brac

ANNUAL REPORT 2017

BRAC IN TANZANIA

2017 ANNUAL REPORT

If you were to describe this world, which one of the following would you pick?

It is home to magic, art, beauty, and tens of thousands of years of human talent. Or would you say, even though it may be true, that our world is where we live, but it is a place that doesn't work for everyone? Our world is our playground, a platform for the creativity of all seven billion of us.

Sometimes it's hard to believe that a world that works for all of us can be possible. But the opportunities are all around us.

While we all hope for a better future for our world, many of us are building it. If you are a builder, we are betting on you.

The changemaker
The activist
The hero
The mentor

45 years ago, we started building a world we all want to live in.
We started in Bangladesh.
We listened and learnt, failed and got up again.
We never stopped trying.
And we never will.

We trust in people, and we take on the impossible, every day. Changing systems of inequity.
Turning potential into skill.
Ready to go to the end of every last mile, where there are no other signs.

It takes us all to build a world that works for us all.

We listen, pilot, perfect and scale.
Our DNA is to build.

As the sun rose this morning, hundreds of thousands of builders rose with it.

Teachers across eight countries opened the colourful doors of the world's biggest secular private education system.
65,000 artisans picked up their needles and started weaving traditional art into beautiful clothing.

Credit officers in one of the world's largest microfinance institutions sat down with women in the remotest corners of seven countries.

Whoever you are, wherever you are, doing good is everyone's business.
We have never faced bigger challenges but we have never been more ready.
Join the world's biggest family.

Small is beautiful, scale is necessary.

Here at BRAC, we are many things:

- social enterprise
- non-government organisation
- public forum
- knowledge hub
- social investors
- policy advocates
- university
- crisis responders

and we bring together many different people:

- changemakers
- activists
- heroes
- mentors

inspired by a single vision. Building a world that works for all of us takes all of us. Get onboard:

- follow us
- share the ideas
- partner with us
- take action

Join the world's biggest family.

BUILDING A WORLD THAT WORKS FOR ALL OF US

We act as a catalyst, creating opportunities for people living in poverty to realise their potential. We specialise in piloting, perfecting and scaling innovations to impact the lives of millions. We were born in Bangladesh, are almost completely self-sustainable through our own network of social enterprises and investments, and operate in 11 countries across Asia and Africa.

VISION, MISSION AND VALUES

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

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 women and men to realise their potential.

Integrity **Innovation** **Inclusiveness** **Effectiveness**

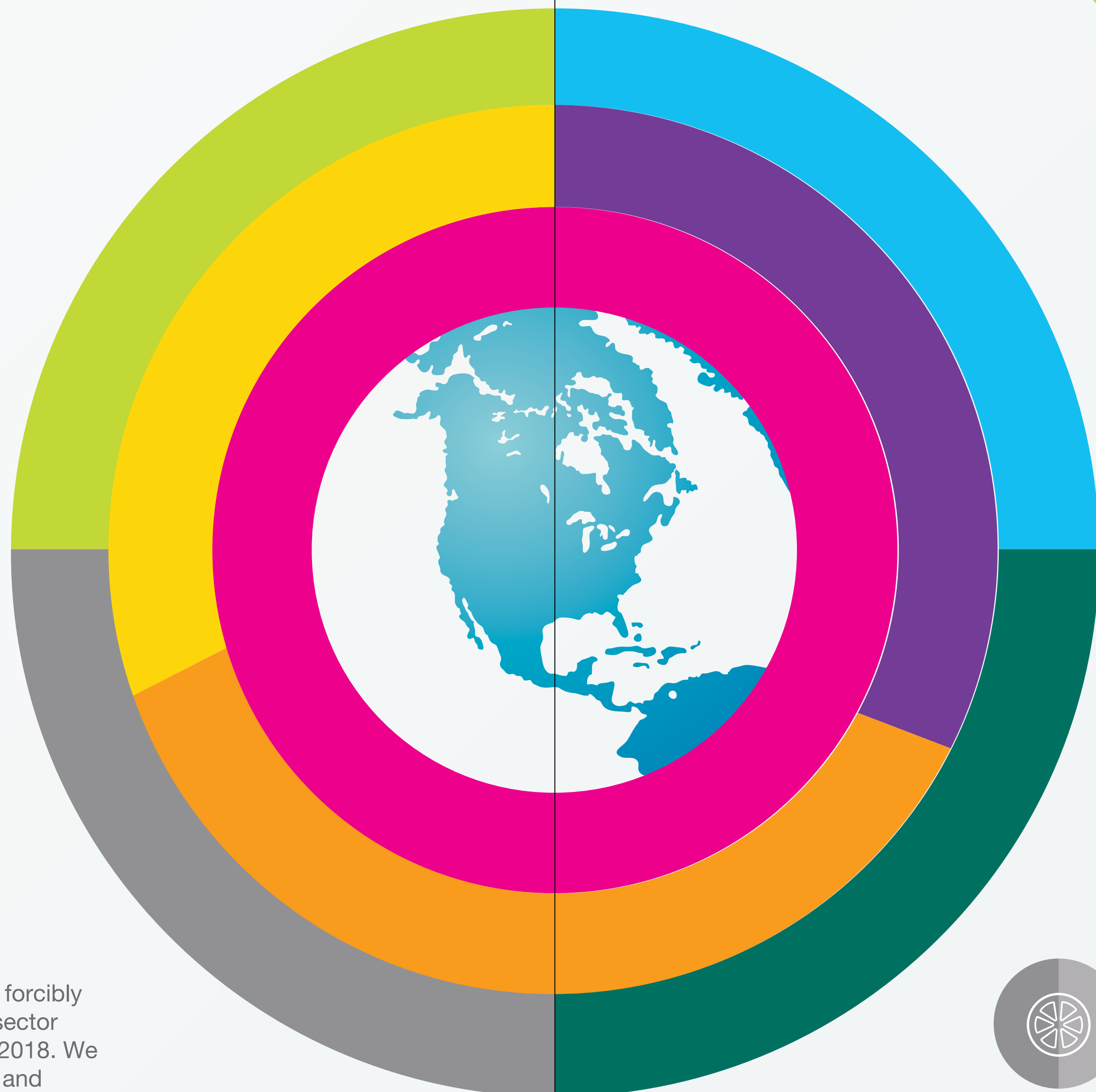
SOCIAL DEVELOPMENT

Eliminating extreme poverty, Expanding financial choices, Employable skills for decent work, Climate change and emergencies, Gender equality, Universal healthcare, Pro-poor urban development, Investing in the next generation.

Country offices: Afghanistan, Bangladesh, Liberia, Myanmar, Nepal, Pakistan, Philippines, Sierra Leone, South Sudan, Tanzania, Uganda

HUMANITARIAN RESPONSE

We have been providing life-saving services to forcibly displaced Myanmar nationals through a multi-sector response since the influx began in September 2018. We are working closely with the government, local and international NGOs and other stakeholders through the Inter Sector Coordination Group.



SOCIAL ENTERPRISES

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

INVESTMENTS

Socially responsible companies that assist us in our mission. Our network of investments help us strive towards the goal of self-sustainability.

BRAC UNIVERSITY

An educational institution's goal is not only to provide the highest quality teaching, but also to inculcate the values essential for tomorrow's leaders. The journey starts by building a high calibre and supportive faculty and administration team who are capable of teaching the most challenging and up-to-date educational programmes, and empowering them with knowledge and life skills so that they can take on the challenges of building themselves and a better nation.

STICHTING BRAC INTERNATIONAL

AFFILIATES

BRAC USA

BRAC UK

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CHAIRPERSON'S FOREWORD

Over recent years, significant investments have been made to ensure the survival and optimal development of children during the first decade of life. Globally, the under-five mortality rate has decreased significantly. Around 20,000 fewer children died every day in 2016 than in 1990. However, this progress has not been universal. Inequities in child mortality between high-income and low-income countries remain large. Reducing these inequities across countries and saving more children's lives by ending preventable child deaths are important priorities.

We also need to focus on the second decade of children's lives. A safe, healthy passage from adolescence into adulthood is the right of every child. To fulfil this right, families and societies need to ensure that adolescents and youth acquire the knowledge and skills required to lead productive and fulfilling lives. Calls for investment in children and young people have increased dramatically in recent years. More and more countries agree that policies, which help young people fulfil their potential, also drive economic development.

Challenges persist in both the education and skills sectors. We need to ensure that all children complete their primary schooling and go on to secondary school. Additional efforts are required to empower girls to believe that they are capable of doing everything boys can. The lack of improvement in the quality and outcomes of education is another concern.

