

BRAC TANZANIA FINANCE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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FOR THE YEAR ENDED 31 DECEMBER 2021

TABLE OF CONTENTS	PAGE NO
General Information	1– 2
Directors' Report	3– 12
Statement of Directors' Responsibilities	13
Declaration of Head of Finance	14
Independent Auditor's Report	15 – 16
Statement of Profit or Loss and Other Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Notes to the Financial Statements	21– 53

BRAC TANZANIA FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

GENERAL INFORMATION

Board of directors

Name	Position	Gender	Nationality	Age	Date of Appointment/ resignation	Qualification	Status
Mr. Shameran Abed*	Chairperson	Male	Bangladeshi	41	20 June 2018	Degree	Active
Mr. Syed Abdul Muntakim	Member	Male	British	46	6 November 2019	Degree	Active
Mr. Johannes Maria Antonius Esques	Member	Male	Dutch	68	20 June 2018	Masters	Active
Ms Bahati Ibrahim Geuzye	Member	Female	Tanzanian	45	22 July 2020	Masters	Active
Dr Evelyn Mweta Richard	Member	Female	Tanzanian	50	22 July 2020	Phd	Active
Mr. Nkosilathi Moyo	Ex Official	Male	Zimbabwe	48	Resigned 26 Feb 2022	Masters	Inactive
Dr. Muhammad Musa	Chairperson	Male	Bangladeshi	65	Resigned 20 June 2021	Phd	Inactive
Ms Bridget Dougherty	Member	Female	American	38	16 February 2022	BA. Economics	Active

* Appointed as Chairperson on 28 July 2021.

Senior Management Team

Mr Nkosilathi Moyo	Chief Executive Officer (CEO)	Resigned 26 February 2022
Mr Syed Humayum Kabir	Ag. Chief Executive Officer	
Mr Akmal Hossain	Programme Manager -SEP	
Mr Thabit Ndilahomba	Head of Finance	
Ms Julieth Abia	Head of Audit	
Mr Nassor Mnambila	Head of Administration	
Mr Amadeus Michael	Company secretary	
Ms Violeth Temba	Ag. Head of Human Resources	
Ms Emma Mbaga	Communications Manager	

Principal place of business

Plot 17, Natai Plaza,
Light Industrial Road
P. O. Box 105213
Dar es Salaam, Tanzania

Registered office

Plot 17, Natai Plaza,
Light Industrial Road
P. O. Box 105213
Dar es Salaam, Tanzania

Auditor

KPMG
Certified Public Accountant
The Luminary
Plot No.574, Haile Selassie Road
Reg: 107992
TIN: 100-144-921
Msasani Peninsula Area
P. O. Box 1160
Dar es Salaam, Tanzania

BRAC TANZANIA FINANCE LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

GENERAL INFORMATION (CONTINUED)

Bankers

NBC Limited
Sokoine Drive & Azikiwe Street
P. O. Box 1863
Dar es Salaam, Tanzania

Bank of Africa (Tanzania) Limited
NDC Development House,
Ohio Street/Kivukoni Front
P. O. Box 3054
Dar es Salaam, Tanzania

CRDB Bank Plc
Azikiwe Street Opposite Posta Mpya
Postal Address 268, Dar es Salaam
Dar es Salaam, Tanzania.

Absa Bank Tanzania Limited
Absa House, Ohio Street, Kivukoni,
Dar Es Salaam, Tanzania

NMB Plc
NMB House
Azikiwe/Jamhuri Street
P. O. Box 9213
Dar es Salaam, Tanzania

Standard Chartered Bank
International House Property Branch (IHP)
2nd floor, Shabaan Robert Street, Garden Avenue
Dar es Salaam, Tanzania

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors of BRAC Tanzania Finance Limited have pleasure to submit their report and the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of BRAC Tanzania Finance Limited ("the Company") as at that date in accordance with Companies Act, 2002 and the Tanzania Financial Reporting Standard No.1 (TFRS 1).

1. REGISTRATION

BRAC Tanzania Finance Limited was incorporated as a company limited by guarantee on 9 September 2008 and subsequently converted to a company limited by shares on 2 October 2019 and assigned registration number 67364. Refer to Note 23 for more details on number of shares and shareholders. In 2021, the entity was registered for tier 2 under the central bank of Tanzania with registration number MSP2-0350.

2. VISION

A world, free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.

3. MISSION

The Company's mission is to empower people and communities in situations of poverty, illiteracy, disease, and social injustice. Our interventions aim to achieve large scale, positive changes through economic and social program that enable men and women to realize their potential.

4. OUR VALUES

Innovation- the Company has been an innovator in the creation of opportunities for the poor to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in ground-breaking development initiatives.

Integrity- the Company values transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. The Company holds these to be the most essential elements of our work ethic.

Inclusiveness- the Company is committed to engaging, supporting and recognising the value of all members of society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socioeconomic status and geography.

Effectiveness- the Company values efficiency and excellence in all our work, constantly challenging ourselves to perform better, to meet and exceed programme targets, and to improve and deepen the impact of our interventions.

5. VALUE CREATION BUSINESS MODEL

Our unique business model enables us to respond to a dynamic environment of competing stakeholders' expectations, complex competitive forces, emerging trends, and regulatory pressures.

BRAC TANZANIA FINANCE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. VALUE CREATION BUSINESS MODEL (CONTINUED)

Resources	Input	Output	Outcomes
Financial Resources	The pool of funds supporting business operations, including equity finance and debt • TZS 15.0 billion equity capital • TZS 57.6 billion debt capital • Shareholder funds: TZS 68.1 billion	• Revenue: TZS 58.2 billion. • Operating profit: TZS 14.4 billion • Dividends declared in 2020 was TZS 21.9 billion while the payment made was TZS 5.4 billion and 7.2 billion in 2020 and 2021 respectively. The remaining balance of TZS 9.3 billion to be paid in 2022. • Operational expenditures TZS 37.4 billion • Finance costs TZS 5.9 billion • Corporate Income Tax paid TZS 4.7 billion	We leverage financial capital to invest in our business and grow our competitive market position. This has a positive impact on human, intellectual and the social and relationship capitals.
Human Resources	Competencies, capabilities, and experience of our employees and how they innovate, collaborate, and align with BRAC's objectives. • 1,364 Skilled customers-centric staffs. • Experienced and ethical leadership team • Performance management system • Various training and development courses	• Excellent customer service • TZS 18.7 billion paid in salaries and benefits and TZS 508 million incurred for staff training, workshops and seminars during the 2021 Talent development program and pipeline. • 8% turnover rate • Increased diversity through hiring people locally	BRAC gender parity initiatives resulted into 91% of staff being women. Significant people-related investments enable us to have the people and capabilities required to deliver our strategy and performance targets. Our appeal as an employer of choice and our brand value, in turn, increases our intellectual capital.
Intellectual Resources	The intangibles that sustain the quality of our product and service offering, which provide BRAC's competitive advantage, such as our innovations, core values, systems, and reputation. (Intangible assets) IT system and enterprise architecture. Trust worthy BRAC brand that resonates with customers.	• Distinctive capabilities that cannot be easily replicated by competitors – this will ensure coherent value creation. • Better responses to changing consumer needs • Brand reinforcement and market communication • Accelerated deployment of new technologies.	Ongoing investment in business processes and new systems is growing our intellectual capital and indirectly benefiting our human, and social and relationship capitals.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. VALUE CREATION BUSINESS MODEL (CONTINUED)

Resources	Input	Output	Outcomes
Social and Relationship Resources	The relationships and collaborations we create with our customers, stakeholders, regulators, and communities.	- Brand reinforcement and market communication - Understanding our customers - Networking and partnerships Focused and committed corporate social investment.	Stakeholder-related investments enables us to have the community of stakeholders that are loyal and supportive to our brand and provide our social license to operate.
Natural resources	Renewable and non-renewable resources used by BRAC to function i.e., solar, Electricity Water Fuel	- Focus use of our human and transformative resources to support operations. - Maximizing digitalisation.	BRAC business focus on positive impact on social, human, relationship and financial Capital.

6. PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of microfinance activities to improve the livelihood of poor people in over 109 districts through 148 branch offices in Tanzania.

7. FINANCIAL PERFORMANCE

The following is a summary highlight of the Company's performance.

	Definition	Target 2021	Actual 2021	2020
Number of branches		148	148	143
Total number of staff		1,847	1,642	1,653
Number of active borrowers		240,600	253,627	190,000
Gross outstanding portfolio net of interest (TZS'000)	Total loan outstanding	123,958,000	128,982,809	104,741,117
Total assets (TZS'000)	Total asset of the company	164,239,000	164,935,350	123,483,938
Portfolio At Risk (PAR) 30 Days	Principle outstanding > 30 days / Total Principal Loan outstanding	3.2%	2.82%	3.92%
Debt/Equity ratio	Debt/Equity	1.02%	0.85	0.41
Operating self-sufficiency (OSS)	Total income / Total cost	109%	121.80%	125.53%
Return on performing Assets	Net profit before tax / Average Total Asset	7%	10.0%	11.7%

The Company managed to record significant achievement as highlighted below:

- Total Interest income increased by 30.4% from TZS 44,628 million in 2020 to TZS 58,192 million in 2021 due to improvement of business environment post Covid-19.
- Loans to customers (Gross) increased by 23.14 % from TZS 104,741 million in 2020 to TZS 128,983 million in 2021.
- The company raised additional borrowing totalled to TZS 47.3 billion in 2021 with the aim of supporting growth of the company operations and repaid TZS 14.5 billion of existing borrowings.
- During the year, the Company had a profit after tax of TZS 9,533 million (2020: TZS 8,539 million) a Increase of 11.64 % from prior year mainly attributed by increased loan book.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. RESULTS FROM OPERATIONS

The result for the Company's operations for the year ended 31 December 2021 is set out on page 17

9. COMPOSITION OF DIRECTORS

The directors, who served during the year and up to the date of this report unless as otherwise stated, are set out on page 1.

10. DIRECTORS' BENEFITS AND DIVIDEND TO SHAREHOLDERS

No directors' benefits or dividend was declared during the year. (2020: TZS 21 billion).

11. CORPORATE GOVERNANCE

The Board of the Company consists of 6 directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering, and monitoring investment decisions, considering significant financial matters and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day-to-day management of the business to the Chief Executive Officer who is assisted by senior management. Senior Management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units.

