BRAC RWANDA MICROFINANCE COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2021

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CORPORATE INFORMATION

DIRECTORS

#	Names	Title	Approval date	Nationality
1	Mr. Shameran Bahar Abed	Chairperson	August 2021	British
2	Mr. Johannes Maria Antonius Eskes	Director	January 2019	Dutch
3	Mr. Syed Abdul Muntakim	Director	July 2019	British
4	Ms. Angelina Muganza	Independent Director	May 2019	Rwandan
5	Ms. Anne Abakunzi	Independent Director	November 2019	Rwandan
6	Ms. Bridget Dougherty	Director	August 2021	USA
7	Dr. Muhammad Musa	Chairperson	Resigned in July 2021	Bangladeshi
8	Mr. Silent Clement Gonondo	Chief Executive Officer	May 2020	Zimbabwean

REGISTERED OFFICE

BRAC Rwanda Microfinance Company PLC
P O Box-6500,
KG385 Street,
House 360,
Kagugu, Gasabo
Kigali City, Rwanda.

PRINCIPAL BANKERS

Equity Bank (Rwanda) Plc
P.O Box 494
Kigali, Rwanda.

Cogebanque Plc
P.O. BOX 5230
Kigali, Rwanda

Guaranty Trust Bank (Rwanda) Plc
P.O Box: 331
Kigali, Rwanda

Banque Populaire du Rwanda Plc
PO. Box. 1348
Kigali, Rwanda

Bank of Kigali Plc
P.O. Box 175
Kigali, Rwanda

ADVOCATES

Lex Chambers
P. O. Box 6265
Kigali, Rwanda

INDEPENDENT AUDITOR

PricewaterhouseCoopers Rwanda Limited
5th Floor, Blue Star House, 35 KG 7 Ave, Kacyiru
PO Box 1495 Kigali, Rwanda

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of BRAC Rwanda Microfinance Company Plc (the Company).

1. INCORPORATION

BRAC Rwanda Microfinance Company PLC is domiciled in Rwanda where it is incorporated as a company limited by shares under the law n° 007/2021 of 05/02/2021 governing companies in Rwanda. The address of the registered office is set out on page 1.

2. PRINCIPAL ACTIVITIES

BRAC Rwanda Microfinance Company PLC was registered in September 2018 and its principal activity is to provide a range of financial services responsibly to people at the bottom of the pyramid.

3. RESULTS

	2021 USD	**2020 USD**
Loss before income tax	(1,619,853)	(997,609)
Income tax expense	-	-
Loss after income tax	**(1,619,853)**	**(997,609)**
Other comprehensive income	-	(66,374)
Total comprehensive loss	**(1,619,853)**	**(1,063,983)**

4. DIVIDENDS

The Directors do not recommend payment of dividends for the year ended 31 December 2021 (31 December 2020: Nil).

5. RESERVES

The reserves of the Company are set out on page 11.

6. DIRECTORS

The Directors who served during the year and to the date of this report are as shown on page 1.

7. AUDITOR

The auditor, PricewatehouseCoopers Rwanda Limited was appointed during the year and being eligible for reappointment has expressed willingness to continue in office as per the law n° No. 007/2021 of 05/02/2021 governing companies in Rwanda.

The Directors have the power to amend and re issue the financial statements

By order of the Board

....

Director 10 May 2022

The company's Directors are responsible for the preparation of financial statements that give a true and fair view of BRAC Rwanda Microfinance Company PLC as set out on pages 9 to 45 which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by Law No 007/2021 of 05/02/2021 governing companies in Rwanda.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with Financial Reporting Standards and in the manner required by Law No. 007/2021 of 05/02/2021 governing companies in Rwanda. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and its operating results.

The Directors have made an assessment of the ability of the company to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

The independent auditors are responsible for expressing an opinion on whether the financial statements give a true and fair view of the company's financial position and performance as at and for the year ended 31 December 2021.

Approval of the financial statements

The financial statements of BRAC Rwanda Microfinance Company PLC, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on ....2022 and were signed on its behalf by:

....
Chief Executive Officer

....
Director **Director**

REPORT OF THE INDEPENDENT AUDITOR TO THE DIRECTORS OF BRAC RWANDA MICROFINANCE COMPANY PLC

Report on the audit of the financial statements

Our opinion

In our opinion, BRAC Rwanda Microfinance Company Plc (the "Company") financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No. 007/2021 of 05/02/2021 Governing Companies.

What we have audited

The Company's financial statements as set out in pages 8 to 65 comprise:

- the statement of financial position as at 31 December 2021;
- the statements of comprehensive income;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA code.

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. The matter below was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

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PO Box 1495 Kigali, Rwanda
Tel: +250 (252) 588201/2/3/4/5/6, www.pwc.com/rw

Key audit matters (continued)

Expected credit losses on loans and advances at amortised cost	*How key audit matter was addressed in the audit*
Loans and advances to customers comprise a significant portion of the Company's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgment in the assumptions that are applied in the models used to calculate ECL. Changes to the assumptions and estimates used by management could generate significant fluctuations in the Company financial results and materially impact the valuation of the portfolio of loans and advances. In addition, the evolving economic impact of the COVID-19 pandemic has heightened the general risk of credit default and significant increase in credit risk, increasing the uncertainty around the management judgements and estimation process. The policies for estimating ECL are explained in note 5 of the financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • the judgments made to determine the categorisation (staging) of individual loan and advances accounts in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used; • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments of loans and advances, including any adjustments in relation to COVID-19 overlays; and • the appropriateness of forward-looking information used in the model; • the conceptual logic, soundness and accuracy of the expected credit losses models used by the Company • the relevance of forward-looking information used in the models; and • Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included: • We evaluated the Company methodology for determining ECL and evaluated this against the requirements of IFRS 9; • We tested how the Company extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD as per the Company IT system and the respective customer files; • We evaluated judgments applied in the staging of loans and advances; • Obtained an understanding of the basis used to determine the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) and the COVID-19 impact overlays; • For LGD, we tested the assumptions on the timing of the cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to mandatory savings; • We tested the completeness and accuracy of the historical data used in derivation of PDs, LGDs and EADs, and re-calculated the outcomes on a sample basis. • We tested, on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures; • For forward-looking assumptions used in the ECL calculations, we corroborated the assumptions using publicly available information; • We assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.

Other information

Directors are responsible for the other information. The other information comprises the Directors' report, Statement of directors' responsibilities, corporate governance statement and the appendix which we obtained prior to the date of this auditor's report, and the other information that will be included in the annual report which is expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

When we read the other information that will be included in the integrated report, if we conclude that there is material misstatement there in, we are required to communicate the matter to the directors.

Responsibilities of the directors for the financial statements

Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of Law No. 007/2021 of 05/02/2021 Governing Companies, and for such internal control as 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, directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the 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 scepticism 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDER OF BRAC RWANDA MICROFINANCE COMPANY PLC

Report on other legal and regulatory requirements

Law No. 007/2021 of 05/02/2021 Governing Companies requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. In our opinion proper books of account have been kept by the Company, so far as appears from our examination of those book;

iii. We have communicated to the Company's Board of Directors, through separate management letters, internal control matters identified in the course of our audit including our recommendations in relation to those matters.

iv. We have no relationships, no interests and debt in the Company; and

v. In our opinion according to the best of the information and explanations given to us as shown by the accounting and other documents of the Company, the consolidated financial statements comply with Article 125 of Law No. 007/2021 of 05/02/2021 Governing Companies.

For PricewaterhouseCoopers Rwanda Limited, Kigali,

Moses Nyabanda
Director

10 May 2022

	Note	2021 USD	2020 USD
Interest income on loans	19	685,111	213,293
Interest & other financial expense	20	(64,768)	(9,581)
Net interest income		**620,343**	**203,712**
Membership and other fees	21	34,469	14,734
Net foreign exchange income	23	42,690	64,557
Other income	22	306	-
Grant income	24	222,222	394,328
		299,687	**473,619**
Total operating income		**920,030**	**677,331**
Impairment loss on loans	25	(61,157)	(27,702))
Operating income after impairment losses		**858,873**	**649,629**
Employee benefits	26	(1,226,750)	(852,326)
Other operating expenses	27	(1,051,379)	(745,857)
Depreciation & amortization	28	(200,598)	(49,055)
Total operating cost		**(2,478,727)**	**(1,647,238)**
Loss before income tax		**(1,619,853)**	**(997,609)**
Income tax expense	34	-	-
Net loss after tax		**(1,619,853)**	**(997,609)**
Other comprehensive income		-	-
Translation difference		(52,338)	(66,374)
Total comprehensive income		**(1,672,191)**	**(1,063,983)**

The notes on pages 13 to 65 are an integral part of these financial statements.