The global youth unemployment rate stands at 13 per cent, which is three times higher than the figure for adults. This lack of job opportunities is one of the issues of greatest concern. Globalisation and technology are reshaping the lives of young people worldwide. 85 per cent of jobs that today's learners will be doing in 2030 do not exist now. There is an urgent need to redesign curricula for secondary, vocational and higher education to develop skills and competences that will meet the needs of the future. Our goal should be to create adaptable learners who are capable of reengineering their own skills and capacities in disrupted economies. Attention must also be paid to developing children and young people's human qualities and values, such as empathy, cooperation and integrity.

Political instability and conflict are leaving young people vulnerable to violence, disrupting their schooling and access to basic health services and, in many cases, inflicting psychological trauma. We must accelerate efforts to protect children and young people from violence, drug abuse, conflict and poverty, to enable them to lead more productive lives and contribute to society.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

LETTER FROM THE EXECUTIVE DIRECTOR

There are more young people today than at any other time in human history. Children and young people make up almost 40% of the world's population, with specific needs and aspirations for the future, which poses both immense opportunities and challenges. While we as a global community have made significant progress in ensuring a better life for all, there is always more work to be done. One in five children, adolescents and youth is out of school. That is 263 million children and youth across the world.

Today's young people will be tomorrow's leaders - in our families, in our workplaces, in our communities. Over a third of the Sustainable Development Goal (SDG) targets highlight the role of young people and the importance of their empowerment, participation, and wellbeing. The SDGs highlight that young people are a driving force for development – however they need to be provided with the skills and opportunities needed to reach their potential. Therefore we at BRAC International have shifted our strategy to focus on ensuring children and youth have better opportunities.

We have invested in Early Childhood Development programmes in Tanzania, Uganda and Liberia. A dollar invested in early childhood development yields a seven-fold return in the future. Having a strong foundation from an early age leads to more productive citizens in the future.

We believe education is a universal right and no one, no matter the circumstance, should be left behind. 130 million girls between the age of 6 and 17 are out of school and 15 million girls of primary-school age will never enter school.

We are building schools only for girls in Afghanistan and Pakistan, places where it is extremely difficult for them to go to school.

In Sub-Saharan Africa alone, 14.2% of the youth population is unemployed, representing massive untapped potential for growth. Everyone should be able to contribute and reap development dividends and our ELA programme ensures just that for our out-of-school adolescent girls. With specialised skills and entrepreneurial lessons, our programme enables them to unlock their potential and contribute to society. We give our girls access to microloans so they can start their own enterprises.

Our newly-launched Skills Development Programme in Nepal connects children and youth to apprenticeships and equips them with the skills needed to not only affect change in their own lives but also in the communities they are a part of.

Our extraordinary strides in the field of development mean that we are ready to provide a better, more equitable life for our children. As our future change-makers, children hold incredible potential for innovation. It is our responsibility to give them what they deserve. We cannot let their potential go unrealised.

Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE

The past 11 years of BRAC's work in Tanzania has been a fulfilling journey for us, our partners and stakeholders. Our contribution to poverty reduction, especially for women and the youth, is evident and appreciated by the Government of Tanzania and our partners.

Through our work in improving access to finance, supporting early childhood education, provision of skills and opportunities, and technology to adolescent girls, extension and market access for smallholder farmers, a spike in the quality of education especially for lower primary, we have seen clear evidence of improved livelihoods for farmers and individual families, and equip adolescent girls with skills to help them live independent lives.

In 2017, BRAC Tanzania diversified its development initiatives through the launch of a DANIDA-funded solar project to improve access to power for rural communities. On the other hand our expansion of the Microfinance program to the new regions of Lindi and Mtwara attracted significant new borrowers.

Our outstanding loan increased by 19% with addition of 20,648 new borrowers, and we reached more than 720,000 people this year. We achieved a rating of 'A' from the Department of International Development that was completed in 2017 for our Livelihood Enhancement for Agricultural Development project.

Our participants and clients have been working hand in hand with us to achieve these milestones. BRAC staff have been tireless in their endeavors to achieve the objectives of the organisation. Supported by a revised and strengthened Country Management Team, the staff in BRAC Tanzania is looking forward to more years of achievements. As we continue to strengthen local and women staff leadership, we are also committed to continue to provide capacity to our staff as well as motivating them.

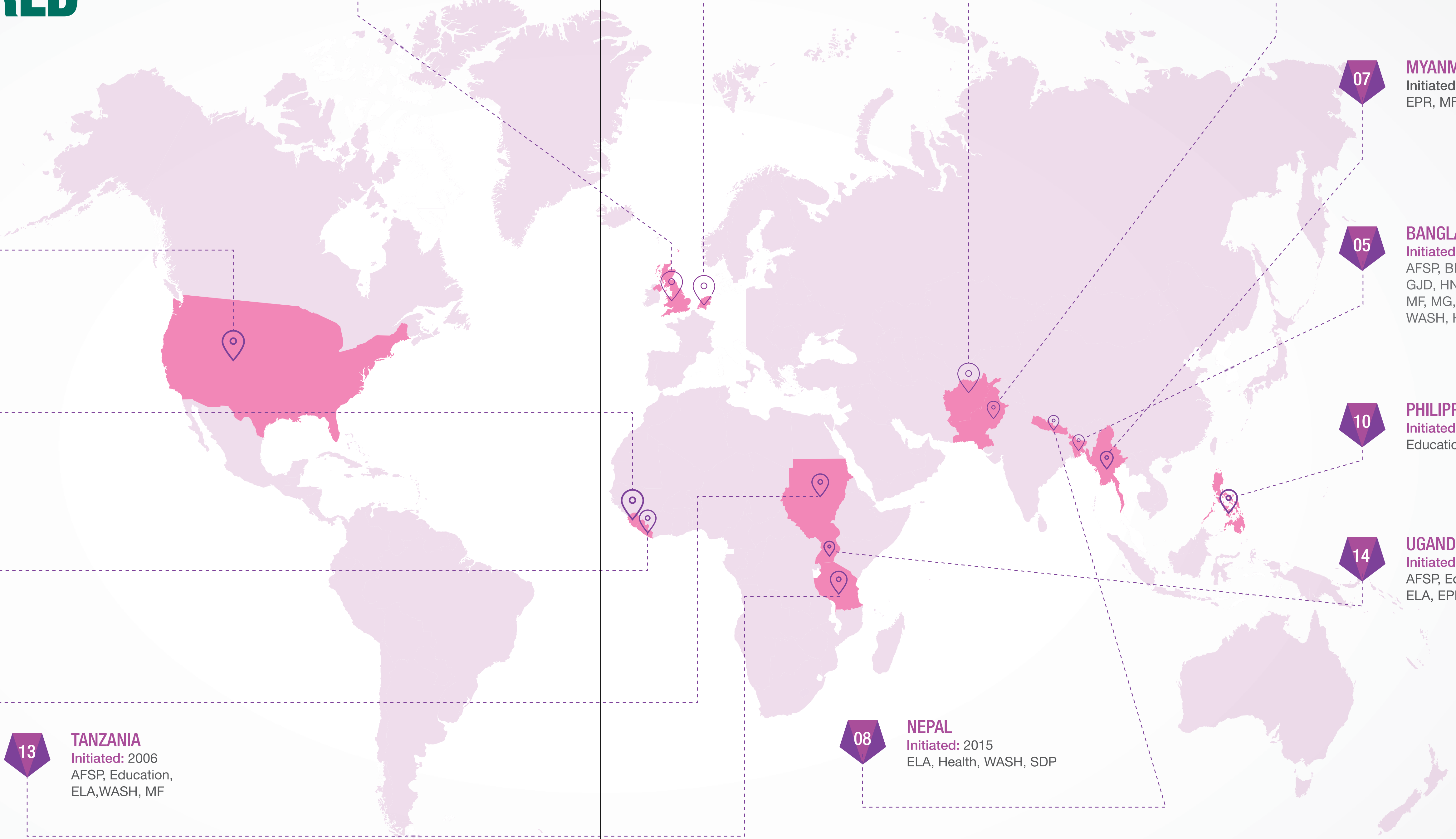
We have received Government awards in our education program initiative and we will continue to strengthen our working relationships with the government, donors and other stakeholders. Our advisory council members are passionate again this year in providing guidance and direction, and we value their valuable contributions.