The Company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency, and accountability.

During the year, the following board subcommittees were in place to ensure a high standard of corporate governance throughout the Company:

Company Secretary

The company secretary, Mr Amadeus Mushi, provides support and guidance to the Board matters relating to governance and ethical practices.

He is also responsible for induction programs of new directors, keeping board members abreast of relevant changes in legislation and governance principles.

Board of Directors

Name	Position	Country of Residences
Mr Shameran Abed	Chairperson	Bangladesh
Mr Syed Abdul Muntakim	Member	England
Mr Johannes Maria Antonius Eskes	Member	Netherlands
Ms Bahati Ibrahim Geuzye	Member	Tanzania
Dr. Evelyn Mweta Richard	Member	Tanzania
Ms Bridget Dougherty	Member	Netherlands
Mr Nkosilathi Moyo	Member	Zimbabwe

Audit and Risk Committee

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the BRAC's financial statements and financial reporting process, systems of accounting and financial controls, the annual external audit of financial statements.

BRAC TANZANIA FINANCE LIMITED**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021****11. CORPORATE GOVERNANCE (CONTINUED)**

Performance of the Internal Audit, Risk and Compliance Functions; compliance with legal and regulatory requirements. Compliance with International Financial Reporting Standards and applicable laws, rules, and regulations.

Name	Position	Country of Residences
Mr Johannes Maria Antonius Eskes	Chairman	Netherlands
Mr Syed Abdul Muntakim	Member	England
Dr Evelyn Mweta Richard	Member	Tanzania
Ms Bahati Ibrahim Geuzye	Member	Tanzania
Mr Nkosilathi Moyo	Member	Zimbabwe

12. CAPITAL STRUCTURE

The company capital structure and the total number of shareholders share during the year under review.
The share of the Company held as follows:

	No	2021		No	2020	
		TZS'000	Memo 2021 USD		TZS'000	Memo 2020 USD
BRAC international Holding BV	4,999,999	14,999,997	6,535,947	4,999,999	14,999,997	6,535,947
Shameran Abed	1	3	1	1	3	1
	5,000,000	15,000,000	6,535,948	5,000,000	15,000,000	6,535,948

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual asset.

13. RISK MANAGEMENT

The Board accepts final responsibility for the risk management and internal control systems of BRAC Tanzania Finance Limited (BTFL). It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- Operational effectiveness and efficiency
- Compliance with applicable laws and regulations
- The safeguarding of BTFL 'assets
- The reliability of accounting records
- Business continuity
- Responsible behaviours towards all stakeholders

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, BTFL's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board carries out risk internal control assessment through the Board Audit & Risk Committee. The Board assessed the internal control systems throughout the financial year ended 31 December 2021 and is of the opinion that they met the accepted level.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. RISK MANAGEMENT (CONTINUED)

Principal Risks and Uncertainties

The key that may significantly impact BTFL's short to medium term strategy are mainly Credit, Operational which includes Legal & Reputational, Compliance, Strategic, Liquidity and Market risk.

Credit Risk

This is the risk resulting from the potential that a customer is either unwillingly to perform any obligation or his ability is impaired, resulting to an economic loss to the organisation.

BTFL has robust controls in place to manage exposure to credit risk, including approval limits, continuous portfolio monitoring and a strong risk appetite statement.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and from external events, including legal and reputational risk.

Fraud, whether internal or external, is also a subset of operational risk. The number and value of fraud cases at BTFL is quite low when compared against the transaction volumes /loans disbursed. This is due to the organisation being able to implement a number of stringent controls including preventive and detective measures.

Compliance Risk

The risk to earnings and capital arising from violations of, or non-compliance with laws, rules, regulations, internal policies, prescribed practices and ethical standards, as well as from the possibility of incorrect interpretation of effective laws or regulations.

The Management continually ensures that BTFL complies with relevant laws, rule, regulatory requirements and internal policies via a number of stringent controls.

Strategic Risk

Strategic Risk is the current or prospective risk to earnings and capital arising from adverse business decisions, improper implementations of decisions, or lack of responsiveness to changes in the business environment, both internal and external. BTFL has strong controls in place to mitigate strategic risk, including regular strategic risk reviews at Management and Board Levels.

Liquidity Risk

This is risk that BTFL will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial asset. BTFL has robust controls and monitoring mechanisms in place to limit its exposure to liquidity risk.

Market Risk

Market risk refers to the risk to an institution resulting from movements in market prices, in particular, changes in interest rates, foreign exchange rates, shares, and commodity prices. As BTFL currently does not have any holdings in shares or commodities, this category consists of the following risks:

- i Foreign Exchange Risk
- ii Interest rate risk

BTFL has got stringent controls and monitoring mechanism in place to limit its exposure to market risk.

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

13. RISK MANAGEMENT (CONTINUED)

Market Risk (Continued)

The Company is under the supervision of the Board of Directors and the day-to-day management is entrusted to the Chief Executive Officer who is assisted by the heads of divisions, departments and units. The organisation structure of the Company comprises of the following divisions:

- Micro finance program;
- Social Enterprise Program (SEP);
- Agri finance
- Accounts & finance;
- Internal audit;
- Monitoring;
- Information Technology (IT) and Management Information System (MIS);
- Human resources (Equal gender Recruitment, Staff benefits, Training and Development);
- Procurement, logistics and transportation.

14. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 27 to the financial statements.

15. FUTURE DEVELOPMENT PLANS

In 2022 the Company has the following plans;

- Growing with impact where the company will open 8 new branches and improve branch and Credit officers' productivity. The entity is also in transition to transfer to tier 1 which will be in alignment of improvement of infrastructure.
- Establishing BRAC Zanzibar Finance Limited as Subsidiary of BRAC Tanzania Finance Limited.
- Support from Master card Project to improve digitalisation.
- Implementing digital platform by piloting mobile repayment processes and implementing a new Core Banking System.
- Improving talent management by putting in place measures to attract, develop and retain talent pool including the enhancement of the use of the BRAC training centre
- Being responsive to clients and strengthening customer complaints handling mechanism

16. KEY HIGHLIGHTS IN 2021

The following are the Company's key achievements for the year:

- Successfully coordination of the transformation process resulting in the granting of Tier 2 Licence by Bank of Tanzania;
- Process resulting in the granting of Tier 2 licence by Bank of Tanzania;
- Developed a leadership pipeline resulting in the promotion of local staff (all females) in the following categories - 6 Regional Manager and 3 Senior Regional Manager; and
- Exceeded all Key Performance Indicators (disbursement, loan portfolio, sustainability and PAR targets) for 2021. Promotion of financial inclusion by expansion to hard-to-reach areas.

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

17. SOLVENCY

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company met all the Bank of Tanzania liquidity ratios and complied to all lenders key covenant ratios.

18. STAKEHOLDERS RELATIONSHIP

a) Customers

Improved access to financial services having network of 148 branches offices that meet their needs including access to information and financial advice. A safe and trustworthy financial services provider. Excellence in customers services.

b) Employees

BRAC ensure an employees have access to;

- An empowering and enabling environment that embraces diversity and inclusivity
- Fair remuneration, effective performance management, and recognition. A workplace where employees can be productive and achieve their potential.
- Self-led development and an opportunity for career progression.
- Ethical behavior and employment at a company with a strong brand.
- A safe and healthy work environment.

c) Creditors and lenders

BRAC maintains strong creditworthiness through ensuring meets of lenders/creditors demands time to time. On time Loan repayment and compliance with all loan terms and requirements.

d) Regulators and Policy makers

BRAC maintains strong engagement with the Business Registration and Licensing Agency (BRELA), Bank of Tanzania (BOT), Tanzania Revenue Authority (TRA), Government and other regulators and Policy makers by ensuring the following;

- Fair and ethical engagement when dealing with the Group.
- Active participation and contribution to industry and regulatory working groups
- Compliance with all legal and regulatory requirements
- Being a responsible taxpayer in all jurisdictions where we conduct business.

e) Society

Our society includes, Business partners, Local community and suppliers. BRAC provides access to relevant financial solutions that help to achieve desired outcomes for individuals, their families, their businesses, and their communities. The company also influences stakeholders to act responsibly in environmental, social and governance matters through compliance to governing laws and regulations.

BRAC also partners with the community to address common social and environmental issues to build a thriving society.

f) Investors and Shareholders

Shareholder value creation through share price appreciation and an attractive and sustainable dividend stream. Growing, sustainable return on their investment, through attractive dividends and growth in share price. Continuous engagement to inform their investment decisions.

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

18. STAKEHOLDERS RELATIONSHIP (CONTINUED)

f) Investors and Shareholders (Continued)

Employee Welfare

BRAC Tanzania Finance Limited through its learning and development unit under Human Resources Department, coordinated, facilitated, organized and supported its staff to attend capacity build programmes to strengthen their skills and capabilities in delivering quality services and enhance productivity. During the year, more than twenty (20) key transformative related training sessions were conducted at BRAC Learning Centre-

Dodoma and out-of-the centre. Some of them include Microfinance Management Courses, BRAC Leadership Masterclass, Mobile Repayment, Anti-fraud risk management, customer care, and more. Reaching all 1,642 staff.

Not only that but also, BRAC kept on supporting professional certifications and encourages staff by paying for their membership related costs in ACCA, CPA and Law school.

During the year 2021 the Company spent a sum of TZS 508 million for staff training in order to improve employees' technical skills and hence effectiveness (2020: TZS 231 million). BRAC kept on utilizing the existing digital platforms in delivering its trainings; via google meet, skype, and Microsoft teams

Medical assistance

The Company provides health Insurance where it contributes 3% of basic salary and staff contributes 3% as insurance premium. Insurance services are provided by National Health Insurance Fund (NHIF), a government entity covering the whole country with many hospitals, clinics and pharmacy everywhere.

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Workmen's Compensation

BRAC Tanzania Finance Limited contributes 0.6%% (1% from January to June 2021) of gross salaries of all employees to Worker's Compensation Fund regulated by the Government to cover all employees' injury or permanent disability which might occur in the working environment. During the year the Company contributed TZS 129 million (2020 TZS 156 million).

Retirement benefits

All eligible employees are members of the National Social Security Fund (NSSF) which are approved pension funds. The Company's contribution to the Pension Funds is limited to 10% of the employee's gross salary. NSSF is defined contribution schemes with BRAC Tanzania Finance Limited having no legal or constructive obligation to pay further top-up contributions.

