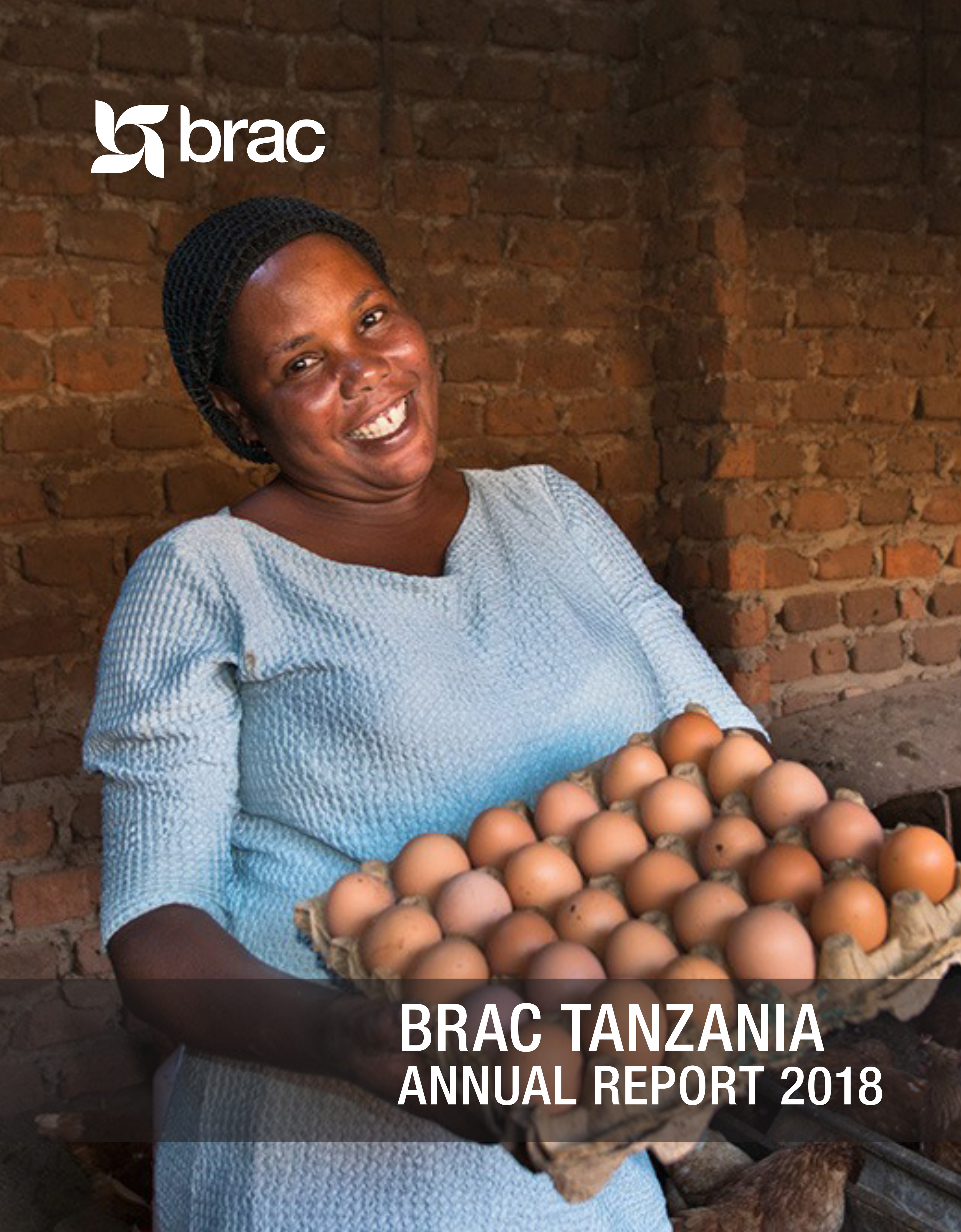

# BRAC TANZANIA
## ANNUAL REPORT 2018

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# LETTER FROM THE EXECUTIVE DIRECTOR

Gender inequity is a pervasive problem locally, nationally and globally. Not only does it affect the individual lives of both women and men, but it stunts economic growth and hinders sustainable development.

Gender gaps persist in social, economic, cultural and political spheres. Women, until today, do not have equal access to education, healthcare, decent work or representation in political and economic decision-making processes, and are often paid less than men for the same work. Out of the total number of people in the world who are illiterate, women make up 66%.

Human rights allow people to live with dignity, freedom, equality and justice. Gender equity is a fundamental human right, and an essential prerequisite to eradicating poverty and building a peaceful and sustainable world. It is why the United Nations set Sustainable Development Goal 5 as a call to achieve gender equality and empower women and girls everywhere. As an organisation working towards a more equitable future for all, we are committed to advancing our efforts in meeting this goal.

Our empowerment and livelihood for adolescents (ELA) programme socially and financially empowers teenage girls in Liberia, Nepal, Sierra Leone, Tanzania, and Uganda. 20,649 girls accessed life skills and financial literacy training in 2018. We work in countries with the highest rates of child marriage and teenage pregnancy, with a holistic combination of social awareness, life skills and mentoring giving girls a second chance at education and increasing their confidence.

When girls are socially aware of their rights, they find the confidence to assert themselves and resolve conflict. Through our education programmes in Afghanistan, Liberia, Philippines, Tanzania, and Uganda, we helped 25,016 girls in 2018 understand that education is a necessity to avoid early marriage, poverty, and inequity. Approximately 1.7 billion adults in the world do not have access to formal financial services, and over half of them are women, according to the World Bank. We provide households living in poverty with financial access, create self-employment opportunities, and harness the entrepreneurial skills of women. We reached around 600,000 women in six countries in Africa and Asia through our microfinance programme in 2018.

We focus on women and young people by supporting them to increase their income and improve food security and wellbeing through our agriculture, food security and livelihood programme across Africa and Asia.

We look forward to continuing on the journey to strengthen our efforts for a gender-equal world. We will reach an additional 192,000 girls by 2020 with robust livelihood training programmes that will ensure sustainable economic independence. We want to see a future where women all over the world have the opportunity to reach their full potential.

**Faruque Ahmed**
Executive Director
BRAC International



# MESSAGE FROM THE COUNTRY REPRESENTATIVE

Since 2006, BRAC Tanzania has accomplished great success that has impacted the lives of over four million people in 25 of the country's 31 administrative regions.
Our key achievements of 2018 include the success of our Education programme's Early Childhood Development curriculum that is in the final stages of being integrated into the Tanzania Government Early Childhood Education Program. This is a great milestone which further strengthens our relationship with the Tanzanian government and also motivates us to continue designing programmes that change lives of our children and adults.

Through our Small Enterprise Programme (SEP) two of our clients received top entrepreneurship awards by the Citi Foundation. Our Microfinance and Small Enterprise Programme reached a total of 197,101 and 6,797 clients respectively; of whom 96% are women. We are proud to report that we stand firm on the top slot of all non-deposit taking MF entities in Tanzania in terms of branch network, active borrowers, and loan outstanding.

In Microfinance, we successfully launched a new project geared at tackling unemployment and provide access to clean energy called WeSOLVE (Women Entrepreneurship through the Solar Value chain for Economic development in Tanzania). The project is funded by DANIDA and Signify Foundation and implemented in partnership Solar Sister.

For 2019 and beyond, our focus is in raising more resources for development programmes centered on Agriculture, Food Security and Livelihoods, Empowerment and Livelihood for Adolescents, Early Childhood Development and Social Enterprises. We will aggressively explore opportunities in Social Enterprise around Youth Programming, Early Child Development, and more.

BRAC Tanzania is privileged to be part of BRAC, the largest development organisation in the world, that has been ranked as the number one NGO in the world for the fourth consecutive time by the NGO Advisor. In Tanzania we are one of the largest development organizations that has been doing good work. Nevertheless, we are working towards becoming an even greater NGO.

All this achievement would not have been possible without the unwavering support of our investors, donors, partners, BRAC Tanzania Advisory Council and the Government of Tanzania. Together, we are set to move from good to great.

Sincerely,

**Fordson Kafweku**
Country Representative
BRAC Tanzania

# BUILDING A WORLD WE WANT

The idea behind Stichting BRAC International is to change systems of inequity. We act as a catalyst, creating platforms for people to realise their potential. We were born in Bangladesh and now we operate in 11 countries across Asia and Africa. BRAC is a global leader in developing cost-effective, evidence-based programmes, and has been ranked the #1 NGO in the world for the last four years consecutively by NGO Advisor.

## SOCIAL DEVELOPMENT

Facilitating social transformation through eight programmatic priorities: Eliminating extreme poverty, expanding financial choices, employable skills for decent work, climate change and emergencies, gender equality, universal healthcare, pro-poorurban development, investing in the next generation.

## HUMANITARIAN RESPONSE

Ensuring that the most vulnerable, marginalised populations can mitigate risks, save lives, protect livelihoods, and build back better from disasters and crises. We provided nearly 60,000 people with life-saving assistance in Myanmar, following the devastating flood in July 2018, in close collaboration with the government and other stakeholders.

## SOCIAL ENTERPRISES

Solutions for social challenges and surplus for greater impact: Initiatives that engage individuals, micro and small enterprises as suppliers, producers and consumers.

## STICHTING BRAC INTERNATIONAL

Set up as a non-profit foundation in the Netherlands to govern and manage all BRAC entities outside Bangladesh, except for our affiliates. The entities are legally registered with relevant authorities in compliance with all applicable legal and regulatory requirements.

## AFFILIATES

**BRAC USA**

The North American affiliate of BRAC. BRAC USA provides comprehensive support to BRAC around the world by raising awareness about its work and mobilising resources to strengthen programmes.

**BRAC UK**

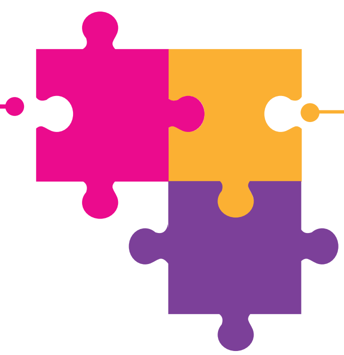
The European affiliate of BRAC. BRAC UK works to raise resources for BRAC programmes in Africa and Asia by developing partnerships with local and global organisations, donor agencies, academic and research institutions and governments.

## VISION

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

## MISSION

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



## VALUES

INTEGRITY
INNOVATION
INCLUSIVENESS
EFFECTIVENESS



# SAFEGUARDING FOR ALL

## WHAT IS SAFEGUARDING?

'Safeguarding' refers to the ways of protecting individuals from any kind of misconduct or harassment including - sexual harassment, oppression, intimidation, humiliation, violence, discrimination, neglect and exploitation.

### BRAC'S SAFEGUARDING POLICY IS MEANT FOR:

- Stakeholders
- Partners and donors
- Employees and volunteers

### WHO ARE MOST PRONE TO SAFEGUARDING RISKS?

- Children
- Adolescents
- Women
- Adults with special needs
- People with disabilities

### SAFEGUARDING RESPONSIBILITIES OF BRAC'S EMPLOYEES AND VOLUNTEERS

- Ensure safeguarding for everyone involved, starting from the programme design to its implementation.
- Ensure employees of all parties involved are aware of safeguarding-related issues before signing a contract with a donor and/or partner organisation.
- Verify the moral values of all applicants during recruitment.
- Develop a clear understanding of what constitutes as harassment, and share that information with others.
- Inform relevant authorities immediately upon witnessing an incident of harassment.

## SAFEGUARDING IS EVERYONE'S RESPONSIBILITY

# ABOUT US

## STICHTING BRAC INTERNATIONAL

Set up in 2009 as a non-profit foundation in the Netherlands to govern and manage all BRAC entities outside Bangladesh, except for our affiliates. In each of these countries, the entities are legally registered with relevant authorities in compliance with all applicable legal and regulatory requirements.

> **Gender equality is a prerequisite for a just and humane society**
>
> **Sir Fazle Hasan Abed**
> Founder & Chairperson, BRAC

## BRAC INTERNATIONAL HOLDINGS B.V.

Set up in 2010 as a private limited liability company under the laws of the Netherlands and is a wholly-owned subsidiary of Stichting BRAC International. It is a socially responsible for profit organisation, engaging people in economic activities, and creating sustainable income generating activities for themselves. It provides funding for the social development programmes under Stichting BRAC International. The core focus is to provide microfinance services to people who are financially constrained and marginalised, and people who do not have access to the financing facilities offered by banks and other non-bank financial institutions.

## OUR AFFILIATES

Founded in 2006 to raise our profile globally. They play a critical role building awareness, developing new business plans, mobilizing resources, and maintaining effective partnership with institutional donors, foundations, NGOs, research organisations as well as the media. They collaborate with international counterparts to design and implement cost-effective and evidence-based poverty innovations worldwide.

## BRAC USA

The North American affiliate, BRAC USA provides comprehensive support to BRAC around the world by raising awareness about its work and mobilising resources to strengthen programmes.

## BRAC UK

The European affiliate, BRAC UK works to raise resources for BRAC programmes in Africa and Asia by developing partnerships with local and global organisations, donor agencies, academic and research institutions and governments.



# STICHTING BRAC INTERNATIONAL MANAGEMENT AS OF 31 JULY, 2018

## MANAGEMENT BOARD

**FARUQUE AHMED**
EXECUTIVE DIRECTOR
BRAC International

**SHAMERAN ABED**
SENIOR DIRECTOR
Microfinance, Ultra Poor Graduation
BRAC and BRAC International

**LAMIA RASHID**
DIRECTOR
Africa Region
BRAC International

**M ANOWAR HOSSAIN**
DIRECTOR
Asia Region
BRAC International

## OTHER DIRECTORS

**HANS ESKES**
DIRECTOR
BRAC International Holding B.V.

**DIRK BROER BOOY**
SENIOR DIRECTOR
Programme Development, Resource Mobilisation and Learning,
BRAC and BRAC International

**MUNMUN CHOWDHURY**
CHIEF PEOPLE OFFICER
BRAC International

**MOUTUSHI KABIR**
DIRECTOR
Communications and Outreach
BRAC and BRAC International

**NANDA DULAL SAHA**
DIRECTOR
Internal Audit
BRAC and BRAC International

**KENNETH CAROL VAN TOLL**
DIRECTOR
Fundraising
BRAC International

# STICHTING BRAC INTERNATIONAL SUPERVISORY BOARD

**Sir Fazle Hasan Abed KCMG**
Founder and Chairperson

Stichting BRAC International Supervisory Board
BRAC International Holdings B.V. Supervisory Board

Sir Fazle was born in 1936 in Bangladesh. He studied Accountancy in London, qualifying as a Cost Management Accountant in 1962. While he was working as a senior corporate executive at Pakistan Shell, the 1970 cyclone and 1971 Liberation War in Bangladesh dramatically changed the direction of his life. He left his job and moved to London, where he helped initiate Action Bangladesh and HELP Bangladesh in support of the Liberation War.

Early in 1972, after the war was over, he returned to the newly-independent Bangladesh, finding the economy in ruins. The return of 10 million refugees, who had sought shelter in India during the war, called for urgent relief and rehabilitation efforts. Sir Fazle established BRAC to address the needs of refugees in a remote area of north-eastern Bangladesh, guided by a desire to help the poor develop their own capacity to better manage their lives.

Today BRAC is one of the largest NGOs in the world, operating across eleven countries in Africa and Asia. Its primary objectives are to alleviate poverty and empower the poor. In 2019, for the fourth consecutive year, BRAC was ranked first among the world's top 500 NGOs by Geneva-based 'NGO Advisor' in terms of impact, innovation and sustainability.

Sir Fazle has been honoured with numerous national and international awards for his achievements in leading BRAC, including the LEGO Prize (2018), Laudato Si' Award (2017), Jose Edgardo Campos Collaborative Leadership Award, South Asia Region (2016), Thomas Francis, Jr. Medal in Global Public Health (2016), World Food Prize (2015), Trust Women Hero Award (2014), Spanish Order of Civil Merit (2014), Leo Tolstoy International Gold Medal (2014), CEU Open Society Prize (2013), Inaugural WISE Prize for Education (2011), Entrepreneur for the World Award (2009), David Rockefeller Bridging Leadership Award (2008), Inaugural Clinton Global Citizen Award (2007), Henry R. Kravis Prize in Leadership (2007), Palli Karma Shahayak Foundation (PKSF) Award for lifetime achievement in social development and poverty alleviation (2007), UNDP Mahbubul Haq Award for Outstanding Contribution to Human Development (2004), Gates Award for Global Health (2004), Gleitsman Foundation International Activist Award (2003), Schwab Foundation's Social Entrepreneurship Award (2003), Olof Palme Prize (2001), InterAction Humanitarian Award (1998) and Ramon Magsaysay Award for Community Leadership (1980).

He is also recognised by Ashoka as one of the 'global greats' and is a founding member of its prestigious Global Academy for Social Entrepreneurship. He was a member of the Commission on Health Research for Development (1987-90), the Independent South Asian Commission on Poverty Alleviation (1991-92) and the High-level Commission on Legal Empowerment of the Poor (2005-2008). In 2009, he was appointed Knight Commander of the Most Distinguished Order of St. Michael and St. George by the British Crown in recognition of his services to reducing poverty in Bangladesh and internationally. Sir Fazle was a member of the Group of Eminent Persons appointed by the UN Secretary-General in 2010 to advise on support for the Least Developed Countries. In 2014 and 2017, he was named in Fortune Magazine's List of the World's 50 Greatest Leaders.

The many honorary degrees received by Sir Fazle Hasan Abed include those from Princeton University (2014), the University of Oxford (2009), Columbia University (2008) and Yale University (2007). He was a visiting scholar at Harvard University in 1981.

**Sylvia Borren**
Vice Chair

Stichting BRAC International Supervisory Board
BRAC International Holdings B.V. Supervisory Board

**Sylvia Borren** has worked all her life within and for civil society organisations, both professionally and as a volunteer.

She was part of the Dutch and global women's and sexual rights movements (COC, ILGA, IWC for a just and sustainable Palestinian-Israeli peace) and is now advisor to the UN Women National Committee Netherlands and ATRIA (the Institute on gender equality and women's history). Ms Borren was part of the anti-poverty movement (director of Oxfam Novib 1994-2008, co-chair of the Global Call to Action against Poverty and EEN) and is now the Vice Chair of the Stichting BRAC International Supervisory Board.

She was on two national governmental advisory commissions (for Youth Policy and the Advisory Council on International Affairs), co-chair of the Worldconnectors (a Dutch think tank), on the board of a large mental health institute (Altrecht), worked as an organisational consultant with De Beuk for many years, led the project Quality Educators for All with the trade union Education International, and continues to be a member of the Worldconnectors.

Ms Borren was recently director of Greenpeace Netherlands (2011-2016), part of the Forest Stewardship Council Netherlands, and is now on the advisory commission of Staatsbosbeheer, which manages nature reserves.

She is now a freelance consultant at 'Working for Justice' and a senior adviser for Governance & Integrity.

**Dr Debapriya Bhattacharya**
Member

Stichting BRAC International Supervisory Board

**Dr Debapriya Bhattacharya,** a macroeconomist and public policy analyst, is a Distinguished Fellow at the Centre for Policy Dialogue (CPD), Dhaka, where he was its first Executive Director. He was the Ambassador and Permanent Representative of Bangladesh to WTO and UN Offices in Geneva and Vienna and former Special Advisor on LDCs to the Secretary General of UNCTAD. Earlier, he was a Senior Research Fellow at the Bangladesh Institute of Development Studies (BIDS).

He studied in Dhaka, Moscow, and Oxford. Visiting positions held include Senior Fulbright Fellow at the Center for Global Development, Washington DC. He serves on the boards and working groups of various leading institutions and editorial boards of reputed journals including Oxford Development Studies. He was General Secretary of the Bangladesh Economic Association for three consecutive terms.

Dr Bhattacharya chairs the Southern Voice, a network of 50 think tanks from Africa, Asia, and Latin America, dedicated to following up and reviewing the implementation of the Sustainable Development Goals (SDGs). He led the pioneering multi-country studies on shaping the 2030 Agenda of the United Nations, data deficits of SDG monitoring, and early signals of SDG implementation in the developing countries. He also chairs LDC IV Monitor, an independent partnership of eight international organisations and academic institutions engaged in monitoring the outcome of the fourth United Nations Conference on the Least Developed Countries.

He serves as the Convenor of the Citizen's Platform for SDGs, Bangladesh - a platform of more than 100 NGOs and private sector bodies, seeking to contribute to the delivery of the SDGs at the country level.

He recently edited the volume Bangladesh's Graduation from the Least Developed Countries Group: Pitfalls and Promises, Routledge (2018); Southern Perspectives on the Post-2015 International Development Agenda, Routledge, London (2017); team leader of the study Quest for Inclusive Transformation of Bangladesh: Who Not to be Left Behind (2017).

**Shabana Azmi**
Member

Stichting BRAC International Supervisory Board

**Shabana Azmi** is an internationally celebrated film and theatre actress. She has won five national and five international awards for best actress.

She is a highly respected social activist and tireless campaigner for the rights of women, slum dwellers, and the underprivileged. She heads the Mijwan Welfare Society (MWS), an NGO that works for empowerment of the girl child in rural India. MWS works on education, primary health and sanitation, skill development, and employment generation.

Ms Azmi was nominated to The Rajya Sabha by the President of India in 1997. She is a recipient of the Padmashri and Padma Bhushan. She was awarded the Gandhi International Peace Prize in 2006. At the bicentennial celebrations of international human rights in Paris in 1989, she was honoured along with Mother Theresa by President Mitterand of France. She also won the Crystal Award at the World Economic Forum 2006. She has been conferred five Doctorates by renowned universities, both national and international. She has received the prestigious Martin Luther King, Rosa Park, and Chavez Awards and is a visiting professor at the University of Michigan. A former UN Goodwill Ambassador for Population and Development, she continues to work on issues of public health. She has recently been nominated as Global Leadership Ambassador for Women in Public Service Project initiated by Hillary Clinton.

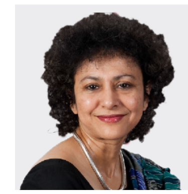
**Shafiqul Hassan**
Member

Stichting BRAC International Supervisory Board

**Shafiqul Hassan** is the managing director of Echo Sourcing Limited UK and Echotex Limited Bangladesh. Echotex received Bangladesh's National Environmental Award, Metropolitan Chamber of Commerce and Industry, Dhaka's Environmental Award, and J Sainsbury plc's Corporate Social Responsibility Award in 2010. Echotex was also awarded Best Clothing Supplier in 2011 as well as Best Clothing Supplier and Supplier of the Year in 2012 by J Sainsbury plc.

Mr Hassan co-founded a premium clothing label called Ninety Percent, launched in 2018, that shares ninety percent of its distributed profits between social and environmental causes, along with the people who are involved in making the clothes. He is the co-founder of Children's Hope, an NGO that works to educate slum children in Dhaka.

He obtained his undergraduate degree from City University, London and postgraduate degrees from Aston University, Birmingham, UK.



**Irene Khan**
Member

Stichting BRAC International Supervisory Board

**Irene Zubaida Khan** is director general of the International Development Law Organization (IDLO). The first woman to hold this office, she took up her position on January 1, 2012.

An international thought leader on human rights, gender, and social justice issues, Ms Khan was secretary general of Amnesty International from 2001 to 2009. Prior to that, she worked for the UN High Commissioner for Refugees for 21 years at headquarters and in various field operations. She was visiting professor at the State University of New York Law School (Buffalo) in 2011.

Irene sits on the boards of several international human rights and development organisations. She is the recipient of numerous honorary degrees and prestigious awards, including the City of Sydney Peace Prize in 2006 for her work to end violence against women and girls. Her book, The Unheard Truth: Poverty and Human Rights, has been translated into seven languages.

Born in Bangladesh, Ms Khan studied law at the University of Manchester and Harvard Law School.

**Parveen Mahmud FCA**
Member

**Stichting BRAC International Supervisory Board**
**BRAC International Holdings B.V. Supervisory Board**

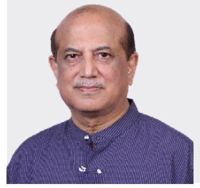
**Parveen Mahmud,** in her varied professional career has worked with social innovations, entrepreneurship, and sustainable development. Ms Mahmud started her career with BRAC, and has worked with international NGOs and development agencies. She was the deputy managing director of PKSF, Bangladesh's 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.



**Dr Mushtaque Chowdhury**
Vice Chairperson

**Stichting BRAC International Supervisory Board**

**Dr Mushtaque Chowdhury** is a professor of population and family health at Columbia University's Mailman School of Public Health, New York and has worked as a MacArthur/Bell Fellow at Harvard University.

Dr Chowdhury is one of the founding members of the Bangladesh Education Watch and Bangladesh Health Watch. He is on the board and committees of several organisations and initiatives, including the Advisory Boards of the London School of Economics' South Asia Centre and the Lead Group for Scaling Up Nutrition Movement at the UN. He is a founding member of the Board of Trustees of the Humanitarian Leadership Academy in London and is the chair of the Asia-Pacific Action Alliance on Human Resources for Health (AAAH). Dr Chowdhury is also a member of the Technical Advisory Committee of Compact2025 at International Food Policy Research Institute (IFPRI), Expert Group on scaling up in Education at the Results for Development (R4D), and Leaders Group of Sanitation and Water for ALL (SWA) at Unicef Headquarters. He is also a senior adviser at the Bangladesh Institute of Development Studies (BIDS).

Dr Chowdhury was a coordinator of the UN Millennium Task Force on Child Health and Maternal Health, set up by former UN Secretary General Kofi Annan.

Dr Chowdhury has received a number of awards, including Humanitarian Award from the Distressed Children International at Yale University in 2013, the Medical Award of Excellence from Ronald McDonald House Charities in USA in 2017, and the Most Impactful Book Award from the University Press Limited in 2018.

Dr Chowdhury has published several books and over 200 articles in peer-reviewed international journals, including the The Lancet, Journal of International Development, and The Scientific American.

Dr Chowdhury holds a PhD from the London School of Hygiene and Tropical Medicine, an MSc from the London School of Economics, and a BA from the University of Dhaka.

**Dr Fawzia Rasheed**
Member

**Stichting BRAC International Supervisory Board**

**Dr Fawzia Nazli Rasheed** is a programme and governance analyst. She has worked within 30 countries to evaluate and develop initiatives, national plans, and broker intergovernmental collaborations and public private partnerships. As Senior Policy Adviser at separate junctures to the World Health Organisation, UNAIDS, and The Global Fund, she undertook organisational reforms and developed strategic plans. She has also supported programme development in Asia and Africa for several INGOs, including CARE International, and Médecins Sans Frontières International.

She is currently Senior Advisor to the Aga Khan Development Network and a technical review panel member for AmplifyChange.

Her governance work includes conceptualising a performance-based funding system to strengthen country oversight for all programmes of The Global Fund; developing the Electoral Integrity Initiative (currently based within the Kofi Annan Foundation); and analysis of governance issues related to natural resource extraction for the Africa Progress Panel towards improved stewardship and banking reforms. As a board member/trustee of organisations, she has drafted constitutions and deployed anonymous, transparent tools for board elections and evaluations.

Dr Rasheed has a PhD in immunology/medicine from the London School of Hygiene and Tropical Medicine.

**Victoria Sekitoleko**
Member

**Stichting BRAC International Supervisory Board**

**Victoria Balyejusa Sekitoleko** is a former Minister of Agriculture in the Ugandan government. She was a representative of the United Nations Food and Agriculture Organization (FAO) in China, Mongolia, and South Korea, and previously served as the FAO's representative in Ethiopia to the African Union and to the Economic Community for Africa.

Ms Sekitoleko is currently the chair of the governing board of the Uganda Agribusiness Alliance, which unites all those involved in the industry to optimise their ability to profitably and sustainably pursue the many global opportunities in the world's largest industry.

In 2010, Victoria founded the Uganda Community Cultural Center which trades as Speakers Forum. This trains professionals to become skilled presenters and also supports community libraries.

Ms Sekitoleko was educated at Makerere University in Kampala, where she attained a BSc in Agriculture majoring in Farm Management and Extension.

## GROUP FINANCE AND AUDIT COMMITTEE

Composition of the present finance and audit committee is as follows:

Ms. Parveen Mahmud, Chair
Dr Muhammad Musa, Member
Ms. Sylvia Borren, Member
Mr. Faruque Ahmed, Member
Mr. Hans Eskes, Member
Mr. Abhijit Gupta, Acting Secretary of the Committee

The primary function of the finance and audit committee is to assist the governing board in fulfilling its responsibilities on the:

- Financial reporting and budgeting processes
- System of internal controls and risk assessment
- Compliance with legal and regulatory requirements
- Qualifications, independence, and performance of the external auditors
- Qualifications, independence, and performance of the internal auditfunction

# TANZANIA GOVERNANCE AND MANAGEMENT

## GOVERNANCE

### LOCAL BOARD MEMBERS

Mr. Faruque Ahmed
Shameran Abed
Johannes Maria Antonius Eskes

### BRAC MAENDELEO TANZANIA

Mr Faruque Ahmed
Ms Lamia Rashid

### BRAC ZANZIBAR

Mr Faruque Ahmed
Ms Lamia Rashid

### COUNTRY ADVISORY COUNCIL MEMBERS

Dr. Bill Kiwia-Chair
Dr. Hassan Mshinda
Zahra Nuru
Fatma Riyami
Audax Rukonge
Dr. Hassan Mshinda

## MANAGEMENT

Mr. Fordson Kafweku, Country Representative.
Mr. Syed Humayun Kabir, Programme Manager Microfinance.
Mr. Hafizur Rahman, Programme Manager, Small Enterprise Program.
Ms. Susan Bipa, Programme Manager, Education.
Mr. Onisi Gerald Lukosi, Acting Head Finance
Ms. Carolyne Mwanri, Head, Human Resources and Training.
Ms. Julieth Abia, Head Internal Audit.
Mr. Nassor Mnambila, Head, Admin, Procurement and Logistics.
Mr. Al Amin Sardar, Senior Manager, Fundraising and Proposal Dev.
Mr. Wilson Chacha, Manager, Fundraising and Resources Acquisition.
Ms. Emma Mbaga Manager, Communications.
Ms. Lilian Msofe, Senior Monitor.



# DEVELOPMENT PARTNERS

UKaid from the British people
Norad
The LEGO Foundation
NoVo Foundation create. change.
signify foundation
Vitol Foundation
WOMEN WIN
Standard Chartered
Theirworld A brighter future for every child
Ministry of Foreign Affairs of Denmark DANIDA International Development Cooperation

# EDUCATION

## SITUATION

People in poverty, discrimination, and disability are the most affected by this global learning crisis. Children and youth are out of school, including children who are vulnerable, indigenous, and living with disabilities. An estimated 2 million children between the ages of 7-13 years are out of school in Tanzania. Children in hard to reach areas lack access to primary schools, early stimulation, nutrition, and experience low quality of education.

