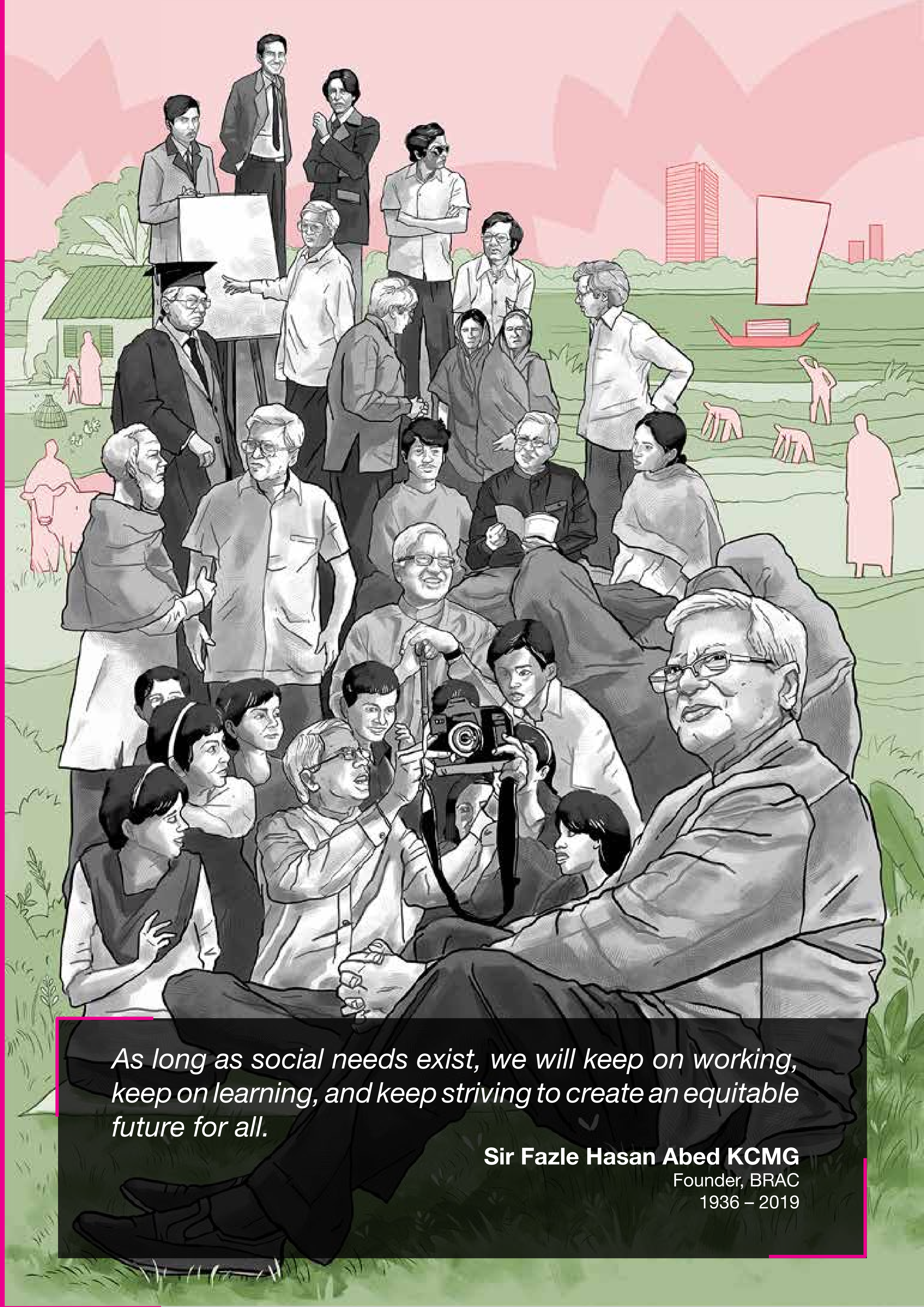
brac

ANNUAL REPORT 2020

BRAC RWANDA MICROFINANCE COMPANY PLC



As long as social needs exist, we will keep on working, keep on learning, and keep striving to create an equitable future for all.

Sir Fazle Hasan Abed KCMG
Founder, BRAC
1936 – 2019

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LETTER FROM THE **BOARD CHAIRPERSON**

RESILIENCE IN TIMES OF CRISIS

The year 2020 was an unprecedented time for all of us due to the profound impact caused by the COVID-19 pandemic. As I reflect upon the year, I first and foremost remember the billions of people around the world who have been severely affected by the deadly virus. Millions of lives were lost. Millions more around the world lost their jobs, sometimes their only form of livelihood. And like any catastrophe, natural or human-made, the severity of the pandemic was more acutely felt by people living in poverty and marginalised conditions. It is heartbreaking to see that for the first time in 20 years, global poverty is likely to increase as a result of the COVID-19 pandemic.

Though the pandemic unfolded at different speeds and intensities in the six countries where BRAC International operates its microfinance entities, we have strived to not only look out for our own health and that of our families, collectively as the BRAC family, but also to assure our clients that we remain committed to stand beside them during this difficult time. BRAC's mission to empower people and communities in situations of poverty, illiteracy, disease and social injustice was put to the test once again, and was exhibited through the actions of every member of BRAC's staff.

It is in challenging times like these that we remember the vision of our founder Sir Fazle Hasan Abed. The year 2020 also marked the first death anniversary of Abed bhai, as we lovingly addressed him. Abed bhai was a pioneer of financial services and social enterprises as crucial tools to address poverty and social injustice. His ideology of 'not to lose sight of people who need us the most' is at the heart of BRAC's DNA, and it is the compass that guides us through these times more than ever before.

BRAC International Microfinance's initial response to COVID-19 aimed to enable our clients to withstand the shock of the pandemic, through providing immediate relief by offering

DR MUHAMMAD MUSA
Board Chairperson
BRAC Rwanda Microfinance Company Plc

Executive Director
BRAC International

> ***Although the world will remember 2020 as the year of the pandemic, let us also remember it as the year of resilience and empathy. Abed bhai always believed that given the right resources, people living in poverty can change their own destinies. Through the collective effort of our partners, investors, host governments, donors and peers, we can create an equitable world where everyone has the opportunity to realise their potential.***

payment holidays. We rolled-out rescheduling and refinancing mechanisms targeting economic recovery and enhancing the inherent resilience of our clients. After a year of the crisis, we remain steadfast in our focus to bring more people under the umbrella of financial inclusion and improve their financial resilience to combat future shocks.

Launched in June 2019, BRAC Rwanda Microfinance Company Plc (BRMCP) is the newest microfinance entity of BRAC. Despite being at the early stages of operations, we adjusted our plans while remaining undeterred in our mission to provide financial services to people living in poverty, particularly women and populations living in rural and hard-to-reach areas. In actively supporting the government's COVID-19 response in Rwanda, BRMCP played a vital role in creating awareness amongst our clients and the wider communities about the spread of the virus. We took special measures to keep our staff safe in the workplace and issued urgent health guidelines following public health directives. We retained all our staff and continued to pay their salaries even as our operations were suspended at various times. We remained on the ground and adapted our strategy as the situation evolved, working in close coordination with the government and local communities.

In 2020, we completed the baseline impact survey, a regular exercise to measure our social impact and develop strategies to improve services and reach more people living in poverty. The findings have shown the important role that BRMCP plays in fulfilling a critical gap by providing access to finance to underserved communities. Clients reported greater levels of financial resilience and stability, with a remarkable 79% of clients saying that their ability to save has improved and 65% of clients had improved quality of meals after engaging with BRAC.

The results demonstrate that financial services, when delivered in a responsible way, can strengthen the resilience of people living in poverty. That is why microfinance continues to be an important element of BRAC's holistic approach to development ever since we provided our first loan in Bangladesh in 1974. Moving ahead in 2021, BRAC International Microfinance will resume implementation of its Growth for Impact plan, advancing financial inclusion and creating positive impact in the lives of women we serve.

Although the world will remember 2020 as the year of the pandemic, let us also remember it as the year of resilience and empathy. Abed bhai always believed that given the right resources, people living in poverty can change their own destinies. Through the collective effort of our partners, investors, host governments, donors and peers, we can create an equitable world where everyone has the opportunity to realise their potential.

MESSAGE FROM THE
CHIEF EXECUTIVE OFFICER

I am delighted that BRAC Rwanda Microfinance Company Plc has completed its one year anniversary after opening its first branches in June 2019.

This was a very challenging year for all of us due to the global outbreak of the COVID-19 pandemic. The company had to suspend operations from March 2020 until June 2020 to ensure the safety of our clients and staff. We had to scale down our ambition to establish 15 new branches this year. As a result, by the end of 2020, BRMCP had 20 branches spread across 15 districts of the country.

Despite the challenges and suspension in our operations, the company continued to pay staff salaries and benefits and retained all staff during that period. As a responsible microfinance institution we felt responsible for staying beside our clients in these difficult times. We regularly communicated with our clients to understand their health and economic situation and planned our activities accordingly to support them better. To ease the economic impact on the lives of our clients, we provided moratoriums for a period of 70 days alongside loan rescheduling options and refinanced clients to bounce back from the crisis.

In 2020, the company was able to reach 7,196 borrowers, an increase of 70% from 2019. The number of customers with savings accounts increased from 1,660 to 11,370 and we disbursed USD 1.61 million in loans. In line with our mission, we remained focused on providing access to finance to women living in poverty and hard-to-reach areas. As of December 2020, 99% of our total borrowers were women.

BRMCP is the first microfinance entity of BRAC to launch with digitised field operations. In 2020, the company continued to expand the use of Digital Field Applications in all branches. Moving ahead, we aim to introduce SMS notification service and loan disbursement and repayment using mobile money, to provide greater convenience to clients and improve operational efficiency.

SILENT CLEMENT GONONDO
Chief Executive Officer
BRAC Rwanda Microfinance Company Plc

I am grateful to the National Bank of Rwanda for supporting us to promote microfinance services in Rwanda. I am thankful to the different Government agencies, Ministries, District Mayors and Sector Leaders, the Rwanda Development Board, BRAC USA, and the Whole Planet Foundation, for their continuous support in this one year journey.

I am thankful to each and every staff of BRMCP for demonstrating utmost commitment and dedication towards the company in these difficult times. It makes me proud to work side by side with them in our mission to build a better world for all.

Last but not least, I am grateful to our clients, whose incredible resilience in the face of adversity continues to motivate and inspire our work. With the bond formed over this one year I am hopeful that we will come out of this crisis stronger than before.

BRAC INTERNATIONAL

Stichting BRAC International was formed in 2009 as a non-profit foundation in the Netherlands. It governs all entities outside Bangladesh with an objective to engage in charitable and social welfare activities in any country of the world.

BRAC INTERNATIONAL HOLDINGS B.V.

BRAC International Holdings B.V. (BIHBV) was set up in 2010 as a private limited liability company and is a wholly-owned subsidiary of Stichting BRAC International. BIHBV is a socially responsible for-profit organisation engaging people in sustainable economic and income-generating activities. The core focus of BIHBV is to provide microfinance services to people living in poverty to build financial resilience, contribute to women's economic empowerment and improve the quality of life in the communities it serves.

BRAC INTERNATIONAL SAFEGUARDING ACHIEVEMENTS 2020

Safeguarding practices were initiated in BRAC from the very inception of the organisation. However, many of the practices were not formalised until 2019 when the organisation produced the overarching safeguarding policy and the five sub-set policies, namely:

- Child and Adolescent Protection policy
- Sexual Harassment Elimination policy
- Prevention of Workplace Bullying and Violence policy
- Adults with Special Needs policy
- Whistleblowing policy.

In 2020, all these policies were adapted in the BRAC International (BI) countries considering the country context and law by review of the Country Management Team and vetting by a legal counsellor. The policies are now implemented in all the BI Country Offices, the Africa Regional Office in Kenya, and the Dhaka Office in Bangladesh. **All staff members have received training and orientation on safeguarding and the five sub-set policies, along with guidelines on the reporting and response mechanism of the organisation.**

All BI offices now have a committee, known as the Human Resource Compliance Committee (HRCC), in place to review and address the complaints received in an appropriate manner. With awareness raising in all countries on safeguarding, whistleblowing and the reporting mechanism, the number of complaints lodged in 2020 spiked to a number of sixty-nine from only five in 2019.

STAFF TRAINING ON SAFEGUARDING IS AN ONGOING PROCESS. IT IS INCLUDED IN THE INDUCTION OF ANY NEW STAFF JOINING THE ORGANISATION. A NUMBER OF INITIATIVES WERE TAKEN TO MAINSTREAM SAFEGUARDING WITH OTHER KEY SYSTEMS OF THE ORGANISATION

An online e-course was developed in 2020 when classroom training could not take place due to the COVID-19 pandemic.

A safeguarding checklist was developed for programme design, safeguarding indicators were developed to include in the Audit Charter.

Monitoring Mechanism and risk management framework, and a checklist was developed to assess safeguarding practices in different BI Countries.

Some of the BI countries have started safeguarding awareness building for their programme participants and informed them of the contact details to report any incident violating the safeguarding policy. The safeguarding clause is included in partnership agreements and partners are also oriented on safeguarding and sub-set policies, procedures, and the reporting mechanism.

Towards the end of 2020, BI reviewed the Sexual Harassment Elimination policy to incorporate the key elements of Protection of Sexual Exploitation and Abuse (PSEA). The revised policy was reviewed and vetted by UNICEF. The BI countries have also conducted a mapping exercise to locate service providers to support victims/survivors of safeguarding incidents.

Overall, a good attempt has been made to integrate safeguarding in various systems and processes within the organisation to contribute to building a safeguarding culture. However, a lot remains to be done and much more effort needs to be given in awareness building, incident reporting, case management, risk assessments, and capacity building. There are Safeguarding Focal Points in all the offices of BI who are working relentlessly to advocate and support safeguarding initiatives and ensure the safeguarding standards are met adequately.

