019, and 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31st December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Companies Act, 2002.

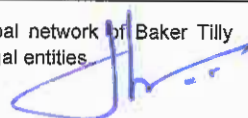
**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with The National Board of Accountants and Auditors (Code of Ethics) By - Laws, 2013, and we have fulfilled our 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 opinion.

**Key Audit Matters**

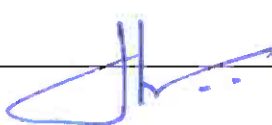
Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Area of focus  | How our audit addressed the area of focus and results of our audit  |
|--|---|
| <p><b>Allowances for impairment on loans and advances</b></p> <p><b>Refer to notes 15 of the financial statement.</b></p> <p>Consideration is given at each financial statement position date to determine whether there is any indication of impairment of the carrying values of the bank's loans and advances. Indications could be failure by borrowers to fully meet terms and conditions of the loans and advances, poor servicing of loans &amp; advances and severe economic slowdown in a given sector.</p> <p>Determinations of impairment provisions remains a highly subjective and judgmental area. Furthermore, the Bank is subject to significant regulatory scrutiny with respect to</p> | <p>Our work covered impairment of loans and advances to customers.</p> <p>We understood and tested key controls and focused on:</p> <ul style="list-style-type: none"> <li>• The identification of impairment events and classification of loans</li> <li>• The governance over the impairment processes</li> <li>• The review and approval process that management have in place for the outputs of the Bank's impairment model.</li> </ul> <p>We assessed the use of historic experience to estimate impairment events which have occurred but not reported and to derive estimates of future cash flows.</p> |



**Partners:**

K. S. Bhattbhatt (Tanzanian)  
Kailas K. Bhattbhatt (Tanzanian)  
Vishwanshu H. Trivedi (Indian)

|  |   |
|--|---|
| <p>provisioning levels.</p> <p>In assessing impairment amount, the estimated future loan recoveries (future cash flows) are discounted to their present values based on the time value of money and the risk specific to an individual loan or the group of loans.</p>   | <p>We also focused on the calculations of required impairment provisions, including the use of a model, and in particular the critical assumptions used in the model and calculations.</p> <p>These assumptions include:</p> <ol style="list-style-type: none"> <li>1. Timing of the expected cash flows</li> <li>2. Expected future cash flows</li> <li>3. Discount rates</li> <li>4. Quality of security maintained</li> <li>5. Time taken to realize security.</li> </ol> <p>Further, we evaluate the accuracy of impairment tests applied.</p> <p><b>Results of our work</b><br/>Based on procedures performed and evidence obtained, we found management assumptions to be reasonable and therefore consider provisions to be appropriate.</p> |
| <p><b>Revenue recognition</b></p> <p><b>Refer to notes 6 of the financial statements</b></p> <p>Interest income is recognized in the statement of profit or loss and other comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method, based on the actual purchase price.</p> <p>The effective interest rate method is a method of calculating the amortized cost of financial assets of a financial liability and of allocating the interest or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.</p> <p>Once a financial asset or a group of similar financial assets have been written down as a result of impairment loss, interest income is recognized using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.</p> <p>Fees and commissions are generally recognized on an accrual basis when the service has been provided or significant act has been performed. Loan commitment fees for loans that are likely to be drawn down are</p> | <p>We considered the appropriateness of the Bank's income and other similar income recognition accounting policies, including the recognition and classification criteria for revenue.</p> <p>We assessed transactions taking place at either side of the statement of financial position date to evaluate whether interest income and interest expense were recognized in the correct period</p> <p><b>Results of our work</b><br/>Based on our procedures performed and evidence obtained, we found that revenue was fairly stated</p>    |

deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating or participating in the negotiation of, a transaction for third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of business are recognized on completion of the underlying transaction.

There is a risk that revenue may be overstated because fraud as a result of pressure management may feel to achieve performance targets.

#### **Other Matter**

The financial statements of Canara Bank (Tanzania) Limited for the year ended 31<sup>st</sup> December 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on 29<sup>th</sup> March 2019.

#### **Other information**

The directors are responsible for the other information. The other information comprises the Director's Report as required by the Companies Act, 2002, which we obtained prior to the date of this report. Other information does not include the Financial Statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the directors for the financial statements**


The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and for such internal control as the directors determine 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, the directors are responsible for assessing the Bank'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 the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they



could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by the directors.

Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on other legal and regulatory requirements**

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books;
- iii) the director's report is consistent with the financial statements;
- iv) information specified by the law regarding director's remuneration and transactions with the Bank is disclosed; and
- v) the Bank's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of accounts.

For **Baker Tilly DGP & Co.**  
Certified Public Accountants,

  
**Kailas K. Bhattbhatt**  
Partner




Place : Dar es Salaam

Date : 30/03/2020

**CANARA BANK (TANZANIA) LIMITED**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31st December 2019**

|   | Note   | 2019<br>TZS '000        | 2018<br>TZS '000      |
|---|--------|-------------------------|-----------------------|
| <b>INTEREST INCOME</b>                                |        |                         |                       |
| Interest Income                                       | 7      | 8,167,402               | 6,724,392             |
| Interest Expenses                                     | 8      | <u>(2,802,029)</u>      | <u>(2,125,396)</u>    |
| Net Interest Income                                   |        | <u>5,365,373</u>        | <u>4,598,996</u>      |
| <b>OTHER OPERATING INCOME</b>                         |        |                         |                       |
| Fees & Commission                                     | 9      | 895,681                 | 672,271               |
| <b>Operating Income</b>                               |        | <b>6,261,054</b>        | <b>5,271,267</b>      |
| Provision of impairment                               | 27(ii) | <u>(61,624)</u>         | <u>(64,748)</u>       |
| <b>Net Operating Income</b>                           |        | <b>6,199,431</b>        | <b>5,206,519</b>      |
| Operating expenses                                    | 10     | <u>(4,048,318)</u>      | <u>(3,930,589)</u>    |
| <b>Profit/(loss) before taxation</b>                  |        | <b>2,151,113</b>        | <b>1,275,930</b>      |
| Income tax (charge)/credit                            | 16     | <u>(678,809)</u>        | <u>(384,393)</u>      |
| <b>Profit/(loss) for the year</b>                     |        | <b>1,472,304</b>        | <b>891,537</b>        |
| Other Comprehensive Income                            |        | -                       | -                     |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b> |        | <b><u>1,472,304</u></b> | <b><u>891,537</u></b> |

The financial statements on pages 13 to 36 were approved by the Board of Directors on .....2020 and signed on its behalf by:

  
.....  
Mr. T R Balaji Rao  
Managing Director

  
.....  
Mr. Rajiv Seelman Kakusa  
Director

Place: Dar Es Salaam

Date: .....


The accounting Policies and Notes on pages 17 to 36 form an integral part of the financial statements:

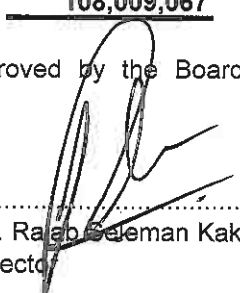
Report of the Auditors - Pages 9 to 12

**CANARA BANK (TANZANIA) LIMITED**  
**Statement of financial position**  
**As at 31st December 2019**

|  | Note   | 2019<br>TZS '000   | 2018<br>TZS '000   |
|--|--------|--------------------|--------------------|
| <b>ASSETS</b>  |        |                    |                    |
| Cash   | 11(i)  | 405,326            | 719,433            |
| Balances with Bank of Tanzania                                       | 11(ii) | 6,601,309          | 4,527,668          |
| Deposits and balances with<br>Other banks and financial institutions | 12     | 37,534,894         | 36,835,193         |
| Government securities  | 13     | 25,371,800         | 22,747,458         |
| Loans and advances (Net)   | 15     | 35,634,012         | 34,855,702         |
| Debtors and other receivables  | 14     | 610,958            | 608,390            |
| Deferred tax assets  | 17     | -                  | 25,623             |
| Property, plant & equipment  | 18(i)  | 1,017,346          | 1,959,299          |
| Right to use Assets  | 18(ii) | 833,422            | -                  |
| <b>Total assets</b>  |        | <b>108,009,067</b> | <b>102,278,765</b> |
| <b>LIABILITIES</b>   |        |                    |                    |
| Customer deposits  | 19     | 69,899,458         | 66,562,927         |
| Lease Liabilities  | 20(i)  | 764,923            | -                  |
| Other liabilities  | 20(ii) | 1,324,976          | 1,208,831          |
| Income tax payable   | 16(ii) | 50,436             | 12,031             |
| Deferred tax liability   | 17     | 1,994              | -                  |
| <b>Total liabilities</b>   |        | <b>72,041,787</b>  | <b>67,783,789</b>  |
| <b>SHAREHOLDERS' EQUITY</b>  |        |                    |                    |
| Share capital  |        | 32,830,000         | 32,830,000         |
| Retained earnings  |        | 2,308,698          | 1,125,677          |
| Statutory reserve  |        | 828,582            | 45,925             |
| General reserve  |        | -                  | 493,374            |
| <b>Total shareholders' equity</b>                                    |        | <b>35,967,280</b>  | <b>34,494,976</b>  |
| <b>Total equity and liabilities</b>                                  |        | <b>108,009,067</b> | <b>102,278,765</b> |

The financial statements on pages 13 to 36 were approved by the Board of Directors on .....2020 and signed on its behalf by:

  
.....  
Mr. T R Balaji Rao  
Managing Director

  
.....  
Mr. Rajab Seleman Kakusa  
Director

Place: Dar Es Salaam  
Date: .....