19. GENDER PARITY

The Company had 1,642 employees in 2021 out of them 1,502 females and 140 males. In 2020 total employees were 1,653 with 229 males and 1,424 females.

BRAC TANZANIA FINANCE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

20. SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious unfavourable matters that can affect the Company (2020: None).

21. STATEMENT OF COMPLIANCE

As required by TFRS 1, Directors of the Company confirm compliance with the provisions of this Standard and all other statutory legislations relevant to the entity.

22. AUDITOR

The Company's auditor, KPMG, has expressed their willingness to continue in office and is eligible for re-appointment. A resolution to reappoint KPMG as auditor will be put to the Annual General Meeting.

BY ORDER OF THE BOARD


.....

Syed Muntakim
Director


.....

Syed Humayun Kabir
Ag. Chief Executive Officer

Date: 29 April 2022

BRAC TANZANIA FINANCE LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Company's directors are responsible for the preparation of the financial statements that give a true and fair view of BRAC Tanzania Finance Limited comprising 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 notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The auditor is responsible for reporting on whether the annual financial statements give true and fair view in accordance with the applicable financial reporting framework.

The directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements.

Approval of financial statements

The financial statements of BRAC Tanzania Finance Limited, as identified in the first paragraph, were approved and authorised for issue by the board of directors on 29 April 2022 and signed by:


.....
Syed Muntakim
Director

BRAC TANZANIA FINANCE LIMITED

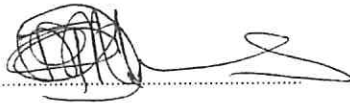
**DECLARATION OF HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

I THABITI NDILAHOMBA being the Head of Finance of BRAC Tanzania Finance Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021, have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements of BRAC Tanzania Finance Limited comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Signed by: 

Position: Head of Finance

NBAA Membership No.: ACPA 02477

Date: 29 April 2022



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Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRAC TANZANIA FINANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BRAC Tanzania Finance Limited ("the Company") set out on pages 17 to 53, which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of BRAC Tanzania Finance Limited 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 (IFRSs) and in the manner required by the Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter relating to supplementary information

We draw attention to the fact that the supplementary information presented in United States Dollar (USD) do not form part of the audited financial statements. We have not audited this supplementary information and, accordingly, we do not express an opinion on this supplementary information.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled BRAC Tanzania Finance Limited Report and Financial Statements for the year ended 31 December 2021, 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BRAC TANZANIA FINANCE LIMITED (CONTINUED)**

Report on the audit of the financial statements (continued)

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control purpose of expressing an opinion relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- in our opinion, proper accounting records have been kept by BRAC Tanzania Finance Limited;
- the individual accounts are in agreement with the accounting records of the company; and
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- directors' report is consistent with the financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Company is disclosed.

KPMG
Certified Public Accountants (T)

Signed by: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam

Date: 29-04-2022

BRAC TANZANIA FINANCE LIMITED
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

		2021	Memo*	2020	Memo*
	Notes	TZS '000	2021 USD	TZS '000	2020 USD
Income					
Interest income	6	58,191,982	25,101,252	44,628,019	19,248,313
Interest expense	7	(5,895,691)	(2,543,121)	(3,077,846)	(1,327,490)
Net interest income		52,296,291	22,558,131	41,550,173	17,920,823
Fee and commission income	8	2,533,098	1,092,658	1,928,961	831,972
Other income	9	992,006	427,904	615,507	265,471
Grant income utilised	26	105,772	45,625	-	-
Total operating income		55,927,167	24,124,318	44,094,641	19,018,266
Impairment charge on loans to customers	16(b)	(4,523,249)	(1,951,114)	(2,393,939)	(1,032,520)
Operating Income after Impairment Charges		51,403,918	22,173,204	41,700,702	17,985,746
Staff costs and other benefits	10	(18,728,370)	(8,078,528)	(18,368,768)	(7,922,553)
Occupancy expenses	11	(191,845)	(82,753)	(111,700)	(48,177)
Operating expenses	12	(16,732,063)	(7,217,416)	(9,496,417)	(4,095,389)
Depreciation of property and equipment	18	(1,339,934)	(577,983)	(1,055,164)	(455,566)
Amortisation of intangible assets	19	(22,110)	(9,537)	(113,854)	(49,106)
Total operating expenses		(37,014,322)	(15,966,217)	(29,145,903)	(12,570,791)
Profit before taxation		14,389,596	6,206,987	12,554,799	5,414,955
Tax expense	13(a)	(4,856,905)	(2,095,038)	(4,015,369)	(1,731,851)
Profit for the year		9,532,691	4,111,949	8,539,430	3,683,104
Other comprehensive income					
Foreign currency translation gain/(loss)		-	173,386	-	(305,434)
Total comprehensive income for the year		9,532,691	4,285,335	8,539,430	3,377,670

Notes and related statements forming part of the financial statements appear on pages 21 to 53.

Report of the auditor is on page 15 to 16.

*Supplementary information presented in United States Dollar.

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 TZS '000	Memo* 2021 USD	2020 TZS '000	Memo* 2020 USD
ASSETS					
Cash and bank balances	14	23,901,076	10,355,752	9,210,070	3,967,293
Fixed deposits	15	12,119,427	5,251,052	9,138,302	3,936,378
Loans to customers	16 (a)	120,185,560	52,073,466	98,673,085	42,504,021
Related party receivables	17 (b)	642,835	278,525	1,237,708	533,150
Other assets	17 (a)	1,296,194	561,609	421,295	174,076
Property and equipment	18	4,078,788	1,767,240	2,706,466	1,165,827
Intangible assets	19	-	-	22,110	9,524
Tax receivable	13(b)	-	-	206,587	88,989
Deferred tax asset	20	2,711,469	1,174,813	1,868,314	804,787
Total assets		164,935,349	71,462,457	123,483,937	53,184,045
LIABILITIES AND EQUITY					
Long term liabilities					
Long term portion of term loans	25	28,735,650	12,450,455	10,754,235	4,758,658
Total long-term liabilities		28,735,650	12,450,455	10,754,235	4,758,658
Current liabilities					
Other liabilities	21	1,039,716	450,484	947,856	408,295
Lease liabilities	28(b)	966,214	418,637	1,739,783	749,422
Related party payables	22	2,593,645	1,123,763	948,672	408,646
Corporate tax payable	13(b)	1,018,385	441,240	-	-
Loan security fund	24	24,119,432	10,450,361	20,562,209	8,857,294
Current portion of term loans	25	28,859,433	12,504,087	13,241,499	5,577,648
Dividend payable	29	9,356,409	4,053,904	16,577,964	7,141,057
Deferred revenue grants	26	111,626	48,364	109,571	47,199
Total current liabilities		68,064,860	29,490,840	54,127,554	23,189,561
Total liabilities		96,800,510	41,941,295	64,881,789	27,948,219
Equity					
Ordinary share capital	23	15,000,000	6,535,948	15,000,000	6,535,948
Retained earnings		53,134,839	22,811,827	43,602,148	19,005,312
Translation reserve		-	173,387	-	(305,434)
Total equity		68,134,839	29,521,162	58,602,148	25,235,826
Total equity and liabilities		164,935,349	71,462,457	123,483,937	53,184,045

The financial statements on pages 17 to 53 were approved for issue by the Board of Directors on 29-04-2022 and signed on its behalf by;



Syed Muntakim
Director



Syed Humayun Kabir
Ag. Chief Executive Officer

Notes and related statements forming part of the financial statements appear on pages 21 to 53.

Report of the auditor's is on page 15 to 16.

*Supplementary information presented in United States Dollar.

BRAC TANZANIA FINANCE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Donated Equity* TZS'000	Ordinary Share Capital TZS'000	Retained Earnings TZS'000	Total Capital Fund TZS'000	Total Capital Fund USD*
Balance at 1 January 2021	-	15,000,000	43,602,148	58,602,148	25,235,826
Profit for the year	-	-	9,532,691	9,532,692	4,111,949
Foreign currency translation gain	-	-	-	-	173,386
Balance as at 31 December 2021	-	15,000,000	53,134,839	68,134,840	29,521,161
Balance at 1 January 2020	13,076,058	15,000,000	43,976,318	72,052,376	31,395,371
Profit for the year	-	-	8,539,430	8,539,430	3,683,104
Transfer of capitalised donated equity to retained earnings	(13,076,058)	-	13,076,058	-	-
Transfer to Dividend payable	-	-	(21,989,658)	(21,989,658)	(9,537,215)
Foreign currency translation loss	-	-	-	-	(305,434)
Balance as at 31 December 2020	-	15,000,000	43,602,148	58,602,148	25,235,826

Notes and related statements forming part of the financial statements appear on pages 21 to 53.

* Supplementary information presented in United States Dollar.

BRAC TANZANIA FINANCE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 TZS '000	Memo* 2021 USD	2020 TZS '000	Memo* 2020 USD
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		14,389,597	6,206,987	12,554,799	5,414,955
Adjustment for non-cash items					
Depreciation charge and amortisation	18&19	1,362,043	587,520	1,169,018	504,672
Amortisation of capital grants	26	(105,772)	(45,625)	-	-
Loss on disposal of assets		75,260	32,463	-	-
Write off of cash balances and irrecoverable taxes	12&13	242,982	104,810	-	-
Interest expenses	7	5,895,691	2,543,121	3,077,846	1,327,045
Impairment charge on loans to customers	16(b)	4,523,250	1,951,113	2,393,939	1,032,520
		26,383,051	11,380,389	19,195,602	8,279,192
Changes in:					
- Other assets		(874,899)	(377,389)	(966,597)	(416,898)
- Deposits		(2,981,125)	(1,285,915)	188,896	81,472
- Other liabilities		1,736,832	749,186	257,716	111,180
- Loans to customers		(25,541,124)	(10,968,733)	(3,512,270)	(1,513,424)
Cash flow from operating activities		(1,277,265)	(502,462)	15,163,347	6,541,522
Tax paid	13(b)	(4,681,676)	(2,019,457)	(6,850,904)	(2,951,068)
Interest paid on borrowings	25	(4,867,536)	(2,099,621)	(2,893,152)	(1,247,834)
Interest paid on lease liabilities	28	(132,838)	(57,302)	(224,568)	(96,857)
Net cash (used in)/generated from operating activities		(10,959,315)	(4,678,842)	5,194,723	2,245,763
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, equipment, and Intangible assets**	18	(2,670,808)	(1,152,058)	(485,264)	(209,297)
Proceeds from disposal of assets		6,819	2,941	-	-
Net cash used in investing activities		(2,663,989)	(1,149,117)	(485,264)	(209,297)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid during the year	29	(7,221,555)	(3,115,032)	(5,411,695)	(2,334,094)
Term loans acquired during the year	25	47,286,507	20,397,128	8,117,885	3,702,570
Repayment of the term loans - principal	25	(14,471,768)	(6,242,428)	(3,240,104)	(1,477,813)
Payment of lease liability - principal	28	(943,924)	(407,163)	(969,343)	(417,550)
Loan security funds received during the year	24	10,031,292	4,327,022	5,818,889	2,509,721
Loan security funds paid during the year	24	(6,474,069)	(2,792,605)	(5,189,999)	(2,238,478)
Grant received during the year	26	107,827	46,718	109,571	47,199
Net cash (used)/ generated from financing activities		28,314,310	12,213,640	(764,796)	(208,445)
Net increase/(Decrease) in cash and cash equivalents		14,691,006	6,337,001	3,944,663	1,828,021
Cash and cash equivalents at the beginning of the year		9,210,070	3,967,293	5,265,407	2,294,295
Foreign exchange translation reserve			51,458	-	(155,023)
Cash and cash equivalents at the end of the year	14	23,901,076	10,355,752	9,210,070	3,967,293

Notes and related statements forming part of the financial statements appear on pages 21 to 53.
Report of the auditor's is on page 15 to 16.