BRAC RWANDA MICROFINANCE COMPANY PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 USD	2020 USD
Assets			
Cash and cash equivalents	11	795,561	1,176,342
Loans to customers	9	2,349,941	890,001
Other assets	10	5,105	38,946
Intangible assets	8	31,769	36,706
Property & equipment	7	209,106	206,795
Right of use asset	31(a)	368,127	-
Total Assets		**3,759,610**	**2,348,790**
Capital Fund and Liabilities			
Capital Fund			
Share capital	12	3,573,826	1,573,826
Other capital contribution	13	1,426,174	2,000,005
Accumulated losses	14	(3,582,021)	(1,962,168)
Translation reserve	14	(150,165)	(97,827)
Total Capital Fund		**1,267,814**	**1,513,836**
Liabilities			
Term loan	18	402,027	-
Member savings	15	945,599	362,749
Related party payables	30	233,281	98,691
Other liabilities	16	285,167	153,249
Donor grants	17	299,339	220,265
Lease liability	31(b)	326,383	-
Total Liabilities		**2,491,796**	**834,954**
Total Liabilities and Capital Fund		**3,759,610**	**2,348,790**

The financial statements on pages 9 to 65 were approved and authorised for issue by the Board of Directors on

…………………………2022 and signed on its behalf by: -

………………………………………	………………………………………
Head of Finance	**Chief Executive Officer**
………………………………………	………………………………………
Director	**Director**

The notes on pages 13 to 65 are an integral part of these financial statements.

	Share capital	Capital awaiting allocation	Accumulated losses	Translation reserve	Total capital Fund
	USD	USD	USD	USD	USD
At 1 January 2020	1,573,826	5	(964,559)	(31,453)	577,819
Transactions with owners	-	2,000,000	-	-	2,000,000
Translation effect	-	-	-	(66,374)	(66,374)
Loss for the year	-	-	(997,609)	-	(997,609)
As at 31 December 2020	**1,573,826**	**2,000,005**	**(1,962,168)**	**(97,827)**	**1,513,836**

	Share capital	Capital awaiting allocation	Accumulated losses	Translation reserve	Total capital Fund
	USD	USD	USD	USD	USD
At 1 January 2021	1,573,826	2,000,005	(1,962,168)	(97,827)	1,513,836
Transactions with owners	2,000,000	(573,831)	-	-	1,426,169
Translation effect	-	-	-	(52,338)	(52,338)
Loss for the year	-	-	(1,619,853)	-	(1,619,853)
As at 31 December 2021	**3,573,826**	**1,426,174**	**(3,582,021)**	**(150,165)**	**1,267,814**

The notes on pages 13 to 65 are an integral part of these financial statements.

BRAC RWANDA MICROFINANCE COMPANY PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2021

	Note	2021 USD	2020 USD
Cash flow from operating activities			
Cash generated from operations	29	**(1,083,033)**	(809,332)
Loan disbursements	9	(4,728,767)	(1,658,051)
Loan collection	9	3,180,594	1,013,281
Donor grant movement	17	79,074	(157,046)
Write off property & equipment*	7	1,553	3,123
Net cash used in activities		**(2,550,579)**	**(1,608,025)**
Cash flow from investing activities			
Acquisition of property & equipment	7	(71,724)	(124,394)
Acquisition of intangible asset	8	(10,095)	-
ROU (right of use) asset	31(a)	(368,127)	-
Net cash used in investing activities		**(449,946)**	**(124,394)**
Cash flow from financing activities			
Increase of short/long term loan		402,027	-
Member savings received		582,850	279,339
Proceeds from Share capital	12	2,000,000	-
Lease liability	31(b)	203,362	-
Other capital contribution/ receipt/(payment)		(573,831)	2,000,000
Net cash from financing activities		**2,614,408**	**2,279,339**
Net increase in cash and cash equivalents		**(386,117)**	**546,920**
Cash and cash equivalents at beginning of the year		1,176,342	661,328
Effect of exchange rates on cash and cash equivalents held		5,336	(31,906)
Cash and cash equivalents at end of the year	11	**795,561**	**1,176,342**

*The adjustments to property and equipment relate to write offs done during the year for old and unusable assets

The notes on pages 13 to 65 are an integral part of these financial statements.

1 Reporting Entity

BRAC Rwanda Microfinance Company PLC was registered in September 2018 and its principal activity is to provide a range of financial services responsibly to people at the bottom of the pyramid.

2 Basis of Preparation

a) Basis of measurement

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for fair value through other comprehensive income investments and loan note at fair value through profit or loss which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4

b) Comparative information

The comparative information used in this report are audited financial statements of BRAC Rwanda Microfinance Company PLC for the financial year ended 31 December 2020.

3 Statement of compliance

The financial statements have been prepared in accordance with IFRSs and in the manner required by Law No 007/2021 of 05/02/2021 governing companies in Rwanda.

4 Significant accounting policies

a) Changes in accounting policies and disclosures

i) New standards, amendments and interpretations adopted by the Company

The following standards and amendments have been applied by the Company for the first time for the financial year beginning 1 January 2021

Number	Effective date	Executive summary
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

4 Significant accounting policies (continued)

a) Changes in accounting policies and disclosures (continued)

ii. New standards and interpretations not yet adopted (continued)

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2021 and have not been applied in preparing these financial statements.

These are summarised below:

Number	Effective date	Executive summary
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

4 Significant accounting policies (continued)

a) Changes in accounting policies and disclosures (continued)

ii. New standards and interpretations not yet adopted (continued)

Number	**Effective date**	**Executive summary**
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

4 Significant accounting policies (continued)

a) Changes in accounting policies and disclosures (continued)

ii. New standards and interpretations not yet adopted (continued)

Number	Effective date	Executive summary
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. • IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.

4 Significant accounting policies (continued)

a) Changes in accounting policies and disclosures (continued)

ii. New standards and interpretations not yet adopted (continued)

Number	Effective date	Executive summary
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

b) Interest income and Interest expenses

Interest income and expenses for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The future cash flows are estimated taking into account all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition. The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs).

The Company earns fees and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

4 Significant accounting policies (continued)

b) Interest income and Interest expenses(continued)

- Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis.

- Fees income from providing transaction services. Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

c) Employee benefits and other operating expenses

Retirement benefit costs

The Company and all its employees contribute to the national social security scheme in Rwanda, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company's contributions to the defined contribution schemes are charged to the statement of comprehensive income in the year in which they fall due.

Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

d) Other income

This includes miscellaneous income such as amounts charged for tenders and fees on account closing not classified as part of the main revenue items. Other income is recorded in the period it is earned.

e) Financial instruments

Financial assets are assets that are:

- Cash and cash equivalents
- Loans to customers
- Other assets other than prepayments and statutory receivables

Financial liabilities are all liabilities that are:

- Term loans
- Member savings
- Related party payables
- Other liabilities

4 Significant accounting policies (continued)

e) Financial instruments (continued)

Recognition of a financial instrument

The company recognises a financial instrument (financial asset, financial liability or equity instrument) when it becomes party to the contractual provisions of the instrument. This includes granting a loan to a customer. It does not include transactions that we have planned but not committed to. Here we have not become party to a contract requiring the future receipt or delivery of financial assets.

Initial classification and measurement of financial assets
On initial recognition, financial assets are classified into one of three measurement categories. This drives the subsequent accounting:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVTPL").

Currently all financial assets are carried at amortized costs.

Financial assets are initially measured at fair value. Directly attributable transaction costs are treated as follows:

— Added to the amount of initially recognized, for assets classified at amortized cost and FVOCI
— Immediately recognized in the P&L, for assets classified at FVTPL

Key judgements considered when classifying financial debt instruments (loans to customers, trade and other receivables):

The business model

To be able to classify financial assets, the company needs to identify the objective of the business model in which the asset is held. This could be:

- Held-to-collect – typically involving the lowest level of sales (in frequency and volume) compared to other business models.
- Both held to collect and for sale – typically involving more sales (in frequency and volume) than the held-to-collect business model.
- Other business models – if the collection of contractual cash flows is incidental to the objective of the model.