The accounting Policies and Notes on pages 17 to 36 form an integral part of the financial statements

Report of the Auditors - Pages 9 to 12



**CANARA BANK (TANZANIA) LIMITED**  
**Statement of changes in equity**  
**For the year ended 31st December 2019**

|   | Attributable to equity holders of the Bank |                             |                               |                               | Total equity<br>TZS '000 |
|---|--|-----------------------------|-------------------------------|-------------------------------|--------------------------|
|   | Share Capital<br>TZS '000                  | General Reserve<br>TZS '000 | Statutory Reserve<br>TZS '000 | Retained earnings<br>TZS '000 |                          |
| Balance at 1st January 2018   | 32,830,000                                 | 510,000                     | -                             | 289,007                       | 33,629,007               |
| Impairment provision of assets on opening balance-IFRS 9                          | -  | -                           | -                             | (36,525)                      | (36,525)                 |
| Deferred tax assets on Impairment provision of assets on opening balance - IFRS 9 | -  | -                           | -                             | 10,958                        | 10,958                   |
| Transfer to statutory reserve   | -  | -                           | 45,925                        | (45,925)                      | -                        |
| Transfer to general reserve   | -  | (16,626)                    | -                             | 16,626                        | -                        |
| Total comprehensive income for the year   | -  | -                           | -                             | 891,537                       | 891,537                  |
| <b>Balance at 31st December 2018</b>  | <b>32,830,000</b>                          | <b>493,374</b>              | <b>45,925</b>                 | <b>1,125,677</b>              | <b>34,494,976</b>        |
| Balance at 1st January 2019   | 32,830,000                                 | 493,374                     | 45,925                        | 1,125,677                     | 34,494,976               |
| Impairment provision of assets on opening balance - IFRS 9                        | -  | -                           | -                             | -                             | -                        |
| Deferred tax assets on Impairment provision of assets on opening balance - IFRS 9 | -  | -                           | -                             | -                             | -                        |
| Transfer to retained earnings   | -  | (493,374)                   | -                             | 493,374                       | -                        |
| Transfer to statutory reserve   | -  | -                           | 782,657                       | (782,657)                     | -                        |
| Total comprehensive income for the year   | -  | -                           | -                             | 1,472,304                     | 1,472,304                |
| <b>Balance at 31st December 2019</b>  | <b>32,830,000</b>                          | <b>-</b>                    | <b>828,582</b>                | <b>2,308,698</b>              | <b>35,967,280</b>        |

The financial statements on pages 13 to 36 were approved by the Board of Directors on .....2020 and signed on its behalf by:

.....  
 Mr. T.R. Balaji Rao  
 Managing Director

.....  
 Mr. Rajah Seleman Kakusa  
 Director

Place: Dar Es Salaam

Date: .....

The accounting Policies and Notes on pages 17 to 36 form an integral part of the financial statements.

Report of the Auditors - Pages 9 to 12

**CANARA BANK (TANZANIA) LIMITED**  
**Statement of Cash Flows**  
**For the year ended 31st December 2019**

|   | Note   | 2019<br>TZS '000  | 2018<br>TZS '000  |
|---|--------|-------------------|-------------------|
| <b>Cash flows from operating activities</b>                         |        |                   |                   |
| Profit before taxation  |        | 2,151,113         | 1,275,930         |
| Adjustments for:  |        |                   |                   |
| Depreciation  |        | 1,239,148         | 1,060,821         |
| Provision for Impairment of assets                                  |        | 61,624            | 64,748            |
| Loss on disposal of fixed assets                                    |        | -                 | 3,375             |
| Net foreign exchange gain   |        | (137,857)         | (80,742)          |
| <b>Net cash flow before changes in working capital</b>              |        | <b>3,314,028</b>  | <b>2,324,132</b>  |
| Change in statutory minimum reserve - see note 11(ii)               |        | (937,829)         | (198,802)         |
| Change in investment in Treasury Bills & Bonds                      |        | 978,155           | (1,571,242)       |
| Change in loans and advances to customers                           |        | (839,934)         | (15,254,006)      |
| Change in debtors and other receivables                             |        | 6,165             | (252,286.57)      |
| Change in loans to other financial institutions                     |        | (3,000)           | (816,999)         |
| Change in customers deposits  |        | 3,336,531         | 21,294,789        |
| Change in other creditors   |        | 116,124           | 640,956           |
| <b>Cash generated from operations before tax</b>                    |        | <b>5,970,241</b>  | <b>6,166,541</b>  |
| Income tax paid   | 16(ii) | (612,786)         | (390,000)         |
| <b>Net cash flow from operating activities</b>                      |        | <b>5,357,455</b>  | <b>5,776,541</b>  |
| <b>Cash flows from investing activities</b>                         |        |                   |                   |
| Purchase of property, plant & equipment                             | 18     | (19,388)          | (97,934)          |
| <b>Net cash used in investing activities</b>                        |        | <b>(19,388)</b>   | <b>(97,934)</b>   |
| <b>Cash flows from financing activities</b>                         |        |                   |                   |
| Payment of lease Liabilities  | 20(i)  | (346,307)         | -                 |
| <b>Net cash generated from financing activities</b>                 |        | <b>(346,307)</b>  | <b>-</b>          |
| <b>Net cash flow for the period</b>                                 |        | <b>4,991,760</b>  | <b>5,678,607</b>  |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> |        | <b>137,857</b>    | <b>80,742</b>     |
| <b>Cash and cash equivalents as at 1st January</b>                  |        | <b>43,240,255</b> | <b>37,480,906</b> |
| <b>Cash and cash equivalents as at 31st December</b>                | 22     | <b>48,369,870</b> | <b>43,240,255</b> |

The financial statements on pages 13 to 36 were approved by the Board of Directors on .....2020 and signed on its behalf by:

.....  
Mr. T R Balaji Rao  
Managing Director

.....  
Mr. Rajib Seegman Kakusa  
Director

Place: Dar Es Salaam

Date: .....

The accounting Policies and Notes on pages 17 to 36 form an integral part of the financial statements.

Report of the Auditors - Pages 9 to 12

**CANARA BANK (TANZANIA) LIMITED**  
**Notes to the financial statements**  
**For the year ended 31st December 2019**

**1. GENERAL INFORMATION**

Canara Bank (Tanzania) Limited is a wholly owned, subsidiary of Canara Bank India. It has been incorporated under the Tanzanian Companies Act, 2002 on 2 November 2015. The Bank of Tanzania issued license to conduct banking business under section 7 of the Banking and Financial Institutions Act, 2006 on 5 May 2016. The Bank commenced business on 09 May 2016.

**2. ACCOUNTING CONVENTION**

The Financial statements have been prepared under the historical cost convention of accounting modified to include revaluation of financial instruments wherever applicable. The Bank prepares its financial statements under International Financial Reporting Standards (IFRS).

**3. ADOPTION OF NEW AND REVISED STANDARDS & INTERPRETATIONS**

**3.1 Standards, Amendments to the standards and Interpretations effective on or after January 2019**

New standards impacting the Bank that have been adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Banks's accounting policies are:

- 1 IFRS 16 Leases (IFRS 16); and
- 2 IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)
- 3 Amendments to IFRS 9: Prepayment Features with Negative Compensation
- 4 Amendments to IAS 28: Long-term interests in associates and joint ventures
- 5 Annual Improvements 2015-2017 Cycle

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

Details of the impact standards have had are given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Bank as they are either not relevant to the Bank's activities or require accounting which is consistent with the Bank's current accounting policies.