*Supplementary information presented in United States Dollar.

** Amount does not include additions to right of use asset presented under property and equipment.

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. REPORTING ENTITY

BRAC Tanzania Finance Limited was incorporated as a company limited by guarantee on 9 September 2008 and subsequently converted to a company limited by shares on 2 October 2019 and assigned registration number 67364. The Company is situated at Plot 17, Natai Plaza, and Coca cola Road, Dar es Salaam, Tanzania. Refer note 23 for more details on number of shares and shareholders.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2002.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss which are measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in thousands of Tanzanian Shillings (TZS'000), which is the Company's functional currency.

Memorandum figures

The memorandum column representing the results in United States Dollars (USD) are for presentation purposes only, and do not form part of the audited financial statements. The exchange rates used to translate the TZS figures to USD memorandum were as follows:

- Assets and liabilities were translated at the closing rate at 31 December 2021 of TZS 2,308.00 (2020: TZS 2,321.5) to USD 1 except for additions to property and equipment which were translated at an average rate for the period of TZS 2,318.29 (2020: TZS 2,318.54) to USD 1;
- Income and expenses were translated using an average exchange rate for the period of TZS 2,318.29 (2020: TZS 2,318.54) to USD 1;
- Equity is not translated; and
- All resulting exchange differences are being recognised in other comprehensive income.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Notes 5.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which is recognised directly in equity.

(b) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The recognition ceases when a loan is transferred to Non-Interest-Bearing Loan (NIBL) as described in Note 4(a) thereafter interest income is recognised only when it is received.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in profit or loss is resulting from Interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

(c) Fee and commission income

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(d) Grants

i. Deferred grants

All grants received are initially recognised as deferred revenue grants at fair value and recorded as liabilities.

The portion of the grants that are utilised to purchase property and fixed assets are transferred as deferred income in liabilities and subsequently released to income to match the depreciation for the period and amortisation of the fixed assets as charged to Profit or Loss.

Grants utilised to reimburse program related expenditure are recognized as grant income for the period.

Donor grants received in kind, through the provision of gifts and/or services, are recorded at fair value (excluding situations where the Company may receive emergency supplies for onward distribution in the event of a disaster which are not recorded as grants).

Grant income classified as temporarily restricted or unrestricted depending upon the existence of donor-imposed restrictions. For completed or phased out projects and programs, any unutilised amounts are dealt with in accordance with consequent donor and management agreements.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Grants (Continued)

i. Deferred grants (Continued)

For ongoing projects and programs, any expenditures yet to be funded but for which funding has been agreed at the end of the reporting period is recognized as revenue grant receivable.

ii. Grant income

Grant income is recognised on a cash basis to the extent that the Company fulfils the conditions of the grant. This income is transferred from the deferred grant received from donors and recognized as income in the profit or loss. A substantial portion of the Company's donor grants are for funding of not-for-profit projects and programs, and for these grants, income recognised is matched to the extent of actual expenditures incurred on projects and programs for the period. For donor grants restricted to funding procurement of fixed assets, the grant income is recognised as the amount equivalent to depreciation expenses charged on the fixed assets.

(e) Interest from deposits with banks

Interest income on the Company's deposits with banks is earned on an accrual basis at the agreed interest rate with the respective financial institutions.

(f) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expenses are recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Financial assets and liabilities

(i) Recognition

The Company initially recognises loans and advances, deposits, debt securities issued and liabilities when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and liabilities (Continued)

(ii) Classification (Continued)

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and liabilities (Continued)

(ii) De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company writes off certain loans when they are determined to be uncollectible (see Note 4a).

(iii) Off setting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the BRAC Tanzania Finance Limited's trading activities.

(iv) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(iv) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and liabilities (Continued)

(iv) Fair value measurement

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(v) Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances (Small enterprise program) are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and liabilities (Continued)

(v) Identification and measurement of impairment (Continued)

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(vi) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(vii) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that Company does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property and equipment (Continued)

(iii) Depreciation (Continued)

The estimated useful lives are as stated:

Furniture & fixtures	10%
Computer and Peripherals	33.33%
Equipment	20%
Vehicles	20%
Motor cycles	20%
Right of use assets	Lease term

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(i) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Intangible assets

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software asset is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on straight-line basis over the estimated useful life of the software, from the date that is available for use. The estimated useful life of software is five years (20% per year).

(k) Security deposits from customers and term loans

The company classifies capital instruments, i.e., security deposits and term loans as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Security deposits from customers and term loans from lenders are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest method, except where the company chooses to carry the liabilities at fair value through profit or loss. BRAC Tanzania Finance Limited utilises the term loans as source of funding.

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash benefits if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(n) Classes of financial instruments

The Company classifies the financial instruments into classes that reflects nature of information and take into account the characteristics of those financial instruments:

Items on the statement of financial position	Class
Cash and cash equivalents	Amortised cost
Other assets	Amortised cost

(o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases (Continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on a rate, initially measured using the rate as at the commencement date; and
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties or early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in rate. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases for some office premises. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(p) Write offs

When a loan is deemed uncollectible, it is written off against the related provision for impairment losses. Subsequent recoveries are credited to the profit or loss for the year. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to profit or loss for the year

(q) Share Capital

Ordinary shares are classified as 'share capital' in equity. New shares are recorded at nominal value and any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

(r) New standards, amendments and interpretations

i) New standards, amendments and interpretations effective and adopted during the year

The Company has adopted the following new standards and amendments during the year ended 31 December 2021, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2021. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Company's accounting policies.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards, amendments and interpretations (Continued)

i) New standards, amendments and interpretations effective and adopted during the year (Continued)

The Company adopted the following standards, interpretations and amended standards during the year:

New standard or amendments	Effective for annual periods beginning on or after on or after
— Interest rate benchmark reform –Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
— COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2021

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

New standards or amendments	Effective for annual period beginning or after
IFRS 1 - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.	1 January 2022
IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.	1 January 2022
IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.	1 January 2022
IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	1 January 2022
IAS 16 <i>Property, Plant and Equipment</i> - Amendment prohibiting entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.	1 January 2022
IAS 1 <i>Classification of liabilities as current or non-current</i> - Amendments which aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	1 January 2023

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards, amendments and interpretations (Continued)

- ii) *New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2021 (Continued)*

IAS 1 and IFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i> - The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the four-step materiality process' described in IFRS Practice Statement 2.	1 January 2023
IAS 8 <i>Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i> - The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.	1 January 2023
IAS 12 Income taxes - <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> : Amendments aim at clarifying how companies account for deferred tax on leases; when a lessee recognizes an asset and a liability at the lease commencement.	1 January 2023

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

BRAC Tanzania Finance Limited has exposure to the following risks from its use of financial instruments:

- (a) Credit risk;
- (b) Liquidity risk
- (c) Market risks; and
- (d) Operational risk

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing the risks, and its management of capital.

(a) Credit risk

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

Management of credit risk

For risk management reporting purposes, the Company measures, monitors and manages proactively all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Company does not have any significant exposure to any individual customer or counterparty.

The model that the Company uses to mitigate this risk is arrangement with the respective members of the group. The group members monitor the behaviour of their fellow members who show signs of default on weekly basis during their weekly loan repayment and inform the Company immediately so that appropriate follow up is made.

BRAC TANZANIA FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021****4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)****(a) Credit risk (Continued)**

As set out above, the main activity of the Company is the provision of unsecured loans to group members. The Board of Directors has delegated responsibility for the oversight of credit risk to the Chief Executive Officer who works with the assistance of Program manager and the Monitoring department. However, this must be viewed in light of the overall framework of the exclusive use of "group guaranteed" loan repayment mechanism.

Impaired loans

Impaired loans are loans for which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans

Loans were contractual interest or principal payments are past due but the Company believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Company.

Allowances for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for company's of homogeneous assets in respect of losses that have been incurred but have not been identified.

The table below provides details of exposure to credit risk

Loans to customers

	2021 TZS'000	2020 TZS'000
Standard	123,804,403	97,315,846
Watch List	862,789	1,960,509
Substandard	374,315	1,627,148
Doubtful	444,256	555,263
Loss	3,497,047	3,282,351
Gross loans to customers	128,982,810	104,741,117
Allowance for impairment	(8,797,250)	(6,068,032)
Net loans	120,185,560	98,673,085

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(a) Credit risk (Continued)

Management of credit risk (Continued)

Write-off policy

Loans within the maturity period are considered as "Current Loans". Loans which remain outstanding after the expiry of their maturity period are considered as 'Late loans'. Late loans which remain unpaid after one year of being classified as "Late" are considered as "non-Interest-bearing loans" (NIBL) and is referred to the Board for write-off. Apart from that, any loans can be written off subject to the approval of the board where the board assesses that it is not realisable due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers. Subsequent recoveries are credited as income in the statement of profit or loss and other comprehensive income.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Company'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 the Company's reputation.