Having taken up leadership in 2017, I am indebted to the work of my predecessor, my BRAC colleagues, as well as the cooperation and support that I have received from our partners, donors, and the Government of Tanzania who have been part of all our achievements during 2017.

We feel enthused as a team and look forward to yet another potentially eventful year.

Assan Golowa
Country Representative
BRAC in Tanzania

BRAC ACROSS THE WORLD



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

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

03 NETHERLANDS
Initiated: 2009
Stichting BRAC International registered as a foundation

04 AFGHANISTAN
Initiated: 2002
AFSP, Education, CDP, Health, CCAP

05 BANGLADESH
Initiated: 1972
AFSP, BEP, CEP, DMCC, GJD, HNPP, HRLS, IDP, MF, MG, SDP, TUP, UDP, WASH, HCMP

06 LIBERIA
Initiated: 2008
AFSP, Education, ELA, Health, MF

07 MYANMAR
Initiated: 2013
EPR, MF

08 NEPAL
Initiated: 2015
ELA, Health, WASH, SDP

09 PAKISTAN
Initiated: 2007
Education, MF, Health, TUP

10 PHILIPPINES
Initiated: 2012
Education

11 SIERRA LEONE
Initiated: 2008
AFSP, ELA, EPR, Health, MF

12 SOUTH SUDAN
Initiated: 2007
Education, ELA, Health

13 TANZANIA
Initiated: 2006
AFSP, Education, ELA,WASH, MF

14 UGANDA
Initiated: 2006
AFSP, Education, TUP ELA, EPR, Health, MF

AFSP	: Agriculture and Food Security Programme
BEP	: BRAC Education Programme
CCAP	: Citizens Charter Afghanistan Programme
CDP	: Capacity Development Programme
CEP	: Community Empowerment Programme
DMCC	: Disaster, Management and Climate Change
ELA	: Empowerment and Livelihood for Adolescents
EPR	: Emergency Preparedness and Response
GJD	: Gender Justice and Diversity
HNPP	: Health, Nutrition and Population Programme
HRLS	: Human Rights and Legal Aid Services
HCMP	: Humanitarian Crisis Management Programme
IDP	: Integrated Development Programme
MF	: Microfinance
MG	: Migration
SDP	: Skills Development Programme
TUP	: Targeting the Ultra Poor
UDP	: Urban Development Programme
WASH	: Water, Sanitation and Hygiene

AGRICULTURE, FOOD SECURITY AND LIVELIHOOD

Agriculture is the dominant economic activity in Tanzania but smallholder farmers face several challenges. Poor transportation and storage infrastructure, overdependence on rain, poor access to information, weak market linkages, lack of capital investment as well as the high costs of inputs are some of the problems that affect agricultural production.

We implemented the Livelihood Enhancement through Agricultural Development (LEAD) project to promote maize and poultry market system to address these issues by training and providing farmers with practical skills while linking them to markets and encouraging increased enterprise through a network of input dealers, agricultural commodity traders and agro industries.

WHAT WE DO

The interventions increased the uptake of better crop and poultry management techniques among maize and poultry farmers. It also increased the use of agricultural inputs and mitigated the impacts associated with erratic weather while increasing production among intervention farmers. The project demonstrated the ability to influence agricultural practice among smallholder farmers with moderate short term impacts.

The investment fund opportunity increased opportunities among smallholder farmers to link with input and output markets. Finance, such as agri-finance, enabled agricultural service providers, traders and farmers to increase their access to farm products and inputs. Continuous linkages with the private sectors and collaboration with potential input companies and their agents added value in the poultry and maize market systems.

The project was concluded successfully in June 2017.

HIGHLIGHTS

- Trained 52,863 maize farmers and 53,597 poultry farmers in new techniques and technologies
- Established 400 poultry and 400 maize demonstration plots and 431 farmers' field days were organised
- Provided 89 agro–vet/agro–dealers, 85 maize traders and 83 poultry traders with training
- Formed 4,004 poultry producer groups and 4,017 maize producer groups
- Signed a memorandum of understanding with 10 private companies and one research institute to accelerate easy access of inputs, technologies and output markets at the farmers' level
- Disseminated 200 hand maize shellers for separating grains from the cob
- Demonstrated the usage of 4,100 storage bags (Purdue Improved Crop Storage) by LEAD farmers in 40 branches.
- Disbursed an investment fund of USD 722,375 among 50 entrepreneurs.
- Disbursed agri–finance of USD 5.05 million among 27,654 borrowers
- Increased yield and income by 400% each in case of maize after project intervention
- Increased number of poultry bird by 107% and eggs by 445%
- Increased income from selling eggs by 961% and birds by 100% after project interventions

EDUCATION

Access to early childhood development services is a critical component in the development of children and are lacking in Tanzania. At the same time, about 60% of children aged 14-17 years face multiple deprivations in critical dimensions of their lives, especially adolescent girls. Our education programme addresses these challenges by providing community based early childhood education and a second chance to adolescent girls who dropped out.

WHAT WE DO

We launched our early childhood development programme in October 2015 with the Play Lab project through funding from the LEGO Foundation to support parents in disadvantaged and marginalised communities provide education to their young children.

The project is active in Mbeya and Dar-es-salaam regions through a play-based learning curriculum in 120 'play labs' by incorporating elements of social and emotional learning, and identity awareness. Safe play spaces, proper scaffolding during play and quality play materials are essential for children's holistic development including cognitive, social and emotional development, and physical growth.

We provide a second chance to adolescent girls who dropped out through the Accelerated Learning Process (ALP) project in Tanga through funding from NORAD. We combine life skills based education with academic study. The ALP project runs 35 ELA clubs as well as 20 'study clubs', which provide secondary education to adolescent girls. The ALP centers work as safe learning spaces for out of school girls who can't afford to go back to formal secondary schools. Under the same project one year pre-primary 5-6 year old children was introduced with 35 centres.

HIGHLIGHTS

PLAYLAB HIGHLIGHTS

- Mainstreamed 1,200 Play Lab children into government primary schools
- Established 80 community play based learning centers for children
- Developed a play–based ECD curriculum for children aged 3–5
- Established 80 Play Lab committees for child protection and center management with 480 members
- LEGO Foundation extended its funding of US$1,909,171 until 2020 for the implementation of the BRAC Play Lab project
- Provided 80 play leaders with employment opportunity

ALP HIGHLIGHTS

- 1050 5–6 year old children graduated from 35 pre–primary schools .
- 114 students from 20 study centers sat for National Examination under the National Examination Council of Tanzania (NECTA).
- 700 club members received livelihood training and provided with input support
- 80 (70.2%) students who were enrolled in the study centers passed the Certificate for Secondary Education Examination (CSEE)
- Provided 20 community facilitators with employment opportunity

EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS

More than 40% of Tanzania's adolescents are unable to access quality lower-secondary education, despite the government's investment in education and the decision to make lower-secondary education free. Girls in particular face many barriers to gaining secondary education. It is estimated that more than 8,000 girls drop out of school each year in Tanzania due to pregnancy. We started our ELA programme in 2009 to help these girls integrate into society.