## OUR INTERVENTION

In Tanzania, we make it possible for girls who had dropped out of school with an approach called the Accelerated Learning Programme (ALP) that gives them a second chance to education for girls who had dropped out halfway through lower-secondary education. With the successful completion of the ALP, adolescent girls can get access to formal secondary education or vocational training. The newly launched Education Empowerment and Life Skills for adolescents and Young Children (EELAY) project with NORAD aims to support adolescent girls complete secondary education under IAE (Institute of Adult Education). Additionally, under this project we prepare children aged 3-6 for primary schooling.

BRAC Tanzania's Early Childhood Development project, in partnership with LEGO foundation, is a unique early childhood development program that serves to provide education in a play model to the Tanzanian children. The intersection of play, social emotional learning, resilience, development of executive function and self-regulation skills in early childhood, is proving to have tremendous implications for stimulating breakthrough outcomes for children. The project is active in Mbeya and Dar es Salaam regions and is based on a curriculum which incorporates social and emotional learning. Our Play Labs are constructed in a sustainable and cost effective way.

## MOVING FORWARD

We have launched two new programmes which aim to provide both early childhood education, adult education, and other skills for youth empowerment. With our Empowerment, Education, Life-skills for Adolescent Girls and Young children (EELAY) programme we aim to create a sustainable model that will allow BRAC to effectively handover the programme to the community as well as cut costs by building centres that can be used for both ECD activities in the mornings and youth activities in the afternoon. Additionally, we are in the process of a rigorous community sensitization to motivate the community members to adopt the Play Lab model after the program phases out.

## HIGHLIGHTS

**35** study centers have been constructed, 23 in Tanga and **12** in Korogwe district

**940** girls were economically empowered and were able to find jobs.

**114** girls successfully graduated from **20** centers and went to secondary schools, while 10 were able to pursue advanced secondary education.

**22** students were enrolled in colleges while **42** went for vocational training.

Mainstreamed **1200** Play Lab children into government primary school.

**80** Play Lab were established.

Succeeded to establish ECD curriculum for children aged 3–5 and translate it in Kiswahili.

Provided **80** community members with employment opportunities through the established Play Labs.

Established **80** committees for children protection, which is managed by **480** members.

## WHEN LEARNING IS FUN AND GAMES

Jamila Idd is a 32 year old mother of two children. Her youngest child is Catherine James. Catherine joined at Llolo BRAC Play Lab in April 2018. Llolo Play Lab is at Llolo Street, in Mbeya city.

Jamila dedicates her time helping the Play Leaders in various activities. 'I love storytelling and playing with the children' shared Jamila. Jamila further adds that "Our Play Lab at Llolo Street has many activities that community members can help support such as arrangements of children, making play materials, cleaning the spaces, and feeding children. The design of the Play Lab curriculum is inclusive and contextualized for the development of children."

After Jamila has enrolled Catherine at a BRAC Play Lab, she has discovered many hidden talents of her child. Now, Catherine is more disciplined and mimics her Play Leader. Which gives Jamila the hope that one day her daughter would become a Teacher. Jamila shared that her daughter has never attended any school before. In just 3 months Catherine has improved in many ways, such as following instructions, socializing with her friends, sharing her learnings with other community children, and taking proper care of her play materials.

Jamila states that "I am glad I chose to enroll Catherine at Llolo Play Lab. It has improved both our lives greatly. I am thankful to BRAC Tanzania for starting this project and giving us the access to send our children in an environment of playing and learning."

# EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS

## SITUATION

In Tanzania girls aged 15 and over face many challenges and their journey to adulthood is not an easy one. Progress in the education sector of the country has faced tough challenges due to high levels of poverty and other livelihood emergencies. Children from the poorest households are four times more likely to be out of school than those of the richest households. It is estimated that only three out of five Tanzanian adolescents attend secondary school. Additionally, at least two out of five girls drop out of schools because of unintended pregnancy or early marriage.

## OUR INTERVENTION

Through our Empowerment and Livelihood for Adolescents (ELA) programme we provide life-saving and life-transforming services to adolescent girls and improve their awareness on harmful practices. Our ELA programme in Tanzania, innovatively combines life skills and livelihood training with a customised microfinance programme. We support girls who have dropped out of school because of various issues including pregnancy and financial constraints and help them get into formal education or sustain their livelihood through entrepreneurship activities.

In our ELA clubs, girls are able to discuss various problems related to early pregnancy and marriage, HIV/AIDS, gender-based discrimination, reproductive health and services, child rights, violence, rape, and drug abuse. Girls who have dropped out of school are provided with credit support for financial empowerment and different types of trade-based training such as tailoring, computer operating, photography, beauty parlour operations, food processing, poultry and livestock, horticulture nursery, vegetable growing, and agriculture.

## MOVING FORWARD

As we continue to support vulnerable adolescents, we develop new components to our existing programmes that are cost effective and of high quality to ensure sustainability and high impact in Tanzanian communities. A new project is being piloted in 15 ELA clubs in Temeke, Dar es Salaam-South, in partnership with Women Win and funded by Standard Chartered Bank. The goal of the project is to focus on skills development and employability skills.

## LITTLE STEPS LEAD TO BIG THINGS

I am Shalom Juma. I am 21 years old and I live in Fuoni, Zanzibar. When I finished my ordinary education and scored division four, I thought I could never flourish in life. My father is a street leader in Mbagala, he too had no idea about what I should do. I heard from my friends about BRAC's Empowerment and Livelihood for Adolescents (ELA) clubs, but at first I was reluctant to join. In April 2017 I joined one of the clubs at Mchikichini in Mbagala area.

I observed how successful and confident the ELA girls were, I wanted to become like them. I started participating and learning, and my persistence led me to become a mentor at an ELA club. The club organiser was surprised by my capacity in educating others and complimented me on how charming, creative, and active I was.

In June 2018, I got an opportunity to attend a short course on Food Production at a Vocational Training centre in Temeke. It was a great course and BRAC Tanzania covered all the course expenses. After the completion of the course I was placed for an internship at La 'Gemma Hotel (a five star hotel) in Zanzibar. After the end of my internship, I am hopeful that I will get employed full-time at a good hotel in Zanzibar.

Through BRAC Tanzania's support I got to acquire quality skills, I am now confident that I can make a living and support my family. My future plan is to have multiple sources of income and not just depend on my salary.

## HIGHLIGHTS

**5,444** girls are members of ELA clubs in Dar es Salaam, Iringa, Mbeya, and Dodoma.

Provided financial literacy training to **4,632** girls.

Total of **180** clubs exists in 2018. Provided Life skills trainings to **4417** girls.

Provided Livelihood trainings to **1,061** girls.

**12** girls in Dar es Salaam, **22** in Mbeya, 10 in Dodoma, and **6** in Iringa got employed in various industries after completion of the programme.

# MICROFINANCE

## SITUATION

Around 66% of Tanzanians live in rural and hard-to-reach areas with limited access to financial services. An estimated 56% of Tanzanians borrow money to meet their needs, through informal networks, such as friends and family.
Tanzania has experienced significant growth in the level of financial inclusion in the last decade, mainly due to the advent of mobile money. Nevertheless, more than 50% of the population remain unbanked.

## OUR INTERVENTION

BRAC Tanzania Microfinance programme started in 2006 to provide access to finance for people living in poverty. We offer two core products in Tanzania through 146 branches covering 25 regions of the country. We offer two main products - individual microloans for women delivered through groups, and enterprise loans targeting both male and female small-scale entrepreneurs. We also provide credit to youth and small-holder farmers through our agricultural finance programmes. Through the Small Enterprise Program (SEP) we aim to financially empower entrepreneurs who do not have access to formal financial services.

Our Credit Officers visit beneficiaries at least twice a month and we use this opportunity to equip them with financial literacy. As we continue to make our operations efficient, we provided our SEP clients with an opportunity to make loan payments through mobile devices. Currently, 94% of our clients pay through mobile devices, providing safety and convenience for both clients and staff.

## MOVING FORWARD

Each year we scale-up our operations in more remote areas by opening new branches. We will continue to offer services that address the needs of rural women, adolescents, and small entrepreneurs. We will provide Solar Loans through the WE SolVE initiative, with support from DANIDA and Sygnify Foundation and in partnership with Solar Sister, to enable people without access to traditional financing to purchase solar energy products such as lights and phone chargers.

## TOUGH TIMES NEVER LAST, TOUGH PEOPLE DO

My name is Jane Edward. I am 42 years old, and I live in Dar es Salaam, Tanzania. My husband died when our second child was only 3 months old. Even though my world shattered, I did not give up. I started working with a food vendor for only TZS 4,000 (USD 1.74) per day. At that time, I could barely provide for the family and was not even able to pay my rent. Luckily, the landlord was sympathetic to offer us a room for free. I worked double shifts and managed to save TZS 12,000 (USD 5.22) and decided to start my own business of making chapati (flatbreads). I first heard about BRAC's microfinance programme from a neighbour in 2016. I took my first loan of TZS 300,000 (USD 130) and invested the money to expand my business and increase the variety of snacks. Most of my customers are school children and pedestrians as I sell at a bus-stand with items displayed on a table. I start by selling tea early in the morning, and then during the afternoon, I sell snacks and bottled water.

I use local equipment since I do not have modern cooking utensils. For example, when I found a demand for crispy noodles, I used local tools to build my own noodle-making machine. In the near future, I would like to buy a freezer so that I can start selling ice creams.

Now, I make a profit of TZS 300,000 (USD 130) per month. I have an outstanding loan of TZS 950,000 (USD 413) and I am able to pay my weekly settlements without any difficulty. I am planning on buying a plot in Kibaha area to construct our new home.

## HIGHLIGHTS

**96%** of the clients we serve are women.

**146** branches with **197,172** Borrowers, an increase of **8%** from 2017.

**165,520** Microfinance borrowers, **6,797** SEP borrowers, **6,816** ELA/ ADP borrowers and **17,968** Agrifinance borrowers.

A total disbursement of **USD 91.39 million**, an increase of 11% from 2017.

**USD 73.14** million was disbursed in microfinance loans, **USD 10.20** million was disbursed in SEP loan, **USD 5.55** million was disbursed in Agrifinance and **USD 2.62** million was disbursed in ELA loan.

# WE SOLVE

## SITUATION

In Tanzania approximately 8.5 million households are not connected to the electrical grid and so must rely on expensive and toxic fuels for their daily needs. Meanwhile, many women are seeking a livelihood so they can take care of themselves and their families. Access to electricity in Tanzania was reported to be 32.8% in 2017 according to the World Bank. It is also reported that in rural areas the access is even lower at 19%.

## OUR INTERVENTION

BRAC Tanzania in partnership with Solar Sister, a non-profit that trains and supports women to deliver clean energy to rural African communities, and Signify, the world leader in lighting, successfully launched the Women Entrepreneurship through the Solar Value chain for Economic development (WE SOLVE) project. WE SOLVE is committed to improving employment and economic opportunities for women and providing access to clean energy in rural Tanzania.

Solar Sister provides training and opportunities for women entrepreneurs to sell clean energy products to their own and neighbouring communities. Signify, among other providers, ensures that these entrepreneurs have high-quality, energy-efficient, reliable and safe lighting to sell. The partners are piloting an innovative business and technology model committed to creating clean energy and safe jobs for women in rural areas.

## MOVING FORWARD

BRAC Tanzania and its partners will continue to work in improving the lives of numerous people living in dimly lit conditions in rural Tanzania. The project aims to tackle two issues, first to reduce unemployment and create economic opportunities for women, and secondly provide access to clean energy, especially for rural Tanzanians.

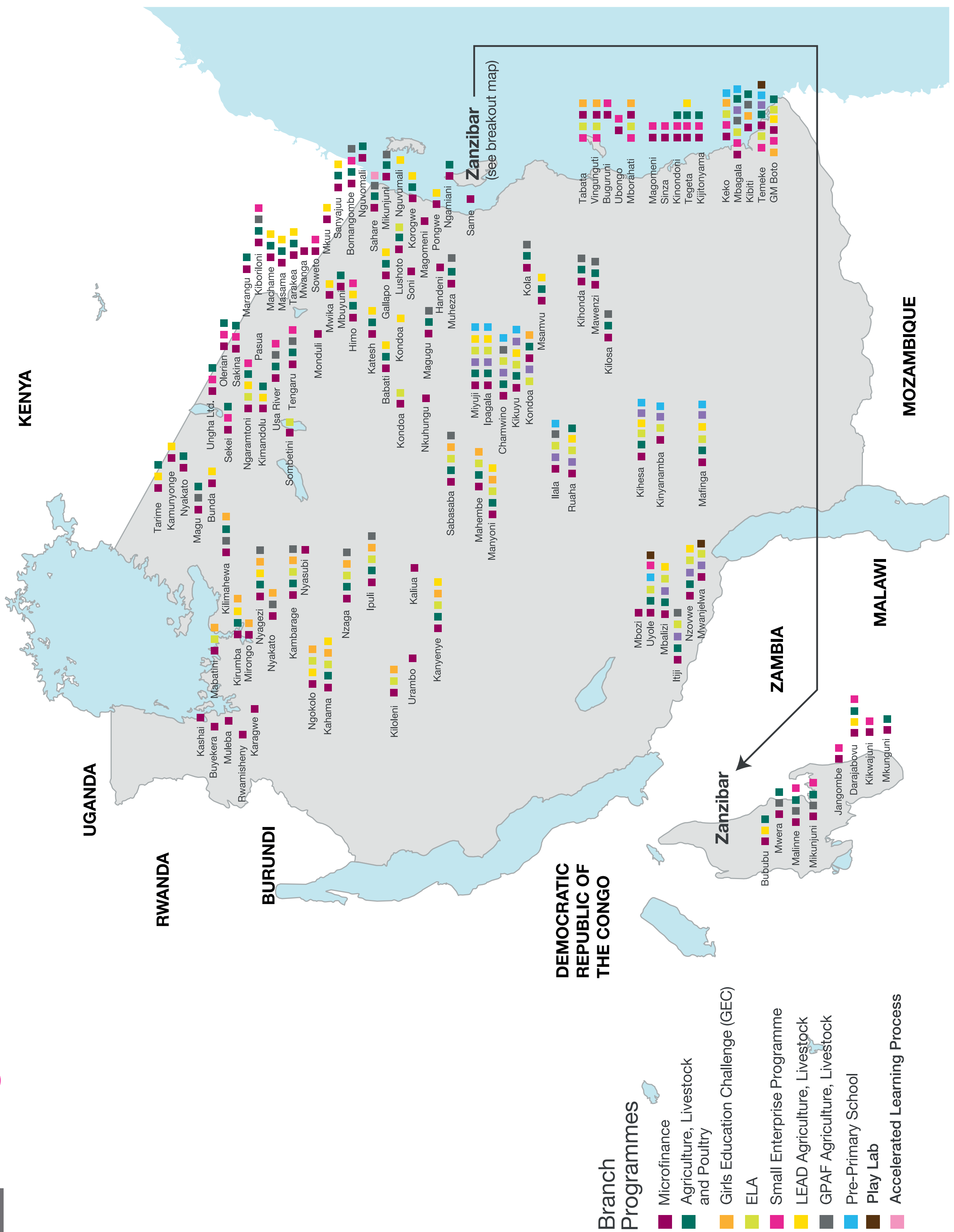
## EXPECTED IMPACT

Enhance the economic productivity and income of **261,375** households that translates to **1,306,875** beneficiaries through increased utilisation of solar lighting.

Enhance the economic productivity and income of **2000** Solar entrepreneurs.

Create **22** new jobs and maintain and improve existing **72** jobs in the solar energy value chain.

# BRAC TANZANIA





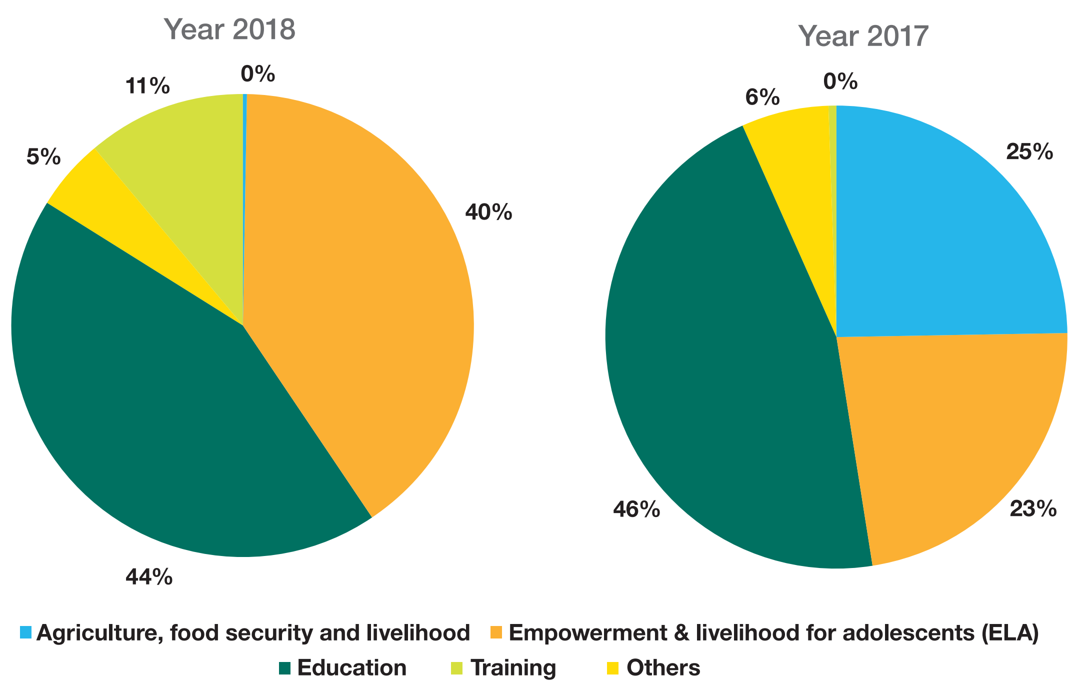

# FINANCIALS

# FINANCIAL HIGHLIGHTS – NGO

BRAC in Tanzania received grants amounting to USD 1,809,804 in 2018 as against USD 1,976,010 in 2017. Total Project expenses for the year were USD 1,749,619 (USD 2,044,726 in 2017). Out of the total expenses majority is expensed in Education programe supported by NORAD & LEGO Foundation. All most 93% of total expenditure is being used for program service with only 7% being incurred for administrative expenses.

## PROGRAMME COST BY NATURE

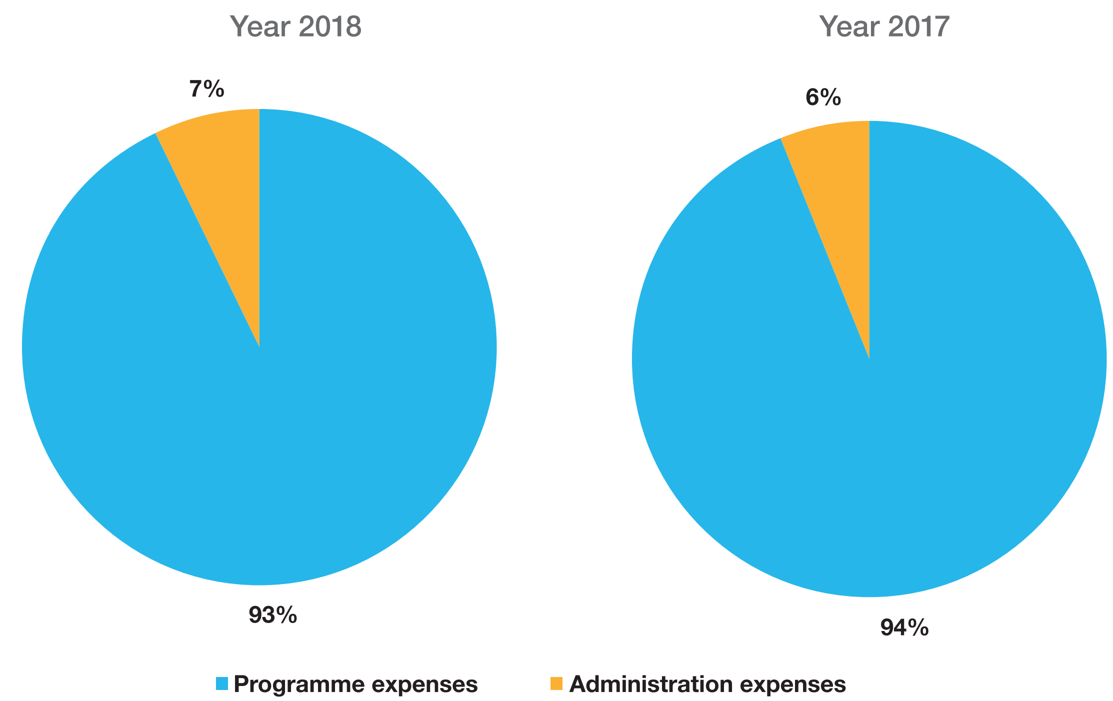
| PROGRAMME | 2018 USD | % | 2017 USD | % |
|---|---|---|---|---|
| Agriculture, food security and livelihood | - | 0% | 507,605 | 25% |
| Empowerment and livelihood for adolescents | 698,429 | 40% | 470,165 | 23% |
| Education | 760,311 | 44% | 948,502 | 46% |
| Training | 92,319 | 5% | 118,454 | 6% |
| Others | 198,560 | 11% | - | 0% |
| **Total** | **1,749,619** | **100%** | **2,044,726** | **100%** |




## PROGRAMME COST BY EXPENSES

| EXPENSES | 2018 USD | % | 2017 USD | % |
|---|---|---|---|---|
| Programme expenses | 1,634,513 | 93% | 1,924,875 | 94% |
| Admin expenses | 115,106 | 7% | 119,851 | 6% |
| **TOTAL** | **1,749,619** | **100%** | **2,044,726** | **100%** |





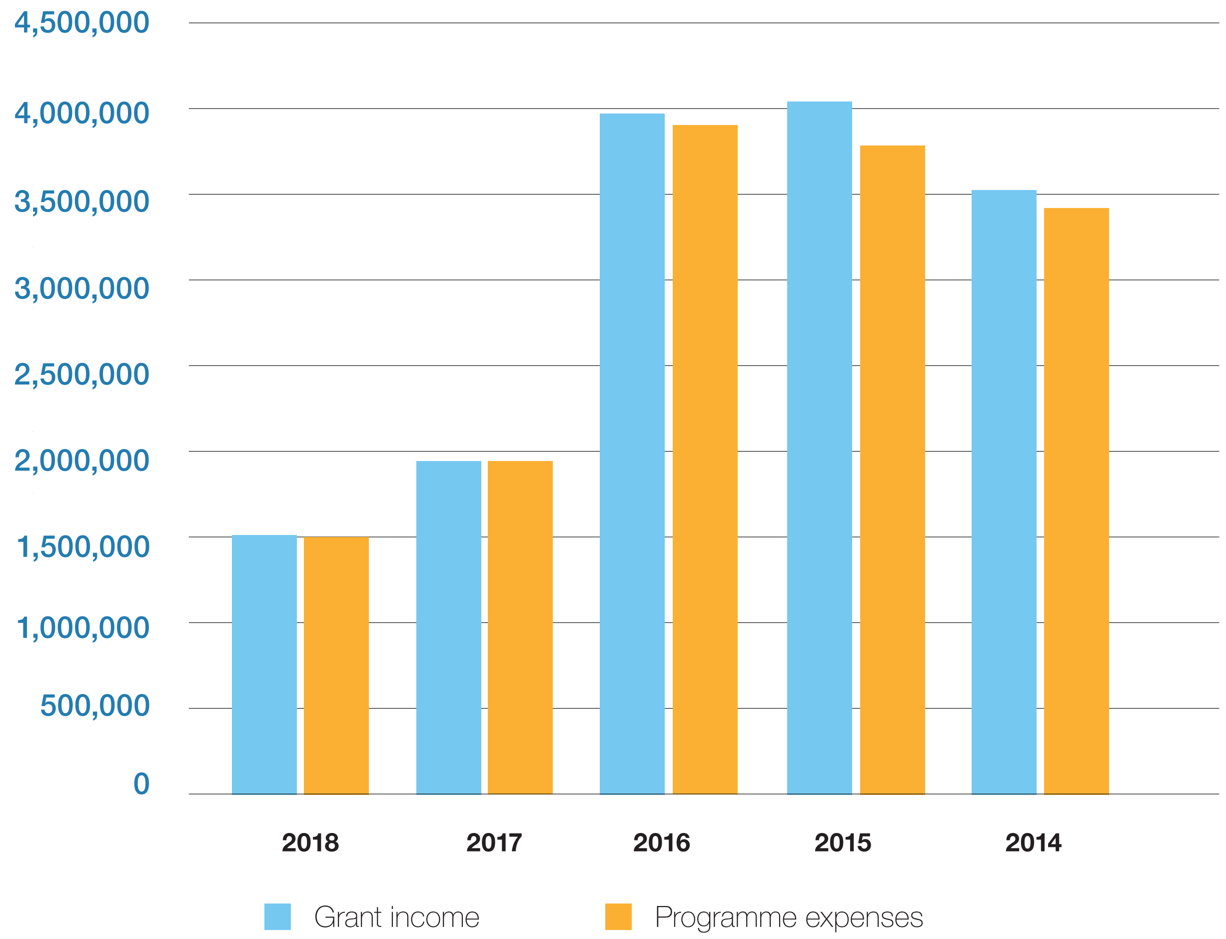

## CONTRIBUTION TO GOVERNMENT EXCHEQUER

| PARTICULAR | 2018 USD | 2017 USD |
|---|---|---|
| Staff Tax | 62,549 | 47,710 |
| Social Insurance | 8,371 | 5,509 |

## FIVE YEAR PERFORMANCE REVIEW

| CURRENCY | 2018 USD | 2017 USD | 2016 USD | 2015 USD | 2014 USD |
|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | |
| Grant Income | 1,657,300 | 1,921,204 | 3,959,081 | 4,127,847 | 3,575,001 |
| BRAC Contribution | | | | | 142,720 |
| Other Income | 209,941 | 123,522 | 65,628 | 94,854 | 101,190 |
| Program expenses | (1,634,513) | (1,924,875) | (3,818,390) | (3,715,976) | (3,401,750) |
| Admin expenses | (115,106) | (119,851) | (206,319) | (506,724) | (417,161) |
| **FINANCIAL POSITION** | | | | | |
| Cash at bank | 153,716 | 492,541 | 253,679 | 1,873,689 | 1,871,110 |
| **OPERATIONAL STATISTICS** | | | | | |
| Number of Programmes | 7 | 7 | 7 | 5 | 5 |

## GRANT INCOME VS PROGRAMME EXPENSES






# FINANCIAL HIGHLIGHTS – MICROFINANCE

### Net Income

BRAC in Tanzania completed a profitable year in 2018 by registering pretax profit of USD 6,900,841 in 2018 compared to USD 6,571,041 in 2017. This is mainly due to increase in the number of borrowers from 183,103 in 2017 to 197,172 in 2018 an increase of 8%.

### Operating Expenses

Total operating expenses for the year were USD 11,816,313 as against USD 10,365,788 in 2017.

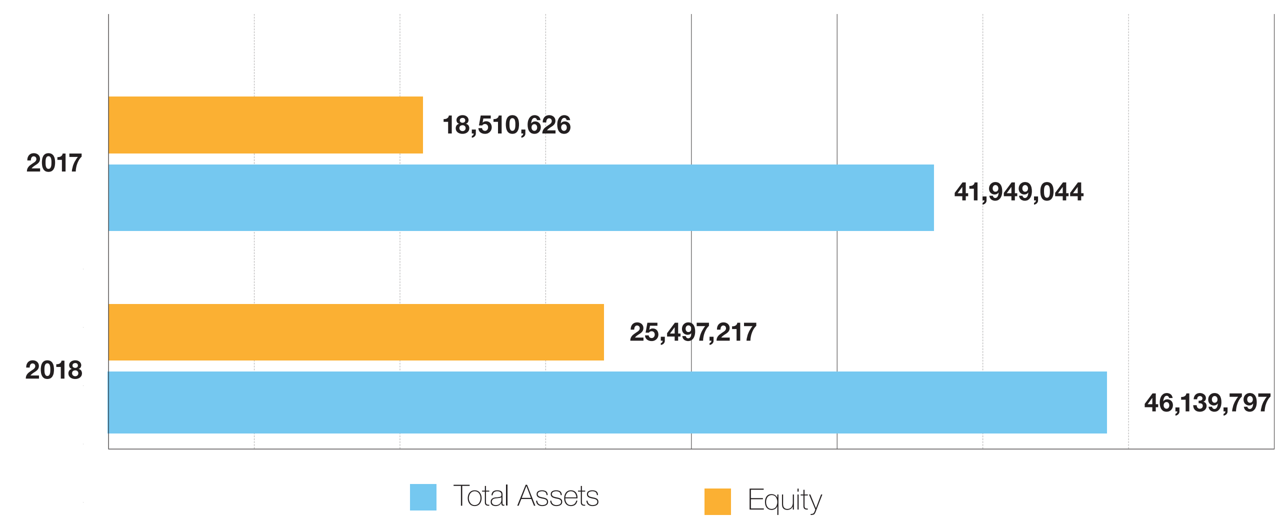
### Provisions for Impairment Losses

Total reserve as against impairment in 2018 was USD 2,377,559 as against USD 2,206,978 in 2017, an increment 8% and representing 6% of Gross portfolio. This year amount charged for impairment on loans was USD 768,128 as against USD 1,398,868 in 2017. Portfolio at Risk (PAR>30 days) has gone down to 2.69% in 2018 as against 3.56% in 2017.

### Financial Position

In 2018, total assets grew up by 10% to USD 46,139,797. Loans Outstanding to customers increased by 8% and is now 86% of total assets. Security deposits increased by 12% and Net Equity increased by 34% to USD 25,497,217 from USD 18,510,626 in 2017. The growth of net equity is a direct result of increase in profitability.