The business model is determined at a level that reflects the way you manage groups of financial assets together to achieve a particular business objective. It does not depend on your intentions for an individual instrument. The business model is typically observable through particular activities that you undertake to achieve the objectives of the business model.

Testing the SPPI (Solely Payments of Principal and Interest) criteria
Determining whether the asset's contractual cash flows are solely principal and interest (the SPPI criterion) will be a matter of significant judgement. The company will consider:

- Contractual provisions that change contractual cash flows – e.g. variable interest rates, prepayment features and term extension features;

4 Significant accounting policies (continued)

e) Financial instruments (continued)

The business model (continued)

- De minimis or non-genuine features – features that will only have a de minimis effect on cash flows, or that are unlikely to occur;
- Non-recourse and limited recourse assets – contractual cash flows described as principal and interest but that do not represent payment of principal and interest on the principal amount outstanding; or

Contractually linked instruments – circumstances in which payment is prioritized to the holders of multiple contractually linked instruments that create concentrations of credit risk.

Directly attributable transaction costs

Transaction costs are included in the initial measurement of financial assets, except for those measured at FVTPL.
Transaction costs include only those costs that are directly attributable to the acquisition or origination of the financial asset. They are incremental costs that would not have been incurred if the instrument had not been acquired, originated or issued. These include, for example, fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties, credit assessment fees and registration charges and similar costs.

Subsequent measurement – Amortized cost

Amortized cost is calculated using the effective interest rate (EIR) method. This allocates interest income at a constant rate over the period to which it relates, regardless of when it is paid.

The following items are recognized in the income statement:
- Interest income using the effective interest method
- Expected credit losses and reversals
- Foreign exchange gains and losses

When the financial asset is derecognized, any gain or loss is recognized in the income statement.

Effective interest rate

The effective interest rate is calculated on initial recognition of a financial asset. It is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset. On initial recognition this will usually be equal to the fair value of the instrument, adjusted for transaction costs.

The estimate of expected cash flows considers all contractual terms (e.g. prepayment, call and similar options) but does not consider expected credit losses.
To calculate the interest charge for the relevant period, the effective interest rate is applied to the gross carrying amount of the asset at the previous reporting date.

4 Significant accounting policies (continued)

e) Financial instruments (continued)

Classification and measurement of financial liabilities

Most financial liabilities are classified in the amortized cost measurement category.
Financial liabilities may be classified as fair value through profit and loss ("FVTPL") in some rare scenarios.

All financial liabilities are initially measured at fair value. Directly attributable transaction costs are deducted from the amount initially recognized. An exception exists for financial liabilities at FVTPL, which are measured at fair value with transaction costs immediately recognized in the income statement.

Subsequent to initial measurement:

Financial liabilities at FVTPL are measured at fair value with changes included in the income statement, except for changes in own-credit risk presented in OCI for liabilities designated under the fair value option.

Other financial liabilities are generally measured at amortised cost following the guidance in section. However, financial liabilities represent your contractual obligation to pay and so will never include a loss allowance.

Modification of financial assets and liabilities

If a debt instrument is restructured or refinanced and the terms have been substantially modified, the transaction must be accounted for as an extinguishment of the old debt instrument, with a gain or loss recognised in the P&L. The new debt instrument is recognised at fair value.

Impairment of financial assets

Most financial assets are subject to impairment testing under the expected loss model. It is not necessary for a loss event to occur before an impairment loss is recognised. Any impairment loss allowance is recognised in the income statement.

Expected credit losses

IFRS 9 Financial Instruments requires the Company to recognise expected credit losses ("ECL") on loans to customers which involves significant judgement and estimates.

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company's implementation of IFRS 9 are:

— Model estimations – inherently judgemental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD model used for loans and advances is the key driver of the Company's ECL results and are therefore the most significant judgemental aspect of the ECL modelling approach.

Expected credit loss is a probability-weighted estimate of credit losses over the expected life of a financial asset using all reasonable and supportable information available about past events and current conditions supplemented by forecasts of future economic conditions. The macro-economic overlay involves a point-in-time assessment of the impact of expected macro-economic developments on the credit losses.

4 Significant accounting policies (continued)

e) Financial instruments (continued)

Expected credit losses

Defaulted loans are labelled stage 3 exposures. The non-defaulted loans are either stage 1 or stage 2, depending on whether credit risk significantly increased since inception. Such deterioration would bring the loan from stage 1, for which 12 Month ECL provision are required, to stage 2, for which lifetime ECL needs to be calculated. The introduction of ECL provisioning results in the need to develop specific ECL methodologies and to adopt policies dealing with amongst others stage transfers and the incorporation of macro-economic overlays.

The standard includes various practical expedients that can be used in specific situations, and reliefs adopters from using the general impairment requirements. Examples are investments with low credit risk (e.g. investment grade securities), for which different stage transfer monitoring applies, and a simplified approach for trade receivables and lease receivables.
IFRS 9 allows for a simplified approach to be applied to trade receivables, contract assets and lease receivables; the accounting policy choice can be made independently for each asset type. Under the simplified approach, the loss allowance is always equal to the lifetime expected credit losses.
The company has elected to use the practical expedients when measuring ECLs under the simplified approach by using a provision matrix for trade receivables. In doing so, the company has:

- Considered whether it is appropriate to segment trade receivables; and/or
- Use historical loss experience on its trade receivables and adjust historical loss rates to reflect information about current conditions, and reasonable and supportable forecasts of future economic conditions.

The simplified approach has been elected as appropriate due to the fact that all loans to customers have a loan term of 12 months and 6 months.

Forward looking information (FLI)

The company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. This is done by taking into account forecasted economic conditions by applying both expert judgement and also deploying models that link the performance of the macro economy to the probability of default (PD) exposure at default (EAD), and loss given default (LGD). Forecasts are developed using a probability weighted scenario-based approach to ensure that the asymmetry of the various economic outcomes is captured in the estimation of ECL.
The company has concluded that three (3) scenarios appropriately capture the non-linearities. The three scenarios that were applied as at 31 December 2021 are:

- Base line scenario;
- Upside scenario;
- Downside scenario

4 Significant accounting policies (continued)

e) Financial instruments (continued)

Forward looking information (FLI) (continued)

A base case is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario. The central scenario is aligned with the available macro-economic information. External information considered includes economic data and forecasts published by governmental.

f) Impairment of non-financial assets

For all assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

g) Property and equipment

Property and equipment are stated at cost or valuation, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and for qualifying assets, borrowing costs.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Residual value, useful life and depreciation methods are reviewed at least annually at the reporting date. Changes in the residual value and expected useful life are accounted for by changing the depreciation charge for the year, and treated as changes in accounting estimates. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

On revaluation, surplus is credited to the property, plant and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income, in which case the increase is recognized in the statement of comprehensive income. A revaluation deficit is recognized in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the property, plant and equipment revaluation reserve. An annual transfer from the asset revaluation reserve to retained earnings is made.

Where parts of an item of property, plant and equipment have significantly different useful lives, they are accounted for as separate items of property, plant and equipment. Although individual components are accounted for separately, the financial statements continue to disclose a single asset.

4 Significant accounting policies (continued)

g) Property and equipment (continued)

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation is calculated at annual rates estimated to write off carrying values of the assets over their expected useful lives to their estimated residual values.

The annual depreciation rates in use are:

	Rate
Equipments & Machineries	20%
Computer and equipments	33.33%
Furniture and fixtures	10%
Vehicles	20%

h) Intangible assets

The company's intangible assets include the value of computer software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the company.
Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.
The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortized over the useful life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss. Amortization is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful lives of 4 years.

i) Income tax expense

Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognized in the profit and loss account except when it relates to items recognized in other comprehensive income, in which case it is also recognized in other comprehensive income, or to items recognized directly in equity, in which case it is also recognized directly in equity

4 Significant accounting policies (continued)

i) Income tax (continued)

Current income tax
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax
Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognized for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss.
Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Recognized and unrecognized deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognized amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

4 Significant accounting policies (continued)

k) Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and

payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
Right-of-use assets are measured at cost comprising the following; the amount of the initial measurement of lease liability plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

4 Significant accounting policies (continued)

k) Leases (continued)

If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

When the Company is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee.