WHAT WE DO

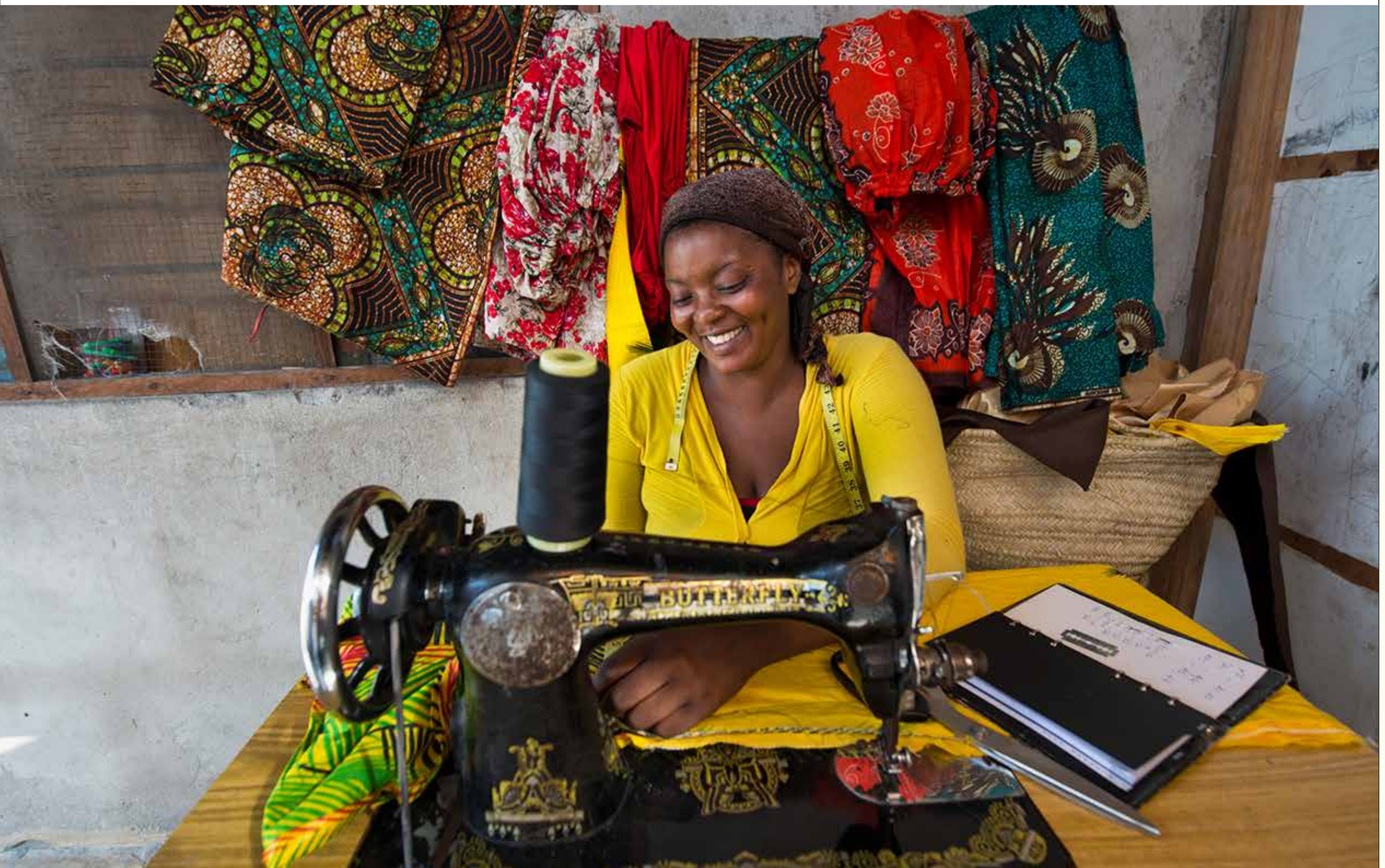
We assist girls aged 13-24 achieve greater economic and social empowerment by providing safe spaces, training in life skills, and mentorship. Our girls are at least 16 years old, who are out-of-school, or those who are single mothers. We also offer livelihood training and microcredit support, allowing them to launch independent businesses in fields like tailoring, hairdressing, and small-scale agriculture.

We have 8,000 enrolled girls (5,400 regularly active) in 180 clubs in four geographically diverse regions of the country: Dar es Salaam, Dodoma, Mbeya, and Iringa.

HIGHLIGHTS

- Provided 4,282 girls with life skills based education
- Provided 722 girls with livelihood training to support and encourage the establishment of income generating activities
- Established eight coding clubs in Mbeya, Dodoma, Dar–es–salaam and Iringa
- Provided 4,000 club members with awareness on Sexual and Reproductive Health and Sexually Transmitted Infections/Diseases through a research intervention on ''Promoting Safe Sex Among Adolescents in Tanzania'' funded by Center for Effective Global Action and the World Bank
- Provided 180 mentors with employment opportunity

MICROFINANCE



According to Opportunity International (2014), 36% of Tanzanians live below the $1/day poverty line. Although one out of every three Tanzanians is self-employed, only 20% have access to a formal bank. Access to loans, especially for small scale businesses, women and the youth, is still expensive. We started the Microfinance Programme in 2006 to provide access to finance to the unserved.

WHAT WE DO

Since its inception in 2006, our microfinance programme in Tanzania has reached 25 regions with 138 branch offices covering a population of 8.67 million. The main components of the programme are group-based small loans and small enterprise loans. In 2017, we incorporated credit services for youth and small scale farmers under agricultural finance programmes. In the group-based lending system, our microfinance clients – mostly women – also receive various social counseling sessions such as hygiene, sexual reproductive health, among others during weekly meetings.

We established the Small Enterprise Program (SEP) in 2008 to financially empower entrepreneurs who do not have access to formal financial services. The application of mobile money in repaying loans has offered easy operation and increased efficiency of our services. Currently, 93% of our clients feel comfortable to repay their loans through this system.

HIGHLIGHTS

Disbursed microloan USD 66.42 million and number of loans disbursed 226,659 among the MF group members

Reached 55% of the rural population and 45% of urban and suburban areas with an average loan size of USD 292 in 25 regions

Achieved operating self–sufficiency of 129% in December 2017 compared to 131% in December 2016

Disbursed small enterprise loans of USD 9.59 million and number of loans disbursed 6,292 through 82 branch offices among the entrepreneurs. The average loan size was USD 1,524

Disbursed agricultural loans of USD 5.90 million and number of loans disbursed 25,077 among poultry and maize farmers from 43 branch offices.

WATER, SANITATION AND HYGIENE

46% of Tanzanians lack access to improved drinking water and 87% have no access to improved sanitation. Only 20% of the population wash hands with soap before preparing food and 16% defecate openly. Alarmingly, on average, 56 pupils share one latrine in public and private primary schools nationwide, where 84% of the schools do not have functional hand washing facilities. We started our WASH programme in 2017 to improve access to clean drinking water and better sanitation for Tanzanians.

WHAT WE DO

We are currently implementing a research project on safeguarding portable water provisioning to urban informal settlements dubbed “The Last 100 meters”. The main aim of the project is to examine the extent to which neglect of sewage removal from unplanned settlements limits accessibility to safe water and sanitation. The research addresses a critical challenge on how to transform water and sanitation infrastructure and practice in a relatively small space which can lead to measurable improvements in the quality of water and sanitation management for urban people.

The project will engage four urban settlements namely Bonde la Mpunga, Uzuri, Hananasif and Kigogo, where 200 households in each settlement will be subjected to:

Water safety plan (WSP)
Sanitation safety plan (SSP)
Training on portable water safety and sanitation
Awareness and behaviour change campaigns

HIGHLIGHTS

Implemented three water, sanitation and hygiene awareness campaigns in Hananasif, Bonde la Mpunga and Uzuri

Repaired faulty water infrastructures for 400 households in Uzuri and Bonde la Mpunga

Emptied 100 toilets pits and used by 400 households in Hananasif and Bonde la Mpunga

Repaired 21 broken toilets in Bonde la Mpunga and Hananasif

Manufactured 120 toilet lids for 400 households in Bonde la Mpunga and Hananasif

Trained 600 mothers, 224 house owners, and 60 local leaders from Hananasif, Bonde la Mpunga and Uzuri on water, sanitation and hygiene issues

Formed three youth groups named Change Agents comprising 10 youth per group in Hananasif, Bonde la Mpunga and Uzuri as WASH change makers

Carried out health monitoring for children under five years (focusing on water, sanitation and hygiene related diseases) in 800 households in Bonde la Mpunga, Uzuri, Hananasif and Kigogo

CHILD WITH WINGS TO FLY

My name is Joyce Moses Maswaga and I am 14 years old. I am the first born in a family six. Naturally, my three younger sisters look up to me for guidance.

My parents moved to Morogoro to invest in farming because of the favourable weather conditions there, leaving me under the care of my grandmother in Dodoma. This means that I have to be extra careful to take care of myself whether I am in school or at home. Luckily, when I joined ELA, I got the help that I so desperately needed to grow.

I first heard about ELA Clubs while in Standard IV, through a girl who was narrating the programme's activities to her friends in school. Her name is Hawa. I got curious and decided to inquire more from her. She was kind enough to give me all the details. I liked the way she expressed herself; she was confident, and spoke like a grown up. Her high self-esteem inspired me to join the program because I wanted to be just as strong.

The next day, she asked me if I could join her at the club to learn more about life skills. Little did she know that, that was the opportunity I had been yearning for. Hand in hand, we walked to the nearest ELA club called Chamwino 'A'. The environment was so nice that I wished I had joined them earlier. The girls were not only friendly, they were knowledgeable, smart and full of confidence.

They embraced me. I have learnt a lot at Chamwino 'A'. In our community, many girls have been lured to early pregnancies

because of their greed for material things. Were it not for ELA, who knows where I would be today? I did not want to end up like other girls who have been misused by old men who are just after their bodies. ELA has given me good life lessons that have inspired my confidence and focus. I can now focus on my future. I feel as if I have developed wings to fly. As I concentrate on my studies in school, I know nothing can stop me from reaching my dreams.