Residual contractual maturities of financial liabilities.

31 December 2021	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000	1 to 2 Years TZS'000	2 to 5 years TZS'000
Loan security fund	24,119,432	24,119,432	24,119,432	-	-
Term loans	57,595,082	57,595,082	28,859,433	15,813,476	12,922,173
Lease liabilities*	996,213	1,076,762	1,076,762	-	-
Other liabilities	1,039,716	1,039,716	1,039,716	-	-
Dividend payable	9,356,409	9,356,409	9,356,409	-	-
Related Party Payables	2,593,645	2,593,645	2,593,645	-	-
Total	95,700,497	95,781,046	67,045,397	15,813,476	12,922,173

(*) Lease liabilities refers to liabilities related to right of use assets presented as part of other liabilities on the statement of financial position.

2020	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000	1 to 2 Years TZS'000	2 to 5 Years TZS'000
Loan security fund	20,562,209	20,562,209	20,562,209	-	-
Term loans	23,995,734	23,995,734	13,241,499	3,320,903	7,433,332
Lease liabilities	1,739,783	2,153,524	1,076,762	1,076,762	-
Other liabilities	663,021	663,021	663,021	-	-
Dividend payable	16,577,964	16,577,964	8,288,982	8,288,982	-
Related Party Payables	948,673	948,673	948,673	-	-
Total	64,487,384	64,901,125	44,781,146	12,686,647	7,433,332

The previous table shows the undiscounted cash flows on the Company's financial liabilities and on the basis of their earliest possible contractual maturity.

BRAC TANZANIA FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021****4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)****(c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc. will affect 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.

(d) Currency risk

The Company is exposed to currency risk on payments that are denominated in a currency other than the respective functional currency of Company, the Tanzanian Shilling (TZS). The currencies in which these transactions primarily are denominated in US Dollars (USD). The Company's strategy for managing its foreign currency exposure is through transacting mainly using its functional currency.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

As a result of COVID 19 pandemic, there were no significant foreign currency exposures at the reporting date.

The table below summarises the exposure to foreign currency exchange rate risk at 31 December 2021. Assets and liabilities are categorised by currency. (Equivalent Amounts in TZS'000)

	2021 TZS ('000)	2020 TZS ('000)
31 December 2021		
Financial Assets		
Cash and bank balance	11,941,112	131,038
Total assets	<u>11,941,112</u>	<u>131,038</u>
Financial liabilities		
Related party payables	11,615,000	948,672
Deferred grants	107,826	109,571
Total liabilities	<u>11,722,826</u>	<u>1,058,243</u>
Net on balance sheet position	<u>218,286</u>	<u>(927,205)</u>

* Out of the total loans outstanding, TZS 5 billion (2020: TZS 15.3 billion) relates to term loans that are USD based loans hedged and recorded in local currency at the inception phase and that is why not included in the currency risk table. Interest computation is based on local currency and will be settled at the same agreed rate. The only exposure is on the interest payment as remittance has to be done in USD.

Analysis of the Company's sensitivity to changes in market interest and exchange rate**Sensitivity analysis**

The rate of exchange as at 31 December 2021 is USD 1 = 2,308 (2020: TZS 2,321.5) strengthening of USD against TZS by 5% means that the rate of exchange will move to USD 1 = TZS 2,434.47 (2020: TZS 2,321.5)

If the exchange rate changes by 5% the Company is likely to experience foreign exchange loss of TZS 11 million (2020: TZS 12 million).

(e) Interest rate risk

The Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates and the fair value interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes in market interest rates.

The table below shows interest exposure on assets and liabilities as at 31 December 2021. Amounts in TZS ('000).

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(e) Interest rate risk (Continued)

31 December 2021	Up to 1 month	From 1 to 12 months	From 1 years to 2 years	From 2 years and above	Total	Non- interest bearing
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS						
Cash and bank balances	23,901,076	-	-	-	-	23,901,076
Fixed deposits	-	12,119,427	-	-	12,119,427	-
Loans to customers	-	120,185,560	-	-	120,185,560	-
Other assets	-	3,245,390	-	-	-	3,245,390
Total assets	23,901,076	135,550,377	-	-	132,304,987	27,146,466
LIABILITIES						
Other liabilities	1,039,716	-	-	-	1,039,716	1,039,716
Lease liabilities	-	966,213	-	-	966,213	-
Loan security fund	-	24,119,432	-	-	24,119,432	24,119,432
Dividend payable	-	9,356,409	-	-	9,356,409	9,356,409
Term loans	-	28,859,433	15,813,476	12,922,174	57,595,083	-
Related party liabilities	-	2,593,645	-	-	2,593,645	2,593,645
Total liabilities	1,039,716	65,895,132	15,813,476	12,922,174	95,670,498	37,109,202
Net assets/(liabilities)	22,861,360	69,655,245	(15,813,476)	(12,922,174)	36,634,489	(9,962,736)

31 December 2020	Up to 1 month	From 1 to 12 months	From 1 years to 2 years	From 2 years and above	Total	Non-interest bearing
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS						
Cash and bank balances	9,210,070	-	-	-	9,210,070	9,210,070
Fixed deposits	-	9,138,302	-	-	9,138,302	-
Loans to customers	-	98,673,085	-	-	98,673,085	-
Other assets	-	1,659,004	-	-	1,659,004	1,659,004
Total assets	9,210,070	109,470,391	-	-	118,680,461	10,869,074
LIABILITIES						
Other liabilities	958,230	-	-	-	958,230	-
Lease liabilities	-	1,739,783	-	-	1,739,783	-
Loan security fund	-	20,562,209	-	-	20,562,209	20,562,209
Dividend payable	-	8,288,982	8,288,982	-	16,577,964	16,577,964
Term loans	-	13,241,499	3,320,903	7,433,332	23,995,734	-
Related party liabilities	-	948,673	-	-	948,673	948,673
Total liabilities	958,230	44,781,146	11,609,885	7,433,332	64,782,593	38,088,846
Net assets/(liabilities)	8,251,840	64,689,245	(11,609,885)	(7,433,332)	53,897,868	(27,219,772)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(e) Interest rate risk (Continued)

Sensitivity analysis

The average market lending rate for the year ended 31 December 2021 is 15.39% (2020:16.23%). If the interest rate rise by 5% the Company performance would be impacted by TZS 436m (2020: TZS 149m).

(f) 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. Operational risks arise from all of the Company's operations and are faced by all business entities.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- training and professional development;
- development of contingency plans; and
- compliance with regulatory and other legal requirements.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of the Internal Audit reviews are discussed with the management of the business unit to which they relate and Chief Executive Officer (CEO).

5. USE OF ESTIMATES AND JUDGEMENTS

Management discussed the development, selection and disclosure of the Company's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see Note 4).

Key sources of estimation uncertainty

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4 (g) (vii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financials where each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (Continued)

(i) Allowances for credit losses (Continued)

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors.

In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions as well as forward looking information.

In arriving at the credit losses for the year ended 31 December 2021, the following assumptions were used;

- The PD model covered exposures for obligors with common drivers of risk, fundamentally comparable available to form a reasonable and effective basis for results predictions in terms of risk management, decision making and credit approval process.
- LGD estimation considered loans outstanding for over 90 days. And on monthly basis for the period of 36 months and above the outstanding balance of the loans over 90 days against the loan's disbursement of the same category are considered to establish the percentage of the loans that migrated into a loss category.
- EAD was estimated as the outstanding balances of the loans as at the reporting date.

Impact of COVID- 19

The coronavirus pandemic has had a devastating impact on the global economy and has resulted in significant changes to government actions, economic and market drivers as well as consumer behaviour.

Impact on the use of estimates, judgements and assumptions

The pandemic has had a significant impact on the risks that the Company is exposed to, in particular credit risk, and has forced the Company to reassess assumptions, and existing methods of estimation and judgements, used in the preparation of these financial statements. There remains a risk that future performance and actual results may differ from the judgements and assumptions used.

As the outbreak continues to progress and evolve, it is challenging to predict the full extent and duration of its business and economic impact. Management considered the model outputs following appropriate assessment of credit risk.

Further detail on the application of judgements and estimates is included in the note below.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

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.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (Continued)

(ii) Fair values of financial instruments

Level 3: Inputs that are unobservable this category includes all instruments for which the valuation technique includes inputs not based on observable data 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.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised. The carrying amounts are an approximate of the fair values because the financial instruments are short term or re-price in the short run.

	Carrying value TZS'000	Fair values TZS'000
31 December 2021		
ASSETS		
Cash and bank balances	23,901,076	23,901,076
Fixed deposits	12,119,427	12,119,427
Loans to customers	120,185,560	120,185,560
Other assets	1,296,194	1,296,194
Total assets	157,502,257	157,502,257
LIABILITIES		
Other liabilities	1,039,715	1,039,716
Lease liabilities	966,213	966,213
Loan security fund	24,119,433	24,119,432
Related party payables	2,593,645	2,593,645
Term loans	57,595,082	57,595,082
Total liabilities	86,314,088	86,314,088
31 December 2020		
ASSETS		
Cash and bank balances	9,210,070	9,210,070
Fixed deposits	9,138,302	9,138,302
Loans to customers	98,673,085	98,673,085
Other assets	1,659,004	1,659,004
Total assets	118,680,461	118,680,461
LIABILITIES		
Other liabilities	947,856	947,856
Loan security fund	1,739,783	1,739,783
Related party payables	20,562,209	20,562,209
Term loans	948,673	948,673
Deferred revenue grants	23,995,734	23,995,734
Total liabilities	48,194,255	48,194,255

The financial assets are classified as loans and receivables measured at amortised cost. Financial liabilities are measured at amortised cost.