An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

l) Foreign Currency translation

(a) Functional and presentation currency
The financial statements are presented in US dollar which is company presentation currency. The currency of the primary economic environment in which the entity operates ('the functional currency') is FRW.

(b) Transactions and balances
Foreign currency transactions are translated using daily average exchange rates as declared by the National Bank of Rwanda. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

All foreign exchange gains and losses are presented in the statement of comprehensive income account within 'other income'.

4 Significant accounting policies (continued)

m) Fair value measurement

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability .unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available thereby allowing for situations in which there is little if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability.
As Inputs are not available for loans of BRAC, level 3 hierarchy of fair value is used to measure value for loan at fair value.

n) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

o) Share capital, accumulated losses, and capital awaiting allocation

Ordinary shares are classified as share capital in equity. Any premiums received over and above the par value of the shares is classified as ‘share premium’ in equity.

Accumulated losses reserve or retained earnings reserve is a reserve for the company’s losses/profit carried over.

Capital awaiting allocation is additional capital injected by BRAC International Holdings B. V that is yet to be allocated to share capital. Share money deposit is recognised when the funds have been received.

p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation.

4 Significant accounting policies (continued)

q) Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

r) Comparatives

The accounting policies are consistent with those reported in the previous year except for the adoption of the standards and amendments effective for the current period as set out note 3 to the financial statements.

s) Member savings

The initial relationship between customers and the company is that customers are admitted as members, and all members are required to make savings. These savings consist of a mandatory part which is determined by the member's group and is collected at the group's weekly meeting. This is the minimum weekly deposit which is meant to encourage a culture of saving, and members are free to deposit higher amounts at the same group meeting into the same savings account, and that additional portion is voluntary savings.

Mandatory and voluntary savings can be withdrawn at any time. However, if the client has taken a loan, they must leave the minimum percentage amount as required per the loan cycle and loan amount.)

Member savings are recorded when the funds are received from customers.

t) Foreign currency translation

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss

5 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the company does not hedge any risks.

5 Financial risk management objectives and policies (continued)

The company is faced by liquidity, interest rate, credit and foreign currency risks in regards to its principal non-derivative financial instruments. The directors review and agree to the policies of managing these risks. The company does not engage in speculation in the markets and neither does it trade in derivative financial instruments. The company's main financial instruments are;

- Cash and cash equivalents
- Restricted deposits
- Trade and other receivables
- Trade and other payables
- Amounts due to and from related parties

The main risk arising from the company's' financial instruments are liquidity, foreign currency and credit risk.

i) Liquidity risk

Liquidity risk is the risk that BRAC Rwanda Microfinance Company Plc will encounter difficulty in meeting obligations from its financial liabilities. BRAC Rwanda Microfinance Company Plc's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to BRAC Rwanda Microfinance Company Plc reputation.

BRAC Rwanda Microfinance Company Plc's management maintains a portfolio of short-term liquid assets, largely made up of Cash at Bank, to ensure that sufficient liquidity is maintained within BRAC Rwanda Microfinance Company Plc as a whole. The liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

The key measure used by BRAC Rwanda Microfinance Company Plc for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Details of the reported MFI's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	31 December 2021	31 December 2020
At close of the year	43%	91%
Average for the year	91%	246%
Maximum for the year	114%	600%
Minimum for the year	43%	74%
Minimum statutory requirement	30%	30%

5 Financial risk management objectives and policies (continued)

i) Liquidity risk (continued)

The table below summarizes BRAC Rwanda Microfinance Company Plc's liquidity risk as at 31 December 2021, categorized into relevant maturity rankings based on undiscounted cash flows.

Liquidity risk management	On demand	less than 3 months	3-12 months	1-5 years	Total
Year ended 31 December 2021					**USD**
Loans to customers	-	2,343,533	6,408	-	2,349,941
Other assets	-	3,022	-	2,083	5,105
Cash and cash equivalents	795,561	-	-	-	795,561
Total	795,561	2,346,555	6,408	2,083	3,150,607
Other liabilities	-	147,589	137,578	-	285,167
Related party payables	-	34,555	198,726	-	233,281
Member savings	945,599	-	-	-	945,599
Term loan		404,055			404,055
Lease liability	-	91,459	121,945	152,431	365,835
Total	**945,599**	**677,658**	**458,249**	**152,431**	**2,233,937**
Excess liquidity/(gap)	**-150,038**	**1,668,897**	**-451,841**	**-150,348**	**916,670**

The table below summarizes BRAC Rwanda Microfinance Company Plc's liquidity risk as at 31 December 2020, categorized into relevant maturity rankings based on undiscounted cash flows.

Liquidity risk management	On demand	less than 3 months	3-12 months	1-5 years	Total
Year ended 31 December 2020					**USD**
Loans to customers	-	280,962	607,508	1,531	890,001
Other assets	33,343	3,441	175	1,987	38,946
Cash and cash equivalents	1,176,342	-	-	-	1,176,342
Total	**1,209,685**	**284,403**	**607,683**	**3,518**	**2,105,289**
Other liabilities	-	89,974	62,163	1,112	153,249
Related party payables	-	-	-	98,691	98,691
Member savings	362,749	-	-	-	362,749
Total	**362,749**	**89,974**	**62,163**	**99,803**	**614,689**
Excess liquidity/(gap)	**846,936**	**194,429**	**545,520**	**-96,285**	**1,490,600**

5 Financial risk management objectives and policies (continued)

i) Liquidity risk (continued)

COVID-19 consideration
As a result of COVID-19 impacts the liquidity risk of the company has changed from prior period. However, management has not deemed it necessary to change the response to managing the risk as the methods applied in prior periods are still applicable and appropriate.

ii) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The company separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the changes in the market interest rates. The company's' exposure to the risk of changes in market interest rates is minimal since it has no debt obligations with floating interest rates.

Interest rate risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's loss before tax.

Sensitivity analysis:	**Effect on profit before tax**
	USD
31 December 2021 (+/-) 2%	(32,397)
31 December 2020 (+/-) 2%	(19,393)

5 Financial risk management objectives and policies (continued)

ii) Market risk (continued)

Interest risk sensitivity gap analysis

Interest risk sensitivity gap analysis

A summary of the company's interest rate sensitivity gap is as follows:

31-Dec-21	Less than 1 Month	1-3 Months	3 – 12 Months	1 – 5 Years	Total
Assets					
Loans to customers	2,340,142	3,391	6,408	-	2,349,941
Total Financial Assets	**2,340,142**	**3,391**	**6,408**	**-**	**2,349,941**
Liabilities					
Member savings	76,871	194,242	325,081	349,405	945,599
Total Financial Liabilities	**76,871**	**194,242**	**325,081**	**349,405**	**945,599**
Total interest repricing gap	**2,263,271**	**(190,851)**	**(318,673)**	**(349,405)**	**1,404,342**
31-Dec-20					
Assets					
Loans to customers	74,607	206,356	607,508	1,531	890,001
Total Financial Assets	**74,607**	**206,356**	**607,508**	**1,531**	**890,001**
Liabilities					
Member savings	37,712	83,006	162,906	79,125	362,749
Total Financial Liabilities	**37,712**	**83,006**	**162,906**	**79,125**	**362,749**
Total interest repricing gap	**36,895**	**123,350**	**444,602**	**(77,594)**	**527,252**

Price risk
The company does not hold any instruments exposed to price risk.

5 Financial risk management objectives and policies (continued)

iii) Credit risk

The company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the company by failing to pay amounts in full when due. Credit risk is the most important risk for the company's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments, however as at 31 December 2021 the company did not have any off balance sheet exposure. Credit risk management and control is monitored by management, which reports regularly to the Board of Directors.

1. Credit risk measurement
(a) Loans and advances

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

In measuring credit risk of loan and advances to customers and to Company at a counterparty level, the Company reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Company derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Probability of default

The company assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty.

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all the customers are segmented into five rating classes as shown below:

In assessing whether the credit risk on a financial asset has increased significantly, the Company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort.