I have also tried to help other girls join ELA so they can understand themselves better and develop good life skills.

WHEN HARD WORK PAYS OFF

My name is Monica Anthony and I am 22 years old. I live in a remote village called Ndagaa in Zanzibar Island. I am the only child in our family. I was married off in 2012 when I was only 16. Back then, my parents believed that marrying me off would be their ticket out of poverty. Sadly, four years into the marriage I was divorced because I could not bear children. So I returned home to my parents. Interestingly, I later got a baby with another man.

Back home, I started doing small businesses to support my ageing parents. I would buy vegetables in the villages then sell at the main market in town (Stone town), making a profit of TZS10,000 (about US$5) a day. Not much but given the circumstances, it was enough to put food on the table.

I then joined a BRAC Women Microfinance group in Bububu. There, I got basic entrepreneurial skills, before I took my fist loan of TZS280,000 (about US$142), which I used to expand my vegetable business. I got more varieties and increased the volumes. This raised my profit to TZS20,000 (about $10) a day. As my income grew, I would repay my weekly installment on time and save some cash. My current loan is TZS730,000 (about US$365).

I also slowly started buying bricks with the aim of building my parents a comfortable, permanent home. We lived in a grass-thatched house, which was often uncomfortable whenever it rained. Seeing my parents suffer really hurt me.

So I made it my target to ensure I built them a comfortable home. Though we've been poor throughout, my parents gave whatever little they had to support me; it was thus my turn to support them.

In 2016, I was blessed with a baby with my boyfriend; we are not married. The baby brought unbridled joy to our family. Currently, my mother takes care of her while I toil in the market. Thankfully, business is doing well and, with the loans I get from BRAC, the future looks bright. I want to expand my business and supply fresh vegetables to the hotels in Zanzibar.

I am also planning to go back to school and, hopefully, buy land and build a home. I am happy that I can now comfortably take care of my daughter and my parents.

GRANDMA'S DREAMS

My name is Amina Ally. I am five years old and a pupil at BRAC Mbagala Magharibi 'A' Play Lab. I was only a year old when my parents separated. We lived in a single room as that's all my mother could afford. During the day, I would play with my grandma and my uncle.

When I turned two, my mother got married to another man while my dad moved to South Africa. I was left under the care of my grandma. She loves me and takes good care of me. We did not hear from my dad for more than two years until last year when he called grandma. As for my mum, she comes to visit me once a year.

Last year, my grandma heard about the BRAC Play Lab and made arrangements for me to join the school. She was so excited when she found out that I could study for free because she could not afford to take me to other schools.

So I began coming to Play Lab in March this year. The good thing is that I haven't been here for long but I have already learnt so many things. For instance, I can now count from 1 up to 10 and recite the Alphabet.

My grandma always tells me that I am destined for a bright future because I am confident in everything I do. Her dream is to see me growing up to become a doctor. I love my grandma so much and I do not want to disappoint her, so I will work hard to study medicine. I want to make her happy in old age.

The Play Lab is a wonderful place. I like everything here. Our teachers are good and the facilities are nice. For instance, I really like swinging. Out there, grandma would have to pay for me to play the games I enjoy here for free. So I always enjoy it here.

GOVERNANCE AND MANAGEMENT

BRAC INTERNATIONAL

BRAC International is registered as Stichting BRAC International in the Netherlands.

CORPORATE GOVERNANCE

In line with the guidelines for corporate governance in the Netherlands, the Board decided to adopt a two-tier governance structure to create a clear division between executive and supervisory responsibilities from the end of 2016.

SUPERVISORY BOARD

Stichting BRAC International has a ten (10) member Supervisory Board.

The Supervisory Board is charged with the overall supervision of the policies pursued by the Management Board and its associated institutions and/ or entities. The Supervisory Board members are appointed by co-optation. The period of membership is governed by the constitution and there is no board remuneration applicable for the the Supervisory Board.

The current members of the Supervisory Board are:

Chairperson

Sir Fazle Hasan Abed, KCMG

Members

Ms. Sylvia Borren
Dr. Muhammad Musa
Ms. Parveen Mahmud
Dr. Ahmad Mastaqur Raza Chowdhury
Dr. Debapriya Bhattacharya
Ms. Shabana Azmi
Mr. Shafiqul Hassan
Ms. Irene Khan
Dr. Fawzia Rasheed

MANAGEMENT BOARD

The Management Board is charged with the daily management, the preparation of the budget, the financial statements and the long-term strategy plan. The Supervisory Board has stipulated specific restrictions that require its approval. The Management Board is appointed by Supervisory Board and their performance is reviewed annually. The Management Board consists of the following members:

Mr. Faruque Ahmed, Executive Director
Mr. Saif Md Imran Siddique, Director
Mr. Shameran Abed, Director
Ms. Lamia Rashid, Director

The gender diversity in the management board is 75/25. The Foundation is trying to bring in more female participation into its Management board. The management board meets on a weekly basis.

BRAC INTERNATIONAL HOLDINGS BV

BRAC International Holdings BV is a wholly owned subsidiary of Stichting BRAC International and was incorporated in 2010. BRAC International's microfinance programmes, social enterprises and investment companies are consolidated under this wing. The social programmes currently supporting the enterprises include seed production and training centres.

BRAC International Holdings BV has the role to consolidate the financial results of all country operations in six countries. The consolidated financial statements include the financial data of the stand-alone parent organisation, its group companies and other legal entities over which the foundation has control.

In line with the guidelines for corporate governance in the Netherlands, the Board decided to adopt a two-tier governance structure to create a clear division between executive and supervisory responsibilities from the end of 2016.

SUPERVISORY BOARD

The Supervisory Board is charged with the overall supervision of the policies pursued by the Management Board and its associated institutions and/or entities. The Management Board is charged with the daily management, the preparation of the budget, the financial statements and the long-term strategy plan. The Supervisory Board has stipulated specific restrictions that require its approval. The Supervisory Board exists out of the following members:

Sir Fazle Hasan Abed KCMG, Chair
Dr. Muhammad Musa, Member
Ms. Parveen Mahmud, Member
Ms. Sylvia Borren, Member

MANAGEMENT BOARD

The Management Board consists of the following members:

Managing Director
Mr. Faruque Ahmed

Director
Mr. Hans Eskes

In the discharge of their duties, the Directors shall be guided by the interests of the Company and the business carried on by the Company. The Management Board may decide to appoint one or more authorised signatories and to determine their authority and title.

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. Saif Md Imran Siddique, 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 audit function

LOCAL BOARDS

Each country entity has a local board. We pursue microfinance and development activities through separate entities in countries where it is required. The local board members are appointed by Stichting BRAC International's board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

ADVISORY COUNCIL

In 2015, BI decided to form advisory councils to strengthen governance, support advocacy at the national level and enhance credibility.

The council members, who are country nationals, provide the country leadership with advice and support on standards and policies, and the development and implementation of programmes. They advise on key external developments and trends nationally, and promote BRAC's mission through effective and strategic working relationships with key stakeholders and civil society partners in the countries. They also support information sharing and relevant advocacy on behalf of BRAC.

ACCOUNTABILITY AND TRANSPARENCY

The internal audit department conducts periodical audits at all our cost centres on a sample basis. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted. In addition, special investigations are conducted in case of fraud or irregularities that may be detected. A 'whistle blower' policy is in place and HR takes actions as and when required.

External audit of Stichting BRAC International, BRAC International Holdings BV and all of our legal entities are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements following the International Financial Reporting Standards and the laws of relevant countries.

The summary of all audits and investigations are submitted to the audit and finance committee on a half yearly basis.