Critical estimates are made by the Directors in determining the useful lives of property and equipment, leased premises refurbishment and intangible assets as well as their residual values.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (Continued)

(iii) Taxes

The Company is subjected to several taxes and levies by the government and quasi-government regulatory bodies. As a rule of thumb, the Company recognises liabilities for the anticipated tax/levies payable with utmost care and diligence. However, judgement is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

6. INTEREST INCOME

	2021	Memo	2020	Memo
	TZS'000	2021	TZS'000	2020
		USD		USD
Micro finance	48,389,731	20,873,028	36,042,851	15,545,483
Small enterprise program	6,443,103	2,779,248	5,535,440	2,387,466
Adolescent development program	54,227	23,391	503,127	217,001
Empowerment and livelihood for adolescent program	13,536	5,839	114,846	49,534
Agriculture	3,256,878	1,404,862	2,427,178	1,046,855
We Solve	34,507	14,884	4,491	1,937
Pembejeo	-	-	86	37
	58,191,982	25,101,252	44,628,019	19,248,313

7. INTEREST EXPENSE

Interest expense on loans from				
- Bank of Africa	752,161	324,446	42,472	18,318
- Responsibility	1,608,059	693,640	371,008	160,018
- Global Partnership Social Investment Fund	713,503	307,771	947,881	408,826
- Stromme Microfinance (E.A) Ltd	654,831	282,463	327,781	141,374
- Triodos Investment Management	464,808	200,496	623,439	268,891
- FMO	479,446	206,810	637,668	275,030
- CRDB Bank Plc.	540,000	232,930	23,671	10,210
- Interest cost covered by BRAC Zanzibar	-	-	(129,299)	(55,768)
- Standard Chartered Bank	249,699	107,708	-	-
- Agent for Impact (AFI)	191,825	82,744	-	-
- Fund management fees	108,521	46,811	8,657	3,734
Interest expense on lease liabilities	132,838	57,302	224,568	96,857
	5,895,691	2,543,121	3,077,846	1,327,490

8. FEE AND COMMISSION INCOME

Loan appraisal fee	2,496,203	1,076,743	1,898,891	819,003
Loan application fee	36,895	15,915	30,070	12,969
	2,533,098	1,092,658	1,928,961	831,972

BRAC TANZANIA FINANCE LIMITED
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**
9. OTHER INCOME

	2021	Memo	2020	Memo
	TZS'000	USD	TZS'000	USD
Gain due to early repayment of loans	306	132	672	290
Interest income from bank deposit	543,675	234,515	498,328	214,932
Sale from passbooks	77,969	33,632	47,744	20,592
Administrative fees	57,578	24,837	74,357	32,070
Interest income received from Zanzibar and other				
Income	312,478	134,788	10,065	4,341
Foreign exchange (gain)/ loss	-	-	(15,659)	(6,754)
	<u>992,006</u>	<u>427,904</u>	<u>615,507</u>	<u>265,471</u>

10. STAFF COSTS AND OTHER BENEFITS

Salaries and benefits	15,995,451	6,899,676	15,829,738	6,827,455
NSSF	1,777,272	766,631	1,758,860	758,606
Bonus	955,647	412,221	780,170	336,492
	<u>18,728,370</u>	<u>8,078,528</u>	<u>18,368,768</u>	<u>7,922,553</u>

11. OCCUPANCY EXPENSES

Rent	539	233	-	-
Utilities	191,306	82,520	111,700	48,177
	<u>191,845</u>	<u>82,753</u>	<u>111,700</u>	<u>48,177</u>

12. OPERATING EXPENSES

Travelling and transportation costs	3,816,959	1,646,454	2,922,337	1,260,420
Training, workshop, and seminars costs	508,083	219,163	231,023	99,642
Maintenance and general expenses	253,629	109,403	545,860	235,433
Cash write off	36,394	15,699	29,981	12,931
Member's death benefit expenses	1,215	524	8,100	3,494
Office Vehicle running expenses	99,142	42,765	75,958	32,761
Audit and other legal fees	243,576	105,067	165,528	71,393
Head Office Logistics and management expenses	3,936,071	1,697,834	1,887,664	813,123
Stationery expenses	793,779	342,398	399,795	172,434
Staff medical Insurance	565,637	243,989	509,076	219,567
Software Maintenance	677,892	292,410	549,492	236,999
Business licence fees	1,554,653	670,603	230,504	99,418
Bank Charges	304,795	131,474	176,860	76,281
Other expenses	3,940,237	1,699,633	1,764,239	761,493
	<u>16,732,062</u>	<u>7,217,416</u>	<u>9,496,417</u>	<u>4,095,389</u>

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. TAXATION

(a) Tax expense

		Memo		Memo
	2021	2021	2020	2020
	TZS'000	USD	TZS'000	USD
Current income tax charge	5,322,590	2,295,912	4,441,164	1,915,499
Prior period tax charge	377,470	162,823	-	-
Deferred tax credit for the year (Note 20)	(843,155)	(363,697)	(425,795)	(183,648)
	<u>4,856,905</u>	<u>2,095,038</u>	<u>4,015,369</u>	<u>1,731,851</u>
Effective rate of income tax	<u>34%</u>		<u>32%</u>	
Tax rate reconciliation	%		%	
Standard rate of income tax	30.0		30.0	
Effect of prior year corporate tax under-provisions	3.0		0.0	
Tax effect of non-deductible expenses	1.0		2.0	
Computed effective rate of tax	<u>34.0</u>		<u>32.0</u>	

b) Tax payable / (receivable)

Balance at 1 January	(206,587)	(88,989)	2,203,153	959,981
Charge during the year	5,322,590	2,295,912	4,441,164	1,913,058
Tax paid	(4,681,676)	(2,019,452)	(6,850,904)	(2,951,068)
Prior year advance irrecoverable taxes written off	206,587	89,112	-	-
Prior year under provision of corporate tax	377,470	162,823	-	-
Foreign exchange translation reserve	-	1,834	-	(10,960)
Balance at 31 December	<u>1,018,384</u>	<u>441,240</u>	<u>(206,587)</u>	<u>(88,989)</u>

14. CASH AND BANK BALANCES

Cash in hand	33,406	14,474	44,987	19,379
Cash at bank	23,867,670	10,341,278	9,165,083	3,947,914
	<u>23,901,076</u>	<u>10,355,752</u>	<u>9,210,070</u>	<u>3,967,293</u>

15. FIXED DEPOSITS

Principal	11,625,000	5,036,828	8,561,123	3,687,755
Interest receivable	494,427	214,224	577,179	248,623
	<u>12,119,427</u>	<u>5,251,052</u>	<u>9,138,302</u>	<u>3,936,378</u>

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. LOANS TO CUSTOMERS

(a) Net loans to customers

	2021 TZS'000	Memo 2021 USD	2020 TZS'000	Memo 2020 USD
Loans to customers (gross)	128,982,810	55,885,099	104,741,117	45,117,862
Provision for impairment on loans to customers [Note-16(b)]	<u>(8,797,250)</u>	<u>(3,811,633)</u>	<u>(6,068,032)</u>	<u>(2,613,841)</u>
Balance at 31 December	<u>120,185,560</u>	<u>52,073,466</u>	<u>98,673,085</u>	<u>42,504,021</u>

(b) Impairment charge on loans to customer

Balance as at 1 January	6,068,032	2,613,841	4,687,628	2,042,540
Charge for the year	4,523,250	1,951,113	2,393,939	1,032,520
Write offs	(1,794,032)	(777,310)	(1,013,535)	(436,586)
Foreign exchange translation difference	-	23,989	-	(24,633)
Balance at 31 December	<u>8,797,250</u>	<u>3,811,633</u>	<u>6,068,032</u>	<u>2,613,841</u>

(c) Gross loans to customers

Micro finance	101,625,905	44,032,021	78,592,873	33,854,327
Small enterprise program	16,370,184	7,092,801	15,984,700	6,885,500
We Solve (Danida)	87,220	37,790	15,131	6,518
Empowerment and livelihood for adolescent program	-	-	1,607,280	692,345
Agriculture	9,159,574	3,968,620	7,192,324	3,098,134
Pembejeo	71	30	610	263
Interest Receivable	<u>1,739,856</u>	<u>753,837</u>	<u>1,348,199</u>	<u>580,775</u>
	<u>128,982,810</u>	<u>55,885,099</u>	<u>104,741,117</u>	<u>45,117,862</u>

17. OTHER RECEIVABLES BALANCES

(a) Other assets

Advances and prepayments	469,286	203,330	54,657	16,134
Stock of consumables	418,286	181,233	286,557	123,446
Employee Receivables	4,930	2,136	-	-
VAT receivable	-	-	29,138	12,552
Fund Management Fees	<u>403,692</u>	<u>174,910</u>	<u>50,943</u>	<u>21,944</u>
	<u>1,296,194</u>	<u>561,609</u>	<u>421,295</u>	<u>174,076</u>

(b) Related party receivables

BRAC (Zanzibar) - Interest receivable on term loan	-	-	300,177	129,303
BRAC Maendeleo Tanzania	148,624	64,395	507,113	218,442
BRAC Enterprise	18,031	7,813	-	-
BRAC Zanzibar Finance Limited	<u>476,180</u>	<u>206,317</u>	<u>430,418</u>	<u>185,405</u>
	<u>642,835</u>	<u>278,525</u>	<u>1,237,708</u>	<u>533,150</u>

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

18. PROPERTY AND EQUIPMENT

<u>COST</u>	Furniture	Equipment	Motor Vehicles	Leasehold Improvement	Work In Progress	Right of Use Assets (ROU)	Total	Memo Total USD
At 1 January 2021	1,291,093	914,687	529,637	101,377	-	2,709,126	5,545,920	2,416,522
Additions	148,804	572,807	-	-	1,949,197	31,726	2,702,534	1,165,743
Reclassification	(42,105)	37,104	6,468	-	-	-	1,467	633
Disposal	(207,395)	(307,114)	(23,624)	-	-	-	(538,133)	(232,125)
Foreign Exchange Translation reserve	-	-	-	-	-	-	-	9,320
As at 31 December 2021	1,190,397	1,217,484	512,481	101,377	1,949,197	2,740,852	7,711,788	3,360,093
At 1 January 2020	1,212,902	806,911	374,294	-	-	340,000	2,734,107	1,191,334
Additions	35,324	157,209	161,874	101,377	-	2,369,126	2,824,910	1,218,400
Reclassification	42,867	(42,867)	-	-	-	-	-	(5,650)
Disposal	-	(6,567)	(6,531)	-	-	-	(13,098)	-
Foreign Exchange Translation reserve	-	-	-	-	-	-	-	12,438
As at 31 December 2020	1,291,093	914,686	529,637	101,377	-	2,709,126	5,545,919	2,416,522