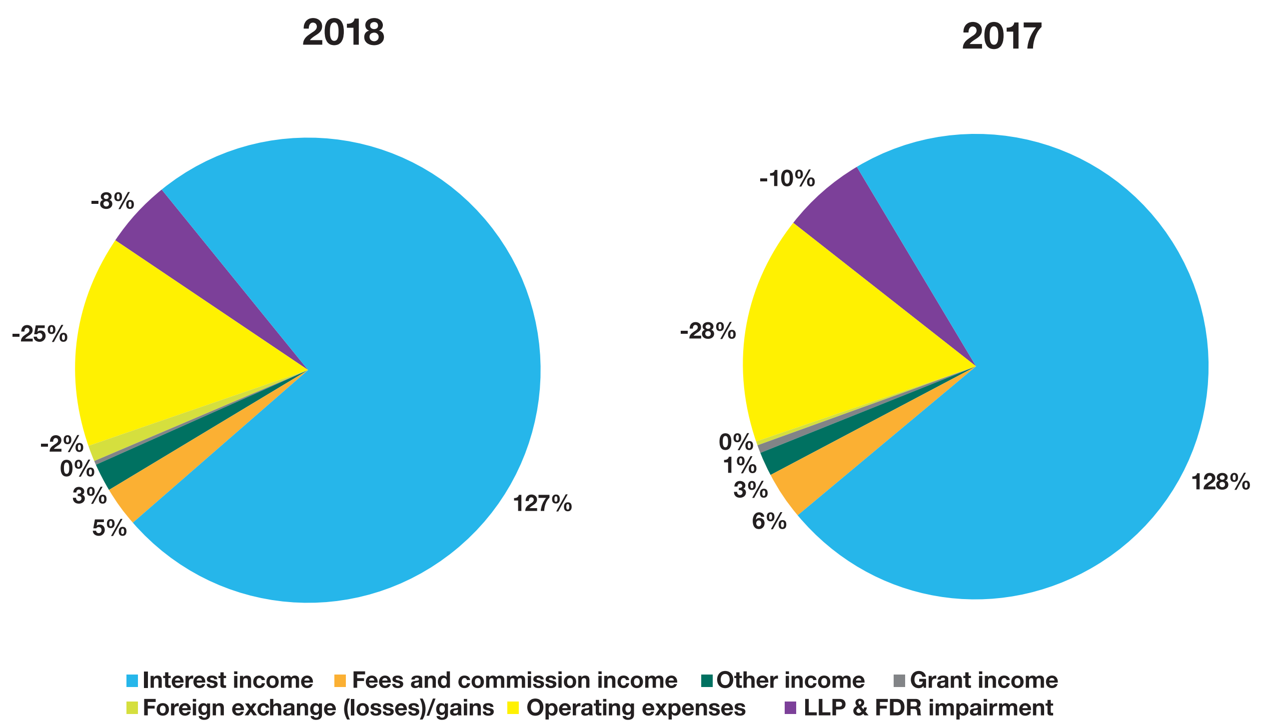
Total Assets vs. Equity



## VALUE ADDED STATEMENTS

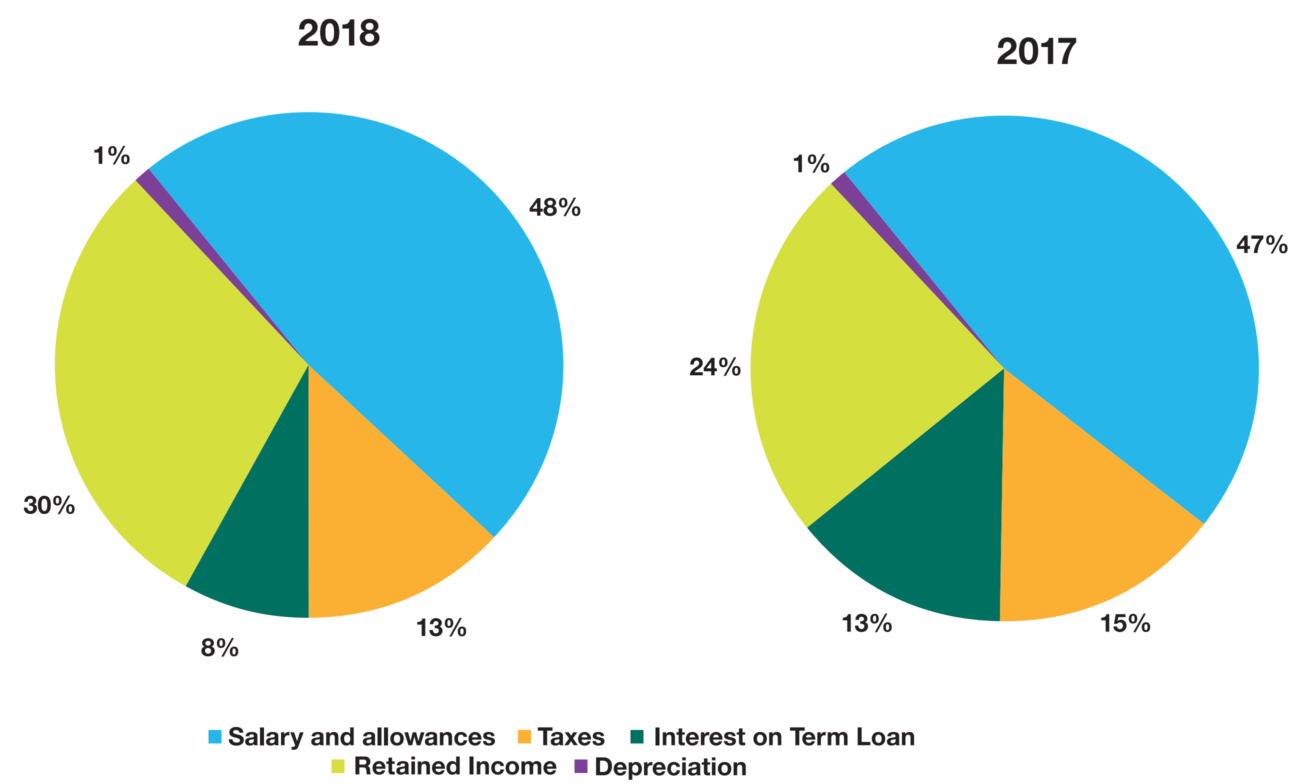
A value added statement provides a detailed account of total value addition and the distribution of value created by the organization. BRAC in Tanzania contributes positively to overall economic development by empowering the poor people (especially females) through micro-credit, employees through the payment of salaries and allowances and by assisting the local regulatory authorities through paying taxes and of course keeping in mind of organization's growth.

| Value Added | 2018 | | 2017 | |
|---|---|---|---|---|
| | Amount(USD) | % | Amount(USD) | % |
| Interest income | 20,272,995 | 127% | 18,635,056 | 128% |
| Fees and commission income | 865,137 | 5% | 888,227 | 6% |
| Other income | 412,918 | 3% | 392,907 | 3% |
| Grant income | 0 | 0% | 139,874 | 1% |
| Foreign exchange (losses)/gains | -279,597 | -2% | -37,418 | 0% |
| Operating expenses | -4,017,491 | -25% | -4,041,708 | -28% |
| LLP & FDR impairment | -1,234,251 | -8% | -1,398,868 | -10% |
| **Total value added** | **16,019,711** | **100%** | **14,578,070** | **100%** |






| Distribution of Value Addition | 2018 | | 2017 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| **Employees** | | | | |
| Salary and allowances | 7,639,651 | 48% | 6,218,795 | 47% |
| **Local Authorities** | | | | |
| Taxes | 2,132,723 | 13% | 1,998,885 | 20% |
| **Creditors** | | | | |
| Interest on Term Loan | 1,320,048 | 8% | 1,682,949 | 17% |
| **Growth** | | | | |
| Retained income | 4,768,118 | 30% | 4,568,853 | 31% |
| Depreciation | 159,171 | 1% | 108,588 | 1% |
| **Total value distributed** | **16,019,711** | **100%** | **14,578,070** | **100%** |



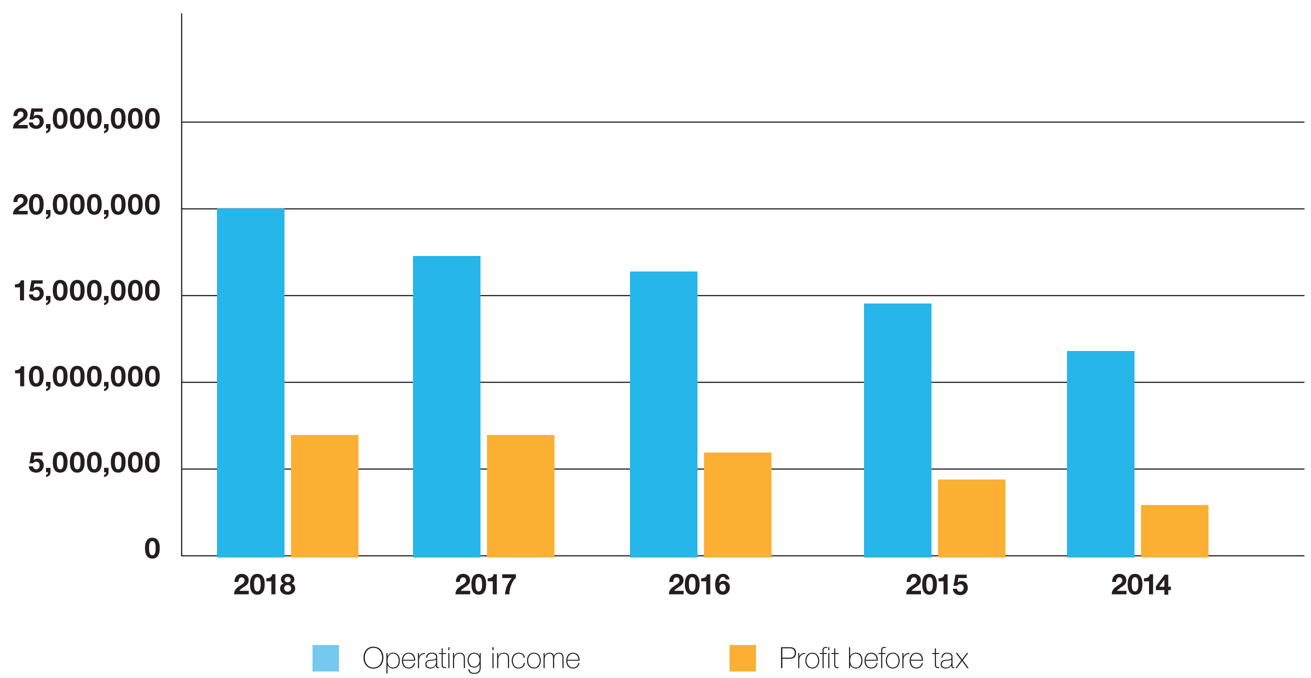

## CONTRIBUTION TO GOVERNMENT EXCHEQUER

| PARTICULAR | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Income Tax | 2,132,723 | 1,998,885 |
| Staff Tax | 1,158,844 | 883,917 |
| Social Insurance | 155,081 | 102,073 |

## FIVE YEAR PERFORMANCE REVIEW

| CURRENCY | 2018<br>USD | 2017<br>USD | 2016<br>USD | 2015<br>USD | 2014<br>USD |
|---|---|---|---|---|---|
| **Income Statement** | | | | | |
| Operating Income | 19,951,405 | 18,335,697 | 16,759,526 | 14,525,998 | 12,796,291 |
| Profit before tax | 6,900,841 | 6,571,041 | 5,947,524 | 4,719,218 | 2,805,320 |
| **Financial Position** | | | | | |
| Total Asset | 46,139,797 | 41,949,044 | 37,699,222 | 30,579,011 | 27,045,015 |
| Net Equity | 25,497,217 | 18,974,137 | 14,617,662 | 10,940,765 | 9,900,264 |
| Loans to Customers (net) | 39,788,908 | 36,937,669 | 32,210,883 | 25,007,158 | 23,612,446 |
| Cash at Bank | 1,698,137 | 2,641,190 | 2,116,361 | 1,688,598 | 1,308,832 |
| **Returns and ratio** | | | | | |
| Return on Asset | 16% | 17% | 12% | 16% | 48% |
| Operational Self Sufficiency (OSS) | 129% | 129% | 131% | 126% | 115% |
| **Operational Statistics** | | | | | |
| Total borrowers | 197,172 | 183,103 | 162,398 | 138,142 | 113,959 |
| Cost per Loan | 47 | 45 | 36 | 62 | 77 |
| PAR>30 days (%) | 2.69 | 3.56 | 2.75 | 2.14 | 2 |

## OPERATING INCOME VS PROFIT BEFORE TAX






# BRAC TANZANIA FINANCE LIMITED

## REPORT AND FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2018

## GENERAL INFORMATION

**Directors**

| Name | Position | Nationality |
|---|---|---|
| Mr. Faruque Ahmed | Member | Bangladeshi |
| Mr. Shameran Abed | Member | Bangladeshi |
| Mr. Johannes Maria Antonius Eskes | Member | Dutch |

**Administrator**

Mr. Fordson Kafweku — Country Representative (Ex-officio director)

**Principal place of business**

Plot 2329, Block H, Mbezi Beach
P. O. Box 105213
Dar es Salaam, Tanzania

**Principal place of business**

Plot 2329, Block H, Mbezi Beach
P. O. Box 105213
Dar es Salaam, Tanzania

**Registered office**

Plot 2329, Block H, Mbezi Beach
P. O. Box 105213
Dar es Salaam, Tanzania

**Auditors**

KPMG
The Luminary
Plot No.574,Haile Selassie Road
Msasani Peninsula Area
P O Box 1160
Dar-es Salaam, Tanzania

**Bankers**

NBC Limited
Sokoine Drive & Azikiwe Street
P.O. Box1863
Dar es Salaam, Tanzania

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

CRDB Bank Plc.
P.O. Box268
Dar es Salaam, Tanzania

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

Exim Bank (Tanzania) Limited
P.O. Box 1431
Dar es Salaam, Tanzania





The directors of BRAC Tanzania Finance Limited have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of BRAC Tanzania Finance Limited ("the Company") as at that date in accordance with Companies Act, 2002.

### 1. REGISTRATION

BRAC Tanzania Finance Limited was incorporated as a company limited by guarantee on 9 September 2008.

### 2. VISION

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

### 3. MISSION

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

### 4. OUR VALUES

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

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

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

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

### 5. PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of microfinance activities to improve the livelihood of poor people in over 109 districts through 151 branch offices in Tanzania including extending loan facilities.

### 6. FINANCIAL PERFORMANCE

The Company's performance during the year ended 31 December 2018 is as follows:

- Total revenue increased by 10% from TZS 42,976 million in 2017 to TZS 46,378 million in 2018.
- Loans to customers (Gross) increased by 14.5% from TZS 81,251 million in 2017 to TZS 93,064 million in 2018.
- Operating expenses increased by 17% from TZS 22,050 million in 2017 to TZS 25,723 million in 2018.
- Finance costs have decreased by 20% from TZS 3,611 million in 2017 to TZS 2,882 million in 2018 due to complete repayment of term loan with ResponsAbility in May 2018.

During the year, the Company had an attributable profit of TZS 10.358 billion (2017: TZS 9.912 billion) and increase of 4%. The statement of financial position as at 31 December 2018 is set out on page 45.

**7. RESULTS FROM OPERATIONS**

The result for the Company's operations for the year ended 31 December 2018 is set out on page 44.

**8. COMPOSITION OF DIRECTORS**

The directors, who served during the year and up to the date of this report unless as otherwise stated, are set out on page 34.

**9. DIRECTORS' BENEFITS**

No director has received or become entitled to receive any benefits during the financial year (2017: NIL).

**10. CORPORATE GOVERNANCE**

The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing the directors therefore confirm that:

- The Board of Directors met 4 times during the year (once in a quarter);
- They retain full and effective control over the Company;
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

The Board continued to carry out its role of formulating policies and strategies of the Company, reviewing the business plan, ensuring that the accounting system is maintained in accordance with acceptable standards, the books of the Company are kept properly, and that accounts are checked by authorised auditors, as well as recruitment and development of key personnel.

**11. RISK MANAGEMENT**

The board accepts the final responsibility for the risk management and internal control system of the Company. The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

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

**12. MANAGEMENT STRUCTURE**

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

- Micro finance program;
- Social enterprise program;





- Agri-Finance;
- Investment Fund;
- Accounts & finance;
- Internal audit;
- Monitoring;
- Information Technology (IT) and Management Information System (MIS);
- Human resources;
- Training; and
- Procurement, logistics and transportation.

**13. RELATED PARTY TRANSACTIONS**

Related party transactions are disclosed in Note 26 to the financial statements.

**14. FUTURE DEVELOPMENT PLANS**

In 2019 the Company will extend its programs to remote areas in order to reach the marginal population. The Company is planning to target 210,003 borrowers aiming to disburse USD 100,381 million under micro loans and Small Enterprise Program.

Training is integral to improve efficiency in management and program delivery. Rigorous staff training in aspect of occupational and functional skills and techniques of community participation and development management will be organised to improve and maintain quality.

Staff drop out is being addressed through regular recruitment of qualified personnel. Capacity building of staff will continue through ongoing training. Staff morale will be raised by highlighting their contribution through appreciation and recognition as well as rewards.

**15. KEY ACHIEVEMENTS IN 2018**

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

- The number of borrowers has increased by 5% during the year and the amount disbursed has increased by 12% from TZS 181 billion in 2017 to TZS 202 billion in 2018.
- Agri-finance product has remained stable with slight increase of amount disbursed of TZS 12.77 billion compared to TZS 12.07 billion in 2017. However its Portfolio at Risk above 30 days (PAR 30) is ranging between 0.46% to 3.76%. This has shown an impact of seasonal challenges on supporting agricultural sector which is occupied by more poor farmers. However the PAR 30 rate is still below the industry rate of 5.0% hence opportunity for growth of the product is available in the Country.
- Strengthening of supporting services such as risk management, audit, procurement and finance which has brought positive impact in the financial performance during the year.
- Continuing building capacity to national staff at all levels and prepares them to take senior positions at present and in future. This has moved in hand with succession plan strategy of the organisation.
- Development of business relationship with other stakeholders have strengthened hence brand awareness has increased.

**16. SOLVENCY**

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

## 17. EMPLOYEES' WELFARE

### Management/employee relationship

There was continued good relationship between employees and management for the year. There were no unresolved complaints received by management from the employees during the year.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

### Training

Training and development of staff capacity is one of the key priorities of the Company. During the year all the Branch Accountants received hands-on training on their day to day responsibilities. Selected staffs from other programs received training as prescheduled. The Company will continue to train, re-train and develop its staff in order to improve service delivery and innovation.

During the year 2018, the Company spent a sum of TZS 356 million for staff training in order to improve employees' technical skills and hence effectiveness (2017: TZS 256.6 million).

### Medical assistance

The Company provides health Insurance where it contributes 3% of basic salary and staff contributes 3% as insurance premium. Insurance services are provided by National Health Insurance Fund (NHIF), a Government entities covering the whole country with many hospitals, clinics and pharmacy everywhere. During the year 2018, The Company paid TZS 382 million.

### Persons with disabilities

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

### Workmen's Compensation

BRAC Tanzania Finance Limited is contributing 1% of gross salaries of all employees to Worker's Compensation Fund regulated by the Government to cover all employees' injury or permanent disability which occur at working environment. During the year the Company contributed TZS 115.2 million.

### Retirement benefits

All eligible employees are members of the National Social Security Fund (NSSF)/ Public Sector Social Security Fund (PSSSF)) which are approved pension funds. The Company's contribution to the Pension Funds is limited at 10% of the employee gross salary.

NSSF/PSSSF are defined contribution schemes with BRAC Tanzania Finance Limited having no legal or constructive obligation to pay further top-up contributions.



BRAC TANZANIA FINANCE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

## 18. GENDER PARITY

The Company had 1,667 employees in 2018 out of them 307 males and 1,360 females. In 2017 total employees were 1,507 with 234 males and 1,273 females.

## 19. AUDITORS

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

BY ORDER OF THE BOARD

........................................
Director
22 March 2019

## BRAC TANZANIA FINANCE LIMITED
STATEMENT OF DIRECTOR'S RESPONSIBILTIES
FOR THE YEAR ENDED 31 DECEMBER 2018

The Company's directors are responsible for the preparation of the financial statements that give a true and fair view of BRAC Tanzania Finance Limited comprising the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

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

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

The directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

**Approval of financial statements**

The financial statements of BRAC Tanzania Finance Limited, as identified in the first paragraph, were approved by the board of directors on 22 March 2019 and signed by:

______________________________
Director



## BRAC TANZANIA FINANCE LIMITED
DECLARATION OF HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

I Onisi Gerald Lukosi being the Acting Head of Finance of BRAC Tanzania Finance Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2018, have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: ............................................................

Position: Acting Head of Finance

NBAA Membership No.: CPA (T) 030440

Date: 22 March 2019

KPMG
**Certified Public Accountants**
2ND Floor, The luminary
Haile Selassie Road, Masaki
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Dar es Salaam, Tanzania

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Email info@kpmg.co.tz
Internet www.kpmg.com/eastafrica

## INDEPENDENCE AUDITORS' REPORT TO THE MEMEBERS OF BRAC TANZANIA FINANCE LIMITED

*Opinion*

We have audited the financial statements of BRAC Tanzania Finance Limited ("the Company"), set out on pages 12 to 47 which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

The memorandum ("memo") columns represents amounts in United States Dollars (USD) do not form part of the audited financial statements and accordingly, we do not express an opinion on them.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of BRAC Tanzania Finance Limited as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2002.

*Basis for Opinion*

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

*Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 2002, Statement of Directors' responsibilities and Declaration of Finance Manager. The other information does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Directors for the Financial Statements

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

In preparing the financial statements, directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Director are responsible for overseeing the Organization's financial reporting process.

*Auditors' Responsibilities for the Audit of the financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material





misstatement, whether due to fraud or error, and to issue an auditors' 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 separate 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.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report that:

- in our opinion, proper accounting records have been kept by BRAC Tanzania Finance Limited;
- the individual accounts are in agreement with the accounting records of the company; and
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

**KPMG**
**Certified Public Accountants (T)**

____________________________________

Signed by: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam
2 April, 2019

## BRAC TANZANIA FINANCE LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 TZS '000 | Memo 2018 USD | 2017 TZS '000 | Memo 2017 USD |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Ilnterest income | 6 | 44,211,613 | 19,441,538 | 39,981,925 | 17,954,274 |
| Interest expense | 7 | (2,881,871) | (1,267,269) | (3,611,228) | (1,621,657) |
| **Net interest income** | | **41,329,742** | **18,174,269** | **36,370,697** | **16,332,617** |
| Fee and commission income | 8 | 1,967,390 | 865,137 | 1,890,493 | 848,944 |
| Other income | 9 (a) | 834,772 | 367,082 | 874,956 | 392,907 |
| Grant income utilised | 25 | - | - | 311,482 | 139,874 |
| Foreign exchange gain | 9(b) | (635,825) | (279,597) | (83,326) | (37,418) |
| **Total operating income** | | **43,496,079** | **19,126,891** | **39,364,302** | **17,676,924** |
| Impairment charge on loans to customers | 16(b) | (1,720,080) | (756,385) | (3,069,422) | (1,378,354) |
| Impairment provision on Fixed deposits | 15 | (1,060,000) | (466,123) | - | - |
| **Operating income after impairment charge on loans to customers** | | **40,715,999** | **17,904,383** | **36,294,880** | **16,298,570** |
| Staff costs and other benefits | 10 | (16,746,514) | (7,364,083) | (13,307,599) | (5,975,907) |
| Travelling and transportation costs | | (2,516,530) | (1,106,615) | (2,764,154) | (1,241,271) |
| Training, workshop and seminars costs | | (356,175) | (156,624) | (256,583) | (115,221) |
| Occupancy expenses | 11 | (945,264) | (415,669) | (950,853) | (426,990) |
| Other operating expenses | 12 | (4,803,794) | (2,112,412) | (4,544,881) | (2,040,923) |
| Depreciation | 18 | (243,820) | (107,217) | (115,633) | (51,926) |
| Amortisation | 19 | (110,578) | (48,625) | (110,578) | (49,656) |
| **Profit before taxation** | | **14,993,324** | **6,593,138** | **14,244,599** | **6,396,676** |
| Tax expense | 13 | (4,634,909) | (2,038,147) | (4,332,435) | (1,945,523) |
| **Profit for the year** | | **10,358,415** | **4,554,991** | **9,912,164** | **4,451,153** |
| **Other comprehensive income** | | | | | |
| Foreign currency translation loss | | | | | (226,606) |
| **Total comprehensive income for the year** | | **10,358,415** | **4,554,991** | **9,912,164** | **4,224,547** |

Notes and related statements forming part of the financial statements appear on pages 48-79.

Report of the auditors is on page 42-43.



## BRAC TANZANIA FINANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

| | Notes | 2018 TZS '000 | Memo 2018 USD | 2017 TZS '000 | Memo 2017 USD |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and bank balances | 14 | 3,780,167 | 1,644,623 | 5,766,153 | 2,573,027 |
| Fixed deposits | 15 | 6,890,486 | 2,997,819 | 5,543,569 | 2,473,703 |
| Loans to customers | 16 | 87,670,168 | 38,142,340 | 76,403,006 | 34,093,265 |
| Other assets | 17 | 835,016 | 363,287 | 1,121,651 | 500,514 |
| Property and equipment | 18 | 845,421 | 367,814 | 334,731 | 147,581 |
| Intangible assets | 19 | 76,310 | 33,200 | 142,550 | 63,610 |
| Deferred tax asset | 20 | 1,976,355 | 859,846 | 1,506,456 | 672,225 |
| **Total assets** | | **102,073,923** | **44,408,929** | **90,818,116** | **40,523,925** |
| **LIABILITIES AND EQUITY** | | | | | |
| Long term liabilities | | | | | |
| Long term portion of term loans | 24 | 15,490,308 | 6,739,312 | 16,926,958 | 7,553,306 |
| **Total long term liabilities** | | **15,490,308** | **6,739,312** | **16,926,958** | **7,553,306** |
| **Current liabilities** | | | | | |
| Other liabilities | 21 | 1,077,972 | 468,989 | 4,504,434 | 2,010,010 |
| Related party payables | 22 | 2,209,162 | 961,132 | 1,185,009 | 528,786 |
| Corporate tax payable | 13(b) | 2,006,704 | 873,049 | 728,157 | 324,925 |
| Loan security fund | 23 | 17,961,533 | 7,814,459 | 15,728,076 | 7,018,330 |
| Current portion of term loans | 24 | 1,093,474 | 475,734 | 5,084,686 | 2,268,936 |
| Deferred revenue grants | 25 | 5,174,483 | 2,251,243 | 5,174,483 | 2,309,006 |
| **Total current liabilities** | | **45,013,636** | **19,583,918** | **49,331,803** | **22,013,299** |
| **Equity** | | | | | |
| Allocated capital | | 13,076,059 | 6,028,836 | 8,039,570 | 3,814,099 |
| Retained earnings | | 43,984,228 | 19,479,911 | 33,446,743 | 14,924,919 |
| Translation reserve | | - | (683,736) | - | (228,392) |
| **Total equity** | | **57,060,287** | **24,825,011** | **41,486,313** | **18,510,626** |
| **Total equity and liabilities** | | **102,073,923** | **44,408,929** | **90,818,116** | **40,523,925** |

The financial statements on pages 44-79 were approved for issue by the Board of Directors on 22 March 2019 and signed on its behalf by;

_____________________
DIrector
BRAC Tanzania Finance Ltd

_____________________
Country Representative
BRAC Tanzania Finance Ltd

Notes and related statements forming part of the financial statements appear on pages 48-79.
Report of the auditors is on page 42-43.

## BRAC TANZANIA FINANCE LIMITED

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Allocated capital TZS '000 | Retained earning TZS '000 | Total USD | Total USD |
|---|---|---|---|---|
| **Balance at 1 January 2017** | **8,039,570** | **23,534,579** | **31,574,149** | **14,617,662** |
| Profit for the year | - | 9,912,164 | 9,912,164 | 4,224,547, |
| Foreign currency translation loss | - | - | - | (331,593) |
| **Balance as at 31 December 2017** | **8,039,570** | **33,446,743** | **41,486,313** | **18,510,626** |
| **Balance at 1 January 2018** | **8,039,570** | **33,446,743** | **41,486,313** | **18,510,626** |
| Effect of initial application of IFRS 9-net of tax | - | (495,567) | (495,567) | (217,920) |
| Capital contribution* | 5,036,488 | - | 5,036,488 | 2,214,737 |
| Capital assets acquired** | - | 695,013 | 695,012 | 305,624 |
| Prior year adjustments*** | - | (20,375) | (20,375) | (8,960) |
| Profit for the year | - | 10,358,415 | 10,358,415 | 4,554,991 |
| Foreign currency translation loss | - | - | - | (534,077) |
| **Balance as at 31 December 2018** | **13,076,058** | **43,984,229** | **57,060,287** | **24,825,011** |

* During the year, the Company received capital contribution of TZS 5,000 million from BRAC Maendeleo being remaining fund balance from the Livelihood Enhancement through Agricultural Development (LEAD) development project which came to an end.

** During the year, the Company received fixed assets worth TZS 570 million (Cost- TZS1,238 million; Accumulated depreciation TZS 668 million) from BRAC Maendeleo at closure of the Livelihood Enhancement through Agricultural Development (LEAD) project following donor approval. Note 18 further illustrates.

*** Prior year adjustment relates to correction of a prior period error in relation to prepayments.

Notes and related statements forming part of the financial statements appear on pages 48 to 79.

Report of the auditors is on page 42 to 43.



## BRAC TANZANIA FINANCE LIMITED

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 TZS '000 | Memo 2018 USD | 2017 TZS '000 | Memo 2017 USD |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | 14,993,324 | 6,593,138 | 14,244,599 | 6,396,676 |
| **Adjustment for non-cash items** | | | | | |
| Depreciation charge and amortisation | 18&19 | 354,398 | 155,842 | 226,211 | 101,582 |
| Loss/ (Gain) on disposal of assets | | (10,550) | (4,639) | 5,152 | 2,314 |
| Amortisation of capital grants | | - | - | (311,482) | (139,874) |
| Interest expense on borrowing | | 2,855,959 | 1,255,874 | 3,627,139 | 1,621,657 |
| Loans written off | | - | - | 1,044,267 | 468,939 |
| Forex gain on term loan | | - | - | 110,551 | 49,641 |
| Write off of irrecoverable taxes | | - | - | 86,754 | 38,956 |
| Impairment charge on loans to customers | 16(b) | 1,720,080 | 756,385 | 3,069,422 | 1,378,354 |
| Impairment charge on Fixed deposits | | 1,060,000 | 466,123 | - | - |
| | | **20,973,211** | **9,222,723** | **22,102,612** | **9,918,244** |
| **Changes in:** | | | | | |
| - Other assets | | 266,260 | 117,085 | 3,405 | 1,529 |
| - Deposits | | (2,406,917) | (1,058,414) | (1,032,016) | (463,411) |
| - Other liabilities | | 1,734,622 | 762,780 | (336,741) | (151,208) |
| - Loans to customers | | (13,695,196) | (6,022,302) | (13,328,183) | (5,984,815) |
| | | **7,896,133** | **3,021,872** | **7,409,078** | **3,320,339** |
| Withholding tax paid | | - | - | (129,043) | (57,583) |
| Tax paid | 13 | (3,613,874) | (1,589,159) | 4,716,469 | (2,117,971) |
| Interest paid | | (3,114,467) | (1,369,550) | (3,353,643) | (1,505,986) |
| Net cash used in operating activities | | 1,167,792 | 63,163 | (790,077) | (361,201) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Acquisition of PPE and Intangible assets | 17 | (228,430) | (100,449) | (155,263) | (69,722) |
| Proceeds from disposal of assets | | 10,550 | 4,639 | - | - |
| **Net cash used in from investing activities** | | **(217,880)** | **(95,810)** | **(155,263)** | **(69,722)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Term loans acquired during the year | 24 | 338,263 | 148,747 | 16,941,580 | 7,607,765 |
| Repayment of the term loans | 24 | (5,507,617) | (2,421,910) | (17,540,867) | (7,876,880) |
| Loan security funds received during the year | 23 | 20,153,612 | 8,862,314 | 6,720,112 | 3,017,733 |
| Loan security funds paid during the year | 23 | (17,920,156) | (7,880,178) | (4,134,164) | (1,856,487) |
| Grants/ Capital donation received during the year | 25(b) | - | - | 442,031 | 198,498 |
| **Net cash generated from financing activities** | | **(2,935,898)** | **1,291,027** | **2,428,692** | **1,090,629** |
| **Net increase/(Decrease) in cash and cash equivalents** | | **(1,985,986)** | **(1,323,674)** | **1,483,352** | **659,706** |
| Cash and cash equivalents at the beginning of the year | 14 | 5,766,153 | 2,573,027 | 4,282,801 | 1,982,778 |
| Foreign exchange translation reserve | | - | 395,270 | - | (69,457) |
| **Cash and cash equivalents at the end of the year** | **14** | **3,780,167** | **1,644,623** | **5,766,153** | **2,573,027** |

Notes and related statements forming part of the financial statements appear on pages 48 to 79.