BRAC IN TANZANIA

GOVERNANCE

Local Board Members

Dr A M R Chowdhury (Chair)
Faruque Ahmed
S N Kairy
Shameran Bahar Abed

BRAC Maendeleo Tanzania

Dr A M R Chowdhury - Chair
Faruque Ahmed
Shib Narayan Kairy
Dr Hasan Mshinda
Dr Harun Kasale

BRAC Zanzibar

Dr A M R Chowdhury (Chair)
Faruque Ahmed
Shib Narayan Kairy
Rahma Ali Khamis Abdallah

Country Advisory Council Members

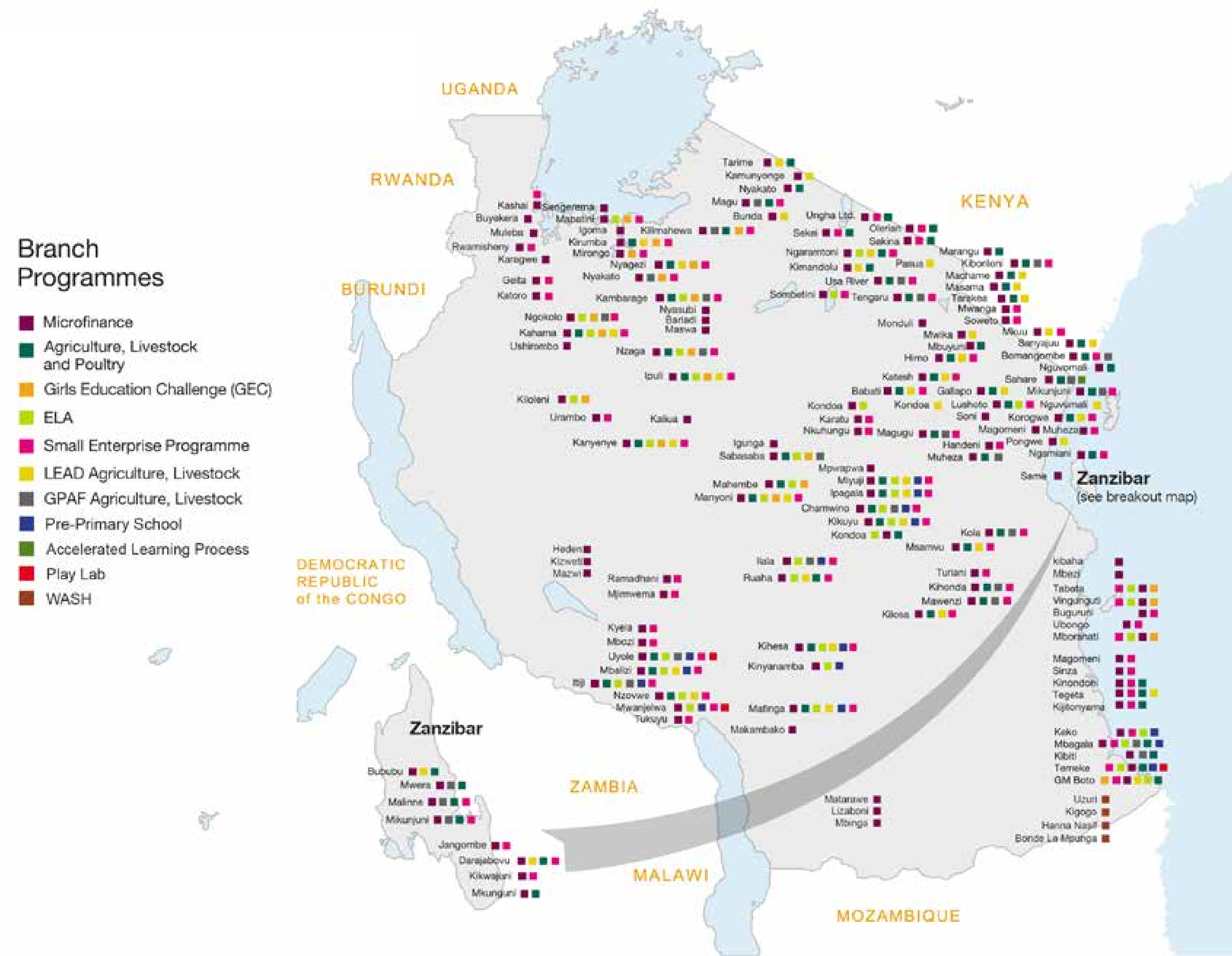
Dr Bill Kiwia (Chair)
Dr Hassan Mshinda
Zahra Nuru
Fatma Riyami
Audax Rukonge
Dr Flora Kessy

MANAGEMENT

Mr. Assan Golowa Phiri, Country Representative
Mr. Syed Humayun Kabir, Programme Manager, Microfinance
Mr. Hafizur Rahman, Programme Manager, Small Enterprise Program
Ms. Susan Bipa, Programme Manager, Education
Mr. Deusdedith Mulindwa, Head of 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 & Proposal Dev
Mr. Wilson Chacha, Manager, Fundraising and Resource Acquisition
Mr. Allan Buluku, Manager, Communications
Ms. Lillian Msofe, Senior Monitor

DEVELOPMENT PARTNERS

BRAC IN TANZANIA



FINANCIALS 2017

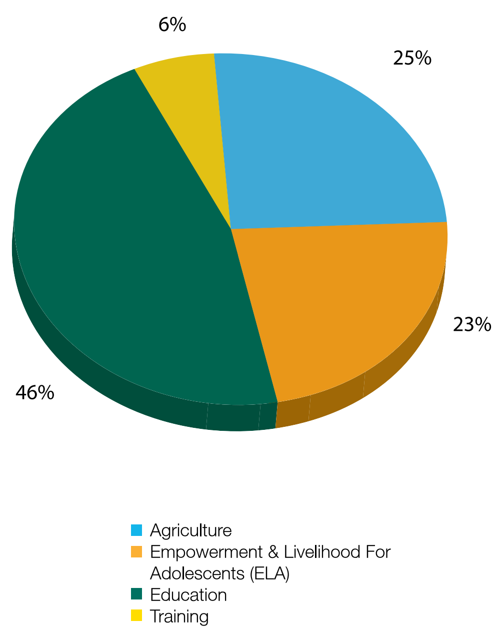
FINANCIAL HIGHLIGHTS – NGO

BRAC in Tanzania received grants amounting to USD 1,976,010 in 2017 as against USD 4,742,570 in 2016. Total Project expenses for the year were USD 2,044,726 (USD 4,024,709 in 2016). Out of the total expenses majority is expensed in Education programe supported by DFID. All most 94% of total expenditure is being used for program service with only 6% being incurred for administrative expenses.

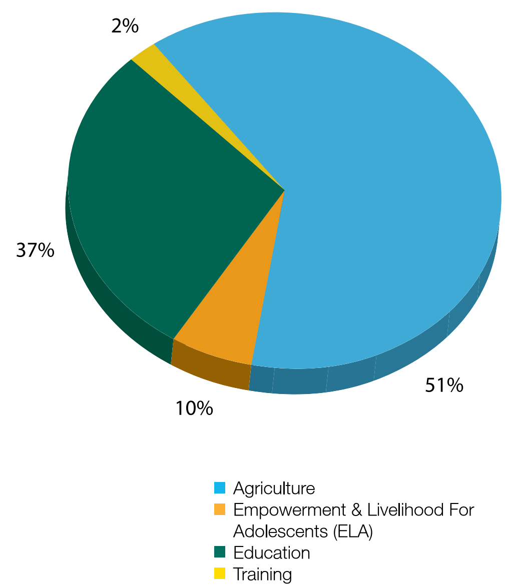
PROGRAMME COST BY NATURE

Programme	2017 USD	%	2016 USD	%
Health Agriculture and livestock	507,605	25%	2,046,221	51%
Empowerment and livelihood for adolescents	470,165	23%	416,214	10%
Education	948,502	46%	1,497,247	37%
Training	118,454	6%	65,027	2%
Total	**2,044,726**	**100%**	**4,024,709**	**100%**

Year 2017



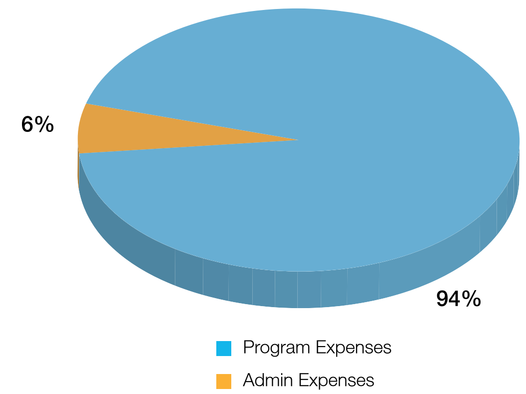
Year 2016



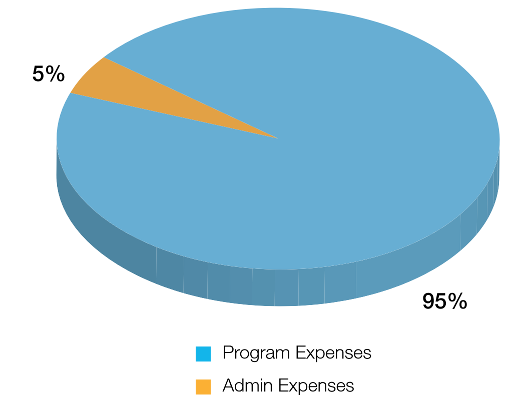
PROGRAMME COST BY EXPENSES

Expenses	2017 USD	%	2016 USD	%
Programme expenses	1,924,875	94%	3,818,390	95%
Admin expenses	119,851	6%	206,319	5%
Total	**2,044,726**	**100%**	**4,024,709**	**100%**