The effect of adopting IFRS 16 is, as follows:

Impact on the statement of financial position increase/(decrease):

| S/No. | Particulars  | 31/12/2019         | 1/1/2019             |
|-------|--------------|--------------------|----------------------|
|       | Assets       |                    |                      |
|       | Right of use | 833,422,481        | 1,111,229,975        |
|       | <b>Total</b> | <b>833,422,481</b> | <b>1,111,229,975</b> |

| Sr. No. | Particulars              | 31/12/2019         | 1/1/2019             |
|---------|--------------------------|--------------------|----------------------|
|         | Liabilities              |                    |                      |
|         | Lease Liability          | 764,922,980        | 1,111,229,975        |
|         | Interest Accrued –       | 19,123,074         |                      |
|         | <b>Total Liabilities</b> | <b>784,046,054</b> | <b>1,111,229,975</b> |

**Impact on the statement of comprehensive income increase/(decrease):**

| <b>Sr. No.</b> | <b>Particulars</b>                  | <b>31/12/2019</b> | <b>1/1/2019</b> |
|----------------|-------------------------------------|-------------------|-----------------|
|                | Operating expenses                  |                   |                 |
|                | Rent Expenses on                    | (415,291,955)     |                 |
|                | Depreciation on Right of use assets | 277,807,494       |                 |
|                | Interest on Lease liability         | 88,108,035        |                 |
|                |                                     | (49,376,427)      |                 |

**3.2 Standards, Amendments and Interpretations issued, but not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Bank has decided not to adopt early. The following amendments are effective for the period beginning on or after 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Revised Conceptual Framework for Financial Reporting
- IFRS 17 Insurance Contracts

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

**(i) Basis of accounting**

Canara Bank (Tanzania) Limited has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared and presented on historical cost conventions modified to include revaluation of financial instruments wherever applicable.

**(ii) Revenue recognition**

Income is recognized on an accrual basis. When an account is classified as non-performing, the interest accrued on that account is suspended and kept in interest suspense account until it is realized in cash.

**(iii) Foreign currency transactions**

In preparing the financial statements of the entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except of differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

**(iv) Financial assets**

The bank classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets. The classification is done on the basis of following criteria:-

- **Financial assets at fair value through profit or loss** :- A financial asset is classified in this category if acquired principally or the purpose of selling in the short term or if so designated by the management.
- **Loans and receivables** :- Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to debtor with no intention of trading the receivables.
- **Held-to-maturity** :- Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the bank management has the positive intention and ability to hold to maturity.
- **Available for sale** :- Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or change in interest rates, exchange rates or equity price.

Purchase and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade date. Loans and receivables are recognised when cash is advanced to the borrowers. All financial assets are initially recognised at fair value plus transaction cost. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired.

Subsequently, financial assets at fair value through profit or loss and available for sale, are carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

**(v) Impairment of financial assets**

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

If there is objective evidence that an impairment loss has been incurred on "Financial assets at fair value through profit or loss", "Financial assets Held-to-maturity" or Financial assets available for sale", the amount is measured as difference between the assets carrying cost and its present value of estimated future cash flow discounted at the effective interest rate. The carrying amount is reduced through an allowance account and the amount of loss is recognised in the income statement.

**CANARA BANK (TANZANIA) LIMITED**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31st December 2019**

In case of loans and receivables, if there is an evidence of impairment loss, specific provisions is made in line with the requirements of the guidelines issued by the Bank of Tanzania (BOT) as follows:

The provisions are to be compared using both International Financial Reporting Standard (IFRS) 9 approach and Bank of Tanzania (BOT) regulatory approach as under:

| <u>No. of days outstanding</u> | <u>Classification</u> | <u>Provision (%)</u> |
|--------------------------------|-----------------------|----------------------|
| Below 30                       | Standard              | Nil                  |
| 31 - 90                        | Especially mentioned  | 3                    |
| 91 - 180                       | Substandard           | 20                   |
| 181 - 360                      | Doubtful              | 50                   |
| Above 361                      | Loss                  | 100                  |

In case IFRS-9 provision is less than BOT provision, then a special non-distributable reserve is to be created through an appropriation of distributable reserve to eliminate the shortfall. The transfer is to be made in the statement of changes in equity and the purpose of the reserve shall be stated in a note to the accounts.

Profit for the year should be transferred to retained earnings and an appropriate charge to the regulatory non-distributable reserve made before any dividend is declared.

- (vi) The special non-distributable reserve created shall not be part of bank's core capital. In other words, the reserve will not be taken into account when computing regulatory capital of the bank. Where the bank has made a loss or has negative retained earnings, the excess provision should be added to accumulated losses when computing core capital.

**Property, plant & equipment**

All property, plant & equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or are recognized as separate asset, as appropriate, only when it is probable that future economic benefit associated with the asset will flow to the bank for more than one year. All other repairs and maintenance expenses are charged to the income statement.

Depreciation is provided in full in the month of additions. No depreciation is provided in the month of sale/disposal. Depreciation is calculated to write off the cost of the fixed assets on a reducing balance basis over their estimated useful lives. The annual depreciation rates in use are:

|                                |              |
|--------------------------------|--------------|
| • Computers & hardware         | 37.50% (WDV) |
| • Motor vehicles               | 37.50% (WDV) |
| • Office furniture & equipment | 12.50% (WDV) |
| • Computer software            | 3 Years      |

- (vii) All of the above assets are reviewed for impairment once annually where ever there is a circumstantial evidence of impairment.

**Lease**

The bank is having lease transactions during the year. Bank has lease agreement for the office premises and residential premises.

**Bank as a lessee**

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**Right-of-use assets**

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated

Residential & Commercial Premises 2 to 3 years

If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right of use assets have been shown separately on the face of the financial statements.

**Lease liabilities**

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank's lease liabilities have been shown separately on the face of the financial statements.

**Short-term leases and leases of low-value assets**

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment, that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**CANARA BANK (TANZANIA) LIMITED**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31st December 2019**

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Minimum lease payment(Undiscounted) is as follows:

- Next year TZS 415,291,955
- Year 2 through year 3 TZS 830,583,910
- beyond three year Nil

Premises and residential premises lease is for a period of 3 years for all the premises and the minimum lease payment(Undiscounted) is as follows:

- Next year TZS 230,244,789
- Year 2 through year 3 TZS 534,678,085
- beyond Three year Nil

**(viii) Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprises of balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with Bank of Tanzania.

**(ix) Taxation**

Income tax expense represents the sum of the current tax payable and the deferred taxation. Current taxation is provided on the basis of the profit for the year, as shown in the financial statement, adjusted in accordance with the Income Tax Act, 2004.

Deferred tax is provided on all temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities for financial reporting purpose and their tax base.

The amount of deferred tax provided is based on the tax rate that has been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax is realized or the deferred tax liability is settled.

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

**(x) Provisions**

Provisions are recognised when the Bank has a present legal or contractual obligation as a result of past events, which will result in an economic outflow and where a reliable estimate can be made of the amount of the obligation.

**(xi) Employee benefits**

All short term employee benefits are provided for in the income statement on accrual basis. Further, employees are members of a defined contribution scheme, employees contribute ten percent of their salary and employer contributes ten percent of the employees' salary to the scheme. The employers' contribution is accounted for in the period it falls due.

**(xii) Comparatives**

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.



**(xiii) Statutory reserves**

As per the circular of BOT, for provision of non-performing assets, Bank is required to compute provision using both IFRS-9 approach and BOT regulatory approach. IFRS-9 provision should be charged to the income statement. In case IFRS-9, provisions for classified assets is less than BOT provision, then a special non-distributable reserve should be immediately created through an appropriation of distributable reserves to eliminate the shortfall. This reserve should be termed as "Statutory Reserve".

**5. RISK MANAGEMENT**

Operating in a liberalised and globalised environment, bank is exposed to different types of risks emanating from financial and non-financial factors. Risks faced by the bank have been categorized as Credit risk, market risk, liquidity risk, operational risk and strategic risk.

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The board has established the Assets and Liability, Credit and Operational Risk and ICT Committees, which are responsible for developing and monitoring bank's risk management policies in their specified area. All Board committees have both executive and non executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered and the guidelines issued by the Bank of Tanzania. The Bank, through its training and management procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit committee is responsible for monitoring compliance with the bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. The Audit committee is assisted in these functions by the Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The follow up of these procedures is closely monitored by the Managing Director, in the day to day activities of the bank.

**(i) Credit risk**

Credit risk is a risk of financial loss to the bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the bank's loans and advances to customers and other banks, and investment debt securities.