BRAC INTERNATIONAL MICROFINANCE

Following decades of experience and insight in delivering financial services to populations living in poverty in Bangladesh, BRAC first expanded its microfinance operations internationally in 2002 and now operates in six countries in Asia and Africa, serving more than **650,000 clients, 96% of whom are women.**

Our mission is to provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard-to-reach areas, to create self employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

We offer inclusive, accessible, and convenient loan and savings products, tailored to the needs of the local community. Our core credit products include group-based microloans provided exclusively to women, and small enterprise loans for entrepreneurs seeking to grow their businesses. We are also exploring innovative solutions to fulfill the unique financial needs of rural small-holder farmers and the youth population.

In all our endeavours, we adhere to the industry's Universal Standards for Social Performance Management and the Client Protection Principles, **placing clients' well-being at the center of everything we do to achieve our mission.** We are committed to enhance our clients' financial awareness through initiatives such as pre-disbursement orientations and financial literacy training. We regularly measure our social performance and desired client-level outcomes to improve our services and achieve long-term impact.

We are embracing financial technology by digitising field operations and adopting alternative delivery channels to increase operational efficiency and offer greater convenience to our clients. **The client value proposition is at the core of our digital transformation efforts, with a particular emphasis on reducing the gap in women's digital financial inclusion.**

BRAC believes that sustainable, large-scale change must address and deliver both economic and social progress. Since we started microfinance activities in Bangladesh in 1974, microfinance has been an integral part of BRAC's holistic approach to development, equipping people with the tools to invest in themselves, their families, and their communities.

BRAC INTERNATIONAL HOLDINGS B.V.
SUPERVISORY BOARD

MARILOU VAN GOLSTEIN BROUWERS

Chair

Marilou van Golstein Brouwers is a former chair of the Management Board and founder of Triodos Investment Management B.V., a subsidiary of Triodos Bank.

Ms Brouwers is an international entrepreneurial impact investment banker, with more than 30 years of experience in values-driven business and banking, with immense expertise on impact investing.

She started working for Triodos Bank in 1990 and was involved in the founding of Triodos Investment Management, of which she became the managing director in 2003. She was the chair of the Management Board from January 2015 to December 2018.

Ms Brouwers is currently active in a variety of roles. Within Triodos Bank, she is a member of several boards and involved in the start-up of the Triodos Regenerative Money Centre. She is also a member of the Board of Directors of the Global Impact Investing Network and the Special Working Group on impact economy by the Global Steering Group for Impact Investment. She is chair of the Supervisory Board of B Lab Europe and the Supervisory Board of Qredits, The Netherlands, one of the Women Entrepreneurs Finance Initiative Leadership Champions.

Ms Brouwers has served on the board of directors of banks in Uganda, Kenya, Tanzania, Russia, Afghanistan and Pakistan. She was a member of the Group of Advisors for the United Nations Year of Microcredit in 2004 and 2005, of the Executive Committee of CCAP (2003-2008), the Board of Trustees of Women's World Banking (2003-2012), the Advisory Committee of the Mastercard Foundation Fund for Rural Prosperity (2014-2017) and the Advisory Council on International Affairs Committee for Development Cooperation in The Netherlands. She was chair of SBI Limited (2011-2013), the Steering Committee of the Principles for Responsible Investment / Principles for Investors in Inclusive Finance (2011-2013) and the Advisory Board of Women in Financial Services in The Netherlands (2011-2016). She was also treasurer of the Max Havelaar Foundation (2008-2015).

Ms Brouwers studied business and economics at Erasmus University in Rotterdam.

DR MUHAMMAD MUSA

Director

Dr Muhammad Musa is the Executive Director of BRAC International. He comes with an extensive background in leading humanitarian, social development, and public health organisations at national, international, and cross-cultural settings.

Previously, Dr Musa served as the Executive Director of BRAC Bangladesh, where he successfully upheld BRAC's mission to eliminate poverty and inequality. Under his leadership, BRAC launched the Humanitarian Crisis Management Programme in Cox's Bazaar, Bangladesh, in August 2017, which has given BRAC a strong foundation to stand beside people in crisis anywhere in the world.

Prior to joining BRAC, Dr Musa worked with CARE International for 32 years. Twenty of those years were spent working in Ethiopia, Uganda, South Sudan, Tanzania, Thailand, India, and Bangladesh. He also worked as the Asia Regional Director for CARE International for five years. Dr Musa has been successful in bringing convergence of philanthropic approaches and entrepreneurial methodologies to create sustainable development programming that achieves impact on poverty at large scale.

Dr Musa has a proven track record in strategic leadership, governing board management, and successfully chairing a financial institution and an information technology company in Bangladesh for four years. His expertise lies in external relationship management, brand-building, communications, and fundraising for development projects.

Being adept at people management and conflict resolution, Dr Musa has established a reputation for leading complex organisational change processes in multicultural settings. He is known for his unique ability to attract and develop young professionals for humanitarian and social development leadership roles. He is also an internationally recognised senior management trainer.

Dr Musa holds a Master's degree in Public Health from the Johns Hopkins University, USA, and a post-graduate diploma in Maternal and Child Nutrition from the Netherlands. He completed his Bachelor of Medicine and Bachelor of Surgery (MBBS) at Chittagong Medical College, Bangladesh.

PARVEEN MAHMUD FCA

Director

Parveen Mahmud, in her varied professional career has worked with social innovations, entrepreneurship, and sustainable development. Ms Mahmud started her career with BRAC, and has worked with international NGOs and development agencies. She was the deputy managing director of PKSF, Bangladesh's apex funding organisation for Microfinance Institutes. She is the founding managing director of Grameen Telecom Trust.

She was a partner in ACNABIN & Co, Chartered Accountants. She is the first female president of the Institute of Chartered Accountants of Bangladesh (ICAB), as well as the first female board member of the South Asian Federation of Accountants (SAFA), the apex accounting professional body of SAARC. She is the chairperson of CA Female Forum - Women in Leadership Committee, ICAB and is the vice chairperson of the Women in Leadership Committee of SAFA.

Ms Mahmud sits on numerous boards, including Stichting BRAC International, Apex Footwear Ltd, Grameenphone Ltd, Linde Bangladesh

Ltd, Manusher Jonnyo Foundation, Transparency International Bangladesh, and Centre for Policy Dialogue. She is the chairperson of UCEP Bangladesh, Shasha Foundation, and was chairperson of MIDAS, Shasha Denims Ltd, and Acid Survivors' Foundation. Ms Mahmud is also a member of the International Chamber of Commerce, Bangladesh. She was a member of the National Advisory Panel for SME Development of Bangladesh, founding board member of SME Foundation, and Convenor, SME Women's Forum.

Ms Mahmud is the recipient of Ananynna Top Ten Women - 2018 Award, Women at Work - 2017 Award from Bangladesh Association of Software and Information Services, and Women of Inspiration Awards 2017 from the Bangladesh Organisation for Learning & Development. She received the Begum Rokeya Shining Personality Award 2006 for women's empowerment from Narikantha Foundation.

GREGORY CHEN

Director

Gregory Chen has worked on financial inclusion for 25 years, with most of his work spanning across South Asia. His work focuses on hands-on advisory and implementation with microfinance institutions and, for the past decade, with newer players in digital finance. This has included work with digital players like bKash, Wave Money and also development organisations including the Aga Khan Development Network, BRAC, and Dvara. His work has included deep technical engagements with more than a dozen financial sector regulators. He has also worked as a corporate banker at Bank of America and with the financial services consulting firm Enclude.

Mr Chen is a member of CGAP's management team and oversees CGAP's policy Engagement. He focuses on helping policy makers adapt to the rapid change in the world of financial services brought on by technology, and particularly to ensure that financial systems can responsibly reach the disadvantaged.

Mr Chen is a regular speaker on microfinance and digital finance at the Boulder Institute for Microfinance, BRAC University, Johns Hopkins, Tufts University, Yale University, and American University, among others. He has a master's degree in international development from Harvard Kennedy School and a bachelor's degree from Wesleyan University.

BRAC INTERNATIONAL
MICROFINANCE MANAGEMENT

SHAMERAN ABED

Managing Director
BRAC International Holdings B.V.
Senior Director
Microfinance & Ultra Poor Graduation
BRAC and BRAC International

Shameran Abed is Senior Director of BRAC's Microfinance and Ultra-Poor Graduation programmes. BRAC's microfinance programme serves more than 8 million clients in seven countries in Asia and Africa, with total assets exceeding USD 3.5 billion. BRAC's ground-breaking Ultra-Poor Graduation program has helped more than 2 million households pull themselves out of the direst forms of poverty and social deprivation, inspiring BRAC's Ultra-Poor Graduation Initiative to scale the Graduation approach and help 21 million more people lift themselves from extreme poverty. Abed chairs the board of bKash, BRAC Bank's mobile financial services subsidiary and one of the world's largest mobile money providers, and serves on the boards of several institutions including BRAC Bank, BRAC Uganda Bank, and the Global Alliance for Banking on Values (GABV). He is also the chairman of the Microfinance Network and is a member of the Partnership for Responsible Financial Inclusion (PRFI) and the World Economic Forum Financial Inclusion Steering Committee. Abed is a lawyer by training, having been called to the Bar by the Honourable Society of Lincoln's Inn in the UK.

HANS ESKES

Director
BRAC International Holdings B.V.

Hans Eskes is a retired audit partner from one of the largest international active audit firms. Presently he holds roles as advisor and as board member in various international companies.

He worked in The Netherlands, Spain and China for clients located throughout Europe, Americas, Africa, and Asia.

During this career his client portfolio became a reflection of most industries and activities that form an important part of society. Within his portfolio he was not only responsible for companies listed on the stock exchanges in London, Frankfurt and Amsterdam, but also for clients active in the financial sector, education, medical institutions and cultural foundations.

Eskes holds a master degree of the Dutch Institute of Chartered Auditors, trainings in the different accounting frameworks and the INSEAD leadership development programs.

BRIDGET DOUGHERTY

Director
Operations
BRAC International Holdings B.V.

Bridget Dougherty is the Director of Operations, BRAC International Holdings B.V. Dougherty is responsible for strengthening and supporting the maturing of their Financial Institutions in line with their Growth for Impact strategy, including digital transformation and impact measurement. Dougherty has fifteen years of experience in consulting, project management, process improvement, and systems implementation, working the last ten years in private sector development and financial inclusion.

Prior to joining BRAC, Dougherty was the Project Manager for the Partnership for Responsible Financial Inclusion at the Center for Financial Inclusion at Accion, and has held several other positions including Program Manager for Truelift, and as Executive Operations Manager at an NGO in Vietnam that worked to promote economic development in sectors that had strong market inclusion for the poor and positive global growth prospects. Dougherty began her career at Accenture, where she project managed and deployed large-scale system implementations for Fortune 100 and 500 corporations. She holds a BA in Economics and Spanish from the University of Illinois at Urbana-Champaign.

SYED ABDUL MUNTAKIM

Ag. Director
BRAC International Holdings B.V.
Director
Finance, BRAC International

Mr Muntakim is a Chartered Management Accountant with over 18 years of experience in the FMCG commercial and corporate financial management.

Prior to joining BRAC, he was a Commercial Finance Controller in the Global Operations function of British American Tobacco (BAT) plc. His previous roles include Senior Commercial Audit Manager, Regional Finance Manager, Europe Region and Management Accountant in BAT London, UK. He also worked as the Corporate Analysis Manager and Leaf Finance Manager for BAT in Bangladesh.

Mr Muntakim is a member (ACMA) of the Chartered Institute of Management Accountants (CIMA), UK and Chartered Global Management Accountant (CGMA) of the Association of International Certified Public Accountants, a joint accounting association of AICPA, USA, and CIMA in the UK.

BRAC RWANDA MICROFINANCE COMPANY PLC
GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

Dr. Muhammad Musa	Chairperson
Shameran Abed	Director
Johannes Maria Antonius Eskes	Director
Syed Abdul Muntakim	Director
Angelina Muganza	Independent Director
Anne Abakunzi	Independent Director
Silent Clement Gonondo	CEO & Ex-officio

COUNTRY MANAGEMENT TEAM

Silent Clement Gonondo	Chief Executive Officer
Mohammad Sheikh Muzam	Programme Manager
Shahriar Shourav	Head of Internal Audit
Md. Eyashin Chowdhury	Finance Manager
Phillip Mutijima	Manager, Administration & Public Relations
Joseline Mirembe	Human Resources and Training
Alfred Shyaka	Manager, IT
Dieudonne Maniraguha	Manager, Digital Implementation
Marie Claire Umugwaneza	Social Performance & Product Development