The Company internal ratings scale

Description of the grade	Days in arrears	Regulatory rating	Company's rating
Performing	0 – 29	1	1
Watch	30 – 89	2	2
Substandard	90 – 179	3	3
Doubtful	180 - 365	4	4
Loss	Above 366	5	5

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

Exposure at default

Exposure at default is based on the amounts the Company expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Company includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

Loss given default

Loss given default or loss severity represents the Company expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

A. Maximum exposure to credit risk before collateral held or other credit enhancements

The financial instruments that present the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed below.

	31-Dec 2021 USD	31-Dec 2020 USD
Loans to customers (Note 9)	2,423,027	890,001
Cash at Bank	795,289	1,175,908
Other assets	5,105	38,946
Total	**3,223,421**	**2,104,855**

B. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms ‘Stage 1’, ‘Stage 2’ and ‘Stage 3’ is included under Note 2 (h) of the financial statements.

Maximum exposure to credit risk – financial instruments subject to ECL impairment

31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to customers (Gross)	2,373,965	7,811	41,251	2,423,027
Impairment Loss	-33,823	-4,420	-34,843	(73,086)
Carrying Amount	**2,340,142**	**3,391**	**6,408**	**2,349,941**

31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to customers (Gross)	890,711	5,453	23,530	919,694
Impairment Loss	-13,282	-161	-16,251	(29,693)
Carrying Amount	**877,429**	**5,292**	**7,279**	**890,001**

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

C. Credit risk management

Other than the change in credit risk rating for certain exposures, there were no other material changes to the policies and practices for the management of credit risk in 2021. We continued to apply the requirements of IFRS 9 'Financial Instruments' within Credit Risk.

We have established Company-wide credit risk management and related IFRS 9 processes. We continue to assess actively the impact of economic developments in key markets on specific customers, customer segments or portfolios. As credit conditions change, we take mitigating action, including the revision of risk appetites or limits, adjustment of interest rates and tenors, as appropriate. In addition, we continue to evaluate the terms under which we provide credit facilities within the context of individual customer requirements, the quality of the relationship, market practices and our local regulatory requirements.

Credit risk grading

Microfinances, SEP and Agri- Business uses the National Bank of Rwanda (BNR) credit risk gradings to reflect its assessment of the probability of default of retail counterparties. The facilities are rated as either performing, watch, substandard, doubtful or loss, based on the number of days overdue. The classification criteria are as follows:

Performing

These are credit facilities which are up to date in payments. Where there are no fixed payments, these are facilities that are operating within their approval limits and are unexpired.

Watch

These are credit facilities where principal or interest is due and unpaid for 30 days to 89 days, or for facilities with no fixed payments, the approval limit has been exceeded by 30 days to 89 days, or the credit line has expired for more than 30 days to 89 days.

Substandard

These are loan balances due for 90 days but less than 180 days. They are also those credit facilities that display well-defined credit weaknesses that jeopardize the liquidation of the debt such as inadequate cash flow to service the debt, undercapitalized or insufficient working capital, absence of adequate financial information or security documentation and irregular payment of principal or interest.

Doubtful

These are loan balances that are more than 180 days but less than 365 days overdue. They are also those credit facilities which, in addition to the weaknesses existing in substandard credits, have deteriorated to the extent that full repayment is unlikely or that realizable security values will be insufficient to cover the Company exposure.

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

C. Credit risk management (continued)

Credit rating (continued)

Loss
These are loans that are more than 365 days overdue. These are also those credit facilities that are considered uncollectable or which may have some recovery value, but it is not considered practicable nor desirable to defer write off. They are also accounts classified as “Doubtful” with little or no improvement over the period it has been classified as such.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. Once a facility is classified as substandard, the probability of default reaches 100%.

The table below shows the link between the regulator risk classifications and the IFRS 9 stage allocation for assets for the Company;

National Bank of Rwanda Guidelines	Days past due	Stage allocation
Normal	0-29	1
Watch	30-89	2
Sub-standard	90-179	3
Doubtful	180-364	3
Loss	Over 364 or considered uncollectible	3

D. Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer to note 5.3.1 for a description of how the Company determines when a significant increase in credit risk has occurred.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 4.e for a description of how the Company defines credit-impaired and default.

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D. Expected credit loss measurement (continued)

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 4.e includes an explanation of how the Company has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

D.1 Significant increase in credit risk

The Company in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company historical experience, expert credit assessment and forward-looking information.

The Company in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company historical experience, expert credit assessment and forward-looking information.

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.1 Significant increase in credit risk (continued)

The Company identifies a significant increase in credit risk where

- Exposures have a regulatory risk rating of "WATCH"
- An exposure is greater than 30 days this is in line with the IFRS 9 30 DPD rebuttable presumption;
- an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period);or
- by comparing an exposures:
  - ➢ credit risk quality at the date of reporting; with
  - ➢ the credit risk quality on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

Significant increase in credit risk (SICR)

The Company in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company historical experience, expert credit assessment and forward-looking information.

The Company identifies a significant increase in credit risk where

- exposures have a regulatory risk rating of 'WATCH';
- an exposure is greater than 30 days past due – this is in line with the IFRS 9 30 DPD rebuttable presumption;
- an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period); or
- by comparing an exposure:
- credit risk quality at the date of reporting; with
- the credit risk quality on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.1 Significant increase in credit risk (continued)

Significant increase in credit risk (SICR) (continued)

Generally, restructuring is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

However, on the onset of the COVID-19 pandemic, the impact of the containment measures on the economy made it imperative for the company to support its customers. The company's view is that the economic impacts of the pandemic will be felt for a period of three to five years before there is full recovery. The company therefore accommodated its customers to cushion them from the economic downturn by rescheduling their loan facilities for a period of 6 months to 12 months. The length of the period of accommodation depended on the impact of the pandemic on the industry in which the customer operates. The company segregated the loan book into low risk, medium risk and high risk based on the industry. For example, Agriculture was rated as low risk, Mining as medium risk and Tourism and Hospitality and Real Estate as High Risk. The MFI then accommodated for different periods depending on the level of risk.

The assessment of SICR incorporates forward-looking information and is performed on a regular basis at a portfolio level for all financial instruments held by the Company. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Company has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2021.

D.2 Definition of default and credit-impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.2 Definition of default and credit-impaired assets

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Company expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

D.3 Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PDs have been developed using empirical data from the start of operation of BRAC Rwanda
- EAD is equal to the outstanding exposure at the reporting date
- Loss Given Default (LGD) represents the Company expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.3 Measuring ECL — Explanation of inputs, assumptions and estimation techniques (continued)

This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio. This is supported by historical analysis.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs and how collateral values change etc.

D.4 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario").

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Company credit team also provide other possible scenarios along with scenario weightings. The three scenarios and their attributes are reassessed at each reporting date. At 31 December 2021, the Company concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Company measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.4 Forward-looking information incorporated in the ECL models (continued)

Economic variable assumptions
The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 and 31 December 2020 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	Base scenario		**Upside**		**Downside**	
Macroeconomic factors	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**
Domestic GDP	7%	7%	8%	8%	6%	6%
Interest rates	5%	5%	6%	6%	4%	4%
Inflation	5%	5%	4%	4%	6%	6%

The weightings assigned to each economic scenario at 31 December were as follows:

	Base	Upside	Downside
	%	%	%
As at 31 December 2021			
Scenario probability weighting	40	30	30

The weights of Base and Upside have decreased/increased slightly reflecting the small change in dispersion in the scenarios. The impact on ECL is immaterial.

D.5 *Sensitivity analysis*

The most significant assumptions affecting the ECL allowance are as follows:
(i) Collateral haircuts, and
(ii) Period to recovery of collateral

Set out below are the changes to the ECL as at 31 December 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Company economic variable assumptions.

Time to realisation: As the type of loan security deposited by the customer is cash, in these arrangements the director have assumed time to realisation of cash collateral immediately after the loan write off.

Collateral haircuts: The directors have assumed collateral haircuts for cash collateral are negligible due to high degree of certainty on the value,credit quality and liquidity of the security.

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.6 Credit exposure

Maximum exposure to credit risk — Financial instruments subject to impairment

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company maximum exposure to credit risk on these assets.