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit committee. The credit department of the bank, reporting to the credit committee is responsible for management of the bank's credit risk, including:-

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- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with
- Establishing the authorisation structure for approval and renewal of credit facilities. The credit limits are governed by the Credit policy, as approved by the board.
- Reviewing and assessing credit risks.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances).

Regular audit of credit process is undertaken by the internal audit. The classification of advances based on the overdue balances, showing exposure to credit risk, is given below:

| <u>Particulars</u> | <u>Balance outstanding</u>            |                |                  |
|--------------------|---------------------------------------|----------------|------------------|
|                    | <u>including unrecovered interest</u> | <u>Secured</u> | <u>Unsecured</u> |
| Standard           | 30,078,100,451                        | 27,669,030,803 | 2,409,069,648    |
| ESM                | 1,540,384,657                         | 1,540,384,657  | -                |
| Substandard        | 4,125,844,926                         | 4,125,844,926  | -                |
| Doubtful           | -                                     | -              | -                |
| Loss               | -                                     | -              | -                |

There was impairment loss on loans and advances of TZS 26.2 Million during the year. The bank has complied with the requirements of the Bank of Tanzania and the International Financial Reporting Standards as explained in note 4 (v).

**(ii) Market risk**

The bank is exposed to market risk. Market risk arises from open positions in interest rate, currency and equity products. The board sets limits and reviews it at regular interval on the risk that may be accepted. Further the exposure is monitored on daily basis.

**(iii) Liquidity risk**

The bank is exposed to daily calls on its available cash resources from over night deposits, current accounts, maturing deposits, loans drawn and guarantees, from margin and other calls on cash settlement. The board has set limit based on their experience of the minimum proportion of maturing funds available to meet and on the minimum level of inter-bank and other borrowing facility that should be in place to cover withdrawals at unexpected levels of

**(iv) Interest rate risk**

The bank is exposed to various risk associated with the effect of fluctuation in the prevailing levels of market interest rates on its financial position and cash flow. The bank has the discretion to change the rate on deposits, loans and advances in line with the changes in market trend. These measures minimise the bank's exposure to interest rate risk.

**(v) Currency risk**

The bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. The bank is involved in foreign currency market only to the extent of buying and selling to the extent of required currency. The bank is not involved in foreign currency forward contracts and thus the risk is limited.

**(vi) Operational risks**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risk arises from all the bank's activities.

The bank's objective is to manage the operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiate and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management at each department level. The responsibility is supported by the development of overall standards for management of operational risks in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standard;
- Risk mitigation, including insurance where this is effective.

Compliance with the standards is supported by the periodic review by the Internal Audit. The results of the internal audit are discussed with the management of the branch, with summaries submitted to the Audit Committee.

**Annexure to note 5 (iii)**

**Table showing Liquidity risk position**

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at 31st December 2019 to the contractual maturity date. All figures are in thousands of Tanzania Shillings.

| Particulars  | Up to 1 month<br>TZS '000 | 1 to 3 months<br>TZS '000 | 3 to 6 months<br>TZS '000 | 6 to 12 months<br>TZS '000 | 1 to 2 years<br>TZS '000 | 2 to 3 years<br>TZS '000 | 3 to 5 years<br>TZS '000 | Over 5 years<br>TZS '000 | Total<br>TZS '000  |
|--|---------------------------|---------------------------|---------------------------|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------|
| <b>ASSETS</b>  |                           |                           |                           |                            |                          |                          |                          |                          |                    |
| Cash   | 405,326                   | -                         | -                         | -                          | -                        | -                        | -                        | -                        | 405,326            |
| Balance with Bank of Tanzania                        | 6,601,309                 | -                         | -                         | -                          | -                        | -                        | -                        | -                        | 6,601,309          |
| Balances with other banks and financial institutions | 668,771                   | -                         | -                         | -                          | -                        | -                        | -                        | -                        | 668,771            |
| Cheques & other items for clearing                   | 67,319                    | -                         | -                         | -                          | -                        | -                        | -                        | -                        | 67,319             |
| Investment in debt securities                        | -                         | 8,153,128                 | 4,216,487                 | 4,226,683                  | 4,852,333                | 1,523,699                | 2,399,738                | -                        | 25,372,068         |
| Interbank loans receivables                          | 27,455,000                | 8,050,000                 | 1,150,000                 | 230,000                    | -                        | -                        | -                        | -                        | 36,885,000         |
| Loans, advance and overdrafts                        | 7,230,657                 | 8,114,640                 | 2,714,487                 | 4,057,548                  | 7,225,835                | 4,413,146                | 1,935,436                | -                        | 35,691,751         |
| Commercial and other bills purchased                 | -                         | -                         | -                         | -                          | -                        | -                        | -                        | -                        | -                  |
| Bank premises, furniture & equipment                 | -                         | -                         | -                         | -                          | -                        | 833,422                  | -                        | 722,760                  | 1,556,182          |
| Other assets   | 545,633                   | -                         | -                         | -                          | -                        | -                        | -                        | 294,586                  | 840,219            |
| Provision for impairments                            | (110,318)                 | -                         | -                         | -                          | -                        | -                        | -                        | -                        | (110,318)          |
| <b>Total Assets</b>                                  | <b>42,863,696</b>         | <b>24,317,769</b>         | <b>8,080,975</b>          | <b>8,514,231</b>           | <b>12,078,168</b>        | <b>6,770,267</b>         | <b>4,335,174</b>         | <b>1,017,346</b>         | <b>107,977,627</b> |
| <b>LIABILITIES</b>                                   |                           |                           |                           |                            |                          |                          |                          |                          |                    |
| Demand deposits/call deposits                        | 4,168,438                 | -                         | -                         | -                          | -                        | -                        | -                        | -                        | 4,168,438          |
| Savings deposits                                     | 1,808,676                 | -                         | -                         | -                          | -                        | -                        | -                        | -                        | 1,808,676          |
| Time deposits  | 5,836,699                 | 2,156,197                 | 5,783,107                 | 11,377,279                 | 6,158,062                | -                        | 111,000                  | -                        | 31,422,345         |
| Special deposits                                     | -                         | -                         | -                         | -                          | -                        | -                        | -                        | -                        | -                  |
| Deposits with banks and financial institutions       | 11,800,000                | 20,700,000                | -                         | -                          | -                        | -                        | -                        | -                        | 32,500,000         |
| Bankers cheques & draft issued                       | -                         | -                         | -                         | -                          | -                        | -                        | -                        | -                        | -                  |
| Accrued taxes & other expenses                       | 1,324,976                 | -                         | -                         | -                          | -                        | -                        | -                        | -                        | 1,324,976          |
| Other liabilities                                    | -                         | -                         | -                         | -                          | 1,994                    | 764,923                  | -                        | -                        | 766,917            |
| <b>Total Liabilities</b>                             | <b>24,938,789</b>         | <b>22,856,197</b>         | <b>5,783,107</b>          | <b>11,377,279</b>          | <b>6,160,057</b>         | <b>764,923</b>           | <b>111,000</b>           | <b>-</b>                 | <b>71,991,351</b>  |
| <b>NET LIQUIDITY GAP</b>                             | <b>17,924,908</b>         | <b>1,461,572</b>          | <b>2,297,868</b>          | <b>(2,863,048)</b>         | <b>5,918,112</b>         | <b>6,005,344</b>         | <b>4,224,174</b>         | <b>1,017,346</b>         | <b>-</b>           |

**Annexure to note 5 (iv)**

**Table showing Interest sensitivity gap**

The table below analyses the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate on off balance sheet items. All figures are in thousands of Tanzania Shillings.