OUR PARTNERS

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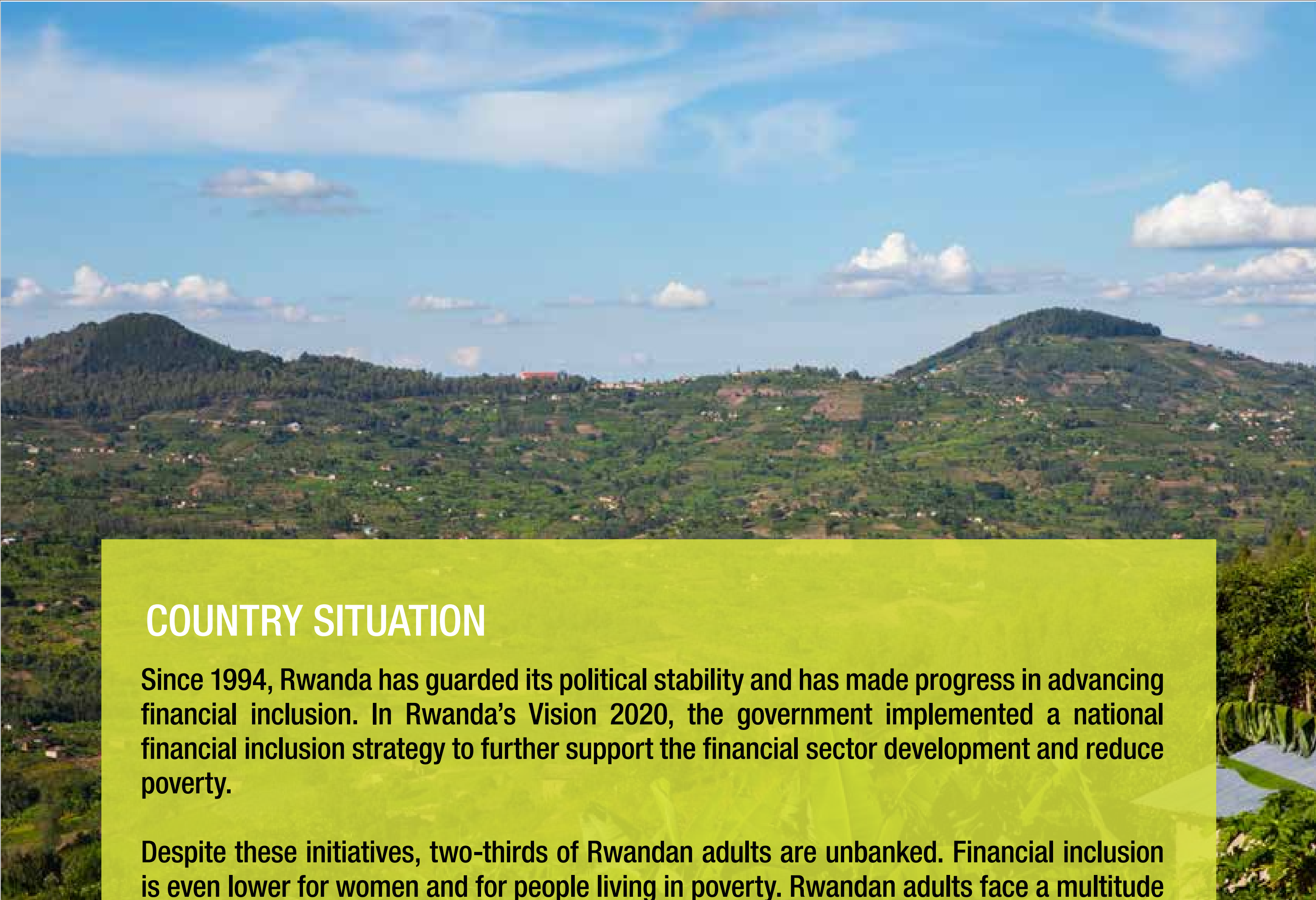
L-IFT
Low-Income Financial Transformation

ipa
INNOVATIONS FOR POVERTY ACTION

SPTF
Promoting standards & practices for responsible inclusive finance

WHOLE PLANET FOUNDATION

PROGRAMME OVERVIEW



COUNTRY SITUATION

Since 1994, Rwanda has guarded its political stability and has made progress in advancing financial inclusion. In Rwanda's Vision 2020, the government implemented a national financial inclusion strategy to further support the financial sector development and reduce poverty.

Despite these initiatives, two-thirds of Rwandan adults are unbanked. Financial inclusion is even lower for women and for people living in poverty. Rwandan adults face a multitude of challenges to accessing critical financial services, including high costs, lack of product knowledge, and distance to financial service providers.

OUR APPROACH

BRAC Rwanda Microfinance Company PLC (BRMCP) was launched in 2019. Our mission is to provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard-to-reach areas to create self-employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

Our core products include a group-based microloan provided exclusively to women, and small enterprise loans for entrepreneurs seeking to expand their businesses. We also provide a voluntary savings deposit service, which enables our clients to build their own capital and become more resilient to shocks.

BRMCP is the first BRAC International Microfinance (BI MF) entity to have fully digitised operations from the outset. The use of Digital Field Application (DFA) enables us to ensure transparency and safe transactions for clients and also improve operational efficiency.

In all our endeavours, we adhere to the Universal Standards for Social Performance Management and the Client Protection Principles, placing clients' well-being at the center of everything we do to achieve our mission.

SNAPSHOT RESPONSE TO COVID-19

The COVID-19 pandemic has had a profound impact in the lives of our clients. BRMCP took a three-stage approach to respond to the crisis.

In the relief phase, we offered payment holidays to clients, suspended operations temporarily, and continued to pay staff salaries with the goal of being ready once in-country operations recommence. All staff received training on COVID-19 prevention and response and were provided with masks and sanitisers to ensure their safety from the virus. We conducted rapid assessments to understand the impact of the pandemic in clients' livelihoods and to plan our activities to support them better.

In the recovery phase, the focus was on restoring people's livelihoods and economic situation that existed immediately prior to the onset of the crisis. We provided loan rescheduling options and refinanced existing clients to enhance their financial resilience. As at December 2020, 150 loans totalling USD 21,752 had been refinanced.

In the rebuild phase, the focus is on improving people's economic and social situations at an individual and community level by deepening financial inclusion through branch expansions and developing new products so that they are in a stronger position going forward.

MOVING FORWARD

Alongside its mission and five-year strategic plan, BRMCP will continue ongoing initiatives relating to responsible inclusive finance; innovative, client-centric product development; digitisation of field operations; and expansion into new, underserved districts.

We plan to design and pilot new agrifinance products with a specific focus on women and youth. Driven by the aspiration to enable clients more flexibility and convenience, we aim to introduce SMS alerts for deposit and loan repayments, and pilot loan repayment and disbursements using mobile money by the end of 2021.

SOCIAL PERFORMANCE RESULTS

We conducted our first baseline impact survey in 2020 using Lean Data[SM] methodology on five social outcome focus areas of BRAC International Microfinance: quality of life, financial resilience, women's economic empowerment, self-employment and livelihood opportunities, and household welfare. This regular annual exercise will complement our Social Performance Management and Client Protection initiatives, and will enable us to set targets and define strategies to reach more people living in poverty to achieve long-term impact at scale. All respondents surveyed were women.

HIGHLIGHTS

FROM BRMCP'S 2020 IMPACT SURVEY

82% of clients said that their quality of life had improved after engaging with BRAC

92% of clients could not find a good alternative to BRAC

79% of clients saved more after engaging with BRAC

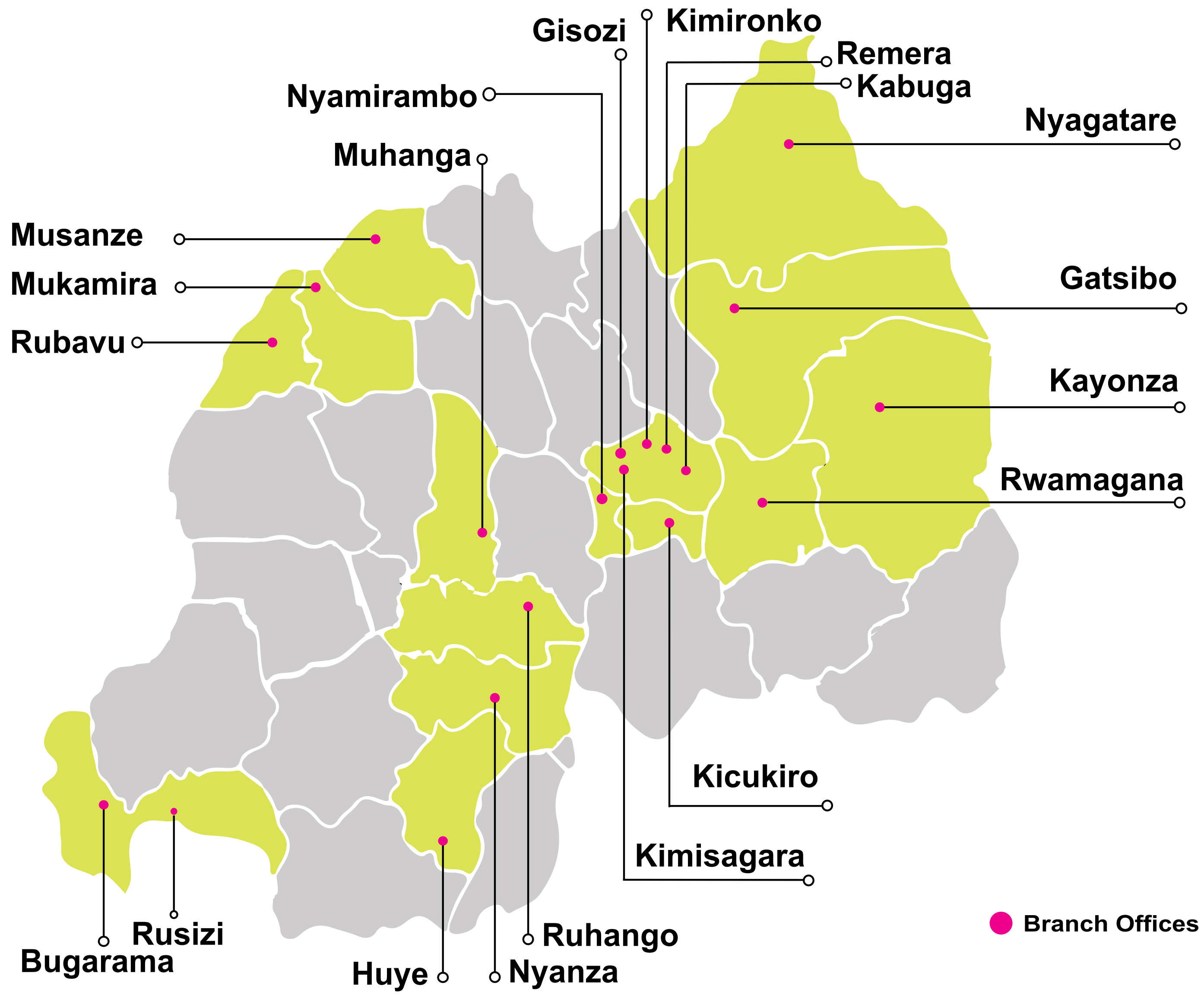
81% of clients earned more after engaging with BRAC

61% of clients contributed more to important household decisions

74% of clients spent more on home needs such as their children's education

66% of clients planned their finances better after engaging with BRAC

BRANCH LOCATIONS



OPERATIONAL HIGHLIGHTS

36% outreach to people living in rural areas

64% outreach to people living in poverty

99% of clients are women

7,196 borrowers

11,370 savers

USD 362,749 mobilised as savings

20 branches

USD 1.61 million disbursed in loans in 2020

*As at December 2020

MAMA MBOGA

Niragire Athanasie always wanted to see her children graduate from college as no one from her family has ever reached high school. This seemed like an impossible dream a few years ago, but now it looks like a reality.

Niragire lives in Ruhango district of southern Rwanda. She sells vegetables in the local market and her husband is a construction worker. They have two children together, a girl and a boy, and both of them are going to school now.

“My husband’s income was never enough to manage our household expenses”, recalled Niragire. “I wanted to start a business on my own and the women in my community suggested that I sell vegetables,’’ said Niragire.

Niragire started her business with a starting capital of RWF 5,000 (USD 5) in 2012. The profits from her business provided some relief to the family, but it was not adequate. When BRAC came to her district, Niragire joined the nearby women’s group and learned about the importance of saving. Soon after, she received her first loan of RWF 150,000 (USD 150) from BRAC which she invested in farming activities. She took another loan of RWF 200,000 (USD 200) after repaying the first loan.

“Now I make a profit of RWF 50,000 (USD 50) every month and I can also save RWF 5,000 (USD 5)”, said a smiling Niragire. “The loans from BRAC have helped me to expand my business and support my family”, she stated. Seeing her progress in her business her peers now fondly call her “Mama Mboga”, which means “mother with vegetables.”

Moving ahead, Niragire plans to open a big shop. “I can see hope for the future. Both of my children are now going to school and they make me very proud as a mother”, a confident Niragire added.

I can see hope for the future. Both of my children are now going to school and they make me very proud as a mother

BRAC INTERNATIONAL PROGRAMMES

Our **Education programme** focuses on raising awareness on gender and child rights and developing a child-friendly learning atmosphere. Our programme complements the mainstream schooling system by supporting government primary and secondary schools to improve quality and strengthen capacity. We also provide training with support from local vocational and technical institutes.

Our **Early Childhood Development programme** is an investment towards breaking intergenerational cycles of poverty and facilitating economic growth. We provide early learning opportunities through our Play Labs to 3 to 6 year olds, with a low cost and play-based early learning model. Our Play Labs are safe play spaces, providing cost effective local learning materials to children in marginalised communities.

The **Agriculture, Food Security and Livelihood programme** focuses on four strategic directions - a) Strengthen pro-poor market systems, b) Make agriculture systems more resilient to climate change, c) Improve food and nutrition security, and d) Empower women and youth across the value chain.

Through our **Health programme** we partner with respective governments to reduce child mortality, improve maternal and child health, and combat diseases. We work at the community and facility level to strengthen the capacity of female community health volunteers, health workers, and doctors so that they can provide educational, preventive, and curative health services.