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

18. PROPERTY AND EQUIPMENT (CONTINUED)

	Furniture	Equipment	Motor Vehicles	Leasehold Improvement	Work In Progress	ROU asset (Leasehold buildings)	Total	Memo Total USD
<u>DEPRECIATION</u>								
At 1 January 2021	869,030	654,953	356,042	-	-	959,428	2,839,453	1,250,695
Charge for the year	93,152	129,761	70,812	4,810	-	1,041,399	1,339,934	577,983
Disposal	(168,678)	(281,638)	(23,611)	-	-	-	(473,927)	(204,429)
Reclassification impact	86,223	(12,538)	(22,110)	900	-	(124,935)	(72,460)	(31,256)
Foreign Exchange Translation reserve	-	-	-	-	-	-	-	(140)
At 31 December 2021	879,727	490,538	381,133	5,710	-	1,875,892	3,633,000	1,592,853
At 1 January 2020	722,292	610,767	328,560	-	-	135,766	1,797,385	783,176
Charge for the year	103,871	93,620	34,011	-	-	823,662	1,055,164	455,566
Disposal	-	(6,567)	(6,529)	-	-	-	(13,096)	(5,650)
Reclassification	42,867	(42,867)	-	-	-	-	-	-
Foreign Exchange Translation reserve	-	-	-	-	-	-	-	17,603
At 31 December 2020	869,030	654,953	356,042	-	-	959,428	2,839,453	1,250,695
<u>NET BOOK VALUE</u>								
At 31 December 2021	310,670	726,946	131,348	95,667	1,949,197	864,960	4,078,788	1,767,240
At 31 December 2020	422,063	259,733	173,595	101,377	-	1,749,698	2,706,466	1,165,827

** The Company has presented right-of-use assets that do not meet the definition of investment property within 'property, plant and equipment'. Similarly, the Company has presented lease liabilities within other liabilities.

** The company has started implementation of a new Core banking system from Temenos which is in progress and shown as Work in progress (WIP) in the schedule.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

19. INTANGIBLE ASSETS

	Software TZS'000	Memo Total USD
Cost		
At 1 January 2020	670,459	292,139
Additions	29,480	12,715
Foreign Exchange Translation reserve	-	3,351
At 31 December 2020	699,939	308,205
At 1 January 2021	699,939	308,205
Foreign Exchange Translation reserve	-	(4,938)
At 31 December 2021	699,939	303,267
Accumulated amortization		
At 1 January 2020	563,975	245,741
Charge for the year	113,854	49,106
Foreign Exchange Translation reserve	-	3,834
At 31 December 2020	677,829	298,681
At 1 January 2021	677,829	298,681
Charge for the year	22,110	9,537
Foreign Exchange Translation reserve	-	(4,951)
At 31 December 2021	699,939	303,267
Net book value (NBV)		
At 31 December 2020	22,110	9,524
At 31 December 2021	-	-

20. DEFERRED TAX ASSET

	2021 TZS'000	Memo 2021 USD	2020 TZS'000	Memo 2020 USD
The movement in the deferred tax asset during the year is as follows:				
At 1 January	1,868,314	804,787	1,442,519	628,549
Credit for the year- Note 13 (a)	843,155	363,697	425,795	183,648
Foreign exchange translation difference	-	6,329	-	(7,410)
At 31 December	2,711,469	1,174,813	1,868,314	804,787
Deferred tax arises from temporary differences on the following items:				
Depreciation of right of use assets	44,312	19,199	32,834	14,144
Impairment provision – general	2,639,175	1,143,490	1,820,410	784,152
Capital allowances	27,982	12,124	15,070	6,491
	2,711,469	1,174,813	1,868,314	804,787

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. OTHER LIABILITIES

	2021	Memo 2021	2020	Memo 2020
	TZS'000	USD	TZS'000	USD
Accrued expenses	961,578	416,628	871,603	375,448
Provision for audit fees	78,138	33,856	74,402	32,050
NSSF payable	-	-	1,851	797
	<u>1,039,716</u>	<u>450,484</u>	<u>947,856</u>	<u>408,295</u>

22. RELATED PARTY PAYABLES

Payable to BRAC Bangladesh	33,856	14,669	9,829	4,234
Payable to BRAC IT Service (BITS)	327,702	141,985	-	-
Payable to BRAC International Holdings B. V	2,232,087	967,109	938,843	404,412
	<u>2,593,645</u>	<u>1,123,763</u>	<u>948,672</u>	<u>408,646</u>

23. ORDINARY SHARE CAPITAL

	Ownership		No	TZS'000	Memo USD
	2021	2020			
BRAC Bangladesh		-			
BRAC Foundation		-			
BRAC International Holding BV	99.99%	99.99%	4,999,999	14,999,997	6,535,947
Shameran	0.01%	0.01%	1	3	1
			<u>5,000,000</u>	<u>15,000,000</u>	<u>6,535,948</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

24. LOAN SECURITY FUND

	2021	Memo 2021	2020	Memo 2020
	TZS'000	USD	TZS'000	USD
Balance as at 1 January	20,562,209	8,857,294	19,933,319	8,685,542
Collections during the year	10,031,292	4,327,022	5,818,889	2,509,721
Withdrawals during the year	(6,474,069)	(2,792,605)	(5,189,999)	(2,238,478)
Foreign exchange translation reserve	-	58,650	-	(99,491)
Balance as at 31 December	<u>24,119,432</u>	<u>10,450,361</u>	<u>20,562,209</u>	<u>8,857,294</u>

25. TERM LOANS

Long term portion of term loans	28,735,650	12,450,455	10,754,235	4,758,658
Current portion of term loans	28,859,433	12,504,087	13,241,499	5,577,648
	<u>57,595,083</u>	<u>24,954,542</u>	<u>23,995,734</u>	<u>10,336,306</u>

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

25. TERM LOANS (CONTINUED)

	2021	Memo 2021	2020	Memo 2020
	TZS'000	USD	TZS'000	USD
The movement of term loans is as follows				
Balance at 1 January	23,995,734	10,350,607	18,933,259	8,249,786
New loans received during the year	47,286,507	20,397,128	8,117,885	3,702,570
Interest charge for the year	5,652,146	2,438,064	3,077,846	1,327,492
Interest paid during the year	(4,867,536)	(2,099,621)	(2,893,152)	(1,247,834)
Principal repaid during the year	(14,471,768)	(6,242,426)	(3,240,104)	(1,477,813)
Foreign exchange translation loss	-	110,790	-	(217,895)
Balance at 31 December	<u>57,595,083</u>	<u>24,954,542</u>	<u>23,995,734</u>	<u>10,336,306</u>
Current	28,859,433	12,450,455	13,241,499	5,577,648
Non - current	<u>28,735,650</u>	<u>12,504,087</u>	<u>10,754,235</u>	<u>4,758,658</u>
	<u>57,595,083</u>	<u>24,954,542</u>	<u>23,995,734</u>	<u>10,336,306</u>
Current portion of term loans				
Whole Planet Foundation	112,754	48,637	225,510	100,000
Standard Chartered Bank Tanzania	10,000,000	4,313,524	-	-
Bank of Africa (T)	3,957,542	1,707,095	-	-
CRDB Bank PLC	4,500,000	1,941,086	-	-
ResponsAbility Investments AG	4,602,498	1,985,299	1,138,500	495,000
Soluti Finance (E.A) Limited	1,200,000	517,623	1,666,667	506,575
Global Partnerships Social Investment Fund 6.0, LLC	1,505,931	649,587	4,101,193	1,783,127
Triodos Microfinance Fund	1,053,730	454,529	3,650,015	1,586,963
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	1,053,099	454,257	2,870,102	1,247,870
Interest accrued	873,879	376,950	89,512	38,558
Foreign translation reserve	-	55,500	-	(180,445)
	<u>28,859,433</u>	<u>12,504,087</u>	<u>13,741,499</u>	<u>5,577,648</u>
Non - current portion of term loans				
Whole Planet Foundation	-	-	112,754	50,000
Bank of Africa (T)	4,446,103	1,926,388	-	-
ResponsAbility Investments AG	10,441,214	4,523,923	402,500	175,000
Soluti Microfinance (E.A) Limited	2,233,333	967,649	2,933,333	1,261,538
Global Partnerships Social Investment Fund LLC	-	-	1,493,886	668,551
Triodos Microfinance Fund	-	-	266,310	163,037
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	-	-	1,045,452	502,130
CRDB Bank PLC	-	-	4,500,000	1,938,402
HANSAINVEST Finance I GmbH & Co. geschlossene Investmentkommanditgesellschaft	11,615,000	5,032,496	-	-
	<u>28,735,650</u>	<u>12,450,456</u>	<u>10,754,235</u>	<u>4,758,658</u>

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

25. TERM LOANS (Continued)

Soluti Finance East Africa Limited (Soluti)

BRAC Tanzania Finance Limited secured a term loan amounting to TZS 3.6 billion from Soluti Finance East Africa Limited in August 2020 for a period of 4 years from the date of disbursement with grace period of 12 months on the principal facility but paying interest accruing during the grace period on a quarterly basis. The loan was disbursed in two tranches of TZS 2 billion and TZS 1.6 billion with a six-month gap between the tranches. The loan is quoted at the rate of 17% fixed with no expected increase until maturity. The loan was obtained to promote development through the micro-finance lending.

Global Partnerships Social Investment Fund 6.0, LLC

BRAC Tanzania Finance Limited secured a loan from Global Partnerships Social Investment Fund 6.0, LLC in June 2018 for the period of 48 months. The loan amounted to USD 2.5 million as term loan. The loan is quoted at the rate of 16.07% in Tanzanian shilling for the first drawdown of USD 1.25 million and 13.75% for the second drawdown of USD 1.25 million. The loan was obtained to finance micro-finance lending. Following the outbreak of COVID-19, the loan repayment was deferred for 6 months in June 2020.

Triodos Microfinance Fund

BRAC Tanzania Finance Limited secured a loan from Triodos Microfinance Fund in June 2018 for the period of 48 months. The loan amounted to USD 1.75 million as term loan. The loan is quoted at the rate of 14.10% in Tanzanian shilling for the first drawdown of USD 875,000 and 14.16% for the second drawdown of USD 875,000. The loan was obtained to finance micro-finance lending. Following the outbreak of COVID-19, the loan repayment was deferred for 6 months in June 2020.

Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)

BRAC Tanzania Finance Limited secured a loan from FMO in June 2018 for the period of 48 months. The loan amounted to USD 1.75 million as term loan. The loan is quoted at the rate of 14.10% in Tanzanian shilling for the first drawdown of USD 875,000 and 14.16% for the second drawdown of USD 875,000. The loan was obtained to finance micro-finance lending. Following the outbreak of COVID-19, the loan repayment was deferred for 6 months in June 2020.