| Particulars  | Up to 1 month<br>TZS '000 | 1 to 3 months<br>TZS '000 | 3 to 6 months<br>TZS '000 | 6 to 12 months<br>TZS '000 | Over 1 years<br>TZS '000 | Non interest bearing<br>TZS '000 | Total<br>TZS '000  |
|--|---------------------------|---------------------------|---------------------------|----------------------------|--------------------------|----------------------------------|--------------------|
| <b>ASSETS</b>  |                           |                           |                           |                            |                          |                                  |                    |
| Cash   | -                         | -                         | -                         | -                          | -                        | 405,326                          | 405,326            |
| Balance with Bank of Tanzania                                      | -                         | -                         | -                         | -                          | -                        | 6,601,309                        | 6,601,309          |
| Balances with other banks and financial institutions               | 668,771                   | -                         | -                         | -                          | -                        | -                                | 668,771            |
| Cheques & other items for clearing                                 | -                         | -                         | -                         | -                          | -                        | 67,319                           | 67,319             |
| Investment in debt securities                                      | -                         | 8,153,128                 | 4,216,487                 | 4,226,683                  | 8,775,769                | -                                | 25,372,068         |
| Interbank loans receivables  | 27,455,000                | 8,050,000                 | 1,150,000                 | 230,000                    | -                        | -                                | 36,885,000         |
| Loans, advance and overdrafts commercial and other bills purchased | 7,230,657                 | 8,114,640                 | 2,714,487                 | 4,057,548                  | 13,574,418               | -                                | 35,691,751         |
| Bank premises, furniture & equipment                               | -                         | -                         | -                         | -                          | -                        | 1,556,182                        | 1,556,182          |
| Other assets   | -                         | -                         | -                         | -                          | -                        | 840,219                          | 840,219            |
| Provision for impairments  | (110,318)                 | -                         | -                         | -                          | -                        | -                                | (110,318)          |
| <b>Total Assets</b>  | <b>35,244,109</b>         | <b>24,317,769</b>         | <b>8,080,975</b>          | <b>8,514,231</b>           | <b>22,350,187</b>        | <b>9,470,355</b>                 | <b>107,977,627</b> |
| <b>LIABILITIES</b>   |                           |                           |                           |                            |                          |                                  |                    |
| Demand deposits/call deposits                                      | -                         | -                         | -                         | -                          | -                        | 4,168,438                        | 4,168,438          |
| Savings deposits   | 1,808,676                 | -                         | -                         | -                          | -                        | -                                | 1,808,676          |
| Time deposits  | 5,836,699                 | 2,156,197                 | 5,783,107                 | 11,377,279                 | 6,269,062                | -                                | 31,422,344         |
| Special deposits   | -                         | -                         | -                         | -                          | -                        | -                                | -                  |
| Deposits with banks and financial institutions                     | 11,800,000                | 20,700,000                | -                         | -                          | -                        | -                                | 32,500,000         |
| Bankers cheques & draft issued                                     | -                         | -                         | -                         | -                          | -                        | -                                | -                  |
| Accrued taxes & other expenses                                     | -                         | -                         | -                         | -                          | -                        | 1,324,976                        | 1,324,976          |
| Other liabilities  | -                         | -                         | -                         | -                          | 764,923                  | -                                | 764,923            |
| <b>Total Liabilities</b>   | <b>19,445,375</b>         | <b>22,856,197</b>         | <b>5,783,107</b>          | <b>11,377,279</b>          | <b>7,033,985</b>         | <b>5,493,414</b>                 | <b>71,989,357</b>  |
| <b>INTEREST SENSITIVITY GAP</b>                                    | <b>15,798,735</b>         | <b>1,461,572</b>          | <b>2,297,868</b>          | <b>(2,863,048)</b>         | <b>15,316,202</b>        | <b>3,976,941</b>                 | <b>-</b>           |

**Annexure to note 5 (v)**

**Table showing Bank's exposure to foreign currency exchange rate risk**

The table below analyses the bank's assets and liabilities at carrying amounts, categorized by currency. All amounts are expressed in

| Particulars                                   | USD               | GBP      | EURO     | INR          | OTHERS   | Total             |
|---|-------------------|----------|----------|--------------|----------|-------------------|
| <b>ASSETS</b>                                 |                   |          |          |              |          |                   |
| Cash  | 209,376           | -        | -        | -            | -        | 209,376           |
| Bank balances in current account              | 1,878,946         | -        | -        | 1,600        | -        | 1,880,546         |
| Money market placement                        | 22,885,000        | -        | -        | -            | -        | 22,885,000        |
| Loans, advance and bills                      | 23,498,312        | -        | -        | -            | -        | 23,498,312        |
| Other assets                                  | 174,717           | -        | -        | -            | -        | 174,717           |
| <b>Total Assets</b>                           | <b>48,646,351</b> | <b>-</b> | <b>-</b> | <b>1,600</b> | <b>-</b> | <b>48,647,951</b> |
| <b>LIABILITIES</b>                            |                   |          |          |              |          |                   |
| Deposits                                      | 47,473,731        | -        | -        | -            | -        | 47,473,731        |
| Other liabilities                             | 466,171           | -        | -        | -            | -        | 466,171           |
| <b>Total Liabilities</b>                      | <b>47,939,902</b> | <b>-</b> | <b>-</b> | <b>-</b>     | <b>-</b> | <b>47,939,902</b> |
| <b>Net Balance sheet position</b>             | <b>706,449</b>    | <b>-</b> | <b>-</b> | <b>1,600</b> | <b>-</b> | <b>708,049</b>    |
| <b>Exchange rate as at 31st December 2019</b> | <b>2300</b>       | <b>-</b> | <b>-</b> | <b>33</b>    | <b>-</b> |                   |

**6. CAPITAL MANAGEMENT**

The Bank's objectives when managing capital, which is broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirement set by the regulator;
- To safeguard the Bank's ability to continue as going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's Management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania (BOT), for supervision purposes. The required information is filed with the BOT on a quarterly basis.

The Bank of Tanzania (BOT) requires each bank to:

- Hold a minimum level of core capital of Tzs. 15 billion;
- Maintain a ratio of core capital to the risk weighted assets plus risk weighted off balance sheet items at or above the required minimum of 10%; and
- Maintain total capital of not less than 12% of risk weighted assets plus risk weighted off balance sheet items.

The bank's regulatory capital as managed by its management is divided into two tiers:

**Tier 1 capital:** Share capital, retained earnings and reserves created by appropriation of retained earnings. Prepaid expenses and deferred charges are deducted in arriving at Tier 1

**Tier 2 capital:** Qualifying subordinate loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

The risk weighted assets are ensured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the bank for the period ending on 31st December, 2019:

| <u>Minimum capital required for market risks-Standardized Measurement</u> | <u>Amount (Tzs)</u>            |               |
|---|--------------------------------|---------------|
| Foreign Exchange Risk   | 84,965,804                     |               |
| Interest Rate Position Risk   | -                              |               |
| Equities Position Risk  | -                              |               |
| Total Minimum capital required for market risk                            | 84,965,804                     |               |
| <u>Adjusted risk weighted assets</u>                                      | <u>Risk-weight equivalents</u> |               |
| Credit risk on balance sheet items  | 41,422,898,343                 |               |
| Credit risk on off balance sheet items                                    | 6,300,869,418                  |               |
| Total Minimum capital required for market risk                            | 1,062,072,551                  |               |
| Total Minimum capital required for operational risk                       | 5,217,744,757                  |               |
| Total adjusted risk weighted assets and off balance sheet exposures       | 54,003,585,068                 |               |
| <u>Available capital</u>  |                                |               |
| Available core capital  | 35,029,017,798                 |               |
| Available total capital   | 35,857,599,489                 |               |
| <u>Capital adequacy ratios</u>  |                                |               |
| Core capital to risk weighted assets and off balance sheet exposures      | 65%                            |               |
| Total capital to risk weighted assets and off balance sheet exposures     | 66%                            |               |
| <u>Particulars</u>  | <u>BOT Requirement</u>         | <u>Actual</u> |
| Core capital to total adjusted risk weighted assets                       | 10%                            | 65%           |
| Total capital to total adjusted risk weighted assets                      | 12%                            | 66%           |