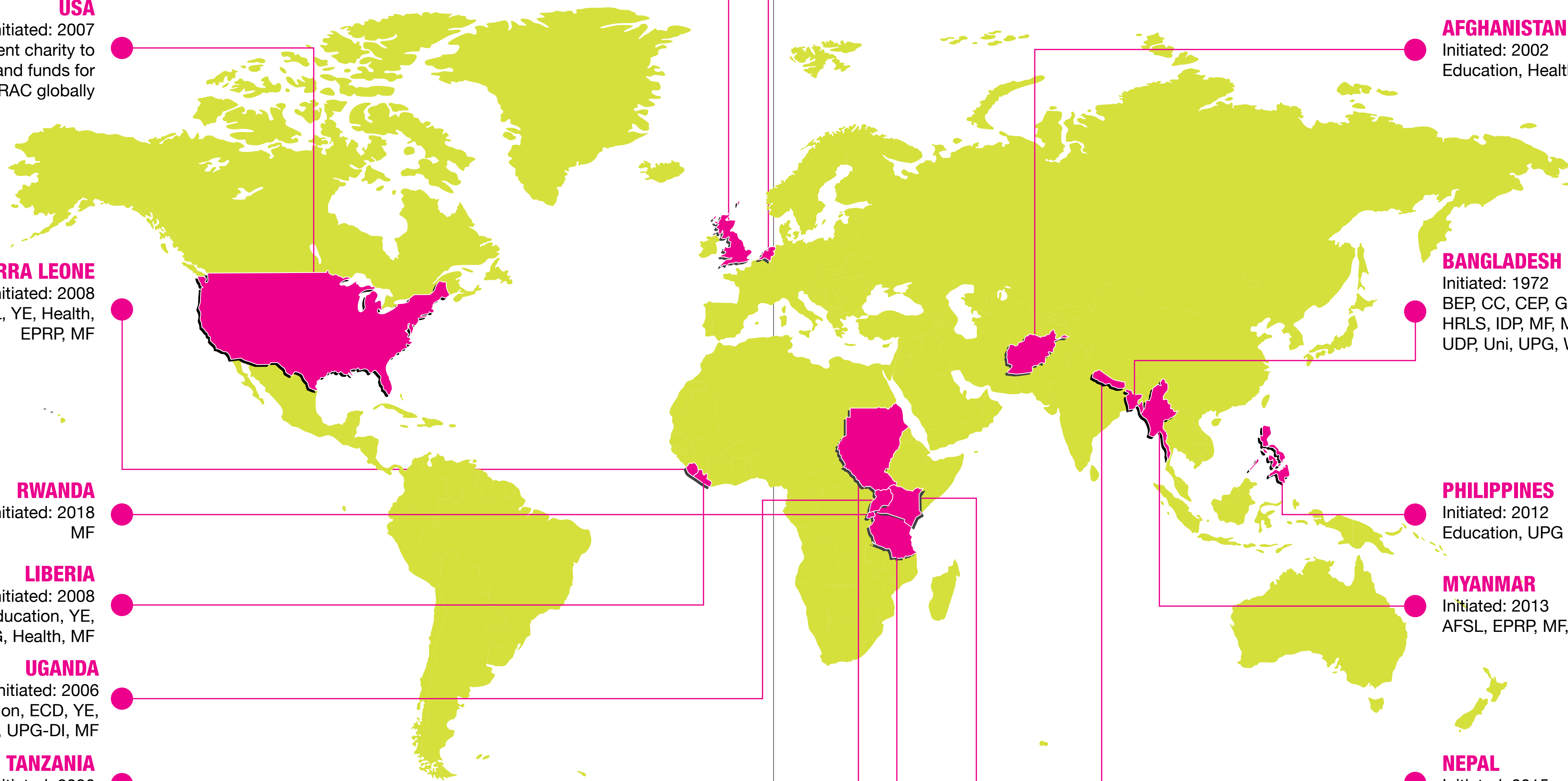
Through our **Youth Empowerment programme** we provide life-saving and life-transforming services to adolescent girls to prevent unintended pregnancies, improve their awareness on harmful practices, and empower them financially. We create safe spaces by establishing clubhouses for girls aged 10-21, especially those who are vulnerable, dropped out of school, and at the risk of early marriage and pregnancy.

The **Ultra-Poor Graduation** approach is a comprehensive, time-bound, integrated and sequenced set of interventions that aim to enable extreme and ultra-poor households to achieve key milestones towards sustainable livelihoods and socio-economic resilience, in order to progress along a pathway out of extreme poverty.

Through our **Emergency Preparedness and Response programme** we build local emergency preparedness and response capacities in communities, schools, and local governments. Using a participatory and inclusive approach, our interventions in urban, rural, and refugee settings prioritise the equitable participation of all groups, particularly women and youth, to ensure that they are able to mitigate risks, save lives, protect livelihoods, and build back better from disasters and crises.

Through our **Microfinance programme**, we provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard to reach areas, to create self-employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

BRAC ACROSS THE WORLD



UK
Initiated: 2006
An independent charity to raise profile and funds for BRAC globally

USA
Initiated: 2007
An independent charity to raise profile and funds for BRAC globally

SIERRA LEONE
Initiated: 2008
AFSL, YE, Health, EPRP, MF

RWANDA
Initiated: 2018
MF

LIBERIA
Initiated: 2008
AFSL, Education, YE, UPG, Health, MF

UGANDA
Initiated: 2006
AFSL, Education, ECD, YE, EPRP, Health, UPG-DI, MF

TANZANIA
Initiated: 2006
ECD, YE, WESOLVE, MF

SOUTH SUDAN
Initiated: 2007
AFSL

NETHERLANDS
Initiated: 2009
Stichting BRAC International registered as a foundation

AFGHANISTAN
Initiated: 2002
Education, Health, CCAP, CDP

BANGLADESH
Initiated: 1972
BEP, CC, CEP, GJD, HNPP, HRLS, IDP, MF, MG, SDP, SE, UDP, Uni, UPG, WASH, HCMP

PHILIPPINES
Initiated: 2012
Education, UPG

MYANMAR
Initiated: 2013
AFSL, EPRP, MF, FI

NEPAL
Initiated: 2015
YE, SDP, Health, AFSL

KENYA
Initiated: 2019
Africa Regional Office

AFSL: Agriculture, Food Security and Livelihood
BEP: BRAC Education Programme
CC: Climate Change
CCAP: Citizens' Charters Afghanistan Project
CEP: Community Empowerment Programme
CDP: Community Development Programme
ECD: Early Childhood Development
EPRP: Emergency Preparedness and Response Programme
FI: Financial Inclusion
GJD: Gender Justice and Diversity
HNPP: Health, Nutrition and Population Programme
HRLS: Human Resources and Legal Aid Services
HCMP: Humanitarian Crisis Management Programme
IDP: Integrated Development Programme
MG: Migration
MF: Microfinance
SE: Social Enterprises
SDP: Skills Development Programme
UDP: Urban Development Programme
Uni: University
WASH: Water, Sanitation and Hygiene
UPG: Ultra Poor Graduation
UPG-DI: Ultra Poor Graduation-Disability Inclusive
WE SOLVE: Women Entrepreneurship through Solar Value chain for Economic Development
YE: Youth Empowerment

FINANCIAL STATEMENTS

OPERATIONAL AND FINANCIAL HIGHLIGHTS OF **BRAC RWANDA MICROFINANCE COMPANY PLC**

NET INCOME

BRAC Rwanda Microfinance Company Plc completed 2020 with a net loss of USD 997,609 compared to USD 831,134 in 2019. The loss is mainly due to the expansion of branches in new areas and less than expected portfolio growth due to the COVID-19 pandemic.

OPERATING EXPENSES

Total operating expenses for the year 2020 was USD 1,647,238 as against USD 908,376 in 2019. In 2019 there was only 7 branches for BRAC in Rwanda. Additional 13 branches were opened in 2020 which is contributing to the additional expenses in 2020.

PROVISIONS FOR IMPAIRMENT LOSSES

In 2020, amount charged for impairment on loans was USD 27,702. The company followed IFRS 9 provisioning policy to be inline with National Bank of Rwanda's guidelines.

FINANCIAL POSITION

In 2020, the company's total assets grew by almost 96% to USD 2,348,790 compared to the previous year's total assets of USD 1,200,186. Loans and advances to customers is now 206% of total assets. Net equity increased to USD 1,513,836 in 2020 from USD 577,819 in 2019 due to injection of additional share capital.

CONTRIBUTION TO GOVERNMENT EXCHEQUER

BRAC Rwanda Microfinance Company Plc regularly contributes government exchequer through providing withholdings and deposition tax from it's employees and suppliers and contributing to The Rwanda Revenue Authority (RRA) and Rwanda Social Security Board (RSSB). Total contribution to government exchequer for the last two years as follows:

Value Distributed	2020	2019
Withholding Tax	250,943	152,738
Social Security Benefit	41,836	42,871

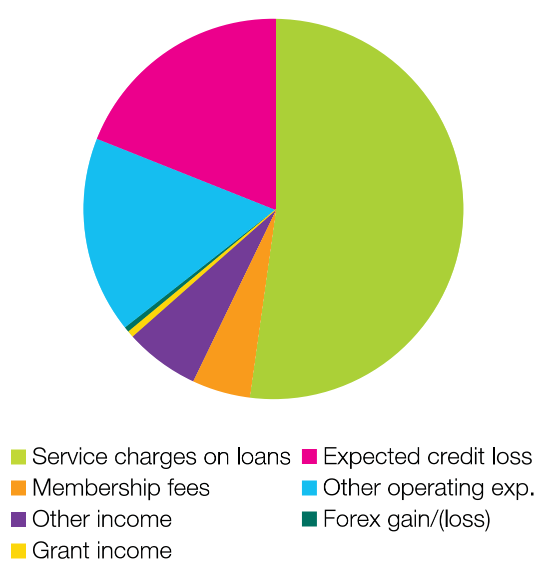
VALUE ADDED STATEMENTS

A value added statement provides a detail account of total value addition and the distribution of value created by the organization. BRAC Rwanda Microfinance Company Plc contributes positively to overall economic development by empowering the poor people (especially females) through micro-credit.

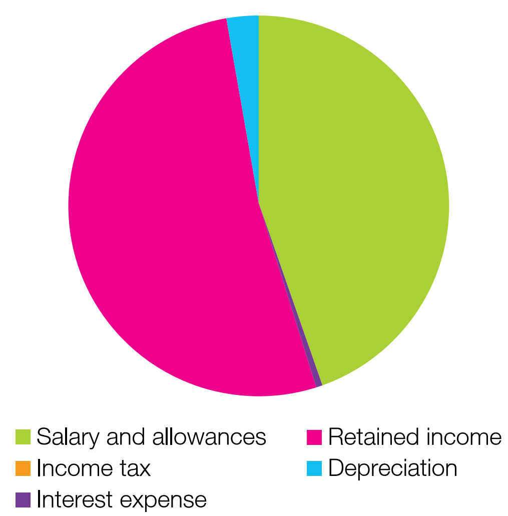
Value Added	2020		2019	
	Amount (USD)	% of Total	Amount (USD)	% of Total
Interest income on loans	197,022	227%	34,081	9%
Membership fees	31,005	36%	9,926	3%
Other income	64,557	75%	21,117	6%
Grant income	394,328	455%	15,969	4%
Other operating exp.	(745,857)	-861%	(453,284)	-121%
Expected credit loss	(27,702)	-32%	(2,987)	-1%
Total Value Added	**(86,647)**	**100%**	**(375,178)**	**100%**

Value Distributed	2020		2019	
	Amount (USD)	% of Total	Amount (USD)	% of Total
Employees				
Salary and allowances	852,326	984%	433,991	116%
Creditors				
Interest Expense	9,581	11%	864	0%
Local Authorities				
Income tax	-	0%	-	0%
Growth				
Retained Income	(997,609)	-1151%	(831,134)	-222%
Depreciation	49,055	57%	21,101	6%
Total Value Distributed	**(86,647)**	**100%**	**(375,178)**	**100%**

Value added 2020



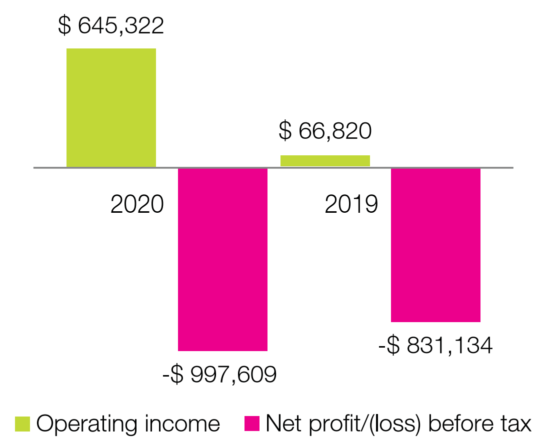
Value distributed 2020



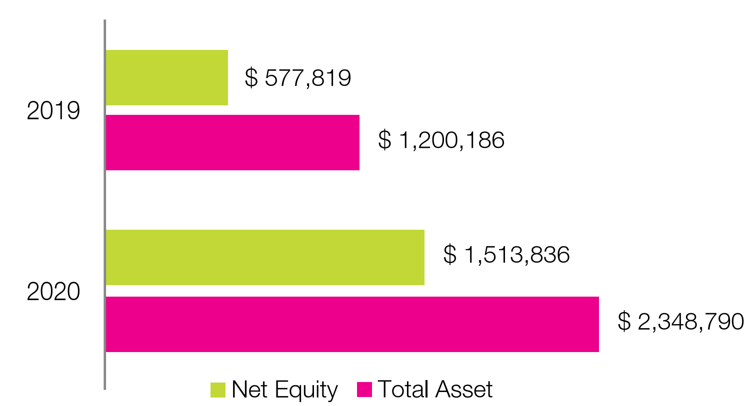
PERFORMANCE REVIEW (IN USD)

Particular	2020 Amount (USD)	2019 Amount (USD)	2018 Amount (USD)
Income Statement			
Operating Income	645,322	66,820	6,417
Net profit/(loss) before tax	(997,609)	(831,134)	(133,836)
Financial Position			
Total Asset	2,348,790	1,200,186	488,654
Net Equity	1,513,836	577,819	440,406
Loans to Customer (net)	890,001	290,969	-
Cash at Bank	1,176,342	661,328	105,954
Returns and Ratio			
Return on Asset	-42%	-69%	-27%
Cost to Income	261%	1365%	2186%
Operational Statistics			
Total Borrowers	7,196	2,371	-
PAR>30	3%	0%	0%

OPERATING INCOME VS PROFIT BEFORE TAX



TOTAL ASSET VS NET EQUITY



BRAC RWANDA MICROFINANCE COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2020

CORPORATE INFORMATION

DIRECTORS:

Dr. Muhammad Musa**	Chair	Appointed in May 2019
Mr. Johannes Maria Antonius Eskes****	Director	Appointed in January 2019
Mr. Shameran Bahar Abed***	Director	Appointed in January 2019
Mr. Syed Abdul Muntakim***	Director	Appointed in July 2019
Ms. Angelina Muganza*	Independent Director	Appointed in May 2019
Ms. Anne Abakunzi*	Independent Director	Appointed in November 2019
Mr. Silent Clement Gonondo****	Ex-officio & CEO	Appointed in May 2020
Mr. Tapan Kumar Karmaker**	Ex-officio & CEO	Resigned in May 2020

*Rwandese **Bangladeshi ***British ****Dutch *****Zimbabwean

REGISTERED OFFICE

BRAC Rwanda Microfinance Company PLC
P O Box-6500, KG 9 Avenue, House Number 54,
Nyarutarama, Gasabo
Kigali City, Rwanda.