Report of the auditors is on page 42 to 43.

## 1. REPORTING ENTITY

BRAC Tanzania Finance Limited was incorporated as a company limited by guarantee on 9 September 2008. The Company remained dormant since incorporation until 1 January 2012 when it took over the Micro finance division of BRAC Tanzania. The Company is situated at Plot 2329, Block H, Mbezi Beach, Dar es Salaam, Tanzania.

The company is part of the global BRAC family and BRAC International Holdings BV indirectly controls the company.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2002. This is the first set of the Company's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes in significant accounting policies are described in Note 3 (q).

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

### Memorandum figures

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

- Assets and liabilities were translated at the closing rate at 31 December 2018 of TZS 2,298.50 (2017: TZS 2,241) to USD 1 except for additions to property and equipment which were translated at an average rate for the period of TZS 2,274.08 (2017: TZS 2,226.88) to USD 1;
- Income and expenses were translated using an average exchange rate for the period of TZS 2,274.08 (2017:TZS 2,226.88) to USD 1;
- Equity is not translated; and
- All resulting exchange differences are being recognised in other comprehensive income.

### (d) Use of estimates and judgements

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

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

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





## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Foreign currency transactions

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

### (b) Interest income and expense

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

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

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

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

### (c) Fee and commission income

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

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

### (d) Grants

#### *(i) Deferred grants*

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*(d) Grants (Continued)*

*(i) Deferred grants (Continued)*

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

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

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

*(ii) Grant income*

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

(e) Interest from deposits with banks

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

(f) Lease payments made

Payments made under operating leases are recognised in profit or lesson a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(g) Income tax expense

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

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

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

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





3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets and liabilities

(i) Recognition

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

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

(ii) Classification

**Financial assets – Policy applicable from 1 January 2018**

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial assets – Business model assessment: Policy applicable from 1 January 2018**

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial assets and liabilities (Continued)**

**(ii) Classification (Continued)**

**Financial assets – Policy applicable from 1 January 2018 (Continued)**

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018.

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

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

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

**(iii) De-recognition**

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

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

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

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

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

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





**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial assets and liabilities (Continued)**

**(iv) Off setting**

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

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

**(v) Amortised cost measurement**

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

**(vi) Fair value measurement**

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

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

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

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

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Financial assets and liabilities (Continued)

#### (vii) Identification and measurement of impairment

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

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

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

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

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

#### (h) Cash and cash equivalents

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

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

#### (i) Loans and advances

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

#### (j) Property and equipment

#### (i) Recognition and measurement

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





### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (j) Property and equipment (Continued)

#### (i) Recognition and measurement (Continued)

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

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

The estimated useful lives are as stated:

| | |
|---|---|
| Furniture & fixtures | 10% |
| Equipment | 25% |
| Vehicles | 20% |
| Bicycles | 20% |
| Motor cycles | 20% |
| Intangibles | 20% |

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

#### (k) Impairment of non-financial assets

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Intangible assets**

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

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

**(m) Security deposits from customers and term loans**

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

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

**(n) Provisions**

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

**(o) Employee benefits**

**(i) Defined contribution plans**

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

**(ii) Short-term benefits**

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

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

**(p) Classes of financial instruments**

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

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



BRAC TANZANIA FINANCE LIMITED
NOTES TO FINANCIAL STATEMENTS
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**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(q) Change in significant accounting policies (Continued)**

The company initially adopted IFRS 9 and IFRS 15 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the company's financial statements. Due to the transition method chosen by the Company in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Company. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying these standards is mainly attributed to the following:

- An increase in impairment losses recognised on financial assets at initial application;
- additional disclosures related to IFRS 9; and
- additional disclosures related to IFRS 15.

Except for the changes below, the Company has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements.

***Classification and measurement of financial assets and financial liabilities***

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial asset and financial liabilities.

Loan and advances that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of TZS 708 Mill in the allowance for impairment over these loans and advances was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 1 January 2018.

**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(q) Change in significant accounting policies (Continued)**

| | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|
| **Financial assets** | | | **TShs'000** | **TShs'000** |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 5,766,153 | 5,766,153 |
| Loans and advances to customers | Loans and receivables | Amortised cost | 76,403,006 | 75,695,052 |
| Fixed deposits | Loans and receivables | Amortised cost | 5,543,569 | 5,543,569 |
| **Total financial assets** | | | **87,712,728** | **87,004,774** |
| **Financial Liabilities** | | | | |
| Due from related parties | Other financial liabilities | Amortised cost | 1,185,009 | 1,185,009 |
| Borrowings | Other financial liabilities | Amortised cost | 22,011,644 | 22,011,644 |
| Other liabilities | Other financial liabilities | Amortised cost | 4,504,434 | 4,504,434 |
| **Total financial liabilities** | | | **27,701,087** | **27,701,087** |

**Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 see Note 15 for assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

**Provision for impairment on loans and advances**

| | TZS'000 |
|---|---|
| Impairment allowance at 31 December 2017 under IAS 39 | 4,848,424 |
| Day one adjustment on initial application of IFRS 9 | 707,954 |
| Impairment allowance at 1 January 2018 under IFRS 9 | 5,556,378 |

**Transition**

The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.





**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(r) New standards and interpretation in issue but not yet effective (Continued)**

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Company's financial statements in the period of initial application.

**A. IFRS 16 Lease**

The Company is required to adopt IFRS 16 Leases from 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

**i. Leases in which the Company is a lessee**

The Company will recognise new assets and liabilities for its operating leases of office space. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, any the payments due under an operating lease will be included in lease liability.

**ii. Transition**

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Company plans apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. As at the date of this report the Company has not performed the impact assessment on IFRS 16

**4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES**

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

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

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

**(a) Credit risk**

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

**Management of credit risk**

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

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

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

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

**Impaired loans**

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

**Past due but not impaired loans**

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

**Allowances for impairment**

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

The table below provides details of exposure to credit risk.



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**4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)**

**(a) Credit risk (Continued)**

**Loans to customers**

| Carrying amount | 2018<br>TZS'000 | 2017<br>TZS'000 |
|---|---|---|
| Standard | 88,354,574 | 76,005,808 |
| Watch List | 1,096,030 | 1,259,899 |
| Substandard | 690,592 | 829,340 |
| Doubtful | 148,110 | 227,757 |
| Loss | 2,775,128 | 2,928,626 |
| | **93,064,434** | **81,251,430** |
| Allowance for impairment | (5,394,266) | (4,848,424) |
| **Net loans** | **87,670,168** | **76,403,006** |
| **Balance at 1 January** | **4,848,424** | **2,823,269** |
| Day one adjustment on initial application of IFRS 9 | 707,954 | - |
| Charge for the year | 1,720,080 | 3,069,422 |
| Write offs | (1,882,192) | (1,044,267) |
| **Balance at 31 December** | **5,394,266** | **4,848,424** |

**Write-off policy**

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

**(b) Liquidity risk**

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

**Management of liquidity risk**

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

**4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)**

**(b) Liquidity risk (Continued)**

**Management of liquidity risk (Continued)**

Residual contractual maturities of financial liabilities.

| 31 December 2018 | Carrying amount TZS'000 | Contractual cash flows TZS'000 | Within 1 year TZS'000 | 1 to 2 years TZS'000 | 2 to 5 years TZS'000 |
|---|---|---|---|---|---|
| Loan security fund | 17,961,533 | 17,961,533 | 17,961,533 | - | - |
| Term loans | 16,583,782 | 16,583,782 | 1,093,474 | 6,979,396 | 8,510,912 |
| Deferred revenue grants | 5,174,483 | 5,174,483 | - | 5,174,483 | - |
| Other current liabilities | 1,510,821 | 1,510,821 | 1,510,821 | - | - |
| Related Party Payables | 2209,162 | 2209,162 | 2209,162 | - | - |
| **Total** | **43,439,781** | **43,439,781** | **22,774,990** | **12,153,879** | **8,510,912** |

| 31 December 2017 | Carrying amount TZS'000 | Contractual cash flows TZS'000 | Within 1 year TZS'000 | 1 to 2 years TZS'000 | 2 to 5 years TZS'000 |
|---|---|---|---|---|---|
| Loan security fund | 15,728,076 | 15,728,076 | 15,728,076 | - | - |
| Term loans | 22,011,644 | 22,011,644 | 5,084,685 | 4,519,500 | 12,407,459 |
| Deferred revenue grants | 5,174,483 | 5,174,483 | 5,174,483 | - | - |
| Other current liabilities | 4,504,434 | 4,504,434 | 4,504,434 | - | - |
| Related Party Payables | 1,185,009 | 1,185,009 | 1,185,009 | - | - |
| **Total** | **48,603,646** | **48,603,646** | **31,676,687** | **4,519,500** | **12,407,459** |

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

**(c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc. will affect Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**(i) Currency risk**

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

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc. will affect Company's income or the value of its holdings of financial instruments.





**4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)**

**(b) Market risk (Continued)**

**(i) Currency risk (continued)**

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

The Company is exposed to currency risk on payments that are denominated in a currency other than the respective functional currency of Company, the Tanzanian Shilling (TZS). The currencies in which these transactions primarily are denominated are Tanzanian Shilling (TZS) and US Dollars (USD).

The Company's strategy for managing its foreign currency exposure is through transacting mainly using its functional currency. The table below summarises the exposure to foreign currency exchange rate risk at 31 December 2018. Assets and liabilities are categorised by currency. (Amounts in TZS'000)

| 31 December 2018 | TZS | USD | Total |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and bank balance | 3,747,358 | 32,810 | 3,780,167 |
| Fixed deposit | 6,890,486 | - | 6,890,486 |
| Loans to customers | 87,670,168 | - | 87,670,168 |
| Other assets | 402,554 | - | 402,554 |
| **Total assets** | **98,710,566** | **32,810** | **98,743,375** |
| **Financial liabilities** | | | |
| Term loans* | 2,500,000 | 14,083,782 | 16,583,782 |
| Other liabilities | 1,077,972 | - | 1,077,972 |
| Loan security fund | 17,961,533 | - | 17,961,533 |
| Deferred grants | - | 5,174,483 | 5,174,483 |
| **Total liabilities** | **21,539,505** | **19,258,265** | **40,797,770** |
| **Net on balance sheet position** | **77,171,061** | **(19,225,455)** | **57,945,605** |

| 31 December 2017 | TZS | USD | Total |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and bank balance | 5,474,151 | 292,002 | 5,766,153 |
| Fixed deposit | 5,543,569 | - | 5,543,569 |
| Loans to customers | 76,403,006 | - | 76,403,006 |
| Other assets | 696,740 | - | 696,740 |
| **Total assets** | **88,117,466** | **292,002** | **88,409,468** |
| **Financial liabilities** | | | |
| Term loans* | 3,500,000 | 18,511,644 | 22,011,644 |
| Other liabilities | 5,923,280 | - | 5,923,280 |
| Loan security fund | 15,728,077 | - | 15,728,076 |
| Deferred grants | - | 5,174,483 | 5,174,483 |
| **Total liabilities** | **25,151,357** | **23,686,127** | **48,837,484** |
| **Net on balance sheet position** | **62,966,109** | **(23,394,125)** | **39,571,9854** |

* These are USD based loan hedged and recorded in local currency at the inception phase. Interest computation is based on local currency and will be settled at the same agreed rate. The only exposure is on the interest payment as remittance has to be done in USD.

**Sensitivity analysis**

The rate of exchange as at 31 December 2018 is USD 1 = TZS 2,298.50 strengthening of USD against TZS by 8% means that the rate of exchange will move to USD 1 = TZS 2,482.92

The rate of exchange as at 31 December 2017 was USD 1 = TZS 2,241, strengthening of USD against TZS by 10% means that the rate of exchange would have moved to USD 1 = TZS 2,465.10. The movement in exchange is not expected to have significant impact on the profit or loss as most the transactions and commitments are in local currency.

**(ii) Interest rate risk**

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

The table below shows interest exposure on assets and liabilities as at 31 December 2018

| 31 December 2018 | Up to 1 month TZS'000 | From 1 to 12 months TZS'000 | From 1 years to 2 years TZS'000 | From 2 years and above TZS'000 | Non- interest bearing TZS'000 | Total TZS'000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and bank balances | - | - | - | - | 3,780,167 | 3,780,167 |
| Fixed deposits | - | - | - | 6,890,486 | - | 6,890,486 |
| Loans to customers | - | 87,670,168 | - | - | - | 87,670,168 |
| Other assets | - | - | - | - | 402,554 | 402,554 |
| **Total assets** | **-** | **87,670,168** | **-** | **6,890,486** | **4,182,721** | **98,743,375** |
| **LIABILITIES** | | | | | | |
| Other liabilities | - | - | - | - | 1,077,972 | 1,077,972 |
| Loan security fund | - | - | - | - | 17,961,533 | 17,961,533 |
| Term loans | - | 1,093,474 | 6,979,396 | 8,510,912 | - | 16,583,782 |
| Deferred revenue grants | - | - | - | - | 5,174,483 | 5,174,483 |
| **Total liabilities** | **-** | **1,093,474** | **6,979,396** | **8,510,912** | **24,213,988** | **40,797,770** |
| **Net assets/(liabilities)** | **-** | **86,576,694** | **(6,979,396)** | **(1,620,426)** | **(20,031,267)** | **57,945,605** |





**4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)**

**(b) Market risk (Continued)**

**(ii) Interest rate risk (continued)**

| 31 December 2017 | Up to 1 month TZS'000 | From 1 to 12 months TZS'000 | From 1 years to 2 years TZS'000 | From 2 years and above TZS'000 | Non- interest bearing TZS'000 | Total TZS'000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and bank balances | - | - | - | - | 5,766,153 | 5,766,153 |
| Fixed deposits | - | 5,543,569 | - | - | - | 5,543,569 |
| Loans to customers | 2,974,385 | 73,428,621 | - | - | - | 76,403,006 |
| Other assets | - | - | - | - | 696,740 | 696,740 |
| **Total assets** | **2,974,385** | **78,972,190** | **-** | **-** | **6,462,893** | **88,409,468** |
| **LIABILITIES** | | | | | | |
| Other liabilities | - | - | - | - | 5,923,280 | 5,923,280 |
| Loan security fund | - | - | - | - | 15,728,077 | 15,728,077 |
| Term loans | - | 5,084,685 | 16,926,958 | - | - | 22,011,643 |
| Deferred revenue grants | - | - | - | - | 5,174,483 | 5,174,483 |
| **Total liabilities** | **-** | **5,084,685** | **16,926,958** | **-** | **26,825,840** | **48,837,483** |
| **Net assets/(liabilities)** | **2,974,385** | **73,887,505** | **(16,926,958)** | **-** | **(20,362,947)** | **39,571,985** |

**(d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations and are faced by all business entities.

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

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

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

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of the Internal Audit reviews are discussed with the management of the business unit to which they relate and Country Representative.

## 5. USE OF ESTIMATES AND JUDGEMENTS

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

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

**Key sources of estimation uncertainty**

**(i) Allowances for credit losses**

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3 (h) (vii).

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

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

In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumption and parameters used in determining collective allowances.

**(ii) Fair values of financial instruments**

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

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation **5.**
techniques in which all significant inputs are directly or indirectly observable from market data.



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**USE OF ESTIMATES AND JUDGEMENTS (Continued)**
**Key sources of estimation uncertainty (Continued)**
**(ii) Fair values of financial instruments (continued)**

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

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

| 31 December 2018 | Level 1 TZS'000 | Level 2 TZS'000 | Level 3 TZS'000 | Carrying value TZS'000 | Fair value TZS'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and bank balances | - | 3,780,167 | - | 3,780,167 | 3,780,167 |
| Fixed deposits | - | 6,890,486 | - | 6,890,486 | 6,890,486 |
| Loans to customers | - | - | 87,670,168 | 87,670,168 | 87,670,168 |
| Other assets | - | - | 402,554 | 402,554 | 402,554 |
| **Total asset** | **-** | **10,670,653** | **88,072,722** | **98,743,375** | **98,743,375** |
| **LIABILITIES** | | | | | |
| Other liabilities | - | - | 1,077,972 | 1,077,972 | 1,077,972 |
| Loan security fund | - | 17,961,533 | - | 17,961,533 | 17,961,533 |
| Related party payables | | 2,209,162 | - | 2,209,162 | 2,209,162 |
| Term loans | - | 16,583,782 | - | 16,583,782 | 16,583,782 |
| Deferred revenue grants | - | - | 5,174,483 | 5,174,483 | 5,174,483 |
| **Total liabilities** | **-** | **36,754,477** | **6,252,455** | **43,006,932** | **43,006,932** |

| 31 December 2017 | Level 1 TZS'000 | Level 2 TZS'000 | Level 3 TZS'000 | Carrying value TZS'000 | Fair value TZS'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and bank balances | - | 5,775,419 | - | 5,766,153 | 5,766,153 |
| Fixed deposits | - | 5,543,569 | - | 5,543,569 | 5,543,569 |
| Loans to customers | - | - | 76,403,006 | 76,403,006 | 6,403,006 |
| Other assets | - | - | 696,740 | 696,740 | 696,740 |
| **Total assets** | **-** | **11,318,988** | **77,099,746** | **88,409,468** | **88,409,468** |
| **LIABILITIES** | | | | | |
| Other liabilities | - | - | 4,504,434 | 4,504,434 | 4,504,434 |
| Loan security fund | - | 15,728,076 | - | 15,728,076 | 15,728,076 |
| Related party payables | | 1,185,009 | - | 1,185,009 | 1,185,009 |
| Term loans | - | 22,011,644 | - | 22,011,644 | 22,011,644 |
| Deferred revenue grants | - | - | 5,174,483 | 5,174,483 | 5,174,483 |
| **Total liabilities** | **-** | **38,924,729** | **9,678,917** | **48,603,646** | **48,603,646** |

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

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

**(iii) Property and equipment, leased premises and intangible assets**

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

**(iv) Taxes**

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

## 6. INTEREST INCOME

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| -Micro finance | 35,012,194 | 15,396,201 | 31,294,018 | 14,052,885 |
| -Small enterprise program | 5,590,633 | 2,458,415 | 5,165,927 | 2,319,810 |
| -Adolescent development program | 742,924 | 326,692 | 620,020 | 278,426 |
| -Empowerment and livelihood for adolescent program | 332,259 | 146,107 | 333,661 | 149,834 |
| -Agriculture | 2,490,501 | 1,095,169 | 2,501,858 | 1,123,484 |
| -Investment Fund | 11,029 | 4,850 | 44,581 | 20,020 |
| -Pembejeo | 9,383 | 4,126 | 5,233 | 2,349 |
| -Job Holder Loan | 22,690 | 9,978 | 16,627 | 7,466 |
| | **44,211,613** | **19,441,538** | **39,981,925** | **17,954,274** |

## 7. INTEREST EXPENSE

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Interest expense on loans from: | | | | |
| -BRAC Africa Micro Finance Limited | - | - | 1,245,514 | 559,310 |
| -Bank of Africa | - | - | 399,617 | 179,452 |
| -Responsibility | 109,997 | 48,370 | 451,386 | 202,699 |
| -BRAC International | 4,626 | 2,034 | 160,209 | 71,943 |
| -Global Partnership Social Investment Fund | 927,647 | 407,922 | 527,016 | 236,662 |
| -Stromme Microfinance (E.A) Ltd | 591,750 | 260,215 | 359,238 | 161,319 |
| -Triodos Investment Management | 615,434 | 270,630 | 249,066 | 111,846 |
| -Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.-FMO | 606,504 | 266,703 | 235,094 | 105,571 |
| -Fund management fees | 145,937 | 64,174 | 120,578 | 54,147 |
| -BRAC (Zanzibar) finance costs allocation | (120,024) | (52,779) | (136,490) | (61,292) |
| | **2,881,871** | **1,267,269** | **3,611,228** | **1,621,657** |



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## 8. FEE AND COMMISSION INCOME

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Loan appraisal fee | 1,934,950 | 850,872 | 1,859,604 | 835,073 |
| Loan application fee | 32,440 | 14,265 | 30,889 | 13,871 |
| | **1,967,390** | **865,137** | **1,890,493** | **848,944** |

## 9. (a) OTHER INCOME

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Gain due to early repayment of loan | 88 | 39 | 342 | 154 |
| Interest income from bank deposit | 675,529 | 297,056 | 593,257 | 266,408 |
| Other income | 74,862 | 32,920 | 281,357 | 126,345 |
| Administrative fees from Insurance business | 73,743 | 32,428 | - | - |
| Gain from disposal of assets | 10,550 | 4,639 | - | - |
| | **834,772** | **367,082** | **874,956** | **392,907** |

### (b) FOREIGN EXCHANGE GAIN/ (LOSS)

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Foreign exchange gain/ (loss) | (635,825) | (279,597) | (83,326) | (37,418) |

Foreign exchange loss is the result of revaluation of Brac International Loan Fund (BILF) fully repaid in 2017 but the funding office finalised re-computation on forex impact in 2018. This was recorded as BILF reserve under other assets (USD 250,000) in 2017 out of which only USD 32,664 settled through intercompany with the remainder (USD 217,336) recorded as foreign exchange loss. The other component is from operational losses.

## 10. STAFF COSTS AND OTHER BENEFITS

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Salaries | 13,600,327 | 5,992,134 | 11,140,880 | 5,002,910 |
| Bonus | 480,345 | 211,226 | 239,119 | 107,379 |
| Pension | 1,807,350 | 786,489 | 1,306,847 | 586,863 |
| SDL | 858,492 | 374,234 | 620,753 | 278,755 |
| | **16,746,514** | **7,364,083** | **13,307,599** | **5,975,907** |

Staff costs include staff salaries, bonus provision, National Social Security contributions and other staff costs.

### 11. OCCUPANCY EXPENSES

| | | | | |
|---|---|---|---|---|
| Rent | 857,878 | 377,242 | 854,951 | 383,924 |
| Utilities | 87,386 | 38,427 | 95,902 | 43,066 |
| | **945,264** | **415,669** | **950,853** | **426,990** |

### 12 OTHER OPERATING EXPENSES

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Maintenance and general expenses | 438,052 | 192,628 | 1,186,969 | 533,020 |
| Cash write off | 16,809 | 7,391 | 11,902 | 5,345 |
| Members death benefit expenses | 60,210 | 26,477 | 92,205 | 41,406 |
| Office Vehicle running expenses | 74,444 | 32,736 | 82,608 | 37,096 |
| Audit and other legal fees | 142,307 | 62,578 | 106,145 | 47,665 |
| Head Office logistics and management expenses | 1,691,536 | 743,833 | 1,394,818 | 626,357 |
| Stationery expenses | 294,606 | 129,550 | 290,748 | 130,563 |
| Staff medical Insurance | 382,124 | 168,035 | 322,125 | 144,653 |
| Software Maintenance | 266,367 | 117,132 | 269,559 | 121,048 |
| Business licence fees | 417,258 | 183,485 | 127,612 | 57,306 |
| Bank Charges | 142,668 | 62,736 | 201,642 | 90,549 |
| Other expenses | 877,413 | 385,831 | 458,548 | 205,915 |
| | **4,803,794** | **2,112,412** | **4,544,881** | **2,040,923** |

### 13. TAXATION

**(a) Tax expense**

| | | | | |
|---|---|---|---|---|
| Current income tax charge | 4,892,422 | 2,151,385 | 4,940,591 | 2,218,621 |
| Deferred tax (credit) /charge for the year | (257,513) | (113,238) | (608,156) | (273,098) |
| | **4,634,909** | **2,038,147** | **4,332,435** | **1,945,523** |
| Effective rate of income tax | **30.7%** | | **30.0%** | |
| Tax rate reconciliation | % | | % | |
| Standard rate of income tax | **30.0** | | **30.0** | |
| Tax effect of non-deductible expenses | 0.7 | | 0.0 | |
| Computed effective rate of tax | 30.7% | | 30.0 | |

**(b) Tax payable**

| | | | | |
|---|---|---|---|---|
| At 1 January | 728,156 | 324,925 | 633,078 | 282,498 |
| Charge during the year | 4,892,422 | 2,151,385 | 4,940,591 | 2,204,637 |
| Withholding tax utilised during the year | - | - | (129,044) | (57,583) |
| Tax paid | (3,613,874) | (1,589,159) | (4,716,469) | (2,117,971) |
| Foreign exchange translation reserve | - | (14,102) | - | 13,344 |
| **At 31 December** | **2,006,704** | **873,049** | **728,156** | **324,925** |





### 14. CASH AND BANK BALANCES

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Cash in hand | 53,307 | 23,192 | 19,849 | 8,857 |
| Cash at bank | 3,726,860 | 1,621,431 | 5,746,304 | 2,564,170 |
| | **3,780,167** | **1,644,623** | **5,766,153** | **2,573,027** |

### 15. FIXED DEPOSITS

| | | | | |
|---|---|---|---|---|
| Principal | 7,615,897 | 3,313,420 | 5,387,666 | 2,404,134 |
| Interest receivable | 334,589 | 145,568 | 155,903 | 69,569 |
| **Total fixed deposits** | **7,950,486** | **3,458,988** | **5,543,569** | **2,473,703** |
| Provision for impairment | (1,060,000) | (466,123) | - | - |
| Foreign exchange translation difference | - | 4,954 | - | - |
| **Net fixed Deposit reserve** | **6,890,486** | **2,997,819** | **5,543,569** | **2,473,703** |

### 15. LOANS TO CUSTOMERS

**(a) Net loans to customers**

| | | | | |
|---|---|---|---|---|
| Loans to customers (gross) | 93,064,434 | 40,489,203 | 81,251,430 | 36,256,774 |
| Provision for impairment on loans to customers [Note-16(b)] | (5,394,266) | (2,346,863) | (4,848,424) | (2,163,509) |
| **Balance at 31 December** | **87,670,168** | **38,142,340** | **76,403,006** | **34,093,265** |

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| **(b) Impairment charge on loans to customer** | | | | |
| - Balance as at 1 January | 4,848,424 | 2,163,509 | 2,823,269 | 1,307,069 |
| Day one adjustment on initial application of IFRS 9 | 707,954 | 315,910 | - | - |
| Charge for the year | 1,720,080 | 756,385 | 3,069,422 | 1,378,354 |
| Write offs | (1,882,192) | (827,672) | (1,044,267) | (468,939) |
| Foreign exchange translation difference | - | (61,269) | - | (52,975) |
| **Balance at 31 December** | **5,394,266** | **2,346,863** | **4,848,424** | **2,163,509** |
| **Loan balances as at 31 December** | | | | |
| - Micro finance | 71,939,630 | 31298512 | 59,030,818 | 26,341,284 |
| - Small enterprise program | 15,461,349 | 6726713 | 13,811,168 | 6,162,949 |
| - Adolescent program | 1,699,735 | 739497 | 1,269,928 | 566,679 |
| - Empowerment and livelihood for adolescent program | 625,241 | 272021 | 588,976 | 262,818 |
| - Agriculture | 3,327,964 | 1447885 | 6,280,873 | 2,802,710 |
| - Investment fund | - | - | 135,300 | 60,375 |
| -Pembejeo | 2,510 | 1092 | 4,234 | 1,889 |
| -Job Holder Loan | 8,005 | 3483 | 130,133 | 58,069 |
| | **93,064,434** | **40,489,203** | **81,251,430** | **36,256,774** |

## 17. OTHER ASSETS

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Advances and prepayments | 200,839 | 87,378 | 233,397 | 104,149 |
| Stock of consumables | 131,620 | 57,263 | 119,976 | 53,537 |
| Interest expense receivable from Zanzibar | 256,515 | 111,601 | 136,490 | 60,906 |
| VAT receivable/ (Payable) | - | - | 13,683 | 6,106 |
| Advance withholding tax on FDR interest | 100,004 | 43,508 | 57,855 | 25,816 |
| Deposit (BRAC International Loan Facility reserve) | - | - | 560,250 | 250,000 |
| Current account in transit | 146,038 | 63,537 | - | - |
| | **835,016** | **363,287** | **1,121,651** | **500,514** |





## 18. PROPERTY AND EQUIPMENT

| | Furniture &fixtures TZS'000 | Equipment TZS'000 | Motor vehicle TZS'000 | Bicycle TZS'000 | Motor cycles TZS'000 | Total TZS'000 | Memo Total USD |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2017 | 434,511 | 341,964 | 37,020 | 3,240 | 24,686 | 841,421 | 389,547 |
| Additions | 93,616 | 58,447 | - | - | 3,200 | 155,263 | 69,722 |
| Disposal | (2,956) | (170) | - | - | (27,886) | (31,012) | (13,926) |
| Foreign exchange translation difference | - | - | - | - | - | - | (14,432) |
| **At 31 December 2017** | **525,171** | **400,241** | **37,020** | **3,240** | **-** | **965,672** | **430,911** |
| **At 1 January 2018** | **525,171** | **400,241** | **37,020** | **3,240** | **-** | **965,672** | **430,911** |
| Additions | 30,779 | 67,619 | 85,694 | - | - | 184,093 | 80,953 |
| Assets acquired from BRAC Maendeleo* | 516,443 | 147,936 | 209,043 | - | - | 873,423 | 384,077 |
| Assets previously un-recorded ** | 82,089 | 134,183 | 148,883 | - | | 365,155 | 160,573 |
| Disposal | (1,000) | (72,678) | (32,338) | (3,240) | - | (109,258) | (48,045) |
| Foreign exchange translation difference | - | - | - | - | - | - | (16,916) |
| **At 31 December 2018** | **1,153,482** | **677,300** | **448,303** | **-** | **-** | **2,279,085** | **991,553** |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2017 | 167,168 | 312,830 | 37,020 | 3,240 | 20,910 | 541,168 | 250,541 |
| Charge during the year | 64,519 | 49,290 | - | - | 1,824 | 115,633 | 51,926 |
| Disposal during the year | (2,956) | (170) | - | - | (22,734) | (25,860) | (11,539) |
| Foreign exchange translation difference | - | - | - | - | - | - | (7,598) |
| **At 31 December 2017** | **228,731** | **361,950** | **37,020** | **3,240** | **-** | **630,941** | **283,330** |
| At 1 January 2018 | 228,731 | 361,950 | 37,020 | 3,240 | - | 630,941 | 283,330 |
| Charge during the year | 102,877 | 83,836 | 57,107 | - | - | 243,820 | 107,217 |
| Disposal during the year | (1,000) | (72,680) | (32,338) | (3,240) | - | (109,256) | (48,045) |
| Accumulated depreciated on acquired assets* | 216,052 | 104,615 | 176,207 | - | - | 496,874 | 218,495 |
| Depreciation charge for assets previously un-recorded ** | 69,217 | 6,792 | 95,277 | - | - | 171,286 | 75,321 |
| Foreign exchange translation difference | - | - | - | - | - | - | (12,580) |
| **At 31 December 2018** | **615,878** | **484,514** | **333,272** | **-** | **-** | **1,433,663** | **623,739** |
| **Net book value (NBV)** | | | | | | | |
| **At 31 December 2018** | **537,605** | **192,786** | **115,030** | **-** | **-** | **845,421** | **367,814** |
| **At 31 December 2017** | **296,440** | **38,291** | **-** | **-** | **-** | **334,731** | **147,581** |

* During the year, the Livelihood Enhancement through Agricultural Development (LEAD) in BRAC Maendeleo came to an end. Assets relating to the project were therefore approved for donation to BRAC Tanzania Finance Limited operations.