Year 2017



Year 2016



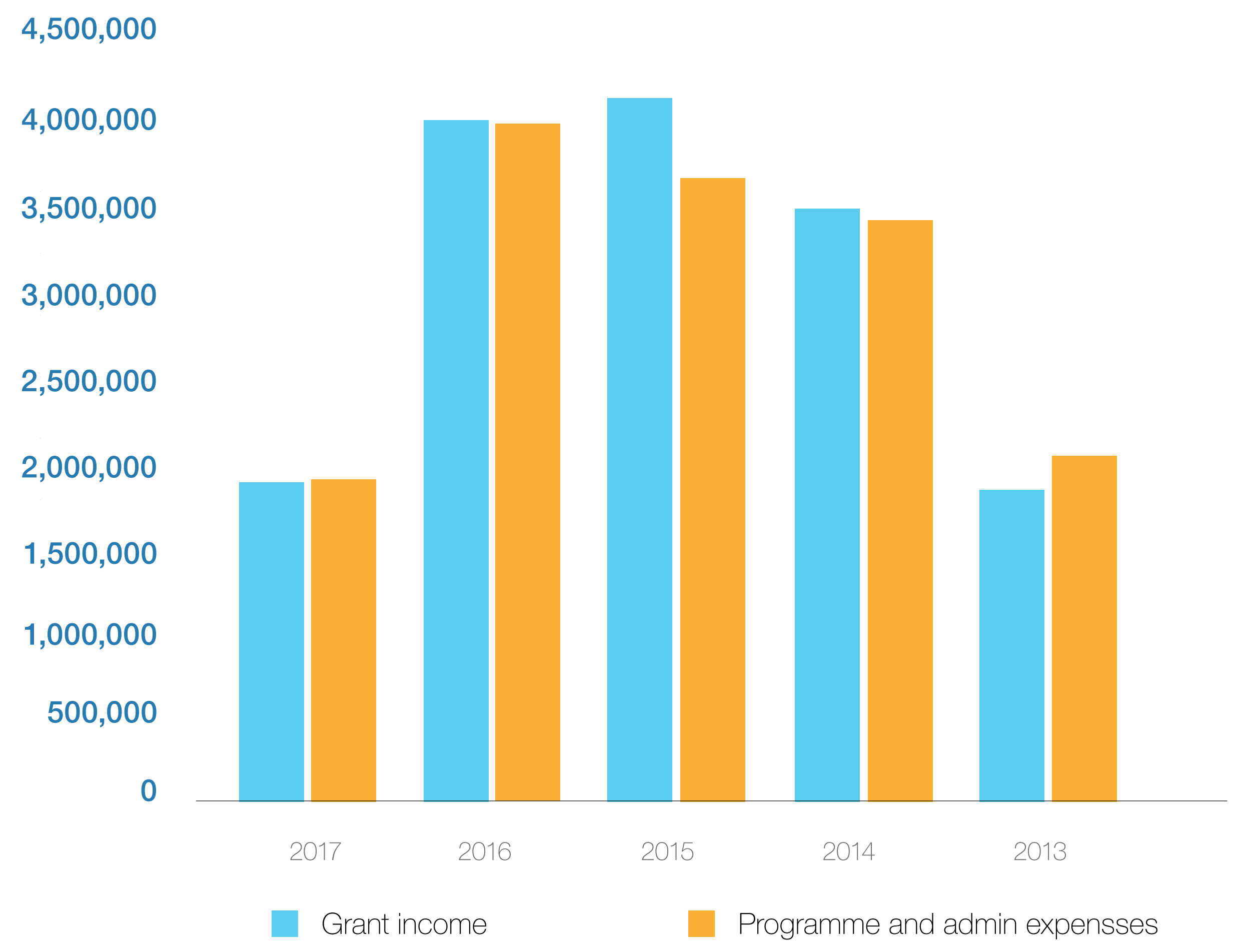
Contribution to Government Exchequer

	2017 USD	2016 USD
Staff Tax	47,710	420,484
Social Insurance	5,509	392,988

FIVE YEAR PERFORMANCE REVIEW

Currency	2017 USD	2016 USD	2015 USD	2014 USD	2013 USD
Income Statement					
Grant Income	1,921,204	3,959,081	4,127,847	3,575,001	1,981,881
BRAC Contribution				142,720	112,080
Other Income	123,522	65,628	94,854	101,190	150,836
Program expenses	(1,924,875)	(3,818,390)	(3,715,976)	(3,401,750)	(2,036,786)
Admin expenses	(119,851)	(206,319)	(506,724)	(417,161)	(257,080)
Financial Position					
Cash at bank	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 2017 by registering pretax profit of USD 6,571,041 in 2017 compared to 5,947,526 in 2016. This is mainly due to increase in the number of borrowers from 162,398 in 2016 to 183,103 in 2017 an increase of 13%.

Operating Expenses

Total operating expenses for the year were USD 10,365,788 as against USD 8,731,902 in 2016.

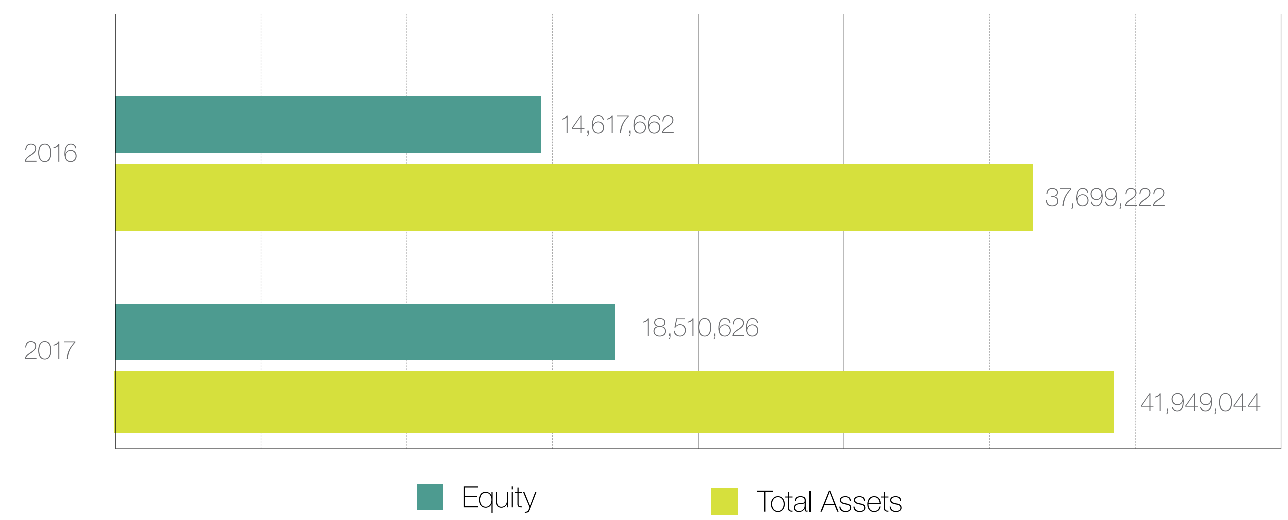
Provisions for Impairment Losses

Total reserve as against impairment in 2017 was USD 2,206,978 as against USD 1,339,633 in 2016, an increment 65% and representing 6% of Gross portfolio. This year amount charged for impairment on loans was USD 1,398,868 as against USD 714,076 in 2016. Portfolio at Risk (PAR>30 days) has gone up to 3.56% in 2017 as against 2.75% in 2016.

Financial Position

In 2017, total assets grew up by 11% to USD 41,949,044 further consolidating its position in the market. Loans Outstanding to customers increased by 12% and is now 88% of total assets. Security deposits increased by 21% and Net Equity increased by 27% to USD 18,510,626 from USD 14,617,662 in 2016. The growth of net equity is a direct result of increase in profitability.