PRINCIPAL BANIKERS

Equity Bank Rwanda,
P.O Box 494,
Kigali Rwanda

INDEPENDENT AUDITOR

KPMG Rwanda Limited,
5th Floor, Grand Pension Plaza
Boulevard de la Revolution
P O Box 6755,
Kigali, Rwanda

BRAC RWANDA MICROFINANCE COMPANY PLC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 30 December 2020, which disclose the state of affairs of the Company.

1. INCORPORATION

BRAC Rwanda Microfinance Company PLC is domiciled in Rwanda where it is incorporated as a company limited by shares under the law n° 17/2018 of 13/04/2018 governing companies in Rwanda. The address of the registered office is set out on page 31.

2. PRINCIPAL ACTIVITIES

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

3. RESULTS

	2020 Frw	2020 USD	2019 Frw	2019 USD
Loss before tax	(982,291,144)	(997,609)	(749,016,568)	(831,134)
Income tax expense	-	-	-	-
Loss after tax	**(982,291,144)**	**(1,039,199)**	**(749,016,568)**	**(831,134)**
Other comprehensive Income	39,312,084	41,590	-	-
Total comprehensive Income	**(942,979,060)**	**(997,609)**	**(749,016,568)**	**(831,134)**

4. DIVIDENDS

The Directors do not recommend payment of dividends for the year ended 31 December 2020 (31 December 2019: Nil).

5. RESERVES

The reserves of the Company are set out on page 40.

6. DIRECTORS

The Directors who served during the year and to the date of this report are as shown on page 31.

7. AUDITOR

The auditor, KPMG Rwanda Limited was appointed during the year and being eligible for reappointment has expressed willingness to continue in office as per the law n° 17/2018 of 13/04/2018 governing companies in Rwanda.

By order of the board,

....
Director

BRAC RWANDA MICROFINANCE COMPANY PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

The company's Directors are responsible for the preparation of financial statements that give a true and fair view of BRAC Rwanda Microfinance Company PLC as set out on pages 39 to 75 which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by law n° 17/2018 of 13/04/2018 governing companies in Rwanda.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with Financial Reporting Standards and in the manner required by Law17/2018 of 13/04/2018 governing companies in Rwanda. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and its operating results.

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

The independent auditors are responsible for expressing an opinion on whether the financial statements give a true and fair view of the company's financial position and performance as at and for the year ended 31 December 2020.

Approval of the financial statements

The financial statements of BRAC Rwanda Microfinance Company PLC, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on 26-04-2021 and were signed on its behalf by:

....
Chief Executive Officer

....
Director

....
Director

KPMG Rwanda Limited
Certified Public Accountants
5th Floor, Grand Pension Plaza
Boulevard de la Révolution
PO Box 6755
Kigali, Rwanda

Telephone: +250 788 175 700/ +250 252 579 790
Email: info.rw@kpmg.com
Internet: www.kpmg.com/eastafrica

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRAC RWANDA MICROFINANCE COMPANY PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BRAC Rwanda microfinance company PLC ("the Company") set out on pages 39 to 75 which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the 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 Rwanda microfinance company PLC as at 31 December 2020, 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 Law No 17/2018 of 13/04/2018 governing companies in Rwanda.

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 I*nternational Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key Audit matters

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRAC RWANDA MICROFINANCE COMPANY PLC

Report on the Audit of the Financial Statements (Continued)

Key Audit matters (Continued)

Key audit matter	How the matter was addressed in our audit
IFRS 9. Expected Credit Losses on loans to customers	
Refer to notes 4 (c) (h), 7 ,22 and 28 (iii) of the financial statements	
IFRS 9 *Financial Instruments* requires the Company to recognise expected credit losses ("ECL") on loans to customers which involves signIficant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company's implementation of IFRS 9 are: **- Model estimations** - inherently judgemental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD model used for loans and advances is the key driver of the Company's ECL results and are therefore the most significant judgemental aspect of the ECL modelling approach.	Our audit procedures in this area included: - Obtaining an understanding of the credit management processes and performing end to end process assessments to identify the key systems, applications and controls used in the determination of ECL. This included assessing the design and implementation and operating effectiveness of the management review control over the ECL determination. - Evaluating the accuracy of the key inputs and assumptions used in the ECL model predictions by recalculation the ECL amounts, agreeing underlying data such as loan amounts. collateral values and interest rates used in the model to relevant source data, and comparing previous years estimates to actual credit losses in the current year. - Assessing the adequacy of disclosures related to expected credit losses especially the key judgements and assumptions used in determination of the ECL in accordance with IFRS 7 disclosures .

Other Matter relating to comparative information

The comparative financial statements of BRAC Rwanda Microfinance Company Plc as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 20 March 2020.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRAC RWANDA MICROFINANCE COMPANY PLC

Report on the Audit of the Financial Statements (Continued)

Other Matter relating to supplementary information (continued)

We draw attention to the fact that the supplementary information presented in US Dollars (USD) does 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 *BRAC Rwanda Microfinance Company PLC Annual Report and Financial Statements 31 December 2020*, 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.

Directors' Responsibilities of for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by Law No 17/2018 of 13/04/2018 governing companies in Rwanda, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRAC RWANDA MICROFINANCE COMPANY PLC

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

As required by the provisions of Law No. 17/2018 of 13/04/2018 Governing Companies, we report to you based on our audit, that:

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

ii. Proper accounting records have been kept by the company, so far as appears from our examination;

iii. The statement of comprehensive income and statement of financial position are in agreement with the books of account;

iv. We have no relationship, interests or debt with the BRAC Rwanda Microfinance Company PLC. As indicated in our report on financial statements, we comply with ethical requirements. These are the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), which includes comprehensive independence and other requirements;

v. We have reported our findings on internal control matters to management in a separate management letter.

vi. According to the best of the information and the explanations given to us as auditors, as shown by the accounting and other documents of the company, the annual accounts comply with Article 123 of Law No. 17/2018 of 13/04/2018 Governing Companies in Rwanda.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRAC RWANDA MICROFINANCE COMPANY PLC

The engagement partner on the audit resulting in this independent auditor's report is CPA Wilson Kaindi - PC/CPA 0642/0123.

KPMG Rwanda Limited
Certified Public Accountants
P. O. Box 6755
Kigali, Rwanda
.... 2021

KPMG RWANDA
27 APR 2021
P. O. BOX 6755 KIGALI RWANDA
TEL: +250 252 579790

BRAC RWANDA MICROFINANCE COMPANY PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Frw	2020 USD	2019 Frw	2019 USD
Interest income on loans	17	186,232,528	197,022	30,714,066	34,081
Interest & other financial expense	18	(9,056,438)	(9,581)	(778,765)	(864)
Net interest income		**177,176,090**	**187,441**	**29,935,301**	**33,217**
Membership and other fees	19	29,307,600	31,005	8,945,550	9,926
Unrealized foreign exchange gain	20ii	39,312,084	41,590	12,863,069	14,273
Other income	20i	21,709,350	22,967	6,167,555	6,844
Grant income	21	372,734,440	394,328	14,391,611	15,969
		463,063,474	**489,890**	**42,367,785**	**47,012**
Total operating income		**640,239,564**	**677,331**	**72,303,086**	**80,229**
Impairment loss on financial assets	22	(26,184,554)	(27,702)	(2,691,770)	(2,987)
Operating income after impairment losses		**614,055,010**	**649,629**	**69,611,316**	**77,242**
Staff costs	23	(805,652,202)	(852,326)	(391,111,898)	(433,991)
Other operating expenses	24	(705,012,985)	(745,857)	(408,500,162)	(453,284)
Depreciation & amortization	25	(46,368,883)	(49,055)	(19,015,824)	(21,101)
Total operating cost		**(1,557,034,070)**	**(1,647,238)**	**(818,627,884)**	**(908,376)**
Loss before tax		**(942,979,060)**	**(997,609)**	**(749,016,568)**	**(831,134)**
Income tax expense	32	-	-	-	-
Net loss after tax		**(942,979,060)**	**(997,609)**	**(749,016,568)**	**(831,134)**
Other comprehensive income					
Translation difference		-	(66,374)	-	(31,453)
Total comprehensive income		**(942,979,060)**	**(1,063,983)**	**(749,016,568)**	**(862,587)**

The notes on pages 43 to 75 are an integral part of these financial statements.

BRAC RWANDA MICROFINANCE COMPANY PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 Frw	2020 USD	2019 Frw	2019 USD
Assets					
Cash and cash equivalents	**9**	1,143,969,242	1,176,342	610,088,068	661,328
Loan to customers	**7**	865,507,782	890,001	268,425,105	290,969
Other assets	**8**	37,873,998	38,946	64,244,806	69,640
Intangible assets	**6**	35,696,324	36,706	49,298,057	53,438
Property & equipment	**5**	201,103,753	206,795	115,140,830	124,811
Total Assets		**2,284,151,099**	**2,348,790**	**1,107,196,866**	**1,200,186**
Capital Fund and Liabilities					
Capital Fund					
Share capital	**10**	1,400,600,000	1,573,826	1,400,600,000	1,573,826
Other capital contribution	**11**	1,880,864,637	2,000,005	4,637	5
Accumulated losses	**12**	(1,809,289,316)	(1,962,168)	(866,310,256)	(964,559)
Translation reserve		-	(97,827)	-	(31,453)
Total Capital Fund		**1,472,175,321**	**1,513,836**	**534,294,381**	**577,819**
Liabilities					
Member savings	**13**	352,766,493	362,749	76,947,689	83,410
Related party payables	**14**	95,974,567	98,691	96,225,473	104,307
Other liabilities	**15**	149,031,879	153,249	52,895,084	57,339
Donor grants	**16**	214,202,839	220,265	346,834,239	377,311
Total Liabilities		**811,975,778**	**834,954**	**572,902,485**	**622,367**
Total Liabilities and Capital Fund		**2,284,151,099**	**2,348,790**	**1,107,196,866**	**1,200,186**

The financial statements on pages 39 to 75 were approved and authorised for issue by the Board of Directors on 26-04-2021 and signed on its behalf by:-

.... Head of Finance

.... Chief Executive Officer

.... Director

.... Director

The notes on pages 43 to 75 are an integral part of these financial statements.

BRAC RWANDA MICROFINANCE COMPANY PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 ST DECEMBER 2020

	Share capital	Other capital contribution	Accumulated losses	Total capital fund	Share capital	Other capital contribution	Accumulated losses	Traslation reserve	Total capital fund
	Frw	Frw	Frw	Frw	USD	USD	USD	USD	USD
At 1 January 2020	1,400,600,000	4,637	(866,310,256)	534,294,381	1,573,826	5	(964,559)	(31,453)	577,819
Other capital contribution	-	1,880,860,000	-	1,880,860,000	-	2,000,000	-	-	2,000,000
Translation effect	-	-	-	-	-	-	-	(66,374)	(66,374)
Loss for the year	-	-	(942,979,060)	(942,979,060)	-	-	(997,609)	-	(997,609)
As at 31 st December 2020	**1,400,600,000**	**1,880,864,637**	**(1,809,289,316)**	**1,472,175,321**	**1,573,826**	**2,000,005**	**(1,962,168)**	**(97,827)**	**1,513,836**
At 1 January 2019	370,000,000	134,454,637	(117,293,688)	387,160,949	1,573,826	-	(133,425)	-	440,406
Other capital contribution	1,030,600,000	(134,450,000)	-	896,150,000	-	5	-	-	1,000,000
Translation effect	-	-	-	-	-	-	-	-	(31,453)
Loss for the year	-	-	(749,016,568)	(749,016,568)	-	-	(831,134)	(31,453)	(831,134)
As at 31 st December 2019	**1,400,600,000**	**4,637**	**(866,310,256)**	**534,294,381**	**1,573,826**	**5**	**(964,559)**	**(31,453)**	**577,819**

The notes on pages 43 to 75 are an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 ST DECEMBER 2020

	Note	2020 Frw	2020 USD	2019 Frw	2019 USD
Cash flow from Operating Activities					
Cash generated from operations	26	(761,974,814)	(809,332)	(377,341,709)	(427,686)
Loan disbursements		(1,567,254,610)	(1,658,051)	(390,555,000)	(433,373)
Donor Grant movement		(132,631,400)	(157,046)	-	-
Adjustment to property and equipment*		2,240,134	3,123	183,333	197
Loan collection		957,793,267	1,013,281	121,377,984	134,685
Net cash used in Activities		**(1,501,827,423)**	**(1,608,025)**	**(646,335,392)**	**(726,177)**
Cash flow from Investing Activities					
Acquisition of property & equipment		(120,970,207)	(124,394)	(119,592,188)	(130,434)
Acquisition of intangible asset		-	-	(37,059,752)	(40,172)
Net cash used in Investing Activities		**(120,970,207)**	**(124,394)**	**(156,651,940)**	**(170,606)**
Cash flow from Financing Activities					
Donor Grants received		-	-	346,834,239	377,311
Member savings received		275,818,804	279,339	76,947,689	83,410
Proceeds from share capital		-	-	1,030,600,000	1,152,941
Other capital contribution receipt/(payment)		1,880,860,000	2,000,000	(134,450,000)	(152,941)
Net cash from Financing Activities		**2,156,678,804**	**2,279,339**	**1,319,931,928**	**1,460,721**
Net increase in cash and cash equivalents		**533,881,174**	**546,920**	**516,944,596**	**563,938**
Cash and cash equivalents at beginning of the year		610,088,068	661,328	93,143,472	105,954
Effect of exchange rates on cash and cash equivalents held		-	(31,906)	-	(8,564)
Cash and cash equivalents at end of the period	9	**1,143,969,242**	**1,176,342**	**610,088,068**	**661,328**

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

The notes on pages 43 to 75 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION

a) Basis of measurement

The financial statements have been prepared on a historical cost basis.

b) Comparative information

The comparative information used in this report are audited financial statements of BRAC Rwanda Microfinance Company PLC for the financial year ended 31 December 2019.

3. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IFRSsand in the manner required by Law No.17/2018 of 13/04/2018 governing companies in Rwanda.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Changes in accounting policies and disclosures

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

The following standards and amendments have been applied by the Company for the first time for the financial year beginning 1 January 2020.

IFRS 3 Business Combinations – amendment effective 1 January 2020

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment did not have a material impact on the financial statements of the Company.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors effective 1 January 2020

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS standards. The amendments will be applied prospectively. The amendment did not have a significant impact on the annual financial statements of the company.

ii. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2020, and have not been applied in preparing these financial statements.

These are summarised below:

- Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Changes in accounting policies and disclosures (continued)

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

The company does not plan to early adopt these standards. These will be adopted in the period that they become mandatory.

We have analysed below the standards that are likely to impact on the financial statements of the.

Classification of liabilities as current or non-current (Amendments to IAS 1)

The final amendments, issued by the IASB on January 23, 2020, in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

c) Critical accounting estimates and assumptions

COVID-19 consideration

The COVID-19 pandemic and its effect on the global economy have impacted our customers, operations and Company performance necessitating governments to respond at unprecedented levels to protect the health of the population, local economies and livelihoods. This has significantly increased the estimation uncertainty in the preparation of these financial statements including:

- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn, and subsequent recovery;
- the effectiveness of government and central Company measures to support businesses and consumers through this disruption and economic downturn.

The company has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Directors believe are reasonable in the circumstances. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses.

Property and equipment

Annually, directors make estimates in determining the depreciation rates for property, plant and equipment using internal technical expertise. The rates used are set out in the accounting policy for property, plant and equipment. These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Critical accounting estimates and assumptions (continued)

Impairment of financial instruments

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

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

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

Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Going concern

Directors have made an assessment of the company’s ability to continue as a going concern and are satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Impairment of non-financial assets

The company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Leases

Key assumptions on incremental borrowing rate and lease term renewal.

d) Interest income and Interest expenses

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in ‘Net interest income’ as ‘Interest income’ and ‘Interest expense’ in the profit or loss account using the effective interest method.

Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Interest income and Interest expenses (continued)

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

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

e) Membership and other fees

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

- Fees income earned from services that are provided over a certain period of time

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

- Fees income from providing transaction services

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

f) Staff and other operating expenses

Operating expenses include staff costs, office expenses, travel expenses, professional charges, audit fees, depreciation, amortization, postage and communication, training expenses and other operating expenses. General operating expenses incurred in the current year are recognized in profit or loss. Any payment in excess of the expenses incurred during the year is recorded in the statement of financial position under prepayments. Expenses incurred but not paid for in the current year are accrued for in the current year.

g) Other income

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

h) Financial instruments

Financial assets are assets that are:

- Cash
- A contractual right:
  - To receive cash or another financial asset (e.g. a trade debtor); or

BRAC RWANDA MICROFINANCE COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments (continued)

  - To exchange financial assets or financial liabilities under potentially favourable conditions (e.g. a derivative);
- An equity instrument of another entity

Financial liabilities are all liabilities that are:

A contractual obligation to deliver cash or another financial asset to another party (e.g. a trade payable);

Recognition of a financial instrument

The company recognise a financial instrument (financial asset, financial liability or equity instrument) when it becomes party to the contractual provisions of the instrument. This includes granting a loan to a customer.

It does not include transactions that we have planned but not committed to. Here we have not become party to a contract requiring the future receipt or delivery of financial assets.

Initial classification and measurement of financial assets

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

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

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

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

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

The business model

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments (continued)

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

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

Directly attributable transaction costs

Transaction costs are included in the initial measurement of financial assets, except for those measured at FVTPL.

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

Subsequent measurement – Amortized cost

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

The following items are recognized in the income statement:

- Interest revenue using the effective interest method
- Expected credit losses and reversals
- Foreign exchange gains and losses

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

Effective interest rate

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

The estimate of expected cash flows considers all contractual terms (e.g. prepayment, call and similar options) but does not consider expected credit losses.

To calculate the interest charge for the relevant period, the effective interest rate is applied to the gross carrying amount of the asset at the previous reporting date.

Classification and measurement of financial liabilities

Most financial liabilities are classified in the amortized cost measurement category.

Financial liabilities may be classified as fair value through profit and loss ("FVTPL") in some rare scenarios.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments (continued)

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

Subsequent to initial measurement:

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

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

Modification of financial assets and liabilities

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

Modification of financial assets and liabilities

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

Impairment of financial assets

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

Expected credit losses

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments (continued)

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

The standard includes various practical expedients that can be used in specific situations, and reliefs adopters from using the general impairment requirements. Examples are investments with low credit risk (e.g. investment grade securities), for which different stage transfer monitoring applies, and a simplified approach for trade receivables and lease receivables.

IFRS 9 allows for a simplified approach to be applied to trade receivables, contract assets and lease receivables; the accounting policy choice can be made independently for each asset type. Under the simplified approach, the loss allowance is always equal to the lifetime expected credit losses.

The company has elected to use the practical expedients when measuring ECLs under the simplified approach by using a provision matrix for trade receivables. In doing so, the company has:

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

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

Forward looking information (FLI)

The company began operations in September 2018 and as such has accumulated historical data over a short period. Management has therefore relied on other internal forecasted information in determining the level of expected credit loss for the year.

i) Impairment of non-financial assets

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

j) Property, equipment and depreciation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Property and Equipment (continued)

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

An annual transfer from the asset revaluation reserve to retained earnings is made.

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

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

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

The annual depreciation rates in use are:

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

k) Intangible assets

The company's intangible assets include the value of computer software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the company.

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortized over the useful life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss. Amortization is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful lives of 4 years.

l) Tax

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Tax (continued)

Current income tax

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

Deferred income tax

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

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

Deferred tax liabilities are recognized for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Recognized and unrecognized deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognized amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

m) Leases

IFRS 16 introduces significant changes to leases accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a Right of Use asset and a Lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

Definition of a lease

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.

As a lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the company recognizes a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Leases (continued)

The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. For leases that contain non-lease components, the Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liabilities. Depreciation is calculated using the straight-line method to write-down the cost of each asset to its residual value over its estimated useful life. If the ownership of the underlying asset is expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset if of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

As lessor

Leases of assets where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counter party. The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are measured subsequently at their fair value.

All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit or loss account on a straight-line basis over the lease term.

The Company used a number of practical expedients when applying IFRS 16. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;and
- used hindsight when determining the lease term.

The Company has not recognised a right-of-use asset and lease liabilities as at 31 December 2020 due to the above practical expedient that the lease term ends within 12 months.

Amounts recognised in profit or loss

Details	2020 Frw	2020 USD	2019 Frw	2019 USD
Payments relating to short-term leases	94,984,189	100,487	68,029,648	75,488

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Foreign Currency translation

(a) Functional and presentation currency

Items included in the financials are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Rwanda Francs (Frw), which is the company's functional and presentation currency.

For reporting purposes, Convenience translation has been adopted where the Rwanda Francs have been converted to US Dollars as follows;

Statement of Financial Position 1 USD=Frw 972.48. The National Bank of Rwanda closing rate as at 31 December 2020 (1 USD=Frw 922.52 -31 December 2019)

Statement of Comprehensive Income 1USD=Frw 943.65 which is the National Bank of Rwanda average rate for the year ended 31 December 2020 (1 USD=Frw 899.52 - 31 December 2019)

(b) Transactions and balances

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

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

o) Fair value measurement

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.

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

As Inputs are not available for loans of BRAC, level 3 hierarchy of fair value is used to measure value for loan at fair value.

p) Retirement benefits obligations

The employees and the Company contribute to the Social Security Fund of Rwanda, a national defined contributions retirement benefits scheme. Contributions are determined by the country's statutes and the Company's contributions are charged to the statement of comprehensive income.

q) Cash and cash equivalents

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Share capital and accumulated losses

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

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

s) Provisions

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

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

t) Grants

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

u) Comparatives

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

v) Share money deposit

Share money deposit is recognised when the funds have been received.

w) Member savings

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

x) Foreign Currency translation

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

5. Property and equipment

Year ended 31 December 2020

	Furniture & Fixtures	Computer & Peripherals	Equipment & Machineries	Vehicles	Total	Total
Cost	**Frw**	**Frw**	**Frw**	**Frw**	**Frw**	**USD**
As at 1 January 2020	31,616,650	24,054,398	16,003,000	57,582,000	129,256,048	140,112
Additions	27,410,100	63,733,907	24,039,000	5,787,200	120,970,207	124,394
Asset transfer to BIHBV	-	-	-	-	-	-
Disposal adjustment	-	(1,890,000)	(675,000)	-	(2,565,000)	(2,638)
Translation adjustment	-	-	-	-	-	(7,198)
As at 31 December 2020	**59,026,750**	**85,898,305**	**39,367,000**	**63,369,200**	**247,661,255**	**254,670**
Depreciation						
As at 1 January 2020	1,674,077	2,995,833	1,791,574	7,653,734	14,115,218	15,301
Charge for the year	11,802,236	8,851,638	8,302,725	3,810,551	32,767,150	34,665
Asset Depreciation transfer to BIHBV RO		-			-	-
Disposal adjustment	-	(610,328)	(172,914)	-	(783,242)	(829)
Others adjustment	56,732	406,174	(22,427)	17,897	458,376	485
Translation adjustment					-	(1,747)
As at 31 December 2020	**13,533,045**	**11,643,317**	**9,898,958**	**11,482,182**	**46,557,502**	**47,875**
Carrying amounts						
As at 31 December 2020	**45,493,705**	**74,254,988**	**29,468,042**	**51,887,018**	**201,103,753**	**206,795**

5. Property and equipment (continued)

Year ended 31 December 2020

	Furniture & Fixtures	Computer	Equipment	Vehicles	Total	Total
Cost	**Frw**	**Frw**	**Frw**	**Frw**	**Frw**	**USD**
As at 1 January 2020	4,050,000	5,846,345	-	-	9,896,345	11,257
Additions	27,566,650	18,956,516	16,223,000	57,582,000	120,328,166	130,434
Asset transfer to BIHBV	-	(748,463)	-	-	(748,463)	(811)
Disposal adjustment	-	-	(220,000)	-	(220,000)	(238)
Translation adjustment	-	-	-	-	-	(530)
As at 31 December 2020	**31,616,650**	**24,054,398**	**16,003,000**	**57,582,000**	**129,256,048**	**140,112**
Depreciation						
As at 1 January 2020	64,917	192,502	-	-	257,419	293
Charge for the year	1,609,160	2,815,816	1,828,241	7,653,734	13,906,951	15,432
Asset Depreciation transfer to BIHBV RO		(12,485)			(12,485)	(14)
Disposal adjustment	-	-	(36,667)	-	(36,667)	(41)
Translation adjustment					-	(369)
As at 31 December 2020	**1,674,077**	**2,995,833**	**1,791,574**	**7,653,734**	**14,115,218**	**15,301**
Carrying amounts						
As at 31 December 2020	**29,942,573**	**21,058,565**	**14,211,426**	**49,928,266**	**115,140,830**	**124,811**

6. Intangible assets

	2020	2020	2019	2019
Cost	**Frw**	**USD**	**Frw**	**USD**
As at 1 January	**54,406,930**	**58,976**	17,347,178	19,733
Additions	-	-	37,059,752	40,172
Translation difference	-	(3,030)	-	(929)
As at 31 December	**54,406,930**	**55,947**	**54,406,930**	**58,976**
Amortization				
As at 1 January	5,108,873	5,538	-	-
Charge for the year	13,601,733	14,390	5,108,873	5,669
Translation difference	-	(688)	-	(131)
As at 31 December	**18,710,606**	**19,240**	**5,108,873**	**5,538**
Carrying amounts				
As at 31 December	**35,696,324**	**36,706**	**49,298,057**	**53,438**

Intangible asset is a tab based IT software developed by Field Buzz, a German based IT company. The objective of the software is to enable the loan collection officer carry out household surveys, enroll members in the field as well as initiate loan collection in the first phase which will help BRAC Rwanda to digitize the microfinance field operations.