** These are assets purchased but not recorded in the assets register in previous years. The unrecorded assets were identified after the physical verification exercise conducted by the Company in September 2018. The net impact of the recognition was considered not material to warrant a restatement of the financial statements. The financial statements have therefore been updated prospectively.

## 19. INTANGIBLE ASSETS

| | Software TZS'000 | Memo Total USD |
|---|---|---|
| **Cost** | | |
| At 1 January 2017 | 552,890 | 255,968 |
| Foreign exchange translation difference | - | (9,252) |
| **At 31 December 2017** | **552,890** | **246,716** |
| At 1 January 2018 | 552,890 | 246,716 |
| Additions | 44,338 | 19,497 |
| Foreign Exchange Translation reserve | - | (6,379) |
| **At 31 December 2018** | **597,228** | **259,834** |
| **Accumulated amortization** | | |
| **At 1 January 2017** | **299,762** | **138,779** |
| Charge during the year | 110,578 | 49,656 |
| Foreign exchange translation difference | - | (5,329) |
| **At 31 December 2017** | **410,340** | **183,106** |
| **At 1 January 2018** | **410,340** | **183,106** |
| Charge for the year | 11,0578 | 48,625 |
| Foreign Exchange Translation reserve | - | (5,097) |
| **At 31 December 2018** | **520,919** | **226,634** |
| **Net book value (NBV)** | | |
| **At 31 December 2018** | **76,310** | **33,200** |
| **At 31 December 2017** | **142,550** | **63,610** |

* The addition relates to costs for the enhancement of the Fixed Assets Module and Human Resources database.



BRAC TANZANIA FINANCE LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| **20. DEFERRED TAX ASSET** | | | | |
| The movement in the deferred tax asset during the year is as follows: | | | | |
| Opening balance as at 1 January | 1,506,456 | 672,225 | 898,300 | 415,879 |
| Credit for the year- Note 13 (a) | 257,513 | 113,238 | 608,156 | 273,098 |
| Charge to reserve on initial application of IFRS 9 | 212,386 | 93,394 | - | - |
| Foreign exchange translation difference | - | (19,011) | - | (16,752) |
| **At 31 December** | **1,976,355** | **859,846** | **1,506,456** | **672,225** |
| Deferred tax arises from temporary differences on the following items: | | | | |
| Capital allowances | 51,929 | 22,593 | 51,929 | 23,172 |
| Impairment provision – general | 1,454,527 | 632,816 | 1,454,527 | 649,053 |
| Other provisions | 469,899 | 204,437 | - | - |
| | **1,976,355** | **859,846** | **1,506,456** | **672,225** |
| **21. OTHER LIABILITIES** | | | | |
| Accrued expenses | 653,971 | 284,521 | 192,353 | 85,833 |
| Current accounts in transit | - | - | 4,149,970 | 1,851,838 |
| SDL payable | 118,624 | 51,609 | 56,913 | 25,396 |
| Provision for audit fees | 53,322 | 23,199 | 42,422 | 18,930 |
| NSSF payable | 252,055 | 109,660 | 62,776 | 28,013 |
| | **1,077,972** | **468,989** | **4,504,434** | **2,010,010** |
| **22. RELATED PARTY PAYABLES** | | | | |
| Payable to BRAC Bangladesh | 309,437 | 134,626 | 149,724 | 66,811 |
| Payable to BRAC IT Service (BITS) | 216,705 | 94,281 | 229,215 | 102,282 |
| Payable to BRAC International Holdings B.V | 1,683,020 | 732,225 | 806,070 | 359,693 |
| | **2,209,162** | **961,132** | **1,185,009** | **528,786** |

### 23. LOAN SECURITY FUND

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Balance as at 1 January 2018 | 15,728,077 | 7,018,330 | 13,142,128 | 6,084,319 |
| Collection during the year | 20,153,612 | 8,862,314 | 6,720,112 | 3,017,733 |
| Withdrawals during the year | (17,920,156) | (7,880,178) | (4,134,164) | (1,856,487) |
| Foreign exchange translation reserve | - | (186,007) | - | (227,235) |
| **Balance as at 31 December 2018** | **17,961,533** | **7,814,459** | **15,728,076** | **7,018,330** |

### 24. TERM LOANS

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Long term portion of term loans | 15,490,308 | 6,739,312 | 16,926,958 | 7,553,306 |
| Current portion of term loans (Includes accrued interest payable) | 1,093,474 | 475,734 | 5,084,686 | 2,268,936 |
| | **16,583,782** | **7,215,045** | **22,011,644** | **9,822,242** |

**(a) Term loan movement**

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Opening balance as at January 2018 | 21,659,662 | 9,665,177 | 22,226,884 | 10,290,224 |
| New loans received during the year | 338,263 | 148,747 | 16,941,580 | 7,607,765 |
| Loans repaid during the year | (5,507,617) | (2,421,910) | (17,540,867) | (7,827,880) |
| Prior overpaid due to exchange rate movement | - | - | 32,065 | 14,399 |
| Foreign exchange translation loss | - | (217,636) | - | (419,331) |
| | **16,490,308** | **7,174,378** | **21,659,662** | **9,665,177** |

**(b) Analysis of term loans**

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Whole Planet Foundation | 338,263 | 147,167 | - | - |
| ResponsAbility Investments AG | - | - | 2,707,617 | 1,208,218 |
| BRAC (Bangladesh) | 225,087 | 97,928 | 2,025,087 | 903,653 |
| Stromme Microfinance (E.A) Limited | 2,500,000 | 1,087,666 | 3,500,000 | 1,561,803 |
| Global Partnerships Social Investment Fund 6.0, LLC | 5,595,078 | 2,434,230 | 5,595,078 | 2,496,688 |
| Triodos Microfinance Fund | 3,916,325 | 1,703,861 | 3,916,325 | 1,747,579 |
| Nederlandse Financierings -Maatschappij Voor Ontwikkelingslanden N.V. (FMO) | 3,915,555 | 1,703,526 | 3,915,555 | 1,747,236 |
| | **16,490,308** | **7,174,378** | **21,659,662** | **9,665,177** |





**(c) Interest payable**

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| Opening balance at January 2018 | 351,982 | 154,780 | (46,687) | (21,614) |
| Interest accrued | 3,147,832 | 1,255,874 | 3,627,139 | 1,621,657 |
| Interest paid | (3,406,341) | - | (3,353,643) | (1,505,986) |
| Foreign exchange gain | - | (1,369,550) | 125,172 | 56,21 |
| Translation reserve | - | (437) | - | 6,798 |
| | **93,474** | **40,667** | **351,981** | **157,065** |

**Stromme Microfinance (E.A) Limited**

BRAC Tanzania Finance Limited secured a loan from Stromme Microfinance (E.A) Limited in June 2018 for the period of 48 months. The loan amounted to TZS 3.5 billion as term loan. The loan is quoted at the rate of 18% fixed with no expected increase until maturity. The loan was obtained to finance issue of micro finance.

**Global Partnerships Social Investment Fund 6.0, LLC**

BRAC Tanzania Finance Limited secured a loan from Global Partnerships Social Investment Fund 6.0, LLC in June 2018 for the period of 48 months. The loan amounted to USD 2.5 million as term loan. The loan is quoted at the rate of 16.07% in Tanzanian shilling for the first drawdown of USD 1.25 million and 13.75% for the second drawdown of USD 1.25million. During the year USD 170,648 was paid as interest. The loan was obtained to finance issue of micro finance.

**Triodos Microfinance Fund**

BRAC Tanzania Finance Limited secured a loan from Triodos Microfinance Fund in June 2018 for the period of 48 months. The loan amounted to USD 1.75 million as term loan. The loan is quoted at the rate of 14.10% in Tanzanian shilling for the first drawdown of USD 875,000 and 14.16% for the second drawdown of USD 875,000. During the year USD 100,570 was paid as interest. The loan was obtained to finance issue of micro finance

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

BRAC Tanzania Finance Limited secured a loan from FMO in June 2018 for the period of 48 months. The loan amounted to USD 1.75 million as term loan. The loan is quoted at the rate of 14.10% in Tanzanian shilling for the first drawdown of USD 875,000 and 14.16% for the second drawdown of USD 875,000. During the year USD 100,570 was paid as interest. The loan was obtained to finance issue of micro finance

**Whole Planet Foundation (WPF)**

BRAC Tanzania Finance Limited secured a free interest loan from Whole Planet Foundation (WPF) in July 2018 for the period of 36 months. The loan amount is USD 150,000 payable in three equal instalment (USD 50,000 each) after grace period of 24 months. The loan is interest free as WPF used to be partner in microfinance and on 2018 he decided to issues as loan after realising that BRAC Tanzania is financially stable and self-sustaining. The first repayment will be on 31 July 2021, second on 31 October and last one on 31 January 2022.

**ResponsAbility Investments AG**

BRAC Tanzania Finance Limited secured a loan of USD 3 million from ResponsAbility Investments AG in July 2015 for the period of 36 months after drawdown at 7.1% per annum. The principal amount TZS 2,707 million with respective interest were fully repaid in June 2018.

**BRAC (Bangladesh)**

BRAC Tanzania Finance Limited entered into financing arrangement with BRAC Bangladesh in 2015. The amount registered was USD 3 million at 5% interest rate per annum for 24 months. Only USD 0.8m was released in 2016 and the same has been repaid back in February 2018 together with its interest. The remaining balance recorded TZS 225m (USD 97,928) as at 31 December 2018 relates to financing done in previous years and was originally recorded in 2012.

## 25. DEFERRED REVENUE GRANTS

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| **(a) Donor funds received in advance** | | | | |
| **Opening balance** | **5,174,483** | **2,309,006** | **5,043,934** | **2,335,154** |
| Grants received during the year [Note 25(b)] | - | - | 442,031 | 198,498 |
| Grants income utilised during the year | - | - | (311,482) | (139,874) |
| Foreign currency translation difference | - | (57,763) | - | (84,772) |
| **Balance at 31 December** | **5,174,483** | **2,251,243** | **5,174,483** | **2,309,006** |
| **(b) Grant received during the year** | | | | |
| DFID - LEAD project grant final receipt | - | - | 130,549 | 58,624 |
| Marketing infrastructure value addition and Rural Finance support program (MIVRAF) | - | - | 311,482 | 139,874 |
| | **-** | **-** | **442,031** | **198,498** |

During the year no grants were received. In the prior year, Mivrav issued Grants to enable Brac Tanzania extend their reach, however in the current year, this was not the case.

## 26. RELATED PARTY TRANSACTIONS

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| **(a) Due to related parties** | | | | |
| BRAC Bangladesh (loan payable) | 225,088 | 97,928 | 2,025,087 | 903,653 |
| BRAC Bangladesh (Expatriate staff and travelling cost) | 309,437 | 134,626 | 149,724 | 66,811 |
| BRAC International Holdings B.V | 1,683,020 | 732,226 | 806,070 | 359,692 |
| BRAC IT services (BITS) | 216,705 | 94,281 | 229,214 | 102,282 |
| BRAC International Loan Fund (BILF) | - | - | 540,000 | 250,000 |
| BRAC (Zanzibar)-Interest receivable on term loan | 256,514 | 111,601 | 134,484 | 60,391 |
| | **2,690,764** | **1,170,662** | **3,884,579** | **1,742,829** |





| | | | | |
|---|---|---|---|---|
| Head Office logistics and management expenses* | 876,950 | 372,534 | 1,394,818 | 626,357 |
| Expatriate staff and travelling cost* | 159,713 | 67,815 | 1,132,636 | 508,621 |
| **(c) Expenses incurred by Brac Tanzania Finance Limited on behalf of others** | | | | |
| BRAC Zanzibar interest on HO funds (Borrowed funds) | 120,024 | 52,779 | 136,490 | 60,906 |
| **(d) Interest expense on loans from related parties** | | | | |
| BRAC Africa Micro Finance Limited | **-** | **-** | **1,245,514** | **559,310** |
| BRAC Stichting –Loan* | **-** | **-** | **160,209** | **71,943** |

* During the period the loan was terminated by the lender as they demanded a full repayment of the principal amount and outstanding interest in February 2018.

## 27. SUBSEQUENT EVENTS

At the time of signing the financial statements, the directors are not aware of any events after the year end not otherwise dealt with in these financial statements.

# BRAC MAENDELEO TANZANIA

## REPORT AND FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2018



## GENERAL INFORMATION

**Members of Governing Council**

| | | |
|---|---|---|
| Mr.Faruque Ahmed | Director | Bangladeshi |
| Ms. Lamia Rashid | Director | Bangladeshi |

**Administrator**

| | |
|---|---|
| Mr. Fordson Kafweku | Country Representative (Ex-officio director) |

**Principal place of business**

Plot 2329, Block H, Mbezi Beach
P. O. Box 105213
Dar es Salaam, Tanzania

**Registered office**

Plot 2329, Block H, Mbezi Beach
P. O. Box 105213
Dar es Salaam, Tanzania

**Auditors**

KPMG
Certified Public Accountants
2nd Floor, The Luminary
Haile Selassie Road, Masaki
P. O. Box 1160
Dar es Salaam, Tanzania

**Bankers**

NBC Limited
Sokoine Drive &Azikiwe Street
P.O.Box1863
Dar es Salaam, Tanzania

NMB Plc.
NMB House
Azikiwe/Jamhuri Street
P .O.Box9213
Dar es Salaam, Tanzania
Bank of Africa (Tanzania) Limited

NDC Development House,
Ohio Street/Kivukoni Front
P.O.Box3054
Dar es Salaam Tanzania

CRDB Bank Plc.
P.O. Box268
Dar es Salaam, Tanzania

1. The members of Governing Council of BRAC Maendeleo Tanzania have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of BRAC Maendeleo Tanzania ("the Organisation"), as at that date in accordance with Non-Governmental Organization Act, 2002.

## 2. REGISTRATION

BRAC Maendeleo Tanzania was incorporated as an Organization limited by guarantee on 13 December 2011. The Organisation remained dormant since incorporation until 1 January 2012 when it took over the social development operation of BRAC Tanzania. BRAC Tanzania which is a related entity was wound up on 3 December 2013 by its members who are also the members of this Organisation.

BRAC Maendeleo Tanzania obtained the status of Non-Governmental Organisation (NGO) on 13 November 2013. It's the Tanzania chapter of the international non-government organisation Stichting BRAC International

## 3. VISION

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

## 4. MISSION

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

## 5. OUR VALUES

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

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

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

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

## 6. PRINCIPAL ACTIVITIES

The Organisation provides charitable and welfare activities on a non-profit basis, engages in poverty eradication, promotes women empowerment in rural areas and provides basic education for school dropouts in rural areas in over 18 districts in Tanzania.

## 7. RESULTS FROM OPERATIONS

The results for the Organisation for the year ended 31 December 2018 are set out on page 91.

## 8. COMPOSITION OF MEMBERS OF THE GOVERNING COUNCIL

The members of the Governing Council who served during the year and up to the date of this report are set out on page 81.



BRAC MAENDELEO TANZANIA
REPORT OF THE GOVERNING COUNCIL
FOR THE YEAR ENDED 31 DECEMBER 2018

## 9. CORPORATE GOVERNANCE

The members of the Governing Council are committed to the principles of good corporate governance and recognise the need to conduct operations in accordance with generally accepted best practice. In so doing the members of the Governing Council therefore confirm that:

- The members of the Governing Council met regularly throughout the year;
- They retain full and effective control over the Organisation;
- The members of the Governing Council accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of expertise to complement the professional experience and skills of the management team

The members of the Governing Council continued to carry out its role of formulating policies and strategies of the Organisation, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the Organisation are kept properly, and that accounts are checked by authorised auditors, as well as recruitment and development of key personnel.

## 10. RISK MANAGEMENT

The members of the Governing Council accept final responsibility for the risk management and internal control system of the Organisation. The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Organisation's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures.

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

## 11. MANAGEMENT STRUCTURE

The Organisation is under the supervision of the members of the Governing Council and the day to day management is entrusted to the Country Representative who is assisted by the heads of divisions, departments and units. The organisation structure of the Organisation comprises of the following divisions:

- Education empowerment and Livelihood for Adolescents (ELA);
- Early Childhood Development (ECD)
- Adolescents Development Program (ADP);
- Agriculture and livestock program;
- Accounts and finance;
- Internal audit;
- Monitoring;
- IT and MIS;

- Human resources;
- Training; and
- Procurement, logistics and transportation.

## 12. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 17 to the financial statements.

## 13. CORPORATE SOCIAL RESPONSIBILITY

BRAC is a development Organisation dedicated to alleviating poverty by empowering the poor to bring about change in their own lives.

## 14. FUTURE DEVELOPMENT AND OUTLOOK

The Organisation will focus on scaling its programme to supports more people in Tanzania.

The Organisation is looking more donor supports on developing new programme of Agriculture, Education, Youth and Early Child Development.

The Organisation will focus on continuing supporting Government schools in terms of better learning environment and providing resources to support the establishment of School Libraries with a support from potential donors.

The Organisation also plan to work on Disaster, Environment and Climate Change project in Tanzania with the help of donor funds.

The Organisation will focus on establishing social enterprises which will help ELA girls and other beneficiaries to be included in economic activities and sustainability

The Organisation will focus on partnering with other local Non-Governmental Organisations and work together.

## 15. KEY ACHIEVEMENTS IN 2018

The following are the key achievements for the year:

### EDUCATION, EMPOWERMENT AND LIFE SKILLS FOR ADOLESCENT GIRLS AND YOUNG CHILDREN (EELAY)

BRAC Maendeleo Tanzania has started implementing the newly NORAD Funded project entitled Education, Empowerment and Life skills for Adolescent Girls and Young Children (EELAY) in June 2018. The project has two main components which are Secondary education for out of school girls who dropped out and Early Childhood Education for children aged 3-6.

The program introduces free tutoring to girls and the learning materials will be supplied to them including pen, pencil, excise books, text and supplementary books and other materials for out of school girls. The program will also provide the ECD education to children and provide the learning materials to them. With the support from NORAD, BRAC Tanzania will ensure all basic scholastic necessities in 35 Study centers established in Tanga area and Korogwe are provided for learning process to take place smoothly. Skilled professional teachers authorized by Institute of Adult Education (IAE) in Tanzania will provide support to these girls of the study center through tutoring sessions during the evening (five days a week) for four hours. The support enabled the targeted girls to prepare themselves for the qualifying exam in first year and secondary completion exam at the end of the second year of enrolment. For the children, trained play leaders will be running the play based classes.

The construction of 35 clubs in Tanga and Korogwe is at final stages and enrolment of students will be done in January 2019





## 15. KEY ACHIEVEMENTS IN 2018 (Continued)

### EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS (ELA) (Continued)

- 5262 girls received life skills based education as part of developing their life skills
- 700 girls received livelihood training to support and encourage the establishment of income generating activities
- 8 coding clubs funded by Their World were opened in Mbeya, Dodoma, Dar-es-salaam and Iringa
- 4000 club members received awareness on Sexual and Reproductive Health (SRH) and Sexually Transmitted Infections/ Diseases (STI/D) through a research intervention on ''Promoting Safe Sex Among Adolescents in Tanzania'' funded by Center for Effective Global Action (CEGA)
- Community sensitization and awareness on issues surrounding adolescent girls was enhanced by conducting monthly parents meeting, community meetings, workshops and international celebrations and commemorations.
- 215 mentors were provided with an employment opportunity

### ACCELERATED LEARNING PROCESS (ALP)

This project ended in May 2018

- 114 adolescent girls who were enrolled in study centres successfully completed Ordinary level studies (form four)
- 80 (70.2%) students who were enrolled in the study centres passed the Certificate for Secondary Education Examination (CSEE)
- 20 community facilitators were provided with employment opportunity

### PLAY LAB PROJECT (Early Childhood Development)

- 1200 Play Lab children mainstreamed into government primary schools.
- 80 community play based learning centres for children were established.
- A play based ECD curriculum for children aged 3-5 was developed.
- 160 Play Lab committees were established for child protection and center management with 960 members
- Positive response and attitude of ECD stakeholders towards the learning through play model
- LEGO Foundation extended its funding of $1,909,171 until 2020 for the implementation of the BRAC Play Lab project
- 80 play leaders were provided with an employment opportunity

## 15. SOLVENCY

The members of Governing Council confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The member of Governing Council has reasonable expectation that the Organisation has adequate resources to continue in operational existence for the foreseeable future.

### 16. EMPLOYEES' WELFARE

**Management/employee relationship**

There were continuous good relation between employees and management for the year. There were no unresolved complaints received by management from the employees during the year.

The Organisation is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

**Training**

Training and development of staff capacity is one of the key priorities of the Organisation. During the year, all the Branch Accountants received hands on training for Micro Finance and Small Enterprise programs. The Organisation will continue to train, re-train and develop its staff in order to improve service delivery and innovation.

**Medical assistance**

The Organisation reimburses medical expenses incurred by employees for medical treatment.

**Retirement benefits**

All eligible employees are members of the National Social Security Fund (NSSF) which is an approved pension fund. The Organisation contributes 10% of the employees' monthly gross salary.

The NSSF is a defined contribution scheme with BRAC Maendeleo Tanzania having no legal or constructive obligation to pay further top-up contributions.

### 17. GENDER PARITY

The Organisation had 47 employees in 2018 out of them 14 males and 33 females. In 2017 there were 49 employees with 15 being males and 34 females.

### 18. AUDITORS

The Organisation's auditors, KPMG have expressed their willingness to continue in office and are eligible for re-appointment. A resolution to reappoint KPMG as auditors will be put to the Annual General Meeting.

**BY ORDER OF THE COUNCIL**

.........................................  22 March, 2019
Member





The members of the Governing Council are responsible for the preparation of financial statements that give a true and fair view of BRAC Maendeleo Tanzania comprising the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards and in the manner required by the Non-governmental organisations Act, 2002.

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

The members of the Governing Council have made an assessment of the ability of the organization to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of BRAC Maendeleo Tanzania, as identified in the first paragraph, were approved by the members of the Governing Council on 22 March 2019 and signed by:

.........................................
Member

## BRAC MAENDELEO TANZANIA

DECLARATION OF HEAD OF FINANCE

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

I Onisi Gerald Lukosi being the Acting Head of Finance of BRAC Maendeleo Tanzania hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2018 ,have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: ............................................................

Position: Acting Head of Finance

NBAA Membership No.: CPA (T) 030440

Date: 22 March 2019



KPMG

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVERNING COUNCIL OF BRAC MAENDELEO TANZANIA**

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of BRAC Maendeleo Tanzania ("the Organization"), set out on pages 11 to 31 which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising 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 Maendeleo Tanzania as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

***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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the BRAC Maendeleo Tanzania in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Other Information***

The members of Governing council are responsible for the other information. The other information comprises the Members of Governing Council's Report as required by the Non-governmental organisations Act, 2002, Statement of responsibilities of the Governing Council's, Declaration of Head of Finance.

The other information does not include the financial statements and our auditors' 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.

***Members of Governing Council's responsibilities for the Financial Statements***

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVERNING COUNCIL OF BRAC MAENDELEO TANZANIA (CONTINUED)**

**Auditors' Responsibilities for the Audit of the financial Statements**

In preparing the financial statements, Members of Governing Council are responsible for assessing the organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the Organization or to cease operations, or have no realistic alternative but to do so.

Members of the Governing council are responsible for overseeing the organisation's financial reporting process.

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 auditors' 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.

- 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 Organisation'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 Members of Governing Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Organisation 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 Members of Governing council 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.

**KPMG**
**Certified Public Accountants (T)**

___________________________________

Signed by: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam
2 April, 2019



## BRAC MAENDELEO TANZANIA

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 TZS '000 | Memo 2018 USD | 2017 TZS '000 | Memo 2017 USD |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Grant income utilised | 6(b) | 3,768,833 | 1,657,300 | 4,278,282 | 1,921,204 |
| Other income | 7 | 209,941 | 92,319 | 275,067 | 123,522 |
| **Total operating income** | | **3,978,774** | **1,749,619** | **4,553,349** | **2,044,726** |
| **Staff costs** | 8 | (1,159,765) | (509,993) | (1,696,780) | (761,956) |
| Travelling and transportation expenses | | (303,994) | (133,678) | (382,110) | (171,590) |
| Training, workshop and seminar expenses | | (1,013,510) | (445,679) | (476,448) | (213,954) |
| Occupancy expenses | 9 | (220,834) | (97,109) | (221,586) | (99,505) |
| Other operating expenses | 10 | (1,239,744) | (545,163) | (1,731,116) | (777,375) |
| Depreciation charge | 14 | (40,927) | (17,997) | (76,532) | (34,367) |
| Amortisation of capital grants | 6(d) | - | - | 31,223 | 14,021 |
| **Total expenditure** | | **(3,978,774)** | **(1,749,619)** | **(4,553,349)** | **(2,044,726)** |
| **Surplus/(Deficit) before taxation** | | **-** | **-** | **-** | **-** |
| Tax(charge) / credit | 11 | (1,906) | (838) | - | - |
| **Surplus/(Deficit) for the year** | | **-** | **-** | **-** | **-** |
| **Other comprehensive loss** | | | | | |
| Foreign currency translation reserve | | - | - | - | - |
| **Total comprehensive loss for the year** | | **(1,906)** | **(838)** | **-** | **-** |

Notes and related statements forming part of the financial statements appear on pages 95-110.

Report of the auditors is on Page 89-90.

## BRAC MAENDELEO TANZANIA
### STATEMENTS OF FINANCIAL POSITION
### AS AT 31 DECEMBER 2018

| | Notes | 2018 TZS '000 | Memo 2018 USD | 2017 TZS '000 | Memo 2017 USD |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and bank balances | 12 | 353,317 | 153,716 | 1,103,784 | 492,541 |
| Other assets | 13 | 724,143 | 315,050 | 93,618 | 41,775 |
| Property and equipment | 14 | 113,313 | 49,299 | 415,416 | 185,371 |
| Deferred tax asset | 15 | 77,483 | 33,710 | 7,678 | 3,426 |
| **Total assets** | | **1,268,256** | **551,775** | **1,620,496** | **723,113** |
| **LIABILITIES AND CAPITAL FUND** | | | | | |
| **Liabilities** | | | | | |
| Other liabilities | 16 | - | - | 757,606 | 338,067 |
| Due to related parties | 17(a) | 309,213 | 134,528 | 237,493 | 105,977 |
| Deferred grants | 6(a) | 956,588 | 416,179 | 760,841 | 339,510 |
| Corporate tax payable | | 77,864 | 33,876 | 6,155 | 2,746 |
| **Total liabilities** | | **1,343,665** | **584,583** | **1,762,095** | **786,300** |
| **Capital Fund** | | | | | |
| Accumulated losses | | (75,409) | (34,096) | (141,599) | (63,186) |
| Foreign currency translation reserve | | - | 1,288 | - | - |
| **Total capital deficit** | | **(75,409)** | **(32,808)** | **(141,599)** | **(63,186)** |
| **Total liabilities and capital deficit** | | **1,268,256** | **551,775** | **1,620,496** | **723,113** |

The financial statements on page 91 to 110 were approved for issue by the members of Governing Council on

22 March 2019 and signed on its behalf by:

Director
BRAC Maendeleo Tanzania

Country Representative
BRAC Maendeleo Tanzania

Notes and related statements forming part of the financial statements appear on pages 95 to 110.

Report of the auditors is on Page 89-90



## BRAC MAENDELEO TANZANIA
### STATEMENT OF CAPITAL DEFICIT
### FOR THE YEAR ENDED 31 DECEMBER 2018

| | Accumulated losses TZS'000 | Memo Total USD |
|---|---|---|
| **Balance as at 1 January 2017** | **(141,599)** | **(65,555)** |
| Deficit for the year | - | - |
| Foreign exchange translation reserve | - | 2,369 |
| **Balance as at 31 December 2017** | **(141,599)** | **(63,186)** |
| **Balance at 1 January 2018** | **(141,599)** | **(63,186)** |
| Prior year adjustment* | (83,366) | (36,676) |
| Capital contribution from LEAD project** | 151,462 | 66,604 |
| Deficit for the year | (1,906) | (838) |
| Foreign exchange translation reserve | - | 1,288 |
| **Balance as at 31 December 2018** | **(75,409)** | **(32,808)** |

* Prior year adjustment relates to correcting errors for 2017 advances that were erroneously unamortised, now corrected in 2018.

** In 2017, the Livelihood Enhancement through Agricultural Development (LEAD) came to an end, as a result donor funds invested in fixed assets were transferred to equity following approval by the donor.

Notes and related statements forming part of the financial statements appear on pages 95 to 110.

Report of the auditors is on Page 89-90.