	Loans and advances 2021 ECL staging				2020
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total	
Normal	2,373,965	-	-	2,373,965	890,711
Watch	-	7,811	-	7,811	5,453
Default	-	-	41,251	41,251	23,530
Gross carrying amount	**2,373,965**	**7,811**	**41,251**	**2,423,027**	**919,694**
Expected credit loss	(33,823)	(4,420)	(34,843)	(73,086)	(29,693)
Carrying amount	**2,340,142**	**3,391**	**6,408**	**2,349,941**	**890,001**

	Cash and cash equivalent 2021 ECL staging				2020
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total	
A	673,250	-	-	673,250	1,132,651
A-	-	-	-	-	-
A+	-	-	-	-	-
AA	-	-	-	-	-
B	122,039	-	-	122,039	-
B+	-	-	-	-	-
BB-	-	-	-	-	-
Expected credit loss	-	-	-	-	-
Carrying amount	**795,289**	-	-	**795,289**	**1,132,651**

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.6 Credit exposure (continued)

Below is a transitional table between stages between 1 January 2021 to 31 December 2021:

	31 December 2021 Stage 1 $'000'	Stage 2 $'000'	Stage 3 $'000'	Total $'000'
Gross loans as at 1 January 2021	845,152	5,098	7,012	857,261
	-	-	-	-
Transfers from stage 1 to stage 2	-	1,798	-	1,798
Transfers from stage 2 to stage 1	-	-	-	-
Transfers to stage 3	17,935	1,593	-	19,528
Transfers from stage 3	-	-	6,986	6,986
New exposures disbursed	2,373,965	6,013	14,737	2,394,715
Subsequent increase in loans	(920,366)	(6,845)	12,368	(914,843)
Net movement in gross loans	1,471,535	7,657	34,091	1,508,185
	-	-	-	-
Financial asset derecognised	-	-	(15,505)	(15,505)
	-	-	-	-
Gross loans as at 31 December 2021	**2,316,686**	**7,657**	**25,598**	**2,349,941**

	31 December 2020 Stage 1	Stage 2	Stage 3	Total
Gross loans as at 1 January 2020	276,021	-	-	276,021
	-	-	-	-
Transfers from stage 1 to stage 2	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-
Transfers to stage 3	-	-	-	-
Transfers from stage 3	-	-	-	-
New exposures disbursed	601,408	5,292	7,279	613,979
Subsequent increase in loans	-	-	-	-
	-	-	-	-
Net movement in gross loans	601,408	5,292	7,279	613,979
	-	-	-	-
Financial asset derecognised	-	-	-	-
	-	-	-	-
Gross loans as at 31 December 2020	**877,429**	**5,292**	**7,279**	**890,001**

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.6 Credit exposure (continued)

	31 December 2021 Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	12,794	865	14,942	28,601
	-	-	-	-
Movements with P&L impact	-	-	-	-
	-	-	-	-
Transfers from stage 1 to stage 2	-	20	-	20
Transfers from stage 2 to stage 1	-	-	-	-
Transfers to stage 3	14,896	1,345	-	16,241
Transfers from stage 3	-	-	6,147	6,147
ECL on new exposure raised	33,823	4,400	12,455	50,679
Subsequent changes in ECL	(27,689)	(2,210)	16,803	(13,096)
	-	-	-	-
Net movement to profit or loss	21,030	3,555	35,405	59,990
	-	-	-	-
Other movements with no P&L impact	-	-	-	-
Financial asset derecognised	-	-	-15,505	-15,505
	-	-	-	-
Loss allowance as at 31 December 2021	**33,823**	**4,420**	**34,843**	**73,086**

	31 December 2020 Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2020	2,768	-	-	2,768
	-	-	-	-
Movements with P&L impact	-	-	-	-
	-	-	-	-
Transfers from stage 1 to stage 2	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-
Transfers to stage 3	-	-	-	-
Transfers from stage 3	-	-	-	-
ECL on new exposure raised	10,514	161	16,251	26,926
Subsequent changes in ECL	-	-	-	-
	-	-	-	-
Net movement to profit or loss	10,514	161	16,251	26,926
	-	-	-	-
Other movements with no P&L impact	-	-	-	-
Financial asset derecognised	-	-	-	-
	-	-	-	-
Loss allowance as at 31 December 2020	**13,282**	**161**	**16,251**	**29,693**

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.7 Collateral

The table below summarises carrying amounts of collateral held against loans to customers

As at 31-Dec 2021	Stage 1	Stage 2	Stage 3	Carrying Amount	Fair value of collateral	Net exposure	Associated ECL
Loans to customers	2,340,142	3,391	6,408	2,349,941	347,182	2,002,759	73,086
Grand total	**2,340,142**	**3,391**	**6,408**	**2,349,941**	**347,182**	**2,002,759**	**73,086**

As at 31-Dec 2020	Stage 1	Stage 2	Stage 3	Carrying Amount	Fair value of collateral	Net exposure	Associated ECL
Loans to customers	877,429	5,292	7,279	890,001	256,663	633,338	29,693
Grand total	**877,429**	**5,292**	**7,279**	**890,001**	**256,663**	**633,338**	**29,693**

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.8 Write-off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Company recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2021 was USD 15,505 (2020: USD Nil). The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

D.9 Modification of financial assets

The Company sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities may include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.
The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Company monitors the subsequent performance of modified assets. The Company may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

However, on the onset of the COVID-19 pandemic, the impact of the containment measures on the economy made it imperative for the Company to support its customers. The Company's view is that the economic impacts of the pandemic will be felt for a period of three to five years before there is full recovery. The Company therefore accommodated its customers to cushion them from the economic downturn by rescheduling their loan facilities for a period of 6 months to 36 months. The length of the period of accommodation depended on the impact of the pandemic on the industry in which the customer operates. The Company segregated the loan book into low risk, medium risk and high risk based on the industry. For example, Agriculture was rated as low risk, Mining as medium risk and Tourism and Hospitality and Real Estate as High Risk. The Company then accommodated for different periods depending on the level of risk.

5 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.10 Concentration of credit risk

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. We use a number of controls and measures to minimise undue concentration of exposure in our two client segments. These include portfolio and counterparty limits, approval and review controls.

The Company monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	31 December 2021	%age	31 December 2020	%age
Small Enterprise loans	296,733	13%	171,855	19%
Group loans	2,025,612	86%	718,145	81%
Agri Business loans	27,597	1%	-	-
Gross loans	**2,349,941**	**100%**	**890,001**	**100%**

iv) Foreign exchange risk

Foreign exchange exposures in transactional currencies other than the local currency are monitored via periodic cash flow and budget forecasts and are kept to an acceptable level. The company's transactional exposures give rise to foreign currency gains and losses that are recognized in profit or loss.

	31 December 2021	31 December 2020
Assets in foreign currencies	326,073	932,790
Liabilities in foreign currencies	(984,221)	(327,206)
Net foreign currency exposure at the end of the year	**(658,148)**	**605,584**

The following table demonstrates the sensitivity to a reasonably possible change in the below mentioned exchange rates of major transaction currencies, with all other variables held constant, of BRAC Rwanda Microfinance Company Plc profit before tax (due to changes in the fair value of monetary assets and liabilities).

Currency	Increase/decrease in exchange rate	31 December 2021 $'000	31 December 2020 $'000
USD	+5%	3,798	16,360
	-5%	(3,798)	(16,360)

5 Financial risk management objectives and policies (continued)

v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's' processes, personnel, technology, and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The company's' objective is to manage operational risk so as to prevent damage to its reputation and avoid control procedures that restrict initiative and creativity. The directors have the responsibility of developing and implementing controls to address operational risks. This is supported by the company standards for the management of operational risks in;

- Compliance and legal requirements
- Training and professional development
- Ethical and business standards
- Development of contingency plans
- Compliance with legal and regulatory requirements
- Developing requirements for the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risks identified.

vi) Capital Management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.
The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings.

6 Fair value measurement of financial instruments (continued)

Loans and advances to customers
Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Fair value hierarchy
The company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

6 Fair value measurement of financial instruments (continued)

All financial assets are held at amortised cost and none at fair value. Therefore, amortised cost approximates fair value.