7. Loan to customers

	2020 Frw	2020 USD	2019 Frw	2019 USD
Group loans (Microfinance)	711,512,467	731,647	269,177,016	291,784
Small Enterprises Program (SEP)	167,125,892	171,855	-	-
Add: Interest receivable	15,745,747	16,192	1,939,859	2,103
Less: Impairment loss on loans	(28,876,324)	(29,693)	(2,691,770)	(2,918)
	865,507,782	**890,001**	**268,425,105**	**290,969**

The movement on the loan accounts is analyzed as shown below;

	Frw	USD	Frw	USD
Opening balance	269,177,016	291,784	-	-
Add: Loans disbursement MF	1,359,054,610	1,437,789	390,555,000	433,373
Add: Loans disbursement SEP	208,200,000	220,262	-	-
Less: Loan realization MF	(916,719,159)	(969,828)	(121,377,984)	(134,685)
Less: Loan realization SEP	(41,074,108)	(43,454)		
Translation adjustment	-	(33,051)	-	(6,903)
Principal outstanding	**878,638,359**	**903,502**	**269,177,016**	**291,784**
Add: Interest receivable	15,745,747	16,192	1,939,859	2,103
Less: Impairment loss on loans	(28,876,324)	(29,693)	(2,691,770)	(2,918)
	865,507,782	**890,001**	**268,425,105**	**290,969**

The movement on the impairment on loans account is shown below;

At 1 January	2,691,770	2,918	-	-
Add: Charge for the year	26,184,554	27,702	2,691,770	2,987
Translation adjustment	-	(927)	-	(69)
	28,876,324	**29,693**	**2,691,770**	**2,918**

8. Other assets

	2020 Frw	2020 USD	2019 Frw	2019 USD
Advance office rent	32,424,917	33,343	26,231,993	28,435
Receivable from BV Regional Office	-	-	32,278,412	34,989
Receivable from RRA	2,103,236	2,163	5,458,887	5,917
Advance to staff	3,345,845	3,441	275,514	299
	37,873,998	**38,946**	**64,244,806**	**69,640**

9. Cash and cash equivalents

	2020 Frw	2020 USD	2019 Frw	2019 USD
Cash in hand	421,838	434	954,671	1,035
Cash at bank	1,143,547,404	1,175,908	609,133,397	660,293
	1,143,969,242	**1,176,342**	**610,088,068**	**661,328**

10. Share capital

	2020 Frw	2020 USD	2019 Frw	2019 USD
At 1 January	1,400,600,000	1,573,826	1,400,600,000	1,573,826
Additions	-	-	-	-
At 31 December	**1,400,600,000**	**1,573,826**	**1,400,600,000**	**1,573,826**

Issued and fully paid 140,060 Ordinary shares of Frw 10,000 each.

11. Other capital contribution

	2020 Frw	2020 USD	2019 Frw	2019 USD
At I January	4,637	5	-	-
Addition	1,880,860,000	2,000,000	4,637	5
BRAC International Holding B. V	**1,880,864,637**	**2,000,005**	**4,637**	**5**

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

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12. Accumulated losses

	2020 Frw	2020 USD	2019 Frw	2019 USD
Opening balance	(866,310,256)	(964,559)	(117,293,688)	(133,425)
Loss for the year	(942,979,060)	(997,609)	(749,016,568)	(831,134)
	(1,809,289,316)	**(1,962,168)**	**(866,310,256)**	**(964,559)**

13. Member savings

	2020 Frw	2020 USD	2019 Frw	2019 USD
Compulsory savings/Loan Security	128,369,681	132,002	37,501,492	40,651
Voluntary savings	224,396,812	230,747	39,446,197	42,759
	352,766,493	**362,749**	**76,947,689**	**83,410**

14. Related party payables

	2020 Frw	2020 USD	2019 Frw	2019 USD
Payable to BRAC Bangladesh	5,360,826	5,513	29,768,595	32,269
Payable to BRAC International Holding B.V.	90,613,741	93,178	6,604,703	7,159
Other payables	-	-	59,852,175	64,879
	95,974,567	**98,691**	**96,225,473**	**104,307**

The parent company BRAC International Holding B.V. incurs expenses for IT related services on behalf of BRAC Rwanda. The amounts shown are payable to the parent company for these services.

During the year, BRAC Bangladesh, a sister company paid for Visa expenses for an expatriate staff of BRAC Rwanda and the payable relates to these costs. The carrying amounts have been approximated to be the fair value amounts.

15. Other liabilities

	2020 Frw	2020 USD	2019 Frw	2019 USD
Provision for salary	97,500	100	37,770	41
Other Liabilities/Liabilities for expense	8,022,960	8,250	-	-
Withholding tax payable (employee)	46,626,971	47,946	34,175,285	37,046
Withholding tax payable (others)	74,411,215	76,517	14,600,268	15,827
Provision for Social Security Benefit /Self Insurance	2,873,233	2,955	1,081,761	1,173
Audit fee provision	17,000,000	17,481	3,000,000	3,252
	149,031,879	**153,249**	**52,895,084**	**57,339**

16. Donor grants

	2020 Frw	2020 USD	2019 Frw	2019 USD
Opening balance	**71,320,239**	**77,311**	**-**	-
Donation from BRAC USA	46,417,040	49,721	85,711,850	95,000
Utilized grant in the year	(97,220,440)	(99,971)	(14,391,611)	(15,600)
Translation adjustment	-	(6,796)	-	(2,089)
Sub Total	**20,516,839**	**20,265**	**71,320,239**	**77,311**
Opening balance	275,514,000	300,000	-	-
Grant from whole planet foundation	193,686,000	200,000	275,514,000	300,000
Utilized grant in the year	(275,514,000)	(300,000)	-	-
Sub Total	**193,686,000**	**200,000**	**275,514,000**	**300,000**
Total grants	**214,202,839**	**220,265**	**346,834,239**	**377,311**

16. Donar grant (continued)

A Grant from BRAC USA was awarded to fund the Participatory Need Assessment in Rwanda. The Project had an implementation period from 31 May 2019 until all funds are expended. The Company also received a grant of USD 200,000 from Whole Planet Foundation (part of USD 800,000 funding) through a grant agreement dated 22 November 2019 for funding working capital for general microfinance products in all branches throughout the country for a period of 3 years. The grant is utilized through loans to customers.

17. Income on loan interest

	2020 Frw	2020 USD	2019 Frw	2019 USD
Group loans (Microfinance)	165,527,578	175,117	30,714,066	34,081
Small Enterprises Program (SEP)	20,704,950	21,904	-	-
	186,232,528	**197,022**	**30,714,066**	**34,081**

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

18. Interest & other financial expense

	2020 Frw	2020 USD	2019 Frw	2019 USD
Interest on member savings	8,895,727	9,411	778,765	864
Other financial expenses	160,711	170	-	-
	9,056,438	**9,581**	**778,765**	**864**

19. Membership and other fees

	2020 Frw	2020 USD	2019 Frw	2019 USD
Membership fee	9,274,000	9,811	3,360,000	3,728
Loan appraisal fee	15,380,100	16,271	3,905,55	4,334
Loan application fee	219,000	232		
Sales of Passbook	4,434,500	4,691	1,680,000	1,864
	29,307,600	**31,005**	**8,945,550**	**9,926**

20. i) Other income

	2020 Frw	2020 USD	2019 Frw	2019 USD
Realized exchange gain	**21,709,350**	**22,967**	**6,167,555**	**6,844**

ii) Net foreign exchange income

	2020 Frw	2020 USD	2019 Frw	2019 USD
Unrealised foreign exchange gain	**39,312,084**	**41,590**	**12,863,069**	**14,273**

21. Grant income

	2020 Frw	2020 USD	2019 Frw	2019 USD
Portion of utilized grant - BRAC USA	97,220,440	102,853	14,391,611	15,969
Portion of utilized grant - Whole Planet Foundation	275,514,000	291,475	-	-
	372,734,440	**394,328**	**14,391,611**	**15,969**

22. Impairment loss on loan

	2020 Frw	2020 USD	2019 Frw	2019 USD
Loan loss provision expense	**26,184,554**	**27,702**	**2,691,770**	**2,987**

	Stage 1 Frw	Stage 2 Frw	Stage 3 Frw	Total Frw	Total USD
31 December 2020 Loss allowance	(10,224,902)	(156,289)	(15,803,363)	(26,184,554)	(27,702)
31 December 2019 Loss allowance	(2,691,770)	-	-	(2,691,770)	(2,987)

23. Staff costs

	2020 Frw	2020 USD	2019 Frw	2019 USD
Salaries	716,214,232	757,707	345,639,259	383,533
Social Security benefit expense	39,545,402	41,836	20,365,332	22,598
Staff bonus	49,892,568	52,783	25,107,307	27,860
	805,652,202	**852,326**	**391,111,898**	**433,991**

24. Other operating expenses

	2020 Frw	2020 USD	2019 Frw	2019 USD
Occupancy expenses				
Short term lease expenses	94,984,189	100,487	68,029,648	75,488
Utilities	12,228,909	12,937	6,051,393	6,715
	107,213,098	**113,424**	**74,081,041**	**82,203**
Travel and transportation expenses				
Travel and transportation	39,193,151	41,464	28,681,846	31,826
Air tickets & VISA cost	38,077,955	40,284	47,662,940	52,888
Staff Perdiem	911,310	964	4,363,608	4,842
	78,182,416	**82,712**	**80,708,394**	**89,556**
Maintenance and general expenses				
Wi-Fi, mobile SIM & bill	26,786,875	28,339	12,733,916	14,130
Maintenance and general expenses	75,784,874	80,175	55,928,333	62,060
Meals	31,839,832	33,684	9,988,178	11,083
Accommodation (hotel fare)	3,850,336	4,073	4,553,758	5,053
Bank charges	3,869,365	4,094	2,457,848	2,727
Medical expenses	3,296,490	3,487	633,008	702
Design & development/Market Survey	34,502,405	36,501	2,177,339	2,416
Business license & registration	604,000	641	501,255	556
Need Assessment cost	19,725,471	20,868	-	-
Vehicle maintenance & fuel	4,307,404	4,557	1,900,333	2,109
Software development & purchase	37,899,657	40,095	74,436,484	82,597
Member death benefit	720,000	762	-	-
HO logistics expenses	201,232,144	212,890	11,458,545	12,715
Local staff training cost	1,052,793	1,114	11,235,802	12,468
Stationary expenses	31,033,600	32,831	16,788,797	18,629
	476,505,246	**504,111**	**204,793,596**	**227,245**
Audit and professional costs				
Professional & consultancy fees	26,112,225	27,625	41,417,131	45,958
Audit fees	17,000,000	17,985	7,500,000	8,322
	43,112,225	**45,610**	**48,917,131**	**54,280**
Total operational costs	**705,012,985**	**745,857**	**408,500,162**	**453,284**

25. Depreciation & amortization

	2020 Frw	2020 USD	2019 Frw	2019 USD
Depreciation expense	32,767,150	34,665	13,906,951	15,432
Amortization expense	13,601,733	14,390	5,108,873	5,669
	46,368,883	**49,055**	**19,015,824**	**21,101**

26.	Cash generated from operations	2020 Frw	2020 USD	2019 Frw	2019 USD
	Loss for the year	(942,979,060)	(997,609)	(749,016,568)	(831,134)
	Depreciation & amortization	46,368,883	49,055	19,015,824	21,101
	Loan loss provision	26,184,554	27,702	2,691,770	2,987
	Cash flow before changes in working capital	**(870,425,603)**	**(920,852)**	**(727,308,974)**	**(807,046)**
	Changes in working capital:				
	Decrease in receivables and other current assets	26,370,808	27,117	245,200,515	265,794
	(Increase) in interest receivable	(13,805,888)	(14,197)	(1,939,859)	(2,103)
	(decrease)/Increase of related party payables	(250,906)	(257)	65,401,087	70,894
	Increase/(decrease) of current liabilities	96,136,795	98,857	41,305,522	44,775
	Net cash used in operations	**(761,974,814)**	**(809,332)**	**(377,341,709)**	**(427,686)**

27. Related party transactions

a) Loans and advances to employees

	2020 Frw	2020 USD	2019 Frw	2019 USD
Loans and advances to employees	3,345,845	3,441	275,514	299
	3,345,845	**3,441**	**275,514**	**299**

The movement for the balances above is as shown below

	2020 Frw	2020 USD	2019 Frw	2019 USD
Opening balance – as at 1st January	274,514	299	-	-
Disbursements	21,530,530	22,124	26,261,400	28,467
Repayments	(18,459,199)	(18,982)	(25,985,886)	(28,168)
As at 31 December	**3,345,845**	**3,441**	**275,514**	**299**

b) Key management personnel compensation

	2020 Frw	2020 USD	2019 Frw	2019 USD
Short-term employee benefits	-	-	-	-
Pension contributions	3,103,608	3,191	4,898,580	5,310
	3,103,608	**3,191**	**4,898,580**	**5,310**

c) Directors' emoluments

As non-executive	900,000	925	450,000	488
As executives	-	-	-	-
	900,000	**925**	**450,000**	**488**

28. Financial risk management objectives and policies

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

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

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

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

i) Liquidity risk

COVID-19 consideration

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

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company always ensures that it will always have sufficient liquidity to meet its obligations when due. The maturity of the company's' financial liabilities is as shown below and the associated assets that can be utilised to pay off the liabilities.

Maturity analysis for financial liabilities and financial assets
The table below presents the undiscounted cash flows payable by the company under financial liabilities by remaining contractual maturities at the balance sheet date and from financial assets by expected maturity dates.