## BRAC MAENDELEO TANZANIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 TZS '000 | Memo 2018 USD | 2017 TZS '000 | Memo 2017 USD |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Operating Deficit for the year | | - | - | - | - |
| Adjustment for non-cash items: | | | | | |
| Depreciation charge | 14 | 40,927 | 17,997 | 76,532 | 34,367 |
| Donated fixed assets | | 262,775 | 114,325 | - | - |
| Amortisation of capital grants | 6(d) | - | - | (31,223) | (14,021) |
| Loss on disposal | | 5,299 | 2,331 | 8,451 | 3,795 |
| | | **309,001** | **134,653** | **53,760** | **24,141** |
| **Changes in:** | | | | | |
| Other assets and related party receivables | | (713,892) | (310,590) | (31,697) | (14,234) |
| Other liabilities | 16 | (757,606) | (338,066) | 264,509 | 118,781 |
| Related parties payables | 17(a) | 71,720 | 28,551 | 159,905 | 71,807 |
| | | **(1,090,777)** | **(485,452)** | **446,477** | **200,495** |
| Tax paid for the year | | | | | |
| **Cash generated/(used in) from operating activities** | | **(1,090,777)** | **(485,452)** | **446,477** | **200,495** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisition of fixed assets | 14 | (6,899) | (3,001) | (12,646) | (5,679) |
| | | **(6,899)** | (3,001) | **(12,646)** | **(5,679)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Movement in deferred grants | 6(a) | 347,209 | 152,681 | 122,005 | 54,788 |
| | | 347,209 | 152,681 | 122,005 | 54,788 |
| **Net increase/(decrease) in cash and cash equivalents** | | **(750,467)** | **(335,772)** | **555,836** | **249,604** |
| Cash and cash equivalents at the beginning of the year | | 1,103,784 | 492,541 | 547,948 | 253,679 |
| Foreign exchange translation reserve | | - | (3,053) | - | (10,742) |
| **Cash and cash equivalents at the end of the year** | **12** | **353,317** | **153,716** | **1,103,784** | **492,541** |

Notes and related statements forming part of the financial statements appear on pages 95 to 110.

Report of the auditors is on Page 89-90.



## BRAC MAENDELEO TANZANIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 REPORTING ENTITY

BBRAC Maendeleo Tanzania ("the Organisation") was incorporated as an Organization limited by guarantee on 13 December 2011. The Organization obtained the status of Non-Governmental Organisation (NGO) on 13 November 2013.

### 2 BASIS OF PREPARATION

**(a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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

**Memorandum figures**

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

- Assets and liabilities were translated at the closing rate at 31 December 2018 of TZS 2,298.50 (2017: TZS 2,241)to USD 1 except for additions to property and equipment which were translated at an average rate for the period of TZS 2,274.08 (2017:TZS 2,226.88 ) to USD 1;
- Income and expenses were translated using an average exchange rate for the period of TZS 2,274.08 (2017: TZS 2,226.88) to USD 1;
- Equity is not translated; and
- All resulting exchange differences are being recognised in other comprehensive income.

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

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

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

### 3 SIGNIFICANT ACCOUNTING POLICIES

**a) Foreign currency transactions**

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

**(b) Grants**

**(i) Deferred grants**

All grants received are initially recognised as deferred revenue grants at fair value and recorded as liabilities in the Grant Received in Advance for the period.

The portion of the grants that are utilized to purchase property and fixed assets are transferred as deferred income in liabilities and subsequently release to income to match the depreciation for the period and amortisation of the fixed assets as charged to statement of profit or loss and other comprehensive income.

Grants utilised to reimburse program related expenditure are recognised as grant income for the year.

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

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

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

For expenditure incurred on projects yet to be funded and no funding has been agreed are reported as BRAC contribution from BRAC International.

**(ii) Grant income**

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

**(c) Lease payments made**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**(d) Income tax expense**

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the 3.





**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

statement of financial position date, and any adjustment to tax payable in respect of previous years.

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

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

**(e) Financial assets and liabilities**

**(i) Recognition**

The Organisation initially recognises loans and advances, deposits, debt securities issued and liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Organisation commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Organisation becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

**(ii) Classification**

The Organisation classifies its financial assets and liabilities into the following categories: loans and receivables; cash and cash equivalent and accounts payables. Management determines the classification of its investments at initial recognition.

**Cash and cash equivalent**

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

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

**Loan and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method, less any impairment losses. Loans and receivables comprise other receivables/asset and amount due from related parties.

**Trade and other payables**

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Trade and other payables comprise other liabilities, due from related parties and deferred grant income.

**(iii) De-recognition**

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

Any interest in transferred financial assets that is created or retained by the Organisation is recognised as a separate asset or liability. The Organisation derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

In transactions in which the Organisation neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, Organisation continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

**(iv) Offsetting**

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

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

**(v) Amortised cost measurement**

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

**(vi) Fair value measurement**

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction



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

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

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

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

**(f) Property and equipment**

**(i) Recognition and measurement**

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

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

**i) Subsequent costs**

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

**(iii) Depreciation**

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

The estimated useful lives are as stated:

| | |
|---|---|
| Furniture & fixtures | 10% |
| Equipment | 25% |
| Vehicles | 20% |
| Bicycles | 20% |
| Motor cycles | 20% |

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

For assets purchased using grants, depreciation is amortised from deferred income to the statement of profit or loss and other comprehensive income.

**(g) Impairment of non-financial assets**

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

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

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

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the

Extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(h) Provisions**

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

**(i) Employee benefits**

**(i) Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in statement of profit or loss and other comprehensive income when they are due.

**(ii) Short-term benefits**

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

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

**(j) New standards, amendments and interpretations**

During the year a number of new standards for annual periods beginning after 1 January 2018 were in issue but did not have a significant impact on the organisation.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Organisation's financial statements in the period of initial application.

New accounting standards, amendments and interpretations in issue but not yet effective





A number of new standards are in issue effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Organisation has not early adopted the new or amended standards in preparing these financial statements. IFRS 16 is expected to have a material impact on the Organisation's financial statements in the period of initial application.

IFRS 16 *Leases*

The Organisation is required to adopt IFRS 16 Leases from 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

*i. Leases in which the Company is a lessee*

The Organisation will recognise new assets and liabilities for its operating leases of office space. The nature of expenses related to those leases will now change because the Organisation will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Organisation recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, any the payments due under an operating lease will be included in lease liability.

*ii. Transition*

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

As at the date of this report the Company has not performed the impact assessment on IFRS 16.

**(k) Classes of financial instruments**

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

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

## 4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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

This Note presents information about the Organisation's exposure to each of the above risks, its objectives, policies and processes for measuring and managing the risks.

### (a) Credit risk

Credit risk is the risk of financial loss to Organisation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Organisation's loans and advances to customers.
During the year the Organisation did not issue loans to customers hence no credit risks that affect the Organisation's operations.

### (b) Liquidity risk

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

**Management of liquidity risk**

The Organisation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organisation's reputation.

Residual contractual maturities of financial liabilities.

| 31 December 2018 | Carrying amount TZS'000 | Contractual cash flows TZS'000 | Within 1 year TZS'000 |
|---|---|---|---|
| Other current liabilities | - | - | - |
| Due to related parties | 309,213 | 309,213 | 309,213 |
| Deferred grants | 956,588 | 956,588 | 956,58 |
| **Total Liabilities** | **1,265,801** | **1,265,801** | **1,265,801** |
| **31 December 2017** | | | |
| Other current liabilities | 757,606 | 757,606 | 757,606 |
| Due to related parties | 237,493 | 237,493 | 237,493 |
| Deferred grants | 760,841 | 760,841 | 760,841 |
| **Total Liabilities** | **1,755,940** | **1,755,940** | **1,755,940** |

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





### (c) Market risk

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

**(i) Currency risk**

The Organisation is exposed to currency risk on payments that are denominated in a currency other than the respective functional currency of Organisation, the Tanzanian Shilling (TZS). The currencies in which these transactions primarily are denominated are Tanzanian Shilling (TZS) and US Dollars (USD).

The Organisation's strategy for managing its foreign currency exposure is through transacting mainly using its functional currency

The table below summarises the exposure to foreign currency exchange rate risk at 31 December 2018. Assets and liabilities are categorised by currency. (Amounts in TZS '000).

| **31 December 2018** | **TZS** | **USD** | **Total** |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and bank balance | - | 3,53,317 | 3,53,317 |
| Other assets | 724,143 | - | 724,143 |
| **Total assets** | **724,143** | **353,317** | **1,077,460** |
| **Financial liabilities** | | | |
| Other liabilities | | | |
| Due to related parties | 309,213 | - | 309,213 |
| Deferred grants | - | 956,588 | 956,588 |
| **Total liabilities** | **245,433** | **956,588** | **1,265,801** |
| **Net on balance sheet position** | **414,930** | **(603,271)** | **(188,339)** |

| **31 December 2017** | **TZS** | **USD** | **Total** |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and bank balance | 13,636 | 1,090,148 | 1,103,784 |
| Other assets | 93,618 | - | 93,618 |
| **Total assets** | **107,254** | **1,090,148** | **1,197,402** |
| **Financial liabilities** | | | |
| Other liabilities | 757,606 | - | 757,606 |
| Due to related parties | 237,493 | - | 237,493 |
| Deferred grants | - | 760,841 | 760,841 |
| **Total liabilities** | **995,845** | **760,851** | **1,755,940** |
| **Net on balance sheet position** | **(887,845)** | **(329,307)** | **(558,538)** |

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

**Sensitivity analysis**

TThe rate of exchange as at 31 December 2018 is USD 1 = TZS 2,298, strengthening of USD against TZS by 10% means that the rate of exchange will move to USD 1 = TZS 2,527.8

The rate of exchange as at 31 December 2017 was USD 1 = TZS 2,241, strengthening of USD against TZS by 10% means that the rate of exchange would have moved to USD 1 = TZS 2,465.10. The movement in exchange is not expected to have significant impact on the profit or loss as most the transactions and commitments are in local currency.

**(d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Organisation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Organisation's operations and are faced by all business entities.

The Organisation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Organisation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Organisation standards for the management of operational risk in the following areas:

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

Compliance with Organisation standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of the Internal Audit reviews are discussed with the management of the business unit to which they relate and Country Representative.

**5. USE OF ESTIMATES AND JUDGEMENTS**

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

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

Key sources of estimation uncertainty





**(a) Fair values of financial instruments**

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

The company measures fair values using the 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.

**5. USE OF ESTIMATES AND JUDGEMENTS (Continued)**

**Key sources of estimation uncertainty (continued)**

**(a) Fair values of financial instruments (Continued)**

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

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

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

**(b) Property and equipment, leased premises and intangible assets**

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

**(c) Taxes**

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

| | 2018 TZS'000 | 2018 USD | 2017 TZS'000 | 2017 USD |
|---|---|---|---|---|
| **6. DEFERRED GRANTS** | | | | |
| (a) Composition of deferred grants is as follows: | | | | |
| Deferred revenue grants [Note 6(b)] | 956,588 | 416,269 | 609,379 | 271,923 |
| Deferred capital grants [Note 6(d)] | - | - | 151,462 | 67,587 |
| | **956,588** | **416,269** | **760,841** | **339,510** |
| **(b) Deferred revenue grants** | | | | |
| Balance as at 1 January 2017 | 609,379 | 271,923 | 487,374 | 225,636 |
| Grant received during the year [Note 6(c)] | 4,116,042 | 1,809,804 | 4,400,287 | 1,976,010 |
| Grant income utilised during the year | (3,768,833) | (1,657,300) | (4,278,282) | (1,921,204) |
| Foreign exchange translation reserve | - | (8,158) | - | (8,519) |
| **Balance as at 31 December** | **956,588** | **416,269** | **609,379** | **271,923** |
| **(c) Grant received during the year** | | | | |
| Norwegian Government-NORAD | 42,107 | 18,517 | 1,709,492 | 767,664 |
| Norwegian Government-EELAY | 543,977 | 239,216 | - | - |
| Women win- ELA | 15,904 | 6,994 | - | - |
| BRAC USA –Lego foundation | 1,400,325 | 615,798 | 775,763 | 348,364 |
| BRAC USA-ELA | - | - | 681,296 | 305,943 |
| BRAC USA-CEGA | | | 157,808 | 70,865 |
| World Bank -Research | 288,812 | 127,006 | 171,964 | 77,222 |
| Theirworld-Research | 68,475 | 30,112 | 71,383 | 32,055 |
| WASH-Lancaster university | 36,932 | 16,241 | 108,120 | 48,552 |
| BRAC USA – NOVO Foundation | 1,496,891 | 658,263 | 94,650 | 42,522 |
| Department for International Development (DFID) | 222,620 | 97,472 | 629,811 | 282,823 |
| | **4,116,042** | **1,809,804** | **4,400,287** | **1,976,010** |
| **(d) Deferred capital grants** | | | | |
| Balance as at 1 January 2017 | 151,462 | 67,587 | 182,685 | 84,577 |
| Transferred to equity | (151,462) | (66,604) | - | - |
| Amortisation during the year | - | - | (31,223) | (14,021) |
| Foreign exchange translation reserve | - | (983) | - | (2,969) |
| **Balance as at 31 December** | **-** | **-** | **151,462** | **67,587** |



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| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| **7. OTHER INCOME** | | | | |
| Other income | - | - | 11,286 | 5,068 |
| Training | 209,941 | 92,319 | 263,781 | 118,454 |
| | **209,941** | **92,319** | **275,067** | **123,522** |
| **8. STAFF COSTS** | | | | |
| Salaries | 943,276 | 415,581 | 1,425,295 | 640,043 |
| Bonus | 48,323 | 21,249 | 25,452 | 11,429 |
| Social security Fund contribution | 115,977 | 50,457 | 169,678 | 76,196 |
| Skills Development Levy (SDL) | 52,189 | 22,706 | 76,355 | 34,288 |
| **Total** | **1,159,765** | **509,993** | **1,696,780** | **761,956** |
| **9. OCCUPANCY EXPENSES** | | | | |
| Rent | 216,292 | 95,112 | 217,190 | 97,531 |
| Utilities | 4,542 | 1,997 | 4,396 | 1,974 |
| | **220,834** | **97,109** | **221,586** | **99,505** |
| **10. OTHER OPERATING EXPENSES** | | | | |
| Maintenance and general expenses | 1,092,649 | 480,480 | 1,579,108 | 709,114 |
| Audit Fees | 42,122 | 18,523 | 40,373 | 18,130 |
| Program supplies | 79,584 | 34,996 | 91,112 | 40,915 |
| HO logistics and management expenses | 67,511 | 29,687 | 60,896 | 27,346 |
| | **1,239,744** | **545,163** | **1,731,116** | **777,375** |
| **11. TAX EXPENSE** | | | | |
| Current income tax charge | 71,711 | 31,534 | 5,933 | 2,664 |
| Deferred tax credit | (69,805) | (30,696) | (5,933) | (2,664) |
| | **1,906** | **838** | **-** | **-** |

The members of the Governing Council believes that the Organisation provides charitable and welfare activities on a non-profit basis hence any surplus generated is not subject to corporation tax upon obtaining charitable status. However, the Organisation has not yet obtained the corporation tax exemption status from the Tanzania Revenue Authority (TRA).

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| **12. CASH AND BANK BALANCES** | | | | |
| Cash in hand | - | - | 13,636 | 6,085 |
| Cash at bank | 353,317 | 153,716 | 1,090,148 | 486,456 |
| | **353,317** | **153,716** | **1,103,784** | **492,541** |
| **13. OTHER ASSETS** | | | | |
| Advances and prepayments | 3,220 | 1,401 | 91,917 | 41,016 |
| VAT input receivable | - | - | 1,701 | 759 |
| Project Current Accounts | 720,923 | 313,649 | - | - |
| | **724,143** | **313,150** | **93,618** | **41,775** |

**14. PROPERTY AND EQUIPMENT**

| | Furniture &fixtures TZS'000 | Equipment TZS'000 | Motor vehicle TZS'000 | Bicycle TZS'000 | Motor cycles TZS'000 | Total TZS'000 | Memo Total USD |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2017 | 588,488 | 213,256 | 315,784 | 7,746 | 61,388 | 1,186,662 | 549,310 |
| Additions | 9,180 | 3,466 | - | - | - | 12,646 | 5,679 |
| Disposal | (18,000) | (6) | (4,188) | (4,307) | (10,095) | (36,596) | (16,330) |
| Translation reserve | - | - | - | - | - | - | (88,101) |
| **At 31 December 2017** | **579,668** | **216,716** | **311,596** | **3,439** | **51,293** | **1,162,712** | **450,558** |
| At 1 January 2018 | 579,668 | 216,716 | 311,596 | 3,439 | 51,293 | 1,162,712 | 450,558 |
| Additions | - | 6,899 | - | - | - | 6,899 | 3,001 |
| Disposal | - | - | - | (3,439) | (47,479) | (50,917) | (22,157) |
| Transfer to Microfinance as donation | (516,435) | (147,938) | (205,230) | - | (3,814) | (873,417) | (380,077) |
| Translation reserve | - | - | - | - | - | - | 55,388 |
| **At 31 December 2018** | **63,233** | **75,677** | **106,366** | **-** | **-** | **245,277** | **106,713** |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2017 | 290,579 | 181,963 | 173,426 | 7,746 | 45,195 | 698,909 | 323,499 |
| Charge for the year | 20,466 | 20,031 | 28,214 | - | 7,821 | 76,532 | 34,367 |
| Disposal | (8,424) | (4,003) | (5,945) | - | (9,773) | (28,145) | (12,638) |
| Translation reserve | - | - | - | - | - | - | (11,772 |
| **At 31 December 2017** | **302,621** | **197,991** | **195,695** | **7,746** | **43,243** | **747,296** | **333,456** |





| | Furniture &fixtures TZS'000 | Equipment TZS'000 | Motor vehicle TZS'000 | Bicycle TZS'000 | Motor cycles TZS'000 | Total TZS'000 | Memo Total USD |
|---|---|---|---|---|---|---|---|
| At 1 January 2018 | 302,621 | 197,991 | 195,695 | 7,746 | 43,243 | 747,296 | 333,456 |
| Charge for the year | 5,063 | 15,390 | 17,542 | - | 2,931 | 40,927 | 17,997 |
| Disposal | - | - | - | (3,439) | (42,180) | (45,619) | (19,847) |
| Transfer to Microfinance as donation | (272,149) | (164,023) | (166,167) | (4,307) | (3,994) | (610,640) | (265,727) |
| Translation reserve | | | | | | | (8,466) |
| **At 31 December 2018** | **35,535** | **49,358** | **47,070** | **-** | **-** | **131,964** | **57,413** |
| **Net book value** | | | | | | | |
| **At 31 December 2017** | **277,047** | **18,725** | **115,901** | **(4,307)** | **8,050** | **415,416** | **185,371** |
| **At 31 December 2018** | **27,698** | **26,319** | **59,296** | **-** | **-** | **113,313** | **49,299** |

**15. DEFERRED TAX (ASSET)/ LIABILITY**

The movement in the deferred tax asset during the year is as follows:

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| At 1 January | (7,678) | (3,426) | (1,745) | (808) |
| Credit for the year | (69,805) | (30,696) | (5,933) | (2,664) |
| Foreign exchange translation | - | 412 | - | 46 |
| **At 31 December** | **(77,483)** | **(33,710)** | **(7,678)** | **(3,426)** |

**Deferred tax asset arises from temporary- differences on the following items:**

| | | | | |
|---|---|---|---|---|
| **Capital allowances** | **(77,483)** | **(33,710)** | **(7,678)** | **(3,426)** |

The members of the Governing Council believes that the Organisation provides charitable and welfare activities on a non-profit basis hence any surplus generated is not subject to corporation tax upon obtaining charitable status. However, the Organisation has not yet obtained the corporation tax exemption status from the Tanzania Revenue Authority (TRA).

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| **16. OTHER LIABILITIES** | | | | |
| Other payables | - | - | 44,174 | 19,712 |
| Project current accounts | - | - | 713,432 | 318,355 |
| | **-** | **-** | **757,606** | **338,067** |
| **17. RELATED PARTY PAYABLES** | | | | |
| **(a) Due to related parties** | | | | |
| Stichting BRAC International- HO Logistics | 227,352 | 98,913 | 144,434 | 64,451 |
| BRAC IT Services | 63,781 | 27,749 | 74,979 | 33,458 |
| Payable to Tanzania MF Ltd | 18,079 | 7,866 | 18,080 | 8,068 |
| | **309,212** | **134,528** | **237,493** | **105,977** |

**(b) The following expenses were incurred by Stichting BRAC International on behalf of the Organisation.**

| | 2018 TZS'000 | Memo 2018 USD | 2017 TZS'000 | Memo 2017 USD |
|---|---|---|---|---|
| BRAC IT services | 63,782 | 28,632 | 74,979 | 33,458 |
| Head office logistics and management | 82,918 | 37,226 | 60,895 | 27,346 |
| | **146,700** | **65,858** | **135,874** | **60,804** |

**18. CONTINGENT LIABILITIES**

The members of Governing Council are not aware of any other contingent liabilities against the Organisation as at the date of this report.

**19. SUBSEQUENT EVENTS**

At the time of signing these accounts the members of Governing Council are not aware of any post balance sheet events.





## Appendix I- Statement of profit or loss and other comprehensive income
## For the year ended 31 December 2018

| | BRAC TZS'000 | NIKE-ADP TZS'000 | Empowerment and livelihood for adolescents(ELA) NOVO-ELA TZS'000 | Pre-Primary School TZS'000 | Training TZS'000 | ALPG-NORAD TZS'000 | Sub Total TZS'000 |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Grant income | - | 763,007 | 841,447 | 96 | - | 580,123 | 2,184,673 |
| Other income/ (expenses) | - | - | - | - | 209,941 | - | 209,941 |
| **Total income** | **-** | **763,007** | **841,447** | **96** | **209,941** | **580,123** | **2,394,614** |
| **Expenditure** | | | | | | | |
| Staff costs and other benefits | - | (260,535) | (187,311) | - | (79,690) | (100,761) | (628,297) |
| Travelling and transportation expenses | - | (123,219) | (61,512) | - | (42,683) | (24,969) | (252,383) |
| Training, workshop and seminar expenses | - | (182,921) | (316,101) | (96) | (4,052) | (101,750) | (604,920) |
| Occupancy expenses | - | (29,747) | (306) | - | (28,174) | (21,101) | (79,328) |
| Other general and administration expenses | - | (166,585) | (276,217) | - | (55,342) | (326,499) | (825,212) |
| Depreciation charge | - | (885) | - | - | - | (5,043) | (5,928) |
| **Total expenditure** | **-** | **(763,892)** | **(841,447)** | **(96)** | **(209,941)** | **(580,123)** | **(2,396,068)** |
| **Surplus for the year** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Tax charge | (1,906) | - | - | - | - | - | (1,906) |
| **Net surplus /(Deficit) for the year** | **(1,906)** | **-** | **-** | **-** | **-** | **-** | **(1,906)** |

## Appendix I- Statement of profit or loss and other comprehensive income
## For the year ended 31 December 2018

| | Play Lab TZS'000 | Research TZS'000 | WASH TZS'000 | We Solve TZS'000 | EELAY TZS'000 | Sub Total TZS'000 | Grand Total TZS'000 |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Grant income | 962,186 | 325,877 | 71,385 | 28,903 | 195,809 | 1,584,160 | 3,768,833 |
| Other income/ (expenses) | - | - | - | - | - | - | 209,941 |
| **Total income** | **962,186** | **325,877** | **71,385** | **28,903** | **195,809** | **1,584,160** | **3,978,774** |
| **Expenditure** | | | | | | | |
| Staff costs and other benefits | (259,926) | (197,830) | (30,882) | (11,948) | (30,882) | (531,468) | (1,159,765) |
| Travelling and transportation expenses | (34,482) | (9,175) | (3,799) | (356) | (3,799) | (51,611) | (303,994) |
| Training, workshop and seminar expenses | (296,285) | - | (12,633) | (15,109) | (84,563) | (408,590) | (1,013,510) |
| Occupancy expenses | (141,206) | - | - | (300) | - | (141,506) | (220,834) |
| Other general and administration expenses | (229,253) | (118,873) | (8,962) | (257) | (58,641) | (415,986) | (1,239,744) |
| Depreciation charge | (1,034) | - | (15,109) | (933) | (17,924) | (35,000) | (40,927) |
| Amortisation of Capital grants | - | - | - | - | - | - | - |
| **Total expenditure** | **(962,186)** | **(325,877)** | **(71,385)** | **(28,903)** | **(195,809)** | **(1,584,160)** | **(3,978,774)** |
| **Surplus for the year** | | | | | | | |
| Tax charge | - | - | - | - | - | - | (1,906) |
| **Net surplus /(Deficit) for the year** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,906)** |



## Appendix I- Statement of profit or loss and other comprehensive income
## For the year ended 31 December 2017

| | | | Empowerment and livelihood for adolescents(ELA) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | LEAD TZS'000 | NIKE-ADP TZS'000 | NOVO-ELA TZS'000 | GEC TZS'000 | Pre-Primary School TZS'000 | Training TZS'000 | ALPG-NORAD TZS'000 | Sub Total |
| **Income** | | | | | | | | |
| Grant income | 705,860 | 482,627 | 561,735 | 694,876 | 2,432 | - | 744,412 | 3,191,942 |
| Other income/ (expenses) | - | 2,539 | 95 | - | 8,652 | 263,781 | - | 275,067 |
| **Total income** | **705,860** | **485,166** | **561,830** | **694,876** | **11,084** | **263,781** | **744,412** | **3,467,009** |
| **Expenditure** | | | | | | | | |
| Staff costs and other benefits | (469,581) | (220,782) | (178,244) | (258,615) | - | (52,434) | (182,030) | (1,361,686) |
| Travelling and transportation expenses | (76,887) | (53,263) | (55,596) | (36,180) | (95) | (7,602) | (17,062) | (246,685) |
| Training, workshop and seminar expenses | (3,515) | (7,176) | (52,127) | (20,448) | (8,909) | (7,436) | (211,783) | (311,394) |
| Occupancy expenses | (40,838) | (22,959) | (43,680) | (19,227) | (2,080) | (28,174) | (31,871) | (188,829) |
| Other general and administration expenses | (115,039) | (180,986) | (229,864) | (345,907) | - | (163,980) | (278,512) | (1,314,288) |
| Depreciation charge | (31,223) | - | (2,319) | (14,498) | - | (4,155) | (23,155) | (75,350) |
| Amortisation of capital grants | 31,223 | | | | | | | 31,223 |
| **Total expenditure** | **(705,860)** | **(485,166)** | **(561,830)** | **(694,875)** | **(11,084)** | **(263,781)** | **(744,413)** | **3,467,009)** |
| Surplus for the year | - | - | - | - | - | - | - | - |
| **Tax charge** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

## Appendix I- Statement of profit or loss and other comprehensive income
## For the year ended 31 December 2017

| | Play Lab TZS'000 | EPP TZS'000 | Research TZS'000 | WASH TZS'000 | Sub Total TZS'000 | Grand Total TZS'000 |
|---|---|---|---|---|---|---|
| **Income** | | | | | | |
| Grant income | 661,828 | 7,522 | 384,378 | 32,613 | 1,086,341 | 4,278,282 |
| Other income/ (expenses) | - | - | - | - | - | 275,067 |
| **Total income** | **661,828** | **7,522** | **384,378** | **32,613** | **1,086,341** | **4,553,349** |
| **Expenditure** | | | | | | |
| Staff costs and other benefits | (166,173) | (7,522) | (141,972) | (19,427) | (335,094) | (1,696,780) |
| Travelling and transportation expenses | (113,167) | - | (17,029) | (5,229) | (135,425) | (382,110) |
| Training, workshop and seminar expenses | (160,786) | - | - | (4,270) | (165,056) | (476,448) |
| Occupancy expenses | (32,756) | - | - | - | (32,756) | (221,586) |
| Other general and administration expenses | (187,764) | - | (225,377) | (3,687) | (416,828) | (1,731,116) |
| Depreciation charge | (1,182) | - | - | - | (1,182) | (76,532) |
| Amortisation of Capital grants | - | | | | | 31,223 |
| **Total expenditure** | **(661,828)** | **(7,522)** | **(384,378)** | **(32,613)** | **(1,086,341)** | **(4,553,349)** |
| **Surplus for the year** | **-** | **-** | **-** | **-** | **-** | **-** |
| Tax charge | - | - | - | - | - | - |



## Appendix I- Statement of profit or loss and other comprehensive income (in USD)
## For the year ended 31 December 2018

| | | Empowerment and livelihood for adolescents (ELA) | | | | | |
|---|---|---|---|---|---|---|---|
| | BRAC USD | NIKE-ADP USD | NOVO-ELA USD | Pre-Primary School USD | Training USD | ALPG-NORAD USD | Sub Total USD |
| **Income** | | | | | | | |
| Grant income | - | 332,344 | 366,085 | 42 | - | 255,111 | 960,718 |
| Other income/ (expenses) | - | - | - | - | 92,319 | - | 92,319 |
| **Total income** | **-** | **332,344** | **366,085** | **42** | **92,319** | **255,111** | **1,053,037** |
| **Expenditure** | | | | | | | |
| Staff costs and other benefits | - | (114,571) | (82,371) | - | (35,044) | (44,310) | (276,296) |
| Travelling and transportation expenses | - | (54,186) | (27,050) | - | (18,770) | (10,980) | (110,986) |
| Training, workshop and seminar expenses | - | (80,440) | (139,007) | 42 | (1,782) | (44,745) | (266,016) |
| Occupancy expenses | - | (13,081) | (135) | - | (12,390) | (9,279) | (34,885) |
| Other general and administration expenses | - | (69,678) | (117,522) | - | (24,333) | (143,579) | (362,251) |
| Depreciation charge | - | (388) | - | - | - | (2,218) | (2,606) |
| Amortisation of capital grants | | | | | | | |
| **Total expenditure** | **-** | **(332,344)** | **(366,085)** | **(42)** | **(92,319)** | **(255,111)** | **(1,053,037)** |
| **Surplus for the year** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Tax charge | (838) | - | - | - | - | - | (838) |
| **Net surplus/ (Deficit) for the year** | **(838)** | **-** | | | | | **(838)** |