31 December 2021

	Level 1	Level 2	Level 3	Total
Loans to customers	2,340,142	3,391	6,408	2,349,941
Other assets	-	5,105	-	5,105
Cash and cash equivalents	-	795,561	-	795,561
Total	**2,340,142**	**804,057**	**6,408**	**3,150,607**
Other liabilities	-	285,167	-	285,167
Donor grant	-	299,339	-	299,339
Term loan	-	404,055	-	404,055
Lease liability	-	365,835	-	365,835
Total	**-**	**1,354,395**	**-**	**1,354,395**

31 December 2020	Level 1	Level 2	Level 3	Total
Loans to customers	-	890,001	-	890,001
Other assets	-	38,946	-	38,946
Cash and cash equivalents	-	1,176,342	-	1,176,342
Total	**-**	**2,105,289**	**-**	**2,105,289**
Other liabilities	-	153,249	-	153,249
Donor grant	-	220,265	-	220,265
Total	**-**	**373,514**	**-**	**373,514**

7 Property and equipment

Year ended 31 December 2021

	Furniture & Fixtures	Computer & Peripherals	Equipment & Machineries	Vehicles	Total
Cost					
As at 1 January 2021	60,697	86,992	41,818	65,162	254,670
Additions	24,230	33,396	12,612	1,486	71,724
Asset transfer to BIHBV	300	-	-	-	300
Disposal adjustment	-	(1,038)	(515)	-	(1,553)
Translation adjustment	-	-	-	-	(9,368)
As at 31 December 2021	**85,227**	**19,350**	**53,915**	**66,648**	**315,772**
Depreciation					
As at 1 January 2021	13,916	11,973	10,179	11,807	47,875
Charge for the year	7,243	32,554	9,464	12,848	62,109
Asset Depreciation transfer to BIHBV RO	45	-	-	-	46
Disposal adjustment		(193)	(224)	-	(425)
Reclassification	(7,916)	4,221	(4,221)	7,916	-
Translation adjustment					(2,939)
As at 31 December 2021	**13,288**	**48,555**	**15,198**	**32,571**	**106,666**
Carrying amounts					
As at 31 December 2021	**71,939**	**70,795**	**38,717**	**34,077**	**209,106**

7 Property and equipment (continued)

Year ended 31 December 2020

	Furniture & Fixtures	Computer	Equipment	Vehicles	Total
Cost					
As at 1 January 2020	34,272	26,075	17,347	62,418	140,112
Additions	28,186	64,201	26,056	5,951	124,394
Asset transfer to BIHBV	-	-	-	-	-
Disposal adjustment	-	-1,943	-694	-	(2,638)
Translation adjustment	-	-	-	-	(7,198)
As at 31 December 2020	**62,458**	**88,333**	**42,709**	**68,369**	**254,670**
Depreciation					
As at 1 January 2020	1,815	3,247	1,942	8,297	15,301
Charge for the year	12,485.98	9,364.44	8,783.73	4,031.31	34,665
Asset Depreciation transfer to BIHBV RO		-			-
Disposal adjustment	-	-646	-183	-	(829)
Others adjustment	60	430	-24	19	485
Translation adjustment					(1,747)
As at 31 December 2020	**14,361**	**12,395**	**10,519**	**12,347**	**47,875**
Carrying amounts					
As at 31 December 2020	**48,097**	**75,938**	**32,190**	**56,022**	**206,795**

8 Intangible assets

	2021 USD	2020 USD
Cost		
As at 1 January 2021	55,947	58,976
Additions	10,095	-
Translation difference	(2,058)	(3,030)
As at 31 December 2021	**63,983**	**55,947**
Amortization		
As at 1 January 2021	19,240	5,538
Charge for the year	13,949	14,390
Translation difference	(974)	(688)
As at 31 December 2021	**32,215**	**19,240**
Carrying amounts		
As at 31 December 2021	**31,769**	**36,706**

Intangible asset is sbiCloud software, Payroll software, and a tab based Digital Field Application.

9 Loans and advances

	2021 USD	2020 USD
Group loans (Microfinance)	2,063,094	731,647
Small Enterprises Program (SEP)	298,218	171,855
Agri-Business	27,597	-
Add: Interest receivable	48,714	16,192
Less: Loan write off MF	(13,109)	-
Less: Loan write off SEP	(1,487)	-
Less: Impairment loss on loans	(73,086)	(29,693)
	2,349,941	**890,001**

	USD	USD
Opening balance	903,502	291,784
Add: Loans disbursement MF	4,267,290	1,437,789
Add: Loans disbursement SEP	427,319	220,262
Add: Loans disbursement AGRI Business	34,159	-
Less: Loan realization MF	(2,882,514)	(969,828)
Less: Loan realization SEP	(292,054)	(43,454)
Less: Loan realization Agri Finance	(6,026)	-
Less: Loan write off MF	(13,364)	-
Less: Loan write off SEP	(1,515)	-
Translation adjustment	(62,483)	(33,051)
Principal outstanding	**2,374,314**	**903,502**
Add: Interest receivable	49,623	16,192
Less: Interest receivable - write-off	(910)	-
Less: Impairment loss on loans	(73,086)	(29,693)
	2,349,941	**890,001**

At 1 January	20,029	2,918
Add: Charge for the year	61,157	27,702
Less: Loan write off MF	(13,364)	
Less: Loan write off SEP	(1,515)	
Less: Interest receivable write-off MF	(435)	
Less: Interest receivable write-off SEP	(493)	
Translation adjustment	7,214	(927)
	72,594	**29,693**

10 Other assets

	2021 USD	2020 USD
Advance office rent	-	33,343
Receivable from BV Regional Office	-	-
Receivable from RRA	2,083	2,163
Advance to staff	3,022	3,441
	5,105	**38,946**

11 Cash and cash equivalents

Cash in hand	272	434
Cash at bank	795,289	1,175,908
	795,561	**1,176,342**

12 Share capital

At 1 January	1,573,826	1,573,826
additions	2,000,000	-
At 31 December	**3,573,826**	**1,573,826**

13 Other capital contribution

	2021 USD	2020 USD
At 1 January	2,000,005	5
Addition	1,426,169	2,000,000
Converted in share capital	(2,000,000)	0
BRAC International Holding B. V	**1,426,174**	**2,000,005**

This are additional capital injected by BRAC International Holdings B. V that is yet to be allocated to share capital.

14 Accumulated losses

	2021 USD	2020 USD
Opening balance	(1,962,168)	(964,559)
Loss for the year	(1,619,853)	(997,609)
	(3,582,021)	**(1,962,168)**

15 Member savings

	2021 USD	2020 USD
Compulsory savings/Loan Security	347,182	132,002
Voluntary savings	598,417	230,747
	945,599	**362,749**

16 Other liabilities

Provision for salary	279	100
Other liabilities/liabilities for expense	57,112	8,250
Statutory deductions (employee)	64,708	47,946
Withholding tax payable (others)	139,182	76,517
Provision for Social Security Benefit/Self Insurance	5,937	2,955
Audit fee provision	17,948	17,481
	285,167	**153,249**

17 Donor grants

	2021 USD	2020 USD
BRAC USA		
Opening balance	20,265	77,311
Donation from BRAC USA	-	49,721
Utilized grant in the year	(20,321)	(99,971)
Translation adjustment	56	(6,796)
Sub Total	**-**	**20,265**
Whole planet foundation		
Opening balance	200,000	300,000
Grant from whole planet foundation	300,000	200,000
Utilized grant in the year	(200,000)	(300,000)
Translation adjustment	(661)	
Sub Total	**299,339**	**200,000**
Task Force		
Opening balance		-
Grant from social performance task Force	5,975	-
Utilized grant in the year	(5,975)	-
Sub Total	**-**	**-**
Total grants	**299,339**	**220,265**

17 Donor grants (continued)

The company received a USD 144,725 grant from BRAC USA to fund a Participatory Needs Assessment to understand the needs, and help in designing appropriate microfinance products for the poor in Rwanda. The Project implementation period ran from 31 May 2019 until all funds were expended. The funds have been expended.

The Whole Planet Foundation agreement of 22 November 2019 was for a grant of USD800,000 over 3 years to fund working capital for general microfinance products in all branches throughout the country. The funds were disbursed as USD300,000 in year 1 (2019); followed by USD200,000 in year 2 (2020), and finally USD300,000 in year 3 (2021). The money was utilized in providing loans to customers.