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**Notes to the financial statements (Continued)**  
**For the year ended 31st December 2019**

|  | 2019<br>TZS '000 | 2018<br>TZS '000 |
|--|------------------|------------------|
| <b>7 INTEREST INCOME</b>                     |                  |                  |
| Interest on loans and advances               | 4,225,387        | 3,148,217        |
| Interest on Government securities            | 2,843,598        | 2,518,253        |
| Interest on deposits and bank balances       | 1,098,417        | 1,057,922        |
|  | <b>8,167,402</b> | <b>6,724,392</b> |
| <b>8 INTEREST EXPENSE</b>                    |                  |                  |
| Interest on customer deposits                | 1,950,126        | 1,457,239        |
| Interest paid on borrowings from other bank  | 851,903          | 668,157          |
|  | <b>2,802,029</b> | <b>2,125,396</b> |
| <b>9 FEES &amp; COMMISSION</b>               |                  |                  |
| Commission earned including forex earnings   | 289,734          | 136,499          |
| Bank charges, Exchange on demand drafts etc. | 605,947          | 535,772          |
|  | <b>895,681</b>   | <b>672,271</b>   |
| <b>10 OPERATING EXPENSES</b>                 |                  |                  |
| Employees salaries and other benefits        | 1,455,849        | 1,267,372        |
| Advertisement & publicity                    | 24,723           | 48,577           |
| Audit fees                                   | 33,778           | 48,640           |
| Depreciation & amortisation                  | 1,239,148        | 1,060,821        |
| Director fees                                | 20,218           | 24,187           |
| Excise duty                                  | 70,126           | 22,084           |
| City service levy                            | 12,543           | 8,017            |
| License fees                                 | 71,208           | 49,485           |
| Entertainment expenses                       | 1,657            | 10,013           |
| Bank charges                                 | 24,133           | 16,581           |
| Postage & courier charges                    | 1,439            | 2,090            |
| Telephone & internet charges                 | 128,993          | 49,499           |
| Insurance                                    | 190,413          | 165,142          |
| Legal & professional fees                    | 11,785           | 17,848           |
| Membership & subscription                    | 41,773           | 19,521           |
| Miscellaneous expenses                       | 9,579            | 5,370            |
| Swift & reuters service charges              | 68,143           | 89,159           |
| Printing & stationary                        | 40,873           | 27,029           |
| Rental expenses                              | -                | 317,276          |
| Interest Expense on Lease Liability          | 88,108           |                  |
| AMC charges                                  | 401,444          | 565,016          |
| Repairs and maintenance                      | 23,969           | 25,212           |
| Security charges                             | 51,066           | 51,429           |
| Training expenses                            | 5,407            | 5,560            |
| Transportation expenses                      | 3,848            | 2,751            |
| Travelling, hotel expenses etc.              | 3,997            | 5,360            |
| Utility expenses                             | 24,097           | 26,550           |
|  | <b>4,048,318</b> | <b>3,930,589</b> |



**CANARA BANK (TANZANIA) LIMITED**  
**Notes to the financial statements (Continued)**  
**For the year ended 31st December 2019**

|  | 2019<br>TZS '000         | 2018<br>TZS '000         |
|--|--------------------------|--------------------------|
| <b>Breakup of Employees salaries and other benefits:</b>                         |                          |                          |
| Salaries   | 850,631                  | 709,811                  |
| Entertainment allowance  | 36,260                   | 37,106                   |
| Conveyance allowance   | 14,449                   | 16,014                   |
| Other allowances   | 347,395                  | 101,818                  |
| Education fee reimbursement  | 27,266                   | 19,327                   |
| Residential rent   | -                        | 169,438                  |
| Skills and development levy  | 64,200                   | 47,581                   |
| Workers compensation fund  | 14,233                   | 9,988                    |
| Pension fund contribution  | 88,213                   | 146,531                  |
| Medical assistance   | 4,955                    | 5,519                    |
| Staff welfare  | 8,247                    | 4,240                    |
|  | <b><u>1,455,849</u></b>  | <b><u>1,267,372</u></b>  |
| <b>11. CASH AND BALANCES WITH BANK OF TANZANIA</b>                               |                          |                          |
| (i) Cash balance   | <u>405,326</u>           | <u>719,433</u>           |
| (ii) <b>Balance with Bank of Tanzania</b>  |                          |                          |
| Statutory minimum reserve (SMR)  | 2,963,730                | 2,025,901                |
| Current account/clearing account   | <u>3,637,645</u>         | <u>2,504,032</u>         |
|  | <b><u>6,601,375</u></b>  | <b><u>4,529,933</u></b>  |
| Less: ECL Allowance as per IFRS 9  | (66)                     | (2,265)                  |
|  | 6,601,309                | 4,527,668                |
| <b>12. DEPOSITS AND BALANCES DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS</b> |                          |                          |
| Banks in Tanzania  | 35,789,138               | 34,904,672               |
| Banks abroad   | <u>1,764,633</u>         | <u>1,938,528</u>         |
|  | <b><u>37,553,771</u></b> | <b><u>36,843,200</u></b> |
| Less: ECL Allowance as per IFRS 9  | (18,877)                 | (8,007)                  |
|  | <b><u>37,534,894</u></b> | <b><u>36,835,193</u></b> |
| Maturing within 3 months   | 36,173,771               | 35,466,200               |
| Maturing after 3 months  | <u>1,380,000</u>         | <u>1,377,000</u>         |
|  | <b><u>37,553,771</u></b> | <b><u>36,843,200</u></b> |
| <b>13. GOVERNMENT SECURITIES</b>   |                          |                          |
| Investments in Treasury Bills  | 13,948,719               | 13,553,036               |
| Investments in Treasury Bonds  | <u>11,423,349</u>        | <u>9,194,649</u>         |
| Less: ECL Allowance as per IFRS 9  | (268)                    | (227)                    |
|  | <b><u>25,371,800</u></b> | <b><u>22,747,458</u></b> |
| Maturing within 3 months   | 8,153,128                | 4,550,590                |
| Maturing after 3 months  | <u>17,218,672</u>        | <u>18,197,095</u>        |
|  | <b><u>25,371,800</u></b> | <b><u>22,747,685</u></b> |
| <b>14. DEBTORS AND OTHER RECEIVABLES</b>   |                          |                          |
| Interest receivable  | 399,779                  | 372,108                  |
| Prepaid expenses   | 107,686                  | 131,318                  |
| Others   | <u>112,226</u>           | <u>109,791</u>           |
|  | <b><u>619,691</u></b>    | <b><u>613,217</u></b>    |
| Less: ECL Allowance as per IFRS 9  | (8,733)                  | (4,827)                  |
|  | <b><u>610,958</u></b>    | <b><u>608,390</u></b>    |

**CANARA BANK (TANZANIA) LIMITED**  
**Notes to the financial statements (Continued)**  
**For the year ended 31st December 2019**

**18. (i) PROPERTY, PLANT AND EQUIPMENT**

|                            | Capital<br>WIP<br>TZS '000 | Computers<br>& Hardware<br>TZS '000 | Motor<br>Vehicles<br>TZS '000 | Office<br>furniture &<br>equipment<br>TZS '000 | Computer<br>Software<br>TZS '000 | Total<br>TZS '000 |
|----------------------------|----------------------------|-------------------------------------|-------------------------------|--|----------------------------------|-------------------|
| <b>Cost</b>                |                            |                                     |                               |  |                                  |                   |
| At 1 January 2018          | 50,670                     | 1,354,258                           | 62,819                        | 607,617  | 2,798,119                        | 4,873,483         |
| Additions                  | 1,033                      | 38,151                              | -                             | 30,795   | 27,955                           | 97,934            |
| Disposals                  | -                          | -                                   | -                             | -  | (3,375)                          | (3,375)           |
| Transfer from WIP          | (50,670)                   | -                                   | -                             | -  | 50,670                           | -                 |
| <b>At 31 December 2018</b> | <b>1,033</b>               | <b>1,392,409</b>                    | <b>62,819</b>                 | <b>638,412</b>                                 | <b>2,873,369</b>                 | <b>4,968,042</b>  |
| At 1 January 2019          | 1,033                      | 1,392,409                           | 62,819                        | 638,412  | 2,873,369                        | 4,968,042         |
| Additions                  | -                          | 15,003                              | -                             | 4,385  | -                                | 19,388            |
| <b>At 31 December 2019</b> | <b>1,033</b>               | <b>1,407,412</b>                    | <b>62,819</b>                 | <b>642,797</b>                                 | <b>2,873,369</b>                 | <b>4,987,430</b>  |
| <b>Depreciation</b>        |                            |                                     |                               |  |                                  |                   |
| At 1 January 2018          | -                          | 655,329                             | 32,956                        | 116,506  | 1,143,132                        | 1,947,923         |
| Charge for the year        | -                          | 267,132                             | 11,199                        | 64,147   | 718,342                          | 1,060,820         |
| Disposals                  | -                          | -                                   | -                             | -  | -                                | -                 |
| <b>At 31 December 2018</b> | <b>-</b>                   | <b>922,461</b>                      | <b>44,155</b>                 | <b>180,653</b>                                 | <b>1,861,474</b>                 | <b>3,008,743</b>  |
| At 1 January 2019          | -                          | 922,461                             | 44,155                        | 180,653  | 1,861,474                        | 3,008,743         |
| Charge for the year        | -                          | 178,435                             | 6,999                         | 57,565   | 718,342                          | 961,341           |
| On disposals               | -                          | -                                   | -                             | -  | -                                | -                 |
| <b>At 31 December 2019</b> | <b>-</b>                   | <b>1,100,896</b>                    | <b>51,154</b>                 | <b>238,218</b>                                 | <b>2,579,816</b>                 | <b>3,970,084</b>  |
| <b>Net Book Value</b>      |                            |                                     |                               |  |                                  |                   |
| <b>At 31 December 2018</b> | <b>1,033</b>               | <b>469,948</b>                      | <b>18,664</b>                 | <b>457,759</b>                                 | <b>1,011,895</b>                 | <b>1,959,299</b>  |
| <b>At 31 December 2019</b> | <b>1,033</b>               | <b>306,516</b>                      | <b>11,665</b>                 | <b>404,579</b>                                 | <b>293,553</b>                   | <b>1,017,346</b>  |