# BRAC MAENDELEO TANZANIA
## APPENDICS- SEGMENTAL INFORMATION

### Appendix I- Statement of profit or loss and other comprehensive income (in USD)
### For the year ended 31 December 2018

| | Play Lab USD | Research USD | WASH USD | We Solve USD | EELAY USD | Sub Total USD | Grand Total USD |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Grant income | 419,968 | 143,306 | 31,057 | 12,575 | 85,190 | 692,096 | 1,657,300 |
| Other income/ (expenses) | - | - | - | - | - | - | 92,319 |
| **Total income** | **419,968** | **143,306** | **331,057** | **12,575** | **85,190** | **692,096** | **1,749,619** |
| **Expenditure** | | | | | | | |
| Staff costs and other benefits | (114,303) | (86,996) | (13,580) | (5,254) | (30,997) | (251,130) | (504,575) |
| Travelling and transportation expenses | (15,164) | (4,035) | (1,671) | (157) | ( 3,569) | (24,596) | (132,258) |
| Training, workshop and seminar expenses | (130,292) | - | (5,555) | (6,509) | (37,187) | (179,543) | (440,944) |
| Occupancy expenses | (62,096) | - | - | (132) | - | (62,228) | (96,077) |
| Other general and administration expenses | (97,658) | (52,275) | (3,607) | (113) | (5,555) | (178,522) | (572,959) |
| Depreciation charge | (455) | - | (6,644) | (410) | (7,882) | (15,391) | (17,806) |
| Amortisation of Capital grants | | | - | | | | |
| **Total expenditure** | **(419,968)** | **(143,306)** | **(31,057)** | **(12,575)** | **(85,190)** | **(711,410)** | **(1,749,619)** |
| **Surplus for the year** | | | | | | | |
| Tax charge | - | - | - | - | - | - | (838) |
| **Net surplus/ (Deficit) for the year** | **-** | **-** | **-** | **-** | **-** | **-** | **(838)** |



# BRAC MAENDELEO TANZANIA
## APPENDICS- SEGMENTAL INFORMATION

### Appendix I- Statement of profit or loss and other comprehensive income (in USD)
### For the year ended 31 December 2017

| | | Agriculture, poultry & livestock | | Empowerment and livelihood for adolescents(ELA) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | BRAC USD | LEAD USD | GPAF USD | NIKE-ADP USD | NOVO-ELA USD | GEC USD | Pre-Primary School USD | Training USD | ALPG -NORAD USD | Sub Total USD |
| **Income** | | | | | | | | | | |
| Grant income | - | 316,973 | - | 216,729 | 252,253 | 312,041 | 1,092 | - | 334,285 | 1,433,373 |
| Other income/ (expenses) | - | - | - | 1,140 | 43 | | 3,885 | 118,454 | - | 123,521 |
| **Total income** | **-** | **316,973** | **-** | **217,869** | **252,296** | **312,041** | **4,977** | **118,454** | **334,285** | **1,556,894** |
| **Expenditure** | | | | | | | | | | |
| Staff costs and other benefits | - | (210,870) | - | (99,144) | (80,042) | (116,134) | - | (23,546) | (81,743) | (611,479) |
| Travelling and transportation expenses | - | (34,527) | - | (23,918) | (24,966) | (16,247) | (42) | (3,414) | (7,662) | (110,776) |
| Training, workshop and seminar expenses | - | (1,578) | - | (3,222) | (23,408) | (9,183) | (4,001) | (3,339) | (95,103) | (139,834) |
| Occupancy expenses | - | (18,339) | - | (10,312) | (19,616) | (8,634) | (934) | (12,652) | (14,310) | (84,797) |
| Other general and administration expenses | - | (51,659) | - | (81,273) | (103,223) | (155,332) | - | (73,637) | (125,069) | (590,193) |
| Depreciation charge | - | (14,021) | - | - | (1,041) | (6,511) | - | (1,866) | (10,398) | (33,836) |
| Amortisation of Capital grants | - | 14,021 | - | - | - | - | - | - | | 14,021 |
| **Total expenditure** | **-** | **(316,973)** | **-** | **(217,869)** | **(252,296)** | **(312,041)** | **(4,977)** | **(118,454)** | **(334,285)** | **(1,556,894)** |
| **Surplus for the year** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Tax charge | - | - | - | - | - | - | - | - | - | - |

BRAC MAENDELEO TANZANIA
APPENDICS- SEGMENTAL INFORMATION

## Appendix I- Statement of profit or loss and other comprehensive income (in USD)
## For the year ended 31 December 2017

| | Play Lab USD | EPP USD | Research USD | WASH USD | Sub Total USD | Grand Total USD |
|---|---|---|---|---|---|---|
| **Income** | | | | | | |
| Grant income | 297,200 | 3,378 | 172,609 | 14,645 | 487,832 | 1,921,204 |
| Other income/ (expenses) | - | - | - | - | - | 123,522 |
| **Total income** | **297,200** | **3,378** | **172,609** | **14,645** | **487,832** | **2,044,726** |
| **Expenditure** | | | | | | |
| Staff costs and other benefits | (74,622) | (3,378) | (63,754) | (8,723) | (150,478) | (761,956) |
| Travelling and transportation expenses | (50,819) | - | (7,647) | (2,348) | (60,814) | (171,590) |
| Training, workshop and seminar expenses | (72,203) | - | - | (1,917) | (74,120) | (213,954) |
| Occupancy expenses | (14,709) | - | - | - | (14,709) | (99,506) |
| Other general and administration expenses | (84,317) | - | (101,208) | (1,657) | (187,181) | (777,374) |
| Depreciation charge | (530) | - | - | - | (530) | (34,367) |
| Amortisation of Capital grants | - | - | - | - | - | 14,021 |
| **Total expenditure** | **(297,200)** | **(3,378)** | **(172,609)** | **(14,645)** | **(487,832)** | **(2,044,726)** |
| **Surplus for the year** | **-** | **-** | **-** | **-** | **-** | **-** |
| Tax charge | - | - | - | - | - | - |
| **Total comprehensive deficit** | **-** | **-** | **-** | **-** | **-** | **-** |

BRAC MAENDELEO TANZANIA
APPENDICS- SEGMENTAL INFORMATION

## Appendix II-Statement of Financial Position as at 31 December 2018

| | | Agriculture, poultry & livestock | | Empowerment and livelihood for adolescents(ELA) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | BRAC | LEAD | GPAF | NIKE-ADP | NOVO-ELA | GEC | Training | ALPG -NORAD | Sub Total |
| | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 |
| **Assets** | | | | | | | | | |
| Cash and cash equivalent | 129,476 | | | | | | | | 129,476 |
| Other assets | | | | | | | | | |
| Related party receivable | - | 720,923 | - | | | | | | 720,923 |
| Property and equipment | 5,136 | - | - | 2,830 | 8,328 | - | 4,875 | 70,436 | 91,604 |
| Deferred tax asset | 7,678 | 69,805 | - | - | - | - | - | - | 77,483 |
| **Total assets** | **142,290** | **790,728** | **-** | **2,830** | **8,328** | **-** | **4,875** | **70,436** | **1,019,486** |
| **LIABILITIES AND CAPITAL FUND** | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Other liabilities | | | | | | | | | |
| Due to related parties | - | 96,274 | - | (83,346 ) | 72,178 | 27,478 | - | - | 112,584 |
| Deferred grants | 350,455 | - | - | - | 6,586 | | - | 70,436 | 357,041 |
| Corporate tax payable | 6,154 | 71,711 | - | - | - | - | - | - | 77,865 |
| **Total liabilities** | **356,609** | **167,985** | **-** | **(83,346)** | **78,764** | **-** | **-** | **70,436** | **744,119** |
| Capital fund/(deficit) | | | | | | | | | |
| Accumulated losses | (214,319) | 622,743 | - | (80,516) | - | (27,478) | 4,875 | - | 275,367 |
| **Total liabilities and capital fund** | **142,290** | **790,728** | **-** | **2,830** | **8,328** | **-** | **4,875** | **-** | **1,019,486** |

## Appendix II-Statement of Financial Position as at 31 December 2018

| | Play Lab TZS'000 | Research TZS'000 | WE SOLVE TZS'000 | EELAY TZS'000 | Sub Total TZS'000 | Grand Total TZS'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalent | - | - | 223,840 | - | 223,840 | 353,317 |
| Other assets | 3,220 | - | - | - | 3,220 | 3,220 |
| Related party receivable | - | - | - | - | - | 720,923 |
| Property and equipment | 15,745 | - | 4,938 | 1,026 | 21,709 | 113,313 |
| Deferred tax asset | - | - | - | | | 77,483 |
| **Total assets** | **18,965** | **-** | **228,779** | **1,026** | **248,769** | **1,268,256** |
| **LIABILITIES AND CAPITAL FUND** | | | | | | |
| Liabilities | - | | | | | |
| Due to related parties | 18,965 | (318) | - | - | 18,647 | 309,213 |
| Deferred grants | - | 318 | 228,779 | 1,026 | 230,123 | 956,588 |
| Corporate tax payable | - | - | - | - | - | 77,865 |
| **Total liabilities** | **18,965** | **-** | **228,779** | **1,026** | **248,769** | **1,343,665** |
| Capital fund/(deficit) | | | | | | |
| Accumulated losses | - | - | - | - | - | (75,409) |
| **Total liabilities and capital fund** | **18,965** | **-** | **228,779** | **1,026** | **248,769** | **1,268,256** |

BRAC MAENDELEO TANZANIA
APPENDICS- SEGMENTAL INFORMATION

## Appendix II-Statement of Financial Position as at 31 December 2017

| | Agriculture, poultry & livestock | | | Empowerment and livelihood for adolescents(ELA) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | BRAC | LEAD | NIKE-ADP | NOVO-ELA | GEC | Pre-Primary School | Training | ALPG -NORAD | Sub Total |
| | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 |
| **Assets** | | | | | | | | | |
| Cash and cash equivalent | 1,102,769 | - | | - | 1,165 | - | (150) | - | 1,103,784 |
| Other assets | 1,767 | 540 | 15,801 | 7,820 | 4,260 | 640 | 38,074 | 1,606 | 70,508 |
| Property and equipment | 28,431 | 234,199 | 242 | 12 | 48,526 | - | 5,271 | 91,938 | 408,619 |
| Deferred tax asset | 7,678 | - | - | - | - | - | - | - | 7,678 |
| **Total assets** | **1,140,645** | **234,739** | **16,043** | **7,832** | **53,951** | **640** | **43,195** | **93,544** | **1,590,589** |
| **LIABILITIES AND CAPITAL FUND** | | | | | | | | | |
| **Liabilities** | | | | | | | | | |
| Other liabilities | 1,299,099 | 535,559 | 85,847 | 41,092 | 185,782 | (69,753) | (54,792) | (789,560) | 1,233,274 |
| Due to related parties | - | 21,294 | 38,035 | 17,248 | 27,478 | - | 74,979 | - | 179,034 |
| Deferred grants | - | (322,114) | (107,839) | (50,508) | (159,309) | 70,393 | - | 883,104 | 313,727 |
| Corporate tax payable | 6,155 | - | - | - | - | - | - | - | 6,155 |
| **Total liabilities** | **1,305,254** | **234,739** | **16,043** | **7,832** | **53,951** | **640** | **20,187** | **93,544** | **1,732,190** |
| **Capital fund/(deficit)** | | | | | | | | | |
| Accumulated losses | (164,609) | - | - | - | - | - | 23,007 | - | (141,601) |
| **Total liabilities and capital fund** | **1,140,645** | **234,739** | **16,043** | **7,832** | **53,951** | **640** | **43,194** | **93,544** | **1,590,589** |

## Appendix II-Statement of Financial Position as at 31 December 2017

| | Play Lab TZS'000 | Research TZS'000 | WE SOLVE TZS'000 | EELAY TZS'000 | Sub Total TZS'000 | Grand Total TZS'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalent | - | - | - | - | - | 1,103,784 |
| Other assets | 22,856 | - | 253 | - | 23,109 | 93,618 |
| Property and equipment | 6,797 | - | - | - | 6,797 | 415,416 |
| Deferred tax asset | - | - | - | - | - | 7,678 |
| **Total assets** | **29,653** | **-** | **253** | **-** | **29,906** | **1,620,496** |
| **LIABILITIES AND CAPITAL FUND** | | | | | | |
| **Liabilities** | | | | | | |
| Other liabilities | (481,610) | (42,407) | 123,855 | (75,507) | (475,669) | 757,605 |
| Due to related parties | 58,460 | - | - | - | 58,460 | 237,492 |
| Deferred grants | 452,803 | 42,407 | (123,602) | 75,507 | 447,115 | 760,842 |
| Corporate tax payable | - | - | - | - | - | 6,155 |
| **Total liabilities** | **29,653** | **-** | **253** | **-** | **29,906** | **1,762,094** |
| **Capital fund/(deficit)** | | | | | | |
| Accumulated losses | - | - | - | - | - | (141,599) |
| **Total liabilities and capital fund** | **29,653** | **-** | **253** | **-** | **29,906** | **1,620,495** |



## Appendix II-Statement of Financial Position as at 31 December 2018 (in USD)

| | Agriculture, poultry & livestock | | Empowerment and livelihood for adolescents(ELA) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | BRAC USD | LEAD USD | NIKE-ADP USD | NOVO-ELA USD | GEC USD | Training School USD | ALPG -NORAD USD | Sub Total USD |
| **Assets** | | | | | | | | |
| Cash and cash equivalent | 56,331 | - | - | - | - | - | - | 56,331 |
| Other assets | | | | | | | | |
| Property and equipment | 2,234 | - | 1,231 | 3,623 | - | 2,121 | 30,645 | 39,854 |
| Deferred tax asset | 3,340 | 30,370 | - | - | - | - | - | 33,710 |
| Related party receivables | - | - | - | - | 313,649 | - | - | 313,649 |
| **Total assets** | **61,906** | **30,370** | **1,231** | **3,623** | **313,649** | **2,121** | **30,645** | **443,544** |
| **LIABILITIES AND CAPITAL FUND** | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Other liabilities | - | - | - | - | - | - | - | - |
| Due to related parties | - | 41,886 | 36,261 | 31,402 | 11,955 | - | - | 121,504 |
| Deferred grants | 152,471 | | - | 2,865 | - | - | - | 155,336 |
| Corporate tax payable | 2,677 | 31,199 | - | - | - | - | - | 33,876 |
| **Total liabilities** | **155,148** | **73,085** | **36,261** | **34,267** | **11,955** | **-** | **-** | **276,449** |
| Capital fund/(deficit) | | | | | | | | |
| Accumulated losses | (93,242) | (42,715) | (35,030) | (30,644) | 301,694 | 2,121 | 30,645 | 132,829 |
| **Total liabilities and capital fund** | **61,906** | **30,370** | **1,231** | **3,623** | **313,649** | **2,121** | **30,645** | **443,544** |

BRAC MAENDELEO TANZANIA
APPENDICS- SEGMENTAL INFORMATION

## Appendix I- Statement of profit or loss and other comprehensive income (in USD)
## As at 31 December 2018

| | Play Lab USD | Research USD | WASH USD | We Solve USD | EELAY USD | Sub Total USD | Grand Total USD |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash and cash equivalent | - | | - | 97,385 | - | 97,385 | 153,716 |
| Other assets | 1,401 | - | - | - | - | - | 1,401 |
| Property and equipment | 6,850 | | | 2,148 | 446 | 9,445 | 49,299 |
| Deferred tax asset | - | - | - | - | - | - | 33,710 |
| Related party receivable | - | - | - | - | - | - | 313,649 |
| **Total assets** | **8,251** | **-** | **-** | **99,534** | **446** | **108,230** | **551,775** |
| **LIABILITIES AND CAPITAL FUND** | | | | | | | |
| **Liabilities** | | | | | | | |
| Other liabilities | - | - | - | - | - | - | - |
| Due to related parties | 13,162 | (138) | - | - | - | 13,024 | 134,528 |
| Deferred grants | - | 138 | | 99,534 | 161,170 | 260,842 | 416179 |
| Corporate tax payable | - | - | - | - | - | - | 33,876 |
| **Total liabilities** | **13,162** | **-** | **-** | **99,534** | **161,170** | **273,866** | **584,583** |
| **Capital fund/(deficit)** | | | | | | | |
| Accumulated losses | (4,911) | - | - | - | (165,635) | (160,724) | (32,808) |
| **Total liabilities and capital fund** | **8,251** | **-** | **-** | **99,534** | **446** | **108,230** | **551,775** |

BRAC MAENDELEO TANZANIA
APPENDICS- SEGMENTAL INFORMATION

## Appendix II-Statement of Financial Position as at 31 December 2017 (in USD)

| | Agriculture, poultry & livestock | | Empowerment and livelihood for adolescents(ELA) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | BRAC USD | LEAD USD | NIKE-ADP USD | NOVO-ELA USD | GEC USD | Pre-Primary School USD | Training USD | ALPG -NORAD USD | Sub Total USD |
| **Assets** | | | | | | | | | |
| Cash and cash equivalent | 492,088 | - | - | | 520 | - | (67) | - | 492,541 |
| Other assets | 789 | 241 | 7,051 | 3,490 | 1,901 | 286 | 16,990 | 716 | 31,464 |
| Property and equipment | 12,687 | 104,506 | 108 | 5 | 21,654 | - | 2,352 | 41,025 | 182,337 |
| Deferred tax asset | 3,426 | - | - | - | - | - | - | - | 3,426 |
| **Total assets** | **508,990** | **104,747** | **7,159** | **3,495** | **24,075** | **286** | **19,275** | **41,741** | **709,768** |
| **LIABILITIES AND CAPITAL FUND** | | | | | | | | | |
| **Liabilities** | | | | | | | | | |
| Other liabilities | 579,696 | 238,982 | 38,308 | 18,336 | 82,901 | (31,126) | (24,450) | (352,326) | 550,321 |
| Due to related parties | - | 9,502 | 16,972 | 7,697 | 12,262 | - | 33,458 | - | 79,891 |
| Deferred grants | - | (143,737) | (48,121) | (22,538) | (71,088) | 31,412 | - | 394,067 | 139,995 |
| Corporate tax payable | 2,746 | - | - | - | - | - | - | - | 2,746 |
| **Total liabilities** | **582,442** | **104,747** | **7,159** | **3,495** | **24,075** | **286** | **9,008** | **41,741** | **772,953** |
| **Capital fund/(deficit)** | | | | | | | | | |
| Accumulated losses | (73,452) | - | - | - | - | - | 10,267 | - | (63,185) |
| **Total liabilities and capital fund** | **508,990** | **104,747** | **7,159** | **3,495** | **24,075** | **286** | **19,275** | **41,741** | **709,768** |

## Appendix II-Statement of Financial Position as at 31 December 2017 (in USD)

| | Play Lab USD | EPP USD | Research USD | WASH USD | Sub Total USD | Grand Total USD |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalent | - | - | - | - | - | 492,541 |
| Other assets | 10,199 | - | 113 | - | 10,312 | 41,776 |
| Property and equipment | 3,033 | - | - | - | 3,033 | 185,370 |
| Deferred tax asset | - | - | - | - | - | 3,426 |
| **Total assets** | **13,232** | **-** | **113** | **-** | **13,345** | **723,113** |
| LIABILITIES AND CAPITAL FUND | | | | | | |
| **Liabilities** | | | | | | |
| Other liabilities | (214,908) | (18,923) | 55,268 | (33,693) | (212,256) | 338,065 |
| Due to related parties | 26,086 | - | - | - | 26,086 | 105,977 |
| Deferred grants | 202,054 | 18,923 | (55,155) | 33,693 | 199,515 | 339,510 |
| Corporate tax payable | - | - | - | - | - | 2,746 |
| **Total liabilities** | **13,232** | **-** | **113** | **-** | **13,345** | **786,298** |
| **Capital fund/(deficit)** | | | | | | |
| Accumulated losses | - | - | - | - | - | (63,185) |
| **Total liabilities and capital fund** | **13,232** | **-** | **113** | **-** | **13,345** | **723,113** |

# BRAC
## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

BRAC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

**GENERAL INFORMATION**

Members of Governing Council

| Name | Position | Nationality |
|---|---|---|
| Mr. Faruque Ahmed | Member | Bangladeshi |
| Ms. Lamia Rashid | Member | Bangladeshi |

**Administrator**

| Name | Position |
|---|---|
| Mr. Fordson Kafweku | Country Representative (Ex-officio director) |

**Principal place of business**

Block: 3, Plot No: MNL-3278
Mwanakwerekwe Street
P. O. Box 2635
Zanzibar

**Registered office**

Block: 3, Plot No: MNL-3278
Mwanakwerekwe Street
P. O. Box 2635
Zanzibar

**Auditors**

KPMG
Certified Public Accountants
2nd Floor, The Luminary
Haile Selassie Road, Masaki
P. O. Box 1160
Dar es Salaam, Tanzania

**Bankers**

NBC Limited
Zanzibar Branch
Zanzibar Business Centre
Kenyata Road
P.O.Box157
Zanzibar, Tanzania



BRAC
REPORT OF THE GOVERNING COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2018

**1** The members of BRAC Governing Council have the pleasure in submitting their report and the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of BRAC ("the Organization") as at that date.

**2 REGISTRATION**

BRAC is a not-for-profit organization registered under the Societies Act, 1995 of the Zanzibar Revolutionary Government.

**3 VISION**

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

**4 MISSION**

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

**5 OUR VALUES**

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

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

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

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

**6 PRINCIPAL ACTIVITIES**

The principal activity of the Organization is the provision of micro finance service to micro and small-scale entrepreneur in the informal sector of the Zanzibar economy. BRAC has also been involved in partnership with people fighting poverty to improve their welfare in the various parts of Zanzibar.

**7 FINANCIAL PERFORMANCE**

The Organization's performance during the year ended 31 December 2018 is as follows. These enhance sustainability of the organization and ability to reach new beneficiaries.

- Total revenue increased by 24% from TZS 1,603 million in 2017 to TZS 1,995 million in 2018.
- Loans to customers increased by 26% from TZS 3,054 million in 2017 to TZS 3,855 million in 2018.

During the year, the Organization had a surplus before tax of TZS 700 million (2017: TZS 388 million) being growth of 80% from 2017.

The statement of financial position as at 31 December 2018 is set out on page 138.

8 RESULTS FROM OPERATIONS

The results for the Organisation for the year ended 31 December 2018 are set out on page 137.

9 COMPOSITION OF MEMBERS OF THE GOVERNING COUNCIL

The members of the Governing Council, who served during the year and up to the date of this report, are set out on page 128.

10 CORPORATE GOVERNANCE

The members of the Governing Council believe that high standards of corporate governance directly influence the Organisation's stakeholder and investor confidence. The members also recognise the importance of integrity transparency and accountability.

11 RISK MANAGEMENT

The members of the Governing Council accept the final responsibility for the risk management and internal control system of the Organization. The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Organization's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

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

12 MANAGEMENT STRUCTURE

The Organizations under the supervision of the members of the Governing Council and the day-to-day management is entrusted to the Country Representative who is assisted by the heads of divisions, departments and units.

The organization structure of the Organization comprises of the following divisions:

- Micro Finance Program (MF);
- Social Enterprise Program (SEP);
- Agriculture and livestock;
- Accounts and finance;
- Internal audit;
- Monitor;
- Information Technology (IT) and Management Information System (MIS);
- Human resources;
- Training; and
- Procurement, logistics and transportation.





13 RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 21 to the financial statements.

14 FUTURE DEVELOPMENT PLANS

In 2019 the Organization will extend its programs to remote rural areas in order to reach the poorer section of the population. The Organization is planning to target 10,060 borrowers aiming to disburse USD10.8 million as micro loans. Additional 790 borrowers will be targeted for Small Enterprise Loan (SEP) and Micro loans. It is expected that USD 1.1 million will be disbursed to the SEP borrowers.

Training is integral to improve efficiency in management and program delivery. Rigorous staff training in aspect of occupational and functional skills and techniques of community participation and development management will be organized to improve and maintain quality.

Staff drop-out is being addressed through regular recruitment of qualified personnel. Capacity building of staff will continue through ongoing training. Staff morale will be raised by highlighting their contribution through appreciation and recognition.

15 KEY ACHIEVEMENTS IN 2018

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

- The borrowings has increased and amount disbursed has improved by 24% from TZS 7.2 billion in 2017 to TZS 8.9 billion in 2018.
- Strengthening of supporting services such as audit, procurement and finance which has brought positive impact in the financial performance during the year.
- Development of business relationship with other stakeholders have strengthened hence brand awareness has increased.
- This is the fifth year of operation where BRAC has made a profit for the second time and paid Corporate tax to the Government.

16 SOLVENCY

The members of Governing Council confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The members of Governing Council have reasonable expectation that the Organisation has adequate resources to continue in operational existence for the foreseeable future.

17 EMPLOYEES' WELFARE

**Management/employee relationship**

There were continued good relations between employees and management for the year 2018. There were no unresolved complaints received by management from the employees during the year.

The Organisation is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

**Training**

Training and development of staff capacity is one of the key priorities of the Organisation. During the year, all the Branch Accountants received hands-on training for Micro Finance and Small Enterprise programs. The Organisation will continue to train, re-train and develop its staff in order to improve service delivery and innovation.

## 17 EMPLOYEES' WELFARE (CONTINUED)

**Training (Continued)**

During the year 2018, the Organisation spent a sum of TZS 33 million for staff training in order to improve employees' technical skills and hence effectiveness (2017: TZS 9.8 million).

**Medical facilities**

The Organisation reimburses medical expenses incurred by employees for medical treatment on case to case basis.

**Persons with disabilities**

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

**Retirement benefits**

All eligible employees are members of Zanzibar Social Security Fund (ZSSF) or the Parastatal Provident Fund (PPF) currently Public Services Social Security Fund (PSSSF) which are approved pension funds. The Organisation contributes 10% of the employees' gross monthly salary.

The ZSSF and PSSSF are a defined contribution schemes with BRAC having no legal or constructive obligation to pay further top up contributions.

## 18 GENDER PARITY

The Organisation had 69 employees in 2018 with 58 being females and 11 males, whilst in 2017 the Organisation, had 70 employees with 53 being females and 17 males.

## 19 AUDITORS

The Organisation's auditors, KPMG have expressed their willingness to continue in office and are eligible for re-appointment. A resolution to reappoint KPMG as auditors will be put to the Annual General Meeting.

BY ORDER OF THE COUNCIL

.......................... 22 March 2019
Faruque Ahmed
Executive Director





The members of the Governing Council are responsible for the preparation of financial statements that give a true and fair view of BRAC comprising the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the information to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Societies Act, 1995.

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

The members of the Governing Council have made an assessment of the ability of the Organization to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

**Approval of financial statements**

The financial statements of BRAC, as identified in the first paragraph, were approved by the members of the Governing Council on 22 March 2019 and signed by:

......................................
Faruque Ahmed
Executive Director

BRAC

## DECLARATION OF HEAD OF FINANCE

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

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

I Onisi Gerald Lukosi being the Acting Head of Finance of BRAC hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2018; have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: ..............................................................

Position: Acting Head of Finance

NBAA Membership No.: CPA (T) 030440

Date: 22 March 2019



**KPMG**
**Certified Public Accountants**
2ND Floor, The luminary
Haile Selassie Road, Masaki
PO Box 1160
Dar es Salaam, Tanzania

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Email info@kpmg.co.tz
Internet www.kpmg.com/eastrafrica

## INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF GOVERNING COUNCIL OF BRAC

### Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of BRAC ("the Organization"), set out on pages 11 to 38 which comprise the statement of financial positions at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

The memorandum ("Memo") columns representing amounts in United States Dollars (USD) do not form part of the audited financial statements and accordingly, we do not express an opinion on them.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of BRAC as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

*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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of BRAC in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants, 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.

*Other Information*

The members of Governing council are responsible for the other information. The other information comprises the Members of Governing Council's Report and Statement of Members of Governing Council Responsibilities as required by the Non-governmental organisations Act, 2002 and Declaration of the Head of Finance. The other information does not include the financial statements and our auditors' 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.

*Members of Governing Council's responsibilities for the Financial Statements*

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOVERNING COUNCIL OF BRAC (CONTINUED)

In preparing the financial statements, Members of Governing Council are responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the Organization or to cease operations, or have no realistic alternative but to do so.

Members of Governing Council are responsible for overseeing the Organization's financial reporting process.

*Auditors' 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 auditors' 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.

- 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 Organisation'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 Members of Governing Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Organisation 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 Members of Governing council 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.

KPMG
Certified Public Accountants (T)

Signed by: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam
2 April, 2019



## BRAC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 TZS '000 | Memo 2018 USD | 2017 TZS '000 | Memo 2017 USD |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Interest income | 6 | 1,890,800 | 831,457 | 1,516,017 | 680,782 |
| Interest expense | | (120,024) | (52,779) | (136,491) | (61,292) |
| | | **1,770,776** | **778,678** | **1,379,526** | **619,490** |
| Other income | 7 | 104,236 | 45,836 | 87,479 | 39,283 |
| **Total operating income** | | **1,875,012** | **824,514** | **1,467,005** | **658,773** |
| Impairment charge on loans to customers | 8 | (26,705) | (11,743) | (45,682) | (20,514) |
| **Operating income after impairment charge** | | **1,848,307** | **812,771** | **1,421,323** | **638,259** |
| **Operating expenses** | | | | | |
| Staff costs | 9 | (626,663) | (275,568) | (540,881) | (242,888) |
| Travelling and transportation | | (80,430) | (35,368) | (80,219) | (36,023) |
| Training, workshop and seminars | | (33,376) | (14,676) | (9,777) | (4,390) |
| Occupancy expenses | 10 | (38,956) | (17,131) | (41,173) | (18,489) |
| Other operating expenses | 11 | (361,572) | (158,997) | (353,185) | (158,601) |
| Depreciation charge | 16 | (7,570) | (3,329) | (7,845) | (3,503) |
| **Surplus before taxation** | | **699,740** | **307,703** | **388,243** | **174,365** |
| Tax expense | 12(a) | (215,073) | (94,576) | (119,583) | (53,362) |
| **Surplus for the year** | | **484,667** | **213,127** | **268,660** | **121,003** |
| **Other comprehensive income:** | | - | - | - | - |
| **Total comprehensive surplus for the year** | | **484,667** | **213,127** | **268,660** | **121,003** |

Notes and related statements forming part of the financial statements appear on pages 141 to 161.

Report of the auditors is on Page 135-136.

## BRAC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

| | Notes | 2018 TZS '000 | Memo 2018 USD | 2017 TZS '000 | Memo 2017 USD |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | 13 | 123,003 | 53,514 | 152,754 | 68,163 |
| Loans to customers | 14 | 3,784,636 | 1,646,568 | 2,956,667 | 1,319,352 |
| Other assets | 15 | 15,029 | 6,539 | 34,892 | 15,570 |
| Tax Receivable | 12(b) | - | - | 11,936 | 5,326 |
| Deferred tax asset | 17 | 25,990 | 11,307 | 33,767 | 15,068 |
| Property and equipment | 16 (a) | 27,425 | 11,932 | 3,673 | 1,640 |
| Intangible assets | 16 (b) | 2,317 | 1,008 | - | - |
| **Total assets** | | **3,978,400** | **1,730,868** | **3,193,689** | **1,425,119** |
| **LIABILITIES AND CAPITAL FUND** | | | | | |
| **Liabilities** | | | | | |
| Loan security fund | 18 | 766,697 | 333,564 | 602,536 | 268,869 |
| Other liabilities | 19 | 948,673 | 412,736 | 1,038,876 | 463,577 |
| Tax payable | 12(b) | 32,113 | 13,971 | - | - |
| Related party payables | 21(a) | 474,477 | 206,429 | 302,177 | 134,840 |
| Grants invested in loans | 20 | 211,375 | 91,962 | 211,375 | 94,322 |
| **Total liabilities** | | **2,433,335** | **1,058,662** | **2,154,964** | **961,608** |
| **Capital fund** | | | | | |
| Donor funds | | 814,454 | 363,433 | 814,454 | 363,433 |
| Retained earnings | | 730,611 | 313,579 | 224,271 | 100,453 |
| Translation reserve | | - | (4,806) | - | (375) |
| **Total capital fund** | | **1,545,065** | **672,206** | **1,038,725** | **463,511** |
| **Total liabilities and capital fund** | | **3,978,400** | **1,730,868** | **3,193,689** | **1,425,119** |

The financial statements on pages 137 to 161 were approved for issue by the members Governing Council on 22 March 2019 and signed on its behalf by:

Director
BRAC

Country Representative
BRAC

Notes and related statements forming part of the financial statements appear on pages 141 to 161.