The company is required to submit progress reports 25 days after each quarter end stating the progress of the project and its successes.

The company is also required to submit annual financial reports at the end of its financial year.

18 Term Loan

	2021 USD	2020 USD
Short Term Loan	400,000	-
Accrued interest	2,027	
	402,027	**-**

Net debt Reconciliation	2021 USD	2020 USD
Cash and cash equivalents	(795,561)	(1,176,342)
Short term loan	402,027	-
Lease liability	326,383	-
Net debt	**(67,151)**	**(1,176,342)**

	Short term loan	Lease liability	Cash and equivalents	Total
Net debt as at 1 January 2020	-	-	-661,330	-661,330
Cash flows	0	-	-578,722	-578,722
Net debt as at 31 December 2020	**0**	**0**	**-1,176,342**	**-1,176,342**
Cash flows	417,381	338,848	350,398	1,106,627
Net debt as at 31 December 2021	**402,027**	**326,383**	**-795,561**	**-67,151**

18 Term Loan (continued)

Net debt reconciliation reconciled

	Short term loan USD	Lease liability USD	Cash and equivalents USD	Total USD
Net debt as at 1 January 2020	-	-	(661,328)	(661,328)
Cash flows	-	-	(515,014)	(515,014)
Net debt as at 31 December 2020	**-**	**-**	**(1,176,342)**	**(1,176,342)**
Cash flows	402,027	326,383	380,781	1,109,191
Net debt as at 31 December 2021	**402,027**	**326,383**	**(795,561)**	**(67,151)**

The term loan relates to a loan received from BRAC International Holding BV of USD 1,100,000 payable in 1 year on a quaterly basis. The interest rate is 5% . BRAC was given 6 months grace period for principal repayment. The first instalment of the loan was disbursed on 25 November 2021, it will received in 3 installments and the loan matures on 25 November 2022.

19 Income on loan interest

	2021	2020
Group loans (Microfinance)	548,435	175,117
Small Enterprises Program (SEP)	87,402	21,904
Loan appraisal fee	47,288	16,271
Agri-Business	1,987	-
	685,112	**213,292**

The interest income was computed using the effective interest rate method.

20	**Interest & other financial expense**	**2021**	**2021**
	Interest on member savings	21,930	9,411
	Other financial expenses	552	170
	Interest on short term loan	2,067	-
	Interest on lease liability	40,219	-
		64,768	**9,581**
21	**Membership and other fees**		
	Membership fee	24,341	9,811
	Loan application fee	375	232
	Sales of Passbook	9,753	4,691
		34,469	**14,734**
22	**Other income**		
	Other income	306	-
	Realized exchange gain	32,119	22,967
		32,425	**22,967**
23	**Net foreign exchange income**		
	Unrealised foreign exchange gain	10,571	41,590
	Realized exchange gain	32,119	22,967
		42,690	**64,557**
24	**Grant income**		
	Portion of utilized grant - BRAC USA	20,717	102,853
	Portion of utilized grant -	195,571	291,475
	Social Performance Task Force	5,934	-
		222,222	**394,328**
25	**Impairment loss on loan**		
	Loan loss provision expense	**61,157**	**27,702**

31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance	59,918	197	1,041	61,157
31 December 2020				
Loss allowance	10,817	165	16,719	27,702

26 Employee benefits

	2021 USD	2020 USD
Salaries	1,089,169	757,707
Social Security benefit expense	61,039	41,836
Staff bonus	76,542	52,783
	1,226,750	**852,326**

27 Other operating expenses

	2021 USD	2020 USD
Occupancy expenses		
Short term lease expenses	-	100,487
Utilities	19,983	12,937
	19,983	**113,424**
Travel and transportation expenses		
Travel and transportation	102,090	41,464
Air tickets & VISA cost	29,718	40,284
Accommodation (hotel fare)	1,174	4,073
Staff Perdiem	1,616	964
	134,598	**86,785**
Maintenance and general expenses		
Wi-Fi, mobile SIM & bill	48,237	28,339
Maintenance and general expenses	139,751	80,175
Meals	62,930	33,684
Bank charges	4,831	4,094
Medical expenses	41,642	3,487
Design & development/Market Survey	-	36,501
Business license & registration	1,830	641
Need Assessment cost/Survey cost	40,019	20,868
Vehicle maintenance & fuel	6,496	4,557
Software development & purchase	104,267	40,095
Member death benefit	1545	762
HO logistics expenses	319,474	212,890
Local staff training cost	13,347	1,114
Stationary expenses	66,223	32,831
Uniform cost/campaign and community sensitization	248	
Visibility & communication expense	2,706	-
	853,546	**500,038**
Audit and professional costs		
Professional & consultancy fees	24,955	27,625
Audit fees	18,297	17,985
	43,252	**45,610**
Total operational costs	**1,051,379**	**745,857**

28 Depreciation & amortization

	2021 USD	2020 USD
Depreciation expense	62,109	34,665
Amortization expense	13,949	14,390
Depreciation of ROU asset	124,540	-
	200,598	**49,055**

29 Cash generated from operations

	2021 USD	2020 USD
Loss for the year	(1,619,853)	(997,609)
Depreciation & amortization	200,598	49,055
Loan impairment	61,157	27,702
Cash flow before changes in working capital	**(1,358,098)**	**(920,852)**
Changes in working capital:		
Decrease in receivables and other current assets	32,408	27,117
(increase) in interest receivable	(33,119)	(14,197)
(decrease)/ Increase of related party payables	138,221	(257)
Increase/(decrease) of current liabilities	137,555	98,857
Net cash used in operations	**(1,083,033)**	**(809,332)**

30. Related party

BRAC is 99.9% owned by BRAC international B.V a company incorporated in The Hague, The Netherlands.

a) Advance to employees

	2021 USD	2020 USD
Advance to employees	3,022	3,441
	3,022	**3,441**

The movement for the balances above is as shown below

	2021 USD	2020 USD
Opening balance – as at 1st January	3,441	299
Disbursements	32,042	22,124
Repayments	(32,334)	(18,982)
As at 31 December	**3,022**	**3,441**

b) Key management personnel compensation

	2021 USD	2020 USD
Short-term employee benefits	-	-
Pension contributions	4,091	3,191
	4,091	**3,191**

c) Directors' emoluments

	2021 USD	2020 USD
As non-executive	1,189	925
As executives	-	-
	1,189	**925**

30. Related party (continued)

d) Related party payable	**2021 USD**	**2020 USD**
Payable to BRAC Bangladesh	-	5,513
Payable to BRAC International	-	93,178
Holding B.V.	233,281	-
Other payables	-	-
	233,281	**98,691**

31 Leases

		2021 USD	**2020 USD**
a)	Right of use of assets	490,292	-
	Accumulated Depreciation of ROU assets	(122,165)	-
		368,127	**-**
b)	Lease liability	490,293	-
	Interest on lease liability	40,219	-
	Cash payment	(204,129)	-
		326,383	**-**

	2021 USD	**2020 USD**
Depreciation charge of right-of-use assets	124,540	-
Interest expense	40,219	-
Expense related to short term leases	-	
Expense related to leases of low value assets	-	

32. CAPITAL COMMITMENTS

There were no capital commitments as at year end. (2020; None).

33. IMPACT OF COVID

The existence of novel coronavirus (Covid-19) from early 2020 causing disruptions to businesses and economic activity. The company has assessed the lockdown measures put in place in January 2021 and considers it to be a non-adjusting post balance sheet event. The company incorporated COVID 19 impact while estimating the expected credit losses particularly on the sectors significantly impacted.
During the year, the government imposed a lock down of 5 months from 21 March 2020. Subsequently the lockdown was lifted and a curfew imposed on movements.

34. TAX

As per Law N° 006/2021 of 05/02/2021 on investment promotion and facilitation, the company is exempt from taxes for five years from the date of registration of 28 September 2018. As such the income tax expense is Nil (2020 Nil) and no deferred taxes have been computed.

35. CONTINGENT LIABILITIES

The company had no contingent liabilities as at 31 December 2021 (2020: Nil).

36. ULTIMATE PARENT COMPANY

The ultimate parent company is BRAC international B.V a company incorporated in The Hague, The Netherlands.

37. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date that require disclosure in or adjustments to the financial statements as at the date of this report. (2020: NONE)