Whole Planet Foundation (WPF)

BRAC Tanzania Finance Limited secured a free interest loan from Whole Planet Foundation (WPF) in July 2018 for the period of 36 months. The loan amount is USD 150,000 payable in three equal instalments (USD 50,000 each) after grace period of 24 months. The loan is interest free as WPF used to be partner in microfinance and on 2018 she decided to issue as loan after realising that BRAC Tanzania is financially stable and self-sustaining. The final instalment is expected to be completed on 31 January 2022.

ResponsAbility Investments AG

Through ResponsAbility Investments AG an investment manager, BRAC Tanzania Finance Limited has been able to secure multiple term loans from its portfolio. The purpose of these loans is to finance micro-finance lending

In June 2019, BRAC Tanzania Finance Limited secured term loans amounting to USD 1 million with a loan tenure of 36 months at an interest of 17.50% per annum, however in June 2020, the loan agreement was revised to reduce the interest rate to 16.85% and defer the repayment for 6 months, with other loan terms remaining constant. The principal and interest repayments are made every six months.

In March 2021, BRAC Tanzania Finance Limited secured term loans amounting to USD 4 million from with a tenure of 36 months at an interest rate of 14.90% per annum. The principal and interest repayments are made every six months. In October 2021, BRAC Tanzania Finance Limited entered a loan agreement via ResponsAbility Investments AG to secure loans amounting to USD 3 million which was disbursed in two tranches. The first tranche amounting to USD 1.5 million was disbursed immediately whereas the second tranche amounting to USD 1.5 million was disbursed in November 2021. The interest rate of the term loans is 15.65% per annum. Interest repayments made every six-months and principal payments made in 3 equal yearly instalments.

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

25. TERM LOANS (Continued)

Bank of Africa Tanzania

In June 2021, BRAC Tanzania Finance Limited secured a term loan amounting to TZS 8,000 million from Bank of Africa Tanzania. The loan was obtained to finance micro-finance lending. The loan tenure is 36 months with equal monthly instalments at a fixed interest rate of 15% per annum. In July 2021, BRAC Tanzania Finance Limited utilised its short-term revolving facility amounting to TZS 1,500 million with a tenure of 150 days and then renewed it in November 2021. The interest rate for the short-term revolving facility is 17% per annum.

CRDB Bank PLC

In December 2020, BRAC Tanzania Finance Limited secured a term loan of TZS 4,500 million from CRDB Bank PLC for working capital. The loan duration is for 24 months with interest payment made quarterly and one lumpsum principal repayment at the end of the loan term. The interest rate is fixed at 12% per annum.

HANSAINVEST Finance I GmbH & Co. geschlossene Investmentkommanditgesellschaft

In September 2021, BRAC Tanzania Finance Limited signed a loan agreement with HANSAINVEST Finance I GmbH worth USD 5 million. The full amount was disbursed in a single tranche. The facility is payable in four equal instalments for a period of 36 months at an interest rate of 5.75% per annum. The interest rate is fixed for the entire duration of the loan agreement.

Standard Chartered Bank Tanzania Limited

In September 2021, BRAC Tanzania Finance Limited secured a short-term loan facility amounting to TZS 10 billion from Standard Chartered Bank Tanzania Limited for the purpose of working capital. The loan duration is for 11 months with interest repayment made monthly and principal repayment made in two equal instalments. The interest rate is fixed at 9.8% per annum.

26. DEFERRED REVENUE GRANTS

	2021	Memo	2020	Memo
	TZS'000	2021 USD	TZS'000	2020 USD
Donor funds received in advance				
Balance at 1 January	109,571	47,199	-	-
Grants received during the year*	107,827	46,718	109,571	47,199
Grants income utilised during the year	(105,772)	(45,625)	-	-
Foreign currency translation difference	-	72	-	-
Balance at 31 December	<u>111,626</u>	<u>48,364</u>	<u>109,571</u>	<u>47,199</u>

*During the year 2020 and 2021, the company received emergency grant to fight against COVID-19 spread from Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)

27. RELATED PARTY TRANSACTIONS

Below are the nature of related party transactions conducted during the year;

Name of the related party	Nature	Nature of the transactions
BRAC International Holdings BV.	Parent Company.	Transactions related to Charges for Management fees by BRAC International and related payments made by BRAC Tanzania Finance Limited. Management service Includes MF, Finance, HR, Internal Audit, Branding, communication, and administrative Service to BTFL

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

27. RELATED PARTY TRANSACTIONS (CONTINUED)

BRAC IT Services	Sister Company	Transactions relates to charges connected to technical support for the ERP system.
BRAC Bangladesh	Sister Company	This relates to payments made by BRAC Bangladesh in respect to employees of BRAC Tanzania Finance Limited. These includes statutory deductions for expatriates from Bangladesh.
BRAC Maendeleo Tanzania and BRAC Enterprises Tanzania Limited	Under common management	This includes payments made by BRAC Tanzania Finance Limited on behalf of these entities.
BRAC Zanzibar Finance Limited	Under common management	Transactions includes finance cost charge amounting to TZS and Head office logistics payments made by BRAC Tanzania Finance Limited on behalf of BZFL

(a) Due to related parties

	2021 TZS'000	Memo 2021 USD	2020 TZS'000	Memo 2020 USD
BRAC Bangladesh (Expatriate staff and travelling cost)	33,855	14,669	9,829	4,234
BRAC International Holdings B. V	2,232,087	967,109	938,843	404,412
BRAC IT services (BITS)	327,703	141,985	-	-
	<u>2,593,645</u>	<u>1,123,763</u>	<u>948,672</u>	<u>408,646</u>

(b) Due from related parties

BRAC (Zanzibar)-Interest receivable on term loan	-	-	300,177	129,303
BRAC Maendeleo Tanzania	148,624	64,395	507,113	218,442
BRAC Zanzibar Finance Limited	476,180	206,317	430,418	185,405
BRAC Enterprise Tanzania Limited	18,031	7,812		
	<u>642,835</u>	<u>278,525</u>	<u>1,237,708</u>	<u>533,150</u>

Head Office logistics and management expenses	3,936,071	1,697,833	1,887,664	813,123
Expatriate staff and travelling cost	275,829	118,967	275,829	118,967

(c) Expenses incurred by Brac Tanzania Finance Limited on behalf of others

BRAC Zanzibar interest on HO funds (Borrowed funds)	229,558	99,033	129,299	55,768
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(d) Directors Cost

There were costs incurred with respect to Directors during the year and in prior year.

(e) Key Management personnel costs

Salaries	1,062,607	458,358	1,030,729	444,607
Other Benefits (including statutory)	201,542	86,936	195,496	84,328
	<u>1,264,149</u>	<u>545,294</u>	<u>1,226,225</u>	<u>528,935</u>

28. LEASES

Leases as lessee (IFRS 16)

See accounting policy in Note 4 (p).

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

28. LEASES (Continued)

The Company leases a number of branch and office premises. The leases typically run for a period of 1 to 3 years, with an option to renew the lease after that date.

Information about leases for which the company is a lessee is presented below.

(a) Right-of-Use (ROU) asset (office premises)

	2021 TZS'000	2021 Memo USD	2020 TZS'000	2020 Memo USD
Balance at 1 January	1,749,698	753,693	2,709,126	1,166,972
Additions	45,761	18,388		-
Depreciation charge for the year	(1,041,399)	(451,213)	(959,428)	(413,279)
Impact of modification	110,900	53,898	-	-
Balance at 31 December	864,960	374,766	1,749,698	753,693

	2021 TZS'000	2021 Memo USD	2020 TZS'000	2020 Memo USD
(b) Lease liability (office premises)				
Balance at 1 January	1,739,783	749,422	85,033	37,019
Impact on lease Modification	137,250	59,203	-	-
Additions	33,104	14,279	2,624,093	1,142,400
Interest expense	132,838	57,302	224,568	97,766
Lease payments	(1,076,761)	(464,463)	(1,193,911)	(514,940)
Translation Reserve	-	2,894	-	(12,823)
Balance at 31 December	966,214	418,637	1,739,783	749,422

Non-cancellable operating lease commitments

Less than one year	1,076,762	466,535	1,076,762	463,822
Between one and five years	-	-	1,076,762	463,822
Total undiscounted lease liabilities at 31 December	1,076,762	466,535	2,153,524	927,644

(c) Amounts recognised in profit or loss

Depreciation on right-of-use asset	1,041,340	451,213	823,662	355,248
Short term leases	539	233	-	-
Interest on lease liability	132,838	57,302	224,568	96,857
	1,174,717	508,748	1,048,230	452,105

Leases as lessee (IFRS 16)

(d) Amounts recognised in statement of cash flows

Payment of interest	132,838	57,302	224,568	96,857
Payment of principal	943,924	407,164	969,343	417,550
Total payment	1,076,762	464,466	1,193,911	514,407

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

28. LEASES (Continued)

The contractual maturity for lease liabilities as at 31 December 2021 are disclosed in Note 4 (b).

2021

	Within 1 year TZS'000	1 to 2 years TZS'000	2 to 5 years TZS'000	Total contractual cash flows TZS'000
Lease liabilities	1,076,762	-	-	1,076,762

2020

	Within 1 year TZS'000	1 to 2 years TZS'000	2 to 5 years TZS'000	Total contractual cash flows TZS'000
Lease liabilities	1,076,762	1,076,762	-	2,153,524

The company has no lease contracts in the capacity of a lessor.

29. DIVIDEND PAYABLE

	2021 TZS'000	Memo 2021 USD	2020 TZS'000	Memo 2020 USD
Balance at 1 January	16,577,964	7,182,827	-	-
Dividend declared in the year	-	-	21,989,659	9,537,215
Withholding tax paid to Tanzania Revenue Authority (TRA)	-	-	(2,198,816)	(953,722)
Payment of capital gain tax and stamp duties on behalf of shareholders	-	-	(3,212,879)	(1,442,436)
Paid to shareholders	(7,221,555)	(3,128,923)	-	-
Balance at 31 December	9,356,409	4,053,904	16,577,964	7,141,057

30. SUBSEQUENT EVENTS

At the date of signing the financial statements, the directors are not aware of any other matter or circumstance arising since the end of the financial period, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Company and results of its operations.