**18.(ii) RIGHT TO USE ASSET**

|  | 2019<br>TZS '000 |
|--|------------------|
| Opening right to use assets                      | 1,111,230        |
| Less; Depreciation Charge on Right to Use Assets | (277,807)        |
| Closing Right to use Assets                      | 833,422          |

|  | 2019<br>TZS '000 | 2018<br>TZS '000 |
|--|------------------|------------------|
|--|------------------|------------------|

**19. CUSTOMERS' DEPOSITS**

|                  |                   |                   |
|------------------|-------------------|-------------------|
| Third parties    | 37,399,458        | 28,960,701        |
| From other banks | 4,900,000         | 8,914,726         |
| Related parties  | 27,600,000        | 28,687,500        |
|                  | <b>69,899,458</b> | <b>66,562,927</b> |

**Maturity analysis**

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Repayable on demand                   | 6,728,676         | 13,137,147        |
| Repayable in 3 months or less         | 35,572,896        | 33,762,467        |
| Repayable between 3 months and 1 year | 17,160,386        | 19,300,174        |
| Repayable after 1 year                | 10,437,500        | 363,139           |
|                                       | <b>69,899,458</b> | <b>66,562,927</b> |

**CANARA BANK (TANZANIA) LIMITED**  
**Notes to the financial statements (Continued)**  
**For the year ended 31st December 2019**

|   | 2019<br>TZS '000         | 2018<br>TZS '000         |
|---|--------------------------|--------------------------|
| <b>20.(i) LEASE LIABILITY</b>   |                          |                          |
| Opening Lease Liability   | 1,111,230                | -                        |
| Payment of lease Liability for the year   | <u>(346,307)</u>         | -                        |
| Closing Lease Liability   | <u><u>764,923</u></u>    | -                        |
|   | <b>2019</b>              | <b>2018</b>              |
|   | <b>TZS '000</b>          | <b>TZS '000</b>          |
| <b>20.(ii) OTHER LIABILITIES</b>  |                          |                          |
| Accrued expenses payable  | 105,151                  | 115,446                  |
| Accrued interest payable  | 1,116,753                | 960,697                  |
| Accrued Interest on Lease Liability   | 19,123                   | -                        |
| Duties and taxes payable  | 58,191                   | 23,361                   |
| ECL Allowance for financial gurantee and Letter of credit   | 24,635                   | 1,817                    |
| Bankers cheque payable  | -                        | 7,506                    |
| Other payable   | 1,123                    | 100,004                  |
|   | <u><u>1,324,976</u></u>  | <u><u>1,208,831</u></u>  |
| <b>21. SHARE CAPITAL</b>  |                          |                          |
| <b>Authorized:</b>  |                          |                          |
| 50,000,000 ordinary shares of Tzs 1,000 each (2017 - 50,000,000 ordinary shares of Tzs 1,000 each)          | <u><u>50,000,000</u></u> | <u><u>50,000,000</u></u> |
| <b>Issued and fully paid up:</b>  |                          |                          |
| 32,830,000 ordinary shares of Tzs 1,000 each (2017 - 32,830,000 ordinary shares of Tzs 1,000 each)          | <u><u>32,830,000</u></u> | <u><u>32,830,000</u></u> |
| <b>22. CASH AND CASH EQUIVALENTS</b>  |                          |                          |
| Cash balance - see note 11(i)   | 405,326                  | 719,433                  |
| Balance with Bank of Tanzania (excluding SMR) - see note 11(ii)   | 3,637,645                | 2,504,032                |
| Deposits and balances due from other banks and financial institution maturing within 3 months - see note 12 | 36,173,771               | 35,466,200               |
| Government securities maturing within 3 months - see note 13  | 8,153,128                | 4,550,590                |
|   | <u><u>48,369,870</u></u> | <u><u>43,240,255</u></u> |
| <b>23. RELATED PARTY TRANSACTIONS</b>   |                          |                          |
| <b>Related party disclosures</b>  |                          |                          |
| Compensation to key management personnel  |                          |                          |
| - Short term employee benefits to Managing Director   | 215,065                  | 178,518                  |
| - Sitting fees paid to local director   | <u>20,218</u>            | <u>24,187</u>            |
| <b>24. NET TRANSACTIONS PAYMENTS/(RECEIPTS) WITH RELATED PARTIES</b>  |                          |                          |
| Canara Bank, India  | <u>(49,046)</u>          | <u>49,168</u>            |
| <b>NET CLOSING BALANCE DUE FROM / (TO) RELATED PARTIES</b>  |                          |                          |
| Canara Bank, India  | <u>1,600</u>             | <u>50,646</u>            |

**CANARA BANK (TANZANIA) LIMITED**  
**Notes to the financial statements (Continued)**  
**For the year ended 31st December 2019**

|   | 2019<br>TZS '000            | 2018<br>TZS '000            |                |
|---|-----------------------------|-----------------------------|----------------|
| <b>INTERBANK PLACEMENTS MADE TO / (ACCEPTED FROM) RELATED PARTIES</b> |                             |                             |                |
| Canara Bank, India  | (27,600,000)                | (24,097,500)                |                |
| CIBL, Russia  | -                           | (4,590,000)                 |                |
| Canara Bank, UK   | 460,000                     | 45,900                      |                |
|   | <u>                    </u> | <u>                    </u> |                |
| <b>25. CONTINGENT LIABILITIES</b>                                     |                             |                             |                |
| Contingent liabilities as at balance sheet date are as follows:       |                             |                             |                |
| Bank guarantees given   | 7,012,163                   | 2,049,957                   |                |
| Letter of credit issued   | 3,793,895                   | 2,447,108                   |                |
|   | <u>10,806,058</u>           | <u>4,497,065</u>            |                |
| Less:ECL Allowance as per IFRS 9                                      | (24,635.00)                 | (1,817.14)                  |                |
| Net Contingent Liabilities  | <u>10,781,423</u>           | <u>4,495,247</u>            |                |
| <b>26. CORE CAPITAL</b>   |                             |                             |                |
| Issued and fully paid up capital                                      | 32,830,000                  | 32,830,000                  |                |
| Retained earnings   | 2,308,698                   | 1,125,677                   |                |
| Prepayments   | (107,686)                   | (131,318)                   |                |
| Intangible assets   |                             | (1,011,895)                 |                |
| Deferred tax assets   | (1,994)                     | (25,623)                    |                |
| Software work in progress   |                             | (1,033)                     |                |
|   | <u>35,029,018</u>           | <u>32,785,808</u>           |                |
|   |                             |                             |                |
|   | <b>As at</b>                | <b>Charge to</b>            |                |
|   | <b>01-Jan-19</b>            | <b>P&amp;L</b>              |                |
|   | <b>TZS '000</b>             | <b>for year 2019</b>        |                |
|   |                             | <b>As at</b>                |                |
|   |                             | <b>31-Dec-2019</b>          |                |
|   |                             | <b>TZS '000</b>             |                |
| <b>27(i) Movement of ECL Allowances</b>                               |                             |                             |                |
| Loans and advances  | 84,130                      | 26,188                      | 110,318        |
| Interbank Loans   | 7,630                       | 10,912                      | 18,543         |
| Balances with other banks   | 377                         | (43)                        | 334            |
| Balance with Bank of Tanzania   | 2,265                       | (2,199)                     | 66             |
| Government securities   | 227                         | 40                          | 268            |
| Other Assets  | 4,827                       | 3,907                       | 8,733          |
| Off balance sheet   | 1,817                       | 22,818                      | 24,635         |
| <b>Total for year</b>   | <u>101,273</u>              | <u>61,624</u>               | <u>162,897</u> |

CANARA BANK (TANZANIA) LIMITED  
Notes to the financial statements (Continued)  
For the year ended 31st December 2019

| <b>27(ii) Breakdown of impairment loss to profit and Loss</b> | <b>Impairment charge for credit losses</b> | <b>Amount recovered during the period</b> | <b>Charge to profit and Loss for year 2019</b> |
|---|--|---|--|
|   | <b>TZS '000</b>                            | <b>TZS '000</b>                           | <b>TZS '000</b>                                |
| Loans and advances  | 52,684                                     | (26,495)                                  | 26,188   |
| Interbank Loans   | 13,300                                     | (2,387)                                   | 10,912   |
| Balances with other banks                                     | 0  | (43)                                      | (43)   |
| Balance with Bank of Tanzania                                 | 0  | (2,199)                                   | (2,199)  |
| Government securities   | 176  | (136)                                     | 40   |
| Other Assets  | 4,403                                      | (496)                                     | 3,907  |
| Off balance sheet items                                       | 24,635                                     | (1,817)                                   | 22,818   |
| <b>Total for the year</b>                                     | <b>95,198</b>                              | <b>(33,574)</b>                           | <b>61,624</b>                                  |

**28 INCORPORATION**

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

**29 CURRENCY**

These financial statements are presented in Tanzanian Shillings (Tzs. '000) unless otherwise stated.