Liquidity risk management

Year ended 31 December 2020	**On demand**	**less than 3 months**	**3-12 months**	**1-5 years**	**Frw**	**Total USD**
Loans to customers						
Other assets	-	273,230,328	590,788,923	1,488,531	865,507,782	890,001
Cash and cash equivalents	32,424,917	3,345,845	170,572	1,932,664	37,873,998	38,946
Total	1,143,969,242	-	-	-	1,143,969,242	1,176,342
Other liabilities	**1,176,394,159**	**276,576,173**	**590,959,495**	**3,421,195**	**2,047,351,022**	**2,105,289**
Related party payables	-	87,497,756	60,452,362	1,081,761	149,031,879	153,249
Member savings	-	-	-	95,974,567	95,974,567	98,691
Total	352,766,493	-	-	-	352,766,493	362,749
Excess/(shortage) liquidity	**352,766,493**	**87,497,756**	**60,452,362**	**97,056,328**	**597,772,939**	**614,689**
	823,627,666	**189,078,417**	**530,507,133**	**(93,635,133)**	**1,449,578,083**	**1,490,600**

28. Financial risk management objectives and policies (continued)

i) Liquidity risk (continued)

Liquidity risk management	On demand	less than 3 months	3-12 months	1-5 years	Frw	Total USD
Year ended 31 December 2019						
Loans to customers	-	131,526,879	136,898,226	-	268,425,105	290,969
Other assets	26,231,993	9,295,461	28,717,352	-	64,244,806	69,640
Cash and cash equivalents	610,088,068	-	-	-	610,088,068	661,328
Total	**636,320,061**	**140,822,340**	**165,615,578**	**-**	**942,757,979**	**1,021,937**
Other liabilities	-	13,128,527	39,756,557	-	52,885,084	57,339
Related party payables	-	-	-	96,225,473	96,225,473	104,307
Member savings	76,947,689	-	-	-	76,947,689	83,410
Total	**76,947,689**	**13,128,527**	**39,756,557**	**96,225,473**	**226,058,246**	**245,056**
Excess/(shortage) liquidity	**559,372,372**	**127,693,813**	**125,859,021**	**(96,225,473)**	**716,699,733**	**776,881**

ii) Market risk

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

Management of market risk

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

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

Interest rate risk sensitivity analysis

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

	Effect on profit before tax Frw	Effect on profit before tax USD
Sensitivity analysis:		
31 December 2020 (+/-) 2%	(18,859,581)	(19,393)
31 December 2019 (+/-) 2%	(14,980,331)	(16,238)

28. Financial risk management objectives and policies (continued)

ii) Market risk (continued)

Interest risk sensitivity gap analysis

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

31-Dec-20	**Less than 1 Month Frw**	**01-Mar Months Frw**	**3 – 12 Months Frw**	**1 – 5 Years Frw**	**Total Frw**	**Total USD**
Assets						
Loans to customers	72,553,502	200,676,826	590,788,923	1,488,531	865,507,782	890,001
Total Financial Assets	**72,553,502**	**200,676,826**	**590,788,923**	**1,488,531**	**865,507,782**	**890,001**
Liabilities						
Member savings	36,673,930	80,721,945	158,422,929	76,947,689	352,766,493	362,749
Total Financial Liabilities	**36,673,930**	**80,721,945**	**158,422,929**	**76,947,689**	**352,766,493**	**362,749**
Total interest repricing gap	**35,879,572**	**119,954,881**	**432,365,994**	**(75,459,158)**	**512,741,289**	**527,252**
31-Dec-20						
Assets						
Loans to customers	34,132,039	97,394,840	136,898,226	-	268,425,105	290,969
Total Financial Assets	**34,132,039**	**97,394,840**	**136,898,226**	**-**	**268,425,105**	**290,969**
Liabilities						
Member savings	15,733,206	35,525,014	25,689,469	-	76,947,689	83,410
Total Financial Liabilities	**15,733,206**	**35,525,014**	**25,689,469**	**-**	**76,947,689**	**83,410**
Total interest repricing gap	**18,398,833**	**61,869,826**	**111,208,757**	**-**	**191,477,416**	**207,559**

28. Financial risk management objectives and policies (continued)

ii) Market risk (continued)

Interest risk sensitivity gap analysis

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

31-Dec-20	Less than 1 Month Frw	01-Mar Months Frw	3 – 12 Months Frw	1 – 5 Years Frw	Total Frw	Total USD
Assets						
Loans to customers	72,553,502	200,676,826	590,788,923	1,488,531	865,507,782	890,001
Total Financial Assets	**72,553,502**	**200,676,826**	**590,788,923**	**1,488,531**	**865,507,782**	**890,001**
Liabilities						
Member savings	36,673,930	80,721,945	158,422,929	76,947,689	352,766,493	362,749
Total Financial Liabilities	**36,673,930**	**80,721,945**	**158,422,929**	**76,947,689**	**352,766,493**	**362,749**
Total interest repricing gap	**35,879,572**	**119,954,881**	**432,365,994**	**(75,459,158)**	**512,741,289**	**527,252**
31-Dec-20						
Assets						
Loans to customers	34,132,039	97,394,840	136,898,226	-	268,425,105	290,969
Total Financial Assets	**34,132,039**	**97,394,840**	**136,898,226**	**-**	**268,425,105**	**290,969**
Liabilities						
Member savings	15,733,206	35,525,014	25,689,469	-	76,947,689	83,410
Total Financial Liabilities	**15,733,206**	**35,525,014**	**25,689,469**	-	**76,947,689**	**83,410**
Total interest repricing gap	**18,398,833**	**61,869,826**	**111,208,757**	**-**	**191,477,416**	**207,559**

28. Financial risk management objectives and policies (continued)

ii) Market risk (continued)

Foreign currency risk exposure

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The board of directors has set limits on foreign currency positions and revaluations are monitored on daily basis to ensure that positions are maintained within the established limits.

The amounts below summarise the foreign currency exposure position as at 31 December.

As at 31 December 2020	**USD Frw**
Assets	
Cash and cash equivalents	434
Balances with banks	1,175,908
Loans to customers	890,001
Other Assets	38,946
Total Assets	**2,105,289**
Liabilities	
Member savings	362,749
Related party payables	98,691
Donor grants	220,265
Other liabilities	153,249
Total Liabilities	834,954
Net financial position	**1,270,335**

Foreign currency risk exposure

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

31-Dec-20	**Effect on profit before tax Frw**	**Effect on profit before tax USD**
Changes in USD +/- 10%	(94,297,906)	(96,966)

28. Financial risk management objectives and policies (continued)

ii) Market risk (continued)

Foreign currency risk exposure (continued)

As at 31 December 2020	**USD Frw**	**USD Frw**
Assets		
Cash and cash equivalents	1,035	1,035
Balances with banks	660,293	660,293
Loans to customers	290,969	290,969
Other Assets	69,641	69,641
Total Assets	**1,021,938**	**1,021,938**
Liabilities		
Member savings	83,410	83,410
Related party payables	104,307	104,307
Donor grants	377,311	377,311
Other liabilities	57,338	57,338
Total Liabilities	**622,366**	**622,366**
Net financial position	**399,572**	**399,572**

Foreign currency risk exposure

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

31-Dec-19	**Effect on profit before tax Frw**	**Effect on profit before tax USD**
Changes in USD +/- 10%	(74,901,657)	(81,192)

28. Financial risk management objectives and policies (continued)

iii) Credit risk

COVID-19 consideration

IFRS 7 Financial Instruments: Disclosures requires disclosure of the nature and extent of risks arising from financial instruments and how the company manages those risks. The Company introduced changes to the way it does business, which impacted the credit risk that arises from the transactions that it enters into and the way it manages those risks.

Significant impacts of the COVID-19 pandemic on the credit risks arising from financial instruments have been managed by the Company through tighter requirements for lending.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets and is managed on a company-wide basis. Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution. The Company carries out its own assessment of credit risk before investing in corporate bonds and updates such assessments at each reporting date.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

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

There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the Company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Company's financial assets on the basis of shared credit risk characteristics, such as:

28. Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

- Type of instrument
- Industry in which the debtor operates
- Nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

Significant financial difficulty of the debtor

A breach of contract

It is probable that the debtor will enter bankruptcy

The disappearance of an active market for the financial asset because of financial difficulties.

The company has exposure to credit risk, which is the risk that counterparty will be unable to pay amounts in full when due. The highest concentration of credit exposure within the company relates to cash and cash equivalents held with banks and trade receivables. The company places all its funds with recognized financial institutions with strong credit ratings and does not consider the credit exposure to be significant as far as cash and cash equivalents are concerned. The company is exposed to credit risk in its trade receivables and the Company manages this through assessing the credit worthiness of the customers and the effective collectability exercised by the management.

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

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

	31-Dec 2020 Frw	31-Dec 2020 USD	31-Dec 2019 Frw	31-Dec 2019 USD
Loans to customers (Note 7)	865,507,782	890,001	268,425,105	290,969
Cash at Bank	1,143,547,404	1,175,908	609,133,397	660,293
Total	2,009,055,186	2,065,909	877,558,502	951,262

Credit quality analysis

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

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

BRAC RWANDA MICROFINANCE COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

28. Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

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

31 December 2020	Stage 1 Frw	Stage 2 Frw	Stage 3 Frw	Total Frw	Total USD
Loans to customers (Gross)	866,198,688	5,302,900	22,882,518	894,384,106	919,694
Impairment loss	(12,916,672)	(156,289)	(15,803,363)	(28,876,324)	(29,693)
Carrying Amount	**853,282,016**	**5,146,611**	**7,079,155**	**865,507,782**	**890,001**

31 December 2019	Stage 1 Frw	Stage 2 Frw	Stage 3 Frw	Total Frw	Total USD
Loans to customers (Gross)	271,116,875	-	-	271,116,875	293,887
Impairment loss	(2,691,770)	-	-	(2,691,770)	(2,918)
Carrying Amount	**268,425,105**	-	-	**268,425,105**	**290,969**

BRAC RWANDA MICROFINANCE COMPANY PLC
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28. Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

Collateral

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

As at 31-Dec 2020	Stage 1	Stage 2	Stage 3	Carrying Amount	Carrying Amount	Fair value of collateral	Fair value of collateral	Net exposure	Net exposure	Associated ECL	Associated ECL
	Frw	Frw	Frw	Frw	USD	Frw	USD	Frw	USD	Frw	USD
Loans to customers	853,282,016	5,146,611	7,079,155	865,507,782	890,001	249,600,000	256,663	615,907,782	633,338	28,876,324	29,693
Grand total	**853,282,016**	**5,146,611**	**7,079,155**	**865,507,782**	**890,001**	**249,600,000**	**256,663**	**615,907,782**	**633,338**	**28,876,324**	**29,693**

As at 31-Dec 2019	Stage 1	Stage 2	Stage 3	Carrying Amount	Carrying Amount	Fair value of collateral	Fair value of collateral	Net exposure	Net exposure	Associated ECL	Associated ECL
	Frw	Frw	Frw	Frw	USD	Frw	USD	Frw	USD	Frw	USD
Loans to customers	268,425,105	-	-	268,425,105	290,969	-	290,969	268,425,105	290,969	2,691,770	2,918
Grand total	**268,425,105**	**-**	**-**	**268,425,105**	**290,969**	**-**	**290,969**	**268,425,105**	**290,969**	**2,691,770**	**2,918**

BRAC RWANDA MICROFINANCE COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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28. Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

Changes in loss allowance

Loans and advances to customers	Stage 1 12 month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000	USD
Loss allowances as at 1 January 2020	2,691,770	-	-	2,691,770	2,918
Movement in the year					
New loans to customer	10,224,902	156,289	15,803,363	26,184,554	26,775
Net movement in the year	12,916,672	156,289	15,803,363	**28,876,324**	**29,693**
Loss allowance as at 31 December 2020	**12,916,672**	**156,289**	**15,803,363**	**28,876,324**	**29,693**
Loss allowances as at 1 January 2019	-	-	-	-	-
Movement in the year					
New loans to customer	2,691,770	-	-	2,691,770	2,918
Net movement in the year	**2,691,770**	**-**	-	**2,691,770**	**2,918**
Loss allowance as at 31 December 2019	**2,691,770**	**-**	**-**	**2,691,770**	**2,918**

28. Financial risk management objectives and policies (continued)

iv) Foreign exchange risk management

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

v) Operational risk

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

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

vi) Capital Management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings.

29. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Loans and advances to customers

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

Fair value hierarchy

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

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

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

BRAC RWANDA MICROFINANCE COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

29. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

Fair values of financial instruments

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

31 December 2020	**Level 1 FRW**	**Level 2 FRW**	**Level 3 FRW**	**Total FRW**	**USD**
Loans to customers	-	865,507,782	-	865,507,782	890,001
Other assets	-	37,873,998	-	37,873,998	38,946
Cash and cash equivalents	-	1,143,969,242	-	1,143,969,242	1,176,342
Total	**-**	**2,047,351,022**	**-**	**2,047,351,022**	**2,105,289**
Other liabilities	-	149,031,879	-	149,031,879	153,249
Donor grant	-	214,202,839	-	214,202,839	220,265
Total	**-**	**363,234,718**	**-**	**363,234,718**	**373,514**

31 December 2019	**Level 1 FRW**	**Level 2 FRW**	**Level 3 FRW**	**Total FRW**	**USD**
Loans to customers	-	268,425,105	-	268,425,105	290,969
Other assets	-	64,244,806	-	64,244,806	69,640
Cash and cash equivalents	-	610,088,066	-	610,088,066	661,328
Total	**-**	**942,757,979**	**-**	**942,757,979**	**1,021,937**
Other liabilities	-	52,895,084	-	52,895,084	57,339
Donor grant	-	346,834,239	-	346,834,239	377,311
Total	**-**	**399,729,323**	**-**	**399,729,323**	**434,650**

30. CAPITAL COMMITMENTS

There were no capital commitments as at year end. (2019; None).

31. IMPACT OF COVID

The existence of novel coronavirus (Covid-19) from early 2020 causing disruptions to businesses and economic activity. The company has assessed the lockdown measures put in place in January 2021 and considers it to be a non-adjusting post balance sheet event. The company incorporated COVID 19 impact while estimating the expected credit losses particularly on the sectors significantly impacted.

During the year, the government imposed a lock down of 5 months from 21 March 2020. Subsequently the lockdown was lifted and a curfew imposed on movements.

32. TAX

As per Law N° 006/2021 of 05/02/2021 on investment promotion and facilitation, the company from is exempt taxes for five years from the date of registration. As such the income tax expense is Nil (2019 Nil) and no deferred taxes have been computed.

33. CONTINGENT LIABILITIES

The company had no contingent liabilities as at 31 December 2020 (2019: Nil).

34. ULTIMATE PARENT COMPANY

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

35. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date that require disclosure in or adjustments to the financial statements as at the date of this report. (2019: NONE)

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