Report of the auditors is on Page 135-136.



## BRAC

STATEMENT OF CAPITAL FUND
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Donor funds TZS '000 | Accumulated deficit/ Surplus Micro finance USD | Total | Memo Total |
|---|---|---|---|---|
| **Balance as at 1 January 2017** | **814,454** | **(44,389)** | **770,065** | **356,406** |
| Surplus for the year | - | 268,660 | 268,660 | 121,003 |
| Foreign currency translation reserve | - | - | - | (13,899) |
| **Balance as at 31 December 2017** | **814,454** | **224,271** | **1,038,725** | **463,510** |
| **Balance as at 1 January 2018** | **814,454** | **224,271** | **1,038,725** | **463,510** |
| Adjustment on initial application of IFRS 9 –net of tax | - | 21,673 | 21,673 | 9,530 |
| Surplus for the year | - | 484,667 | 484,667 | 213,127 |
| Foreign currency translation reserve | - | - | - | (13,961) |
| **Balance as at 31 December 2018** | **814,454** | **730,611** | **1,545,065** | **672,206** |

Notes and related statements forming part of the financial statements appear on pages 141 to 161.

Report of the auditors is on Page 135-136.

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | Memo 2018 TZS '000 | 2018 USD | Memo 2017 TZS '000 | 2017 USD |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Surplus for the year | | 699,740 | 307,703 | 388,243 | 174,364 |
| **Adjustment for non-cash items:** | | | | | |
| Depreciation charge | 16 | 7,570 | 3,329 | 7,845 | 3,503 |
| Non cash gain on asset recognition | | (31,323) | (18,603) | - | - |
| Provision for impairment on loans and advances | 8 | 26,705 | 11,743 | 45,682 | 20,514 |
| ***Cash from operating activities before working capital changes*** | | **702,692** | **304,469** | **423,147** | **190,071** |
| **Changes in:** | | | | | |
| - Other assets | | 19,862 | 9,031 | (15,183) | (6,519) |
| - Other liabilities | | (90,203) | (50,841) | (80,629) | (32,971) |
| - Loans to customers | | (823,712) | (338,959) | (596,732) | (267,526) |
| - Loan security funds received during the year | 18 | 164,161 | 64,695 | 114,162 | 42,770 |
| - Balance due to related parties | | 172,301 | 71,589 | 107,373 | 48,217 |
| ***Cash from operating activities after working capital changes*** | | **(557,591)** | **(244,485)** | **(47,862)** | **(68,728)** |
| Tax paid | 12(b) | (172,535) | (75,870) | (80,494) | (36,147) |
| **Cash used in operating activities** | | **(27,434)** | **(15,886)** | **(128,356)** | **(104,875)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisition of assets | 16(b) | (2,317) | (1,008) | (7,430) | (3,315) |
| **Net decrease in cash and cash equivalents** | | **(29,751)** | **(16,894)** | **(135,786)** | **(65,420)** |
| Cash and cash equivalents at the beginning of the year | 13 | 152,754 | 68,163 | 288,540 | 133,583 |
| Foreign exchange translation reserve | | - | 2,245 | - | - |
| **Cash and cash equivalents at the end of the year** | **13** | **123,003** | **53,514** | **152,754** | **68,163** |

Notes and related statements forming part of the financial statements appear on pages 141 to 161.

Report of the auditors is on Page 135-136.





NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 1. REPORTING ENTITY

BRAC is a non-for-profit organization registered under the Societies Act, 1995 of the Zanzibar Revolutionary Government. BRAC is situated at House No-KS/MJ/205E, Plot No.52, Mbweni, P. O Box 2635, Zanzibar.

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). This is the first set of the Organisation's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes in significant accounting policies are described in Note 3 (q) (i).

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

**Memorandum figures**

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

- Assets and liabilities were translated at the closing rate at 31 December 2018 of TZS 2,298.50 (2017: TZS 2,241) to USD 1 except for additions to property and equipment which were translated at an average rate for the period of TZS 2,274.08 (2017:TZS 2,226.88) to USD 1;
- Income and expenses were translated using an average exchange rate for the period of TZS2,274.08(2017:TZS 2,226.88) to USD 1;
- Equity is not translated; and
- All resulting exchange differences are being recognised in other comprehensive income.

These financial statements are presented in Tanzanian Shillings, which is the BRAC's functional currency and presentation currency. Except as indicated, financial information presented in Tanzania shillings has been rounded to the nearest thousands (TZS'000).

### (d) Use of estimates and judgements

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Foreign currency transactions

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

(b) Interest income and expense

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

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

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

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

(c) Fees and commission income

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

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

(d) Grants

(i) Deferred grants

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

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

Grants utilized to reimburse program related expenditure are recognised as grant income for the period.

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

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

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

(ii) Grant income

Grant income is recognized on a cash basis to the extent that the Organisation fulfils the conditions of the grant. This income is transferred from the deferred grant received from donors and recognised as income in profit or loss.

A substantial portion of the Organisation's donor grants are for funding of 'Not-for-Profit' projects and programs, and for these grant, income recognized is matched to the extent of actual expenditures incurred on projects and programs for the period.

For donor grants restricted to funding procurement of fixed assets, the grant income is recognised as the amount equivalent to depreciation expenses charged on the fixed assets.



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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(e) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(f) Income tax expense

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

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

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

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

(g) Financial assets and liabilities

*(i) Recognition*

The Organisation initially recognises loans and advances, deposits, debt securities issued and liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Organisation commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Organisation becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

*(ii) Classification*

The Organisation classifies its financial assets and liabilities into the following categories: loans and receivables; cash and cash equivalent and accounts payables. Management determines the classification of its investments at initial recognition.

*Cash and cash equivalent*

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

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

*Loan and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method, less any impairment losses. Loans and receivables comprise loans and advances to customers, other receivables/asset and amount due from related parties.

*Trade and other payables*

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Trade and other payables comprises other liabilities, due from related parties and loan security fund.

*(iii) De-recognition*

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

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

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

The Organisation enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them.

If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

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

*(iv) Off setting*

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

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

*(v) Amortised cost measurement*

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

*(vi) Fair value measurement*

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Organisation determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference



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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

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

*(vii) Identification and measurement of impairment*

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

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

The Organisation considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances securities are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by Companying together loans and advances and held-to-maturity investment securities with similar risk characteristics.

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

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

**(h) Property and equipment**

*(i) Recognition and measurement*

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

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

*(ii) Subsequent costs*

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

*(iii) Depreciation and amortisation charges*

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

The estimated useful lives for the current and comparative periods are as stated:

| | |
|---|---|
| Furniture & fixtures | 10% |
| Equipment | 25% |
| Vehicles | 20% |
| Bicycles | 20% |

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

**(i) Impairment of non-financial assets**

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

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

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

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

**(j) Intangible assets**

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

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

**(k) Security deposits from customers and term loans**

The organisation classifies capital instruments i.e. security deposits as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

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

***(l) Provisions***

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





**(m) Employee benefits**

***(i) Defined contribution plans***

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

***(ii) Short-term benefits***

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

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

**(n) Changes in accounting standards, amendments and interpretations**

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

The Organisation has initially adopted IFRS 9 and IFRS 15 from 1 January 2018.

The company initially adopted IFRS 9 and IFRS 15 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the company's financial statements. Due to the transition method chosen by the Organisation in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

**(q) New standards, amendments and interpretations (Continued)**

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

The adoption of IFRS 15 did not have a significant impact on the affected revenue lines.

The effect of initially applying IFRS 9 mainly attributed to a decrease in impairment losses recognized on financial assets in the current year and additional disclosures related to IFRS 9.

***Classification and measurement of financial assets and financial liabilities***

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Organisation's accounting policies related to financial asset and financial liabilities.

Loan and advances that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of TZS 30.9 Mill in the allowance for impairment over these loans and advances was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Organisation's financial assets and financial liabilities as at 1 January 2018.

| | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|
| **Financial assets** | | | **TShs'000** | **TShs'000** |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 152,754 | 152,754 |
| Loans and advances to customers | Loans and receivables | Amortised cost | 2,956,667 | 2,925,706 |
| **Total financial assets** | | | **3,109,421** | **3,078,460** |
| **Financial Liabilities** | | | | |
| Due from related parties | Other financial liabilities | Amortised cost | 602,536 | 602,536 |
| Other liabilities | Other financial liabilities | Amortised cost | 1,038,876 | 1,038,876 |
| **Total financial liabilities** | | | **1,641,412** | **1,641,412** |

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

***Impairment of financial assets***

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 see Note 15 for assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.
The Organisation has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

| **Loan impairment** | **TZS'000** |
|---|---|
| **Impairment allowance at 31 December 2017 under IAS 39** | 97,415 |
| Release of impairment at 1 January 2018 | (30,962) |
| **Impairment allowance at 1 January 2018 under IFRS 9** | **66,453** |

***Transition***

The Organisation has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings net of deferred tax as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

***(ii) New accounting standards, amendments and interpretations in issue but not yet effective***

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Company's financial statements in the period of initial application.

**IFRS 16 *Leases***

The Company is required to adopt IFRS 16 Leases from 1 January 2019.





IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

i. Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of office space. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.
Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.
In addition, any the payments due under an operating lease will be included in lease liability.
The Company has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, the development of the Company's lease portfolio, the Company's assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.
As at 31 December 2018, the Company's future minimum lease payments under non-cancellable operating leases amounted to €7,674 thousand, on an undiscounted basis, which the Company estimates it will recognise as additional lease liabilities

ii. Transition

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Company plans apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

B. Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

**4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT**

**Introduction and overview**

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

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

This Note presents information about the organisation's exposure to each of the above risks, the organisation's objectives, policies and processes for measuring and managing risk.

**(a) Credit risk**

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

**Management of credit risk**

For risk management reporting purposes, BRAC considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

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

The model that the Organisation uses to mitigate this risk is arrangement with the respective members of the Organisation. The Organisation members are required to contribute for a customer who has defaulted on the weekly loan repayment. This model is used exclusively by the Organisation.

As set out above, the main activity of the Organisation is the provision of unsecured loans to Organisation members. The members of Governing Council have delegated responsibility for the oversight of credit risk to the Country Representative who works with the assistance of Program manager and the Monitoring department. However, this must be viewed in light of the overall framework of the exclusive use of "Organisation guaranteed" loan repayment mechanism.

**Impaired loans**

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

**Past due but not impaired loans**

Loans, where contractual interest or principal payments are past due but the organisation believes that impairment is not appropriate on the basis of the level of security or the stage of collection of amounts owed to the Organisation.

**Allowances for impairment**

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

The table provides details of exposure to credit risk:

| **Micro finance** | **2018 TZS'000** | **2017 TZS'000** |
|---|---|---|
| **Carrying amount** | | |
| Standard | 3,749,154 | 2,956,287 |
| Watch List | 67,398 | 37,238 |
| Substandard | 5,560 | 20,661 |
| Doubtful | 1,639 | 14,210 |
| Loss | 31,439 | 25,686 |
| | **3,855,190** | **3,054,082** |
| Allowance for impairment | (70,554) | (97,415) |
| **Net loans** | **3,784,636** | **2,956,667** |
| Balance at 1 January | 97,415 | 70,339 |
| IFRS 9 transition adjustment | (30,962) | - |
| Charge for the year | 26,705 | 45,682 |
| Direct write offs | (22,604) | (15,162) |
| | **70,554** | **97,415** |





**Write-off policy**

BRAC writes off a loan balance (and any related allowances for impairment losses) when the organisation credit committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

**(b) Liquidity risk**

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

**Management of liquidity risk**

The Organisation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the organisation's reputation.

Residual contractual maturities of financial liabilities.

| **31 December 2018** | **Carrying amount TZS'000** | **Contractual cash flows TZS'000** | **Within 1 year TZS'000** |
|---|---|---|---|
| Loan security fund | 766,697 | 766,697 | 766,697 |
| Other current liabilities (including related parties) | 1,634,525 | 1,634,525 | 1,634,525 |
| **Total liabilities** | **2,401,222** | **2,401,222** | **2,401,222** |
| **31 December 2017** | | | |
| Loan security fund | 602,536 | 602,536 | 602,536 |
| Other current liabilities (including related parties) | 1,552,428 | 1,552,428 | 1,552,428 |
| **Total liabilities** | **2,154,964** | **2,154,964** | **2,154,964** |

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

**(c) Market risk**

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

**(i) Currency risk**

The Organisation is exposed to currency risk on payments that are denominated in a currency other than the respective functional currency of Organisation, the Tanzanian Shilling (TZS). The currencies in which these transactions primarily are denominated are Tanzanian Shilling (TZS) and US Dollars (USD).

The Organisation's strategy for managing its foreign currency exposure is through transacting mainly using its functional currency.

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk – currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the year-end date.

During the year the Organisation did not incur significant transactions in other foreign currencies except few immaterial transactions with related entities.

**(ii) Interest rate risk**

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

| 31 December 2018 | Up to 1 month TZS'000 | From 1 to 12 months TZS'000 | From 1 years to 2 years TZS'000 | From 2 to years and above TZS'000 | Non- interest bearing TZS'000 | Total TZS'000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and bank balances | - | - | - | - | 123,003 | 123,003 |
| Loans to customers* | 3,773,395 | 19,898 | 15,735 | 1,125 | - | 3,810,153 |
| Other assets | - | - | - | - | 15,029 | 15,029 |
| **Total assets** | **3,773,395** | **19,898** | **15,735** | **1,125** | **138,032** | **3,948,185** |
| **LIABILITIES** | | | | | | |
| Loan security fund | - | - | - | - | (766,697) | (766,697) |
| Other liabilities | - | - | - | - | (1,423,150) | (1,423,150) |
| Deferred grants | - | - | - | - | (211,375) | (211,375) |
| **Total liabilities** | **-** | **-** | **-** | **-** | **(2,401,222)** | **(2,401,222)** |
| **Net assets/(liabilities)** | **3,773,395** | **19,898** | **15,735** | **1,125** | **(2,263,190)** | **1,546,963** |

| 31 December 2017 | Up to 1 month TZS'000 | From 1 to 12 months TZS'000 | From 1 years to 2 years TZS'000 | From 2 to years and above TZS'000 | Non- interest bearing TZS'000 | Total TZS'000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and bank balances | - | - | - | - | 288,540 | 288,540 |
| Loans to customers* | 105,781 | 2,281,214 | - | - | - | 2,386,995 |
| Other assets | - | - | - | - | 19,709 | 19,709 |
| **Total assets** | **105,781** | **2,281,214** | **-** | **-** | **308,249** | **2,695,244** |
| **LIABILITIES** | | | | | | |
| Loan security fund | - | - | - | - | (602,536) | (602,536) |
| Other liabilities | - | - | - | - | (1,341,053) | (1,314,309) |
| Deferred grants | - | - | - | - | (211,375) | (211,375) |
| **Total liabilities** | **-** | **-** | **-** | **-** | **(1,732,214)** | **(1,732,214)** |
| **Net assets/(liabilities)** | **105,781** | **2,281,214** | **-** | **-** | **(1,423,965)** | **963,030** |

* Loans and advances to customers outstanding as at 31 December in each respective year, before impairment.

**(d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Organisation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Organisation's operations and are faced by all business entities.

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





**4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)**

**(d) Operational risk (Continued)**

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- training and professional development;
- risk mitigation, including insurance where this is effective
- development of contingency plans; and
- Compliance with regulatory and other legal requirements.

Compliance with Organisation standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of the Internal Audit reviews are discussed with the management of the business unit to which they relate and Country Representative.

**5. USE OF ESTIMATES AND JUDGEMENTS**

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

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

Key sources of estimation uncertainty

**(i) Allowances for credit losses**

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(g)(vii). The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial where each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks.

In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

**(ii) Property and equipment, leased premises and intangible assets**

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

**(iii) Taxes**

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

**(iv) Fair values of financial instruments**

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

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

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

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

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised. Their carrying amount are considered an approximate of their fair value on the basis that the financial instruments are short term or reprice in the short run.

| 31 December 2018 | Level 1 TZS'000 | Level 2 TZS'000 | Level 3 TZS'000 | Carrying Value TZS'000 | Fair Values TZS'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and bank balances | - | 123,003 | - | 123,003 | 123,003 |
| Loans to customers | - | - | 3,784,636 | 3,784,636 | 3,784,636 |
| Other assets | - | - | 15,029 | 15,029 | 15,029 |
| **Total assets** | **-** | **123,003** | **3,799,665** | **3,922,668** | **3,922,668** |
| **LIABILITIES** | | | | | |
| Other liabilities | - | - | 1,197,310 | 1,197,310 | 1,197,310 |
| Loan security fund | - | - | 766,697 | 766,697 | 766,697 |
| Deferred revenue grants | - | - | 211,375 | 211,375 | 211,375 |
| **Total liabilities** | **-** | **-** | **2,175,382** | **2,175,382** | **2,175,382** |



BRAC
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**5. USE OF ESTIMATES AND JUDGEMENTS (Continued)**

Key sources of estimation uncertainty (Continued)

(iv) Fair values of financial instruments (Continued)

| 31 December 2017 | Level 1 TZS'000 | Level 2 TZS'000 | Level 3 TZS'000 | Carrying Value TZS'000 | Fair Values TZS'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and bank balances | - | 288,540 | - | 288,540 | 288,540 |
| Loans to customers | - | - | 2,956,667 | 2,956,667 | 2,956,667 |
| Other assets | - | - | 19,709 | 19,709 | 19,709 |
| **Total assets** | **-** | **288,540** | **2,976,376** | **3,264,916** | **3,264,916** |
| **LIABILITIES** | | | | | |
| Other liabilities | - | - | 1,314,309 | 1,314,309 | 1,314,309 |
| Loan security fund | - | - | 602,536 | 602,536 | 602,536 |
| Deferred revenue grants | - | - | 211,375 | 211,375 | 211,375 |
| **Total liabilities** | **-** | **-** | **2,128,220** | **2,128,220** | **2,128,220** |

The financial assets above fall under loans and receivables at amortised cost while the financial liabilities are carried at amortised cost.

**6. INTEREST INCOME**

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| Interest on loans to Company members: | | | | |
| - Micro finance | 1,611,927 | 1,256,757 | 708,826 | 564,359 |
| - Small enterprise program | 184,552 | 159,728 | 81,155 | 71,727 |
| - Agri-finance | 94,321 | 99,532 | 41,476 | 44,696 |
| | **1,890,800** | **1,516,017** | **831,457** | **680,782** |

**7. OTHER INCOME**

| | | | | |
|---|---|---|---|---|
| Loan application fee | 1,000 | 865 | 440 | 388 |
| Loan appraisal fee | 87,817 | 70,578 | 38,616 | 31,694 |
| Other income | 1,919 | 6,001 | 844 | 2,695 |
| Membership fees | 10,144 | 10,035 | 4,460 | 4,506 |
| Administrative fee from Insurance scheme | 3,356 | - | 1,476 | - |
| | **104,236** | **87,479** | **45,836** | **39,283** |

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| **8. IMPAIRMENT ON LOANS TO CUSTOMERS** | | | | |
| Balance at 1 January | 97,415 | 70,339 | 42,382 | 32,564 |
| IFRS 9 transition adjustment | (30,962) | - | (13,470) | - |
| Charge for the year | 26,705 | 45,682 | 11,743 | 20,514 |
| Direct write off | (22,604) | (18,606) | (9,834) | (8,310) |
| Foreign currency translation reserve | - | - | (125) | (1,299) |
| **Balance at 31 December** | **70,554** | **97,415** | **30,696** | **43,469** |

## 9. STAFF COSTS

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| Salaries | 617,830 | 432,682 | 271,684 | 194,902 |
| Bonus | 8,588 | 10,841 | 3,776 | 4,883 |
| Social Security Fund contribution (ZSSF) | - | 75,723 | - | 34,109 |
| Skills Development Levy (SDL) | - | 21,635 | - | 8,994 |
| Staff Insurance | 245 | - | 108 | - |
| | **626,663** | **540,881** | **275,568** | **242,888** |

Staff costs include staff salaries, bonus provision, National Social Security contribution and other staff costs.

## 10. OCCUPANCY EXPENSES

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| Rent | 26,448 | 26,730 | 11,630 | 12,003 |
| Utilities | 12,508 | 14,443 | 5,501 | 6,486 |
| | **38,956** | **41,173** | **17,131** | **18,489** |

## 11. OTHER OPERATING EXPENSES

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| Maintenance and general expenses | 75,432 | 116,351 | 33,170 | 52,248 |
| Audit fees | 40,749 | 47,847 | 17,919 | 21,486 |
| Office stationery | 10,030 | 6,437 | 4,411 | 2,891 |
| Head Office logistics and management expenses | 235,361 | 182,550 | 103,497 | 81,976 |
| | **361,572** | **353,185** | **158,997** | **158,601** |





## 12. TAXATION

### (a) Tax expense

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| Tax charge for the year | 216,585 | 68,558 | 95,241 | 30,593 |
| Deferred tax (credit) / charge (Note 17) | (1,512) | 51,025 | (665) | 22,769 |
| | **215,073** | **119,583** | **94,576** | **53,362** |

| | | | | |
|---|---|---|---|---|
| Tax rate reconciliation | | % | % | |
| Effective tax rate | | 30.7 | 30.6 | |
| Standard rate of income tax | | 30.0 | 30.0 | |
| Tax effect of prior year deferred tax (over)/under provision | | - | 0.2 | |
| Tax effect of non-deductible expenses | | 0.7 | 0.4 | |
| **Effective rate of income tax** | | **30.7** | **30.6** | |

### (b) Tax payable / (receivable)

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| At 1 January | (11,936) | - | (5,326) | - |
| Charge for the year | 216,585 | 68,558 | 95,24) | 30,787 |
| Tax paid | (172,535) | (80,494) | (75,870) | (36,147) |
| Translation Reserve | - | - | (73) | 34 |
| **At 31 December** | **32,114** | **(11,936)** | **13,971** | **(5,326)** |

## 13. CASH AND CASH EQUIVALENTS

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| Cash in hand | 574 | - | 250 | - |
| Vodacom M-pesa (receivable within 90days) | 2,944 | - | 1,281 | - |
| Cash at bank | 119,484 | 152,754 | 51,983 | 68,163 |
| | **123,003** | **152,754** | **53,514** | **68,163** |

### 14. LOANS TO CUSTOMERS

| | | | | |
|---|---|---|---|---|
| Loans to customers (gross) | 3,855,190 | 3,054,082 | 1,677,263 | 1,362,821 |
| Impairment on loans to customers (Note 8) | (70,554) | (97,415) | (30,696) | (43,469) |
| **Balance at 31 December** | **3,784,636** | **2,956,667** | **1,646,568** | **1,319,352** |
| Analysis of Loans | | | | |
| Microfinance | 3,116,586 | 2,781,785 | 1,355,851 | 1,240,539 |
| Small Enterprise Programme | 509,125 | 173,770 | 221,551 | 78,036 |
| Agri-finance | 229,479 | 83,627 | 99,861 | 37,555 |
| Investment Fund | - | 14,900 | - | 6,691 |
| | **3,855,190** | **3,054,082** | **1,677,263** | **1,362,821** |

Advances to customers are carried at amortised cost. It is estimated that the fair values of advances to customers are approximately the same as the carrying values. All advances to customers are unsecured.

### 15. OTHER ASSETS

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| Advances and prepayments | 8,011 | 24,829 | 3,485 | 11,079 |
| Stock and stores | 7,018 | 9,339 | 3,054 | 4,168 |
| Receivables from Vodacom M-Pesa | - | 724 | - | 323 |
| | **15,029** | **34,892** | **6,539** | **15,570** |

### 16. FIXED ASSETS

**(a) Property and equipment**

| | Furniture &fixtures TZS'000 | Equipment TZS'000 | Motor cycles TZS'000 | Total TZS'000 | Memo Total USD |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2017 | 24,960 | 11,965 | 4,403 | 41,328 | 19,133 |
| Additions during the year | 5,697 | 1,733 | - | 7,430 | 3,315 |
| Disposal | - | - | (3,200) | (3,200) | (1,429) |
| Foreign currency translation reserve | - | - | - | - | (690) |
| **Balance at 31 December 2017** | **30,657** | **13,698** | **1,203** | **45,558** | **20,329** |
| **At 1 January 2018** | **30,657** | **13,698** | **1,203** | **45,558** | **20,329** |
| Previous unrecorded assets* | - | 33,197 | 3,813 | 37,010 | 16,102 |
| Reclassification** | 15,401 | (15,401) | - | - | - |
| Foreign currency translation | - | - | - | - | (509) |
| **Balance at 31 December 2018** | **46,058** | **31,494** | **5,016** | **82,568** | **35,922** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2017 | 24,960 | 10,108 | 2,173 | 37,241 | 17,241 |
| Charge for the year | 4,800 | 1,879 | 1,166 | 7,845 | 3,503 |
| Disposal | - | - | (3,200) | (3,200) | (1,429) |
| Foreign currency translation reserve | - | - | - | - | (612) |
| **Balance at 31 December 2017** | **29,760** | **11,987** | **139** | **41,885** | **18,703** |
| **At 1 January 2018** | **29,760** | **11,987** | **139** | **41,885** | **18,703** |
| Charge for the year | 4,606 | 2,449 | 515 | 7,570 | 3,329 |
| Previously unrecorded assets* | - | 11,663 | 3,396 | 5,687 | 2,501 |
| Impact of reclassification** | (9,372) | 9,372 | - | - | - |
| Foreign currency translation | - | - | - | - | (542) |
| **Balance at 31 December 2018** | **24,994** | **26,099** | **4,050** | **55,143** | **23,991** |
| **Net book value (NBV)** | | | | | |
| **At 31 December 2017** | **897** | **1,711** | **1,064** | **3,673** | **1,640** |
| **At 31 December 2018** | **21,064** | **5,395** | **966** | **27,425** | **11,932** |





* During the year, the organisation recorded assets that were erroneously not booked from prior year. The impact was considered not material to warrant a restatement of the financial statements. The financial statements have therefore been updated prospectively.

* During the year, previously wrongly classified assets were reclassified from Equipment to Furniture. Depreciation was charged at 25% per annum now partly released since the required depreciation rate for the Equipment is 10% per annum.

### 16. FIXED ASSETS

**(b) Intangible asset**

In December 2018, the BRAC entities paid for ERP system maintenance cost relating to enhancement of the fixed assets module and Human Resource database which qualified for capitalisation. The apportioned cost for BRAC was TZS 2,317,000 (USD 1,008). As at the reporting date the asset had not yet been due for amortisation. The expected useful life of the software is five years.

### 17. DEFERRED TAX ASSET

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| At 1 January | 33,767 | 84,792 | 14,691 | 39,256 |
| Credit/(charge) for the year | 1,512 | (51,025) | 665 | (22,913) |
| Credit to reserves (IFRS9 Initial application) | (9,289) | - | (4,082) | - |
| Foreign exchange translation | - | - | (4.048) | (1,275) |
| **At 31 December** | **25,990** | **33,767** | **11,307** | **15,068** |

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| Deferred tax arises from temporary-differences on the following items: | | | | |
| Property and equipment | 4,824 | 3,451 | 2,099 | 1,540 |
| Impairment provision - general | 21,166 | 30,316 | 9,209 | 13,528 |
| **At 31 December** | **25,990** | **33,767** | **11,307** | **15,068** |

## 18. LOAN SECURITY FUND

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| Balance at 1 January | 602,536 | 488,374 | 268,869 | 226,099 |
| Collection during the year | 1,050,966 | 245,736 | 458,091 | 110,350 |
| Withdrawals during the year | (886,805) | (131,574) | (385,903) | (59,084) |
| Foreign currency translation reserve | - | - | (7,493) | (8,496) |
| | **766,697** | **602,536** | **333,564** | **268,869** |

This represents deposits by customers which act as collateral for loans advanced to them. It is computed as 10% of the customers' approved loan. When customers default on their loans, part or the whole of the deposit is utilized to make good the outstanding balances from the respective customers.

## 19. OTHER LIABILITIES

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| Project current accounts | 885,410 | 956,529 | 385,212 | 426,831 |
| Accrued expenses | 63,262 | 82,347 | 27,524 | 36,746 |
| | **948,672** | **1,038,876** | **412,736** | **463,577** |

## 20. DEFERRED GRANTS

**Grants invested in loans**

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| Balance at 1 January | 211,375 | 211,375 | 91,962 | 94,322 |
| | **211,375** | **211,375** | **91,962** | **94,322** |

This relates to capital funds that were received to specifically fund micro-finance loans.



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## 21. RELATED PARTY TRANSACTIONS

| | 2018 TZS'000 | 2017 TZS'000 | Memo 2018 USD | Memo 2017 USD |
|---|---|---|---|---|
| **(a) Due to related parties:** | | | | |
| **Microfinance** | | | | |
| Stichting BRAC International | 708 | 708 | 308 | 316 |
| BRAC Tanzania Finance Limited | 208,956 | 171,563 | 90,910 | 76,556 |
| BRAC International Holdings B.V | 197,731 | 96,384 | 86,026 | 43,009 |
| BRAC IT Services (BITS) | 67,082 | 33,522 | 29,185 | 14,959 |
| | **474,477** | **302,177** | **206,429** | **134,840** |
| **(b) Head Office logistics and management expenses- incurred on behalf:** | | | | |
| **Microfinance** | | | | |
| BRAC International Holdings B.V | 101,346 | 96,384 | 44,102 | 43,009 |
| BRAC Tanzania Finance Limited | 37,394 | 86,166 | 16,272 | 38,450 |
| | **138,740** | **182,550** | **60,374** | **81,459** |

## 22. CONTINGENT LIABILITIES

The members of the Governing Council are not aware of any contingent liabilities as at the date of this report.

## 23. SUBSEQUENT EVENTS

At the time of signing these financial statements, the members of the Governing Council are not aware of any events after the year end not otherwise dealt with in these financial statements.

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