**30 COMPARATIVES**

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

**Canara Bank (Tanzania) Limited**  
**Income tax computation**  
**For the year ended 31 December 2019**

|   | <u>Amount (Tzs.)</u> |
|---|----------------------|
| Profit for the year   | 2,151,112,631        |
| <b><u>Add back:</u></b>   |                      |
| Depreciation on PPE   | 961,341,000          |
| Depreciation on Right to use Assets (IFRS-16)                     | 277,807,494          |
| Interest Expense on Lease Liability right to use assets (IFRS-16) | 88,108,035           |
| Provision for doubtful debts                                      | 61,623,841           |
|   | <u>3,539,993,000</u> |
| <b><u>Less:</u></b>   |                      |
| Wear & Tear Allowances Class I & III (Refer note 1)               | (234,878,004)        |
| Wear & Tear Allowances Class VII (Refer note 2)                   | (719,186,036)        |
| Actual Rent Expense in respect of right to use assets (IFRS-16)   | (415,291,955)        |
| Taxable profit/(loss) for the year                                | <u>2,170,637,005</u> |
| Tax charge for the year @ 30%                                     | 651,191,101          |
| Provisional tax paid during the year                              | 600,000,000          |
| Tax recoverable (payable) for the year 2019                       | <u>(51,191,101)</u>  |

**Tax memorandum**

|  |                     |
|--|---------------------|
| Tax recoverable (payable) as at 1st January 2019   | (12,030,840)        |
| Provisional tax paid during the year               | 600,000,000         |
| Tax paid in respect of prior year                  | 12,786,219          |
| Less: Tax charge for the year                      | (651,191,101)       |
| Tax recoverable (payable) As at 31st December 2019 | <u>(50,435,722)</u> |

**Note 1 - Wear & tear allowance (Class I & III)**

|  | Class I<br>37.50%  | Class III<br>12.50% | Total              |
|--|--------------------|---------------------|--------------------|
|  | Tzs.               | Tzs.                | Tzs.               |
| WDV as at 1st January 2019               | 456,845,368        | 459,093,926         | 915,939,294        |
| Additions during the year (Refer Note 3) | 15,003,000         | 4,385,000           | 19,388,000         |
| Disposal proceeds                        | -                  | -                   | -                  |
|  | 471,848,368        | 463,478,926         | 935,327,294        |
| Less: Wear and tear allowance            | (176,943,138)      | (57,934,866)        | (234,878,004)      |
| WDV As at 31st December 2019             | <u>294,905,230</u> | <u>405,544,060</u>  | <u>700,449,290</u> |

**Note 2 - Wear & tear allowance (Class VII)**

| <u>Year of addition</u> | <u>Cost</u>          | <u>WDV as at<br/>01.01.2019</u> | <u>Wear &amp; tear<br/>allowance</u> | <u>WDV as at<br/>31.12.2019</u> |
|-------------------------|----------------------|---------------------------------|--------------------------------------|---------------------------------|
| Year 2016               | 2,294,518,945        | 701,103,011                     | (573,629,736)                        | 127,473,275                     |
| Year 2017               | 503,600,000          | 251,800,000                     | (125,900,000)                        | 125,900,000                     |
| Year 2018               | 78,625,200           | 58,968,900                      | (19,656,300)                         | 58,968,900                      |
|                         | <u>2,876,744,145</u> | <u>1,011,871,911</u>            | <u>(719,186,036)</u>                 | <u>312,342,175</u>              |

**Canara Bank (Tanzania) Limited**  
**Income tax computation**  
**For the year ended 31 December 2019**

**Note 3 - Additions during the year 2019**

|                              | Class I<br>Tzs.   | Class III<br>Tzs. | Class VII<br>Tzs. | Total<br>Tzs.     |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| Computers & hardware         | 15,003,000        | -                 | -                 | 15,003,000        |
| Office furniture & equipment | -                 | 4,385,000         | -                 | 4,385,000         |
|                              | <b>15,003,000</b> | <b>4,385,000</b>  | -                 | <b>19,388,000</b> |

**IFRS - 16**

|   |                    |
|---|--------------------|
| <b>Actual Rent</b>                        | <b>415,291,955</b> |
| Depreciation charge on Right of Use Asset | 277,807,494        |
| Lease Liability payment                   | 346,306,995        |
| Interest Expe on Lease Liability          | 68,984,960         |
| <b>TOTAL</b>                              | <b>415,291,955</b> |

Canara Bank (Tanzania) Limited  
 Deferred tax computation  
 For the year ended 31 December 2019

|   | Year 2019<br>Tzs. | Year 2018<br>Tzs.   | Movement<br>Tzs.   |
|---|-------------------|---------------------|--------------------|
| Net book value of property, plant & equipment                     | 1,017,345,750     | 1,959,299,181       | (941,953,431)      |
| Less: Capital WIP   | (1,032,750)       | (1,032,750)         | -                  |
| Less: NBV of ineligible motor vehicle (Refer note 1)              | (9,120,703)       | (14,593,124)        | 5,472,422          |
| NBV of depreciable property & equipment                           | 1,007,192,298     | 1,943,673,307       | (936,481,009)      |
| Tax written down value  | (1,012,791,465)   | (1,927,811,205)     | 915,019,740        |
| Excess of NBV over Tax WDV  | (5,599,168)       | 15,862,102          | (21,461,269)       |
| <b>Other timing difference</b>                                    |                   |                     |                    |
| Other timing difference   | 61,623,842        | (101,273,298)       | 162,897,139        |
| <b>Effect of IFRS 16</b>  |                   |                     |                    |
| Depreciation on Right of use                                      | 277,807,494       | -                   | -                  |
| Interest Expense on Lease Liability right to use assets (IFRS-16) | 88,108,035        | -                   | -                  |
| Actual Rent Expense in respect of right to use assets (IFRS-16)   | (415,291,955)     | -                   | -                  |
|   | 12,247,415        |                     |                    |
| <b>Gross timing differences</b>                                   | <b>6,648,248</b>  | <b>(85,411,196)</b> | <b>141,435,870</b> |
| <b>Deferred tax (asset) liability @ 30% on above</b>              | <b>1,994,474</b>  | <b>(25,623,359)</b> | <b>27,617,833</b>  |

**Movement during the year 2019**

|   |              |
|---|--------------|
| Deferred tax (asset) liability As at 31st December 2019 | 1,994,474    |
| Deferred tax (asset) liability as at 1st January 2019   | (25,623,359) |
| Deferred tax charge / (credit) for the year             | 27,617,833   |

| <b>Deferred tax (asset) liability attributable to:</b> | As at<br>31.12.2019 | As at<br>31.12.2018 | Movement in<br>the<br>year 2019 |
|--|---------------------|---------------------|---------------------------------|
| Property, plant & equipment                            | (1,679,750)         | 4,758,631           | (6,438,381)                     |
| Other timing difference                                | 3,674,225           | (30,381,989)        | 34,056,214                      |
|  | 1,994,474           | (25,623,359)        | 27,617,833                      |

**Note 1: Ineligible NBV of motor vehicle**

|                          | Ineligible<br>cost | WDV as at<br>01.01.2019 | Less:<br>Depreciation<br>@ 37.5% | WDV as at<br>31.12.2019 |
|--------------------------|--------------------|-------------------------|----------------------------------|-------------------------|
| Renault Duster - T463DHB | 47,818,750         | 14,593,124              | (5,472,422)                      | 9,120,703               |
| Addition in year 2019    | -                  | -                       | -                                | -                       |
|                          | 47,818,750         | 14,593,124              | (5,472,422)                      | 9,120,703               |