Total Assets vs. Equity

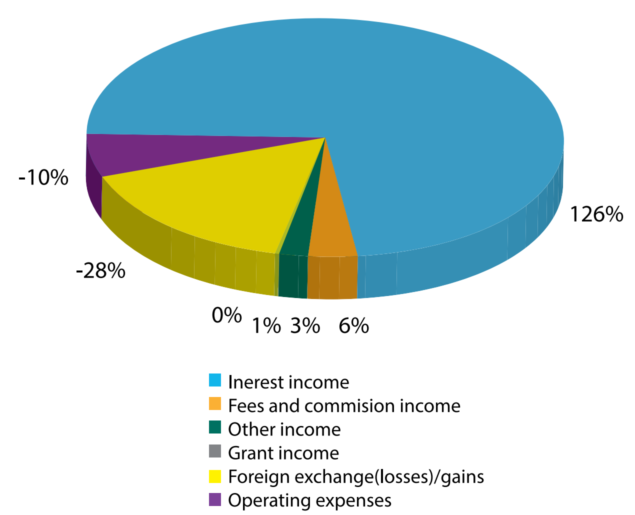


VALUE ADDED STATEMENTS

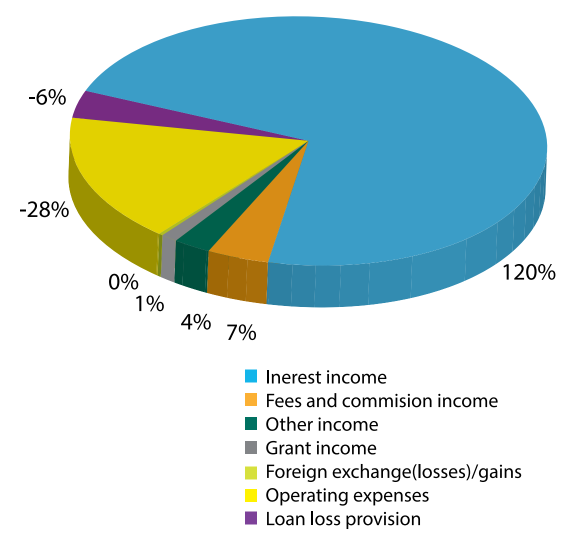
A value added statement provides a detailed account of total value addition and the distribution of value created by the organization. BRAC in Tanzania contributes positively to overall economic development by empowering the poor people (especially females) through micro-credit, employees through the 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.

Figures in (USD)	2017		2016	
	Amount	%	Amount	%
Interest income	18,635,056	128%	15,390,793	120%
Fees and commission income	888,227	6%	850,886	7%
Other income	392,907	3%	517,846	4%
Grant income	139,874	1%	261,089	2%
Foreign exchange (losses)/gains	-37,418	0%		0%
Operating expenses	-4,041,708	-28%	-3,515,304	-27%
Loan loss provision	-1,398,868	-10%	-714,076	-6%
Total value added	**14,578,070**	**100**	**12,791,235**	**100**

2017

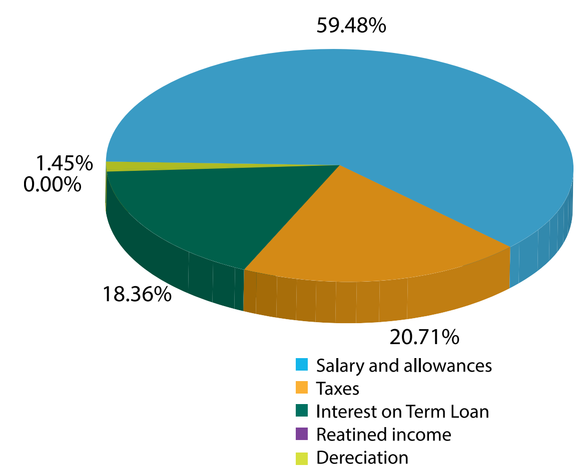


2016

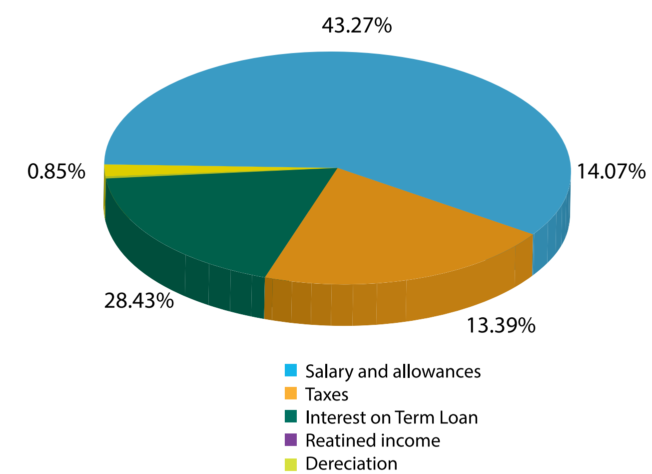


Distribution of Value Addition	2017		2016	
	Amount	%	Amount	%
Employees				
Salary and allowances	6,218,795	62.13%	5,092,059	59.48%
Local Authorities				
Taxes	1,998,885	19.97%	1,772,947	20.71%
Creditors				
Interest on Term Loan	1,682,949	16.81%	1,571,848	18.36%
Growth				
Retained income		0.00%		0.00%
Depreciation	108,588	1.08%	124,539	1.45%
Total value added	**10,009,217**	**100**	**8,561,393**	**100**

2017



2016



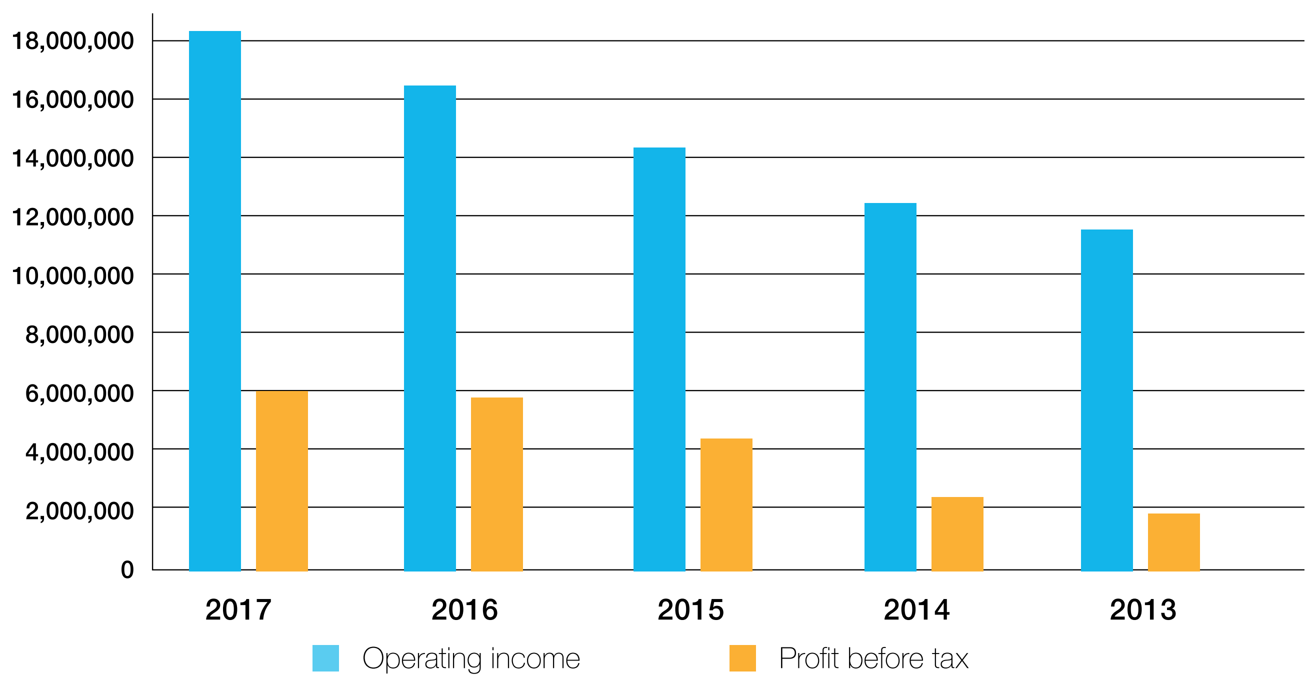
Contribution to Government Exchequer

Particular	2017	2016
	USD	USD
Income Tax	1,998,885	1,772,947
Staff Tax	883,917	419,422
Social Insurance	102,073	390,423

FIVE YEAR PERFORMANCE REVIEW

Currency	2017 USD	2016 USD	2015 USD	2014 USD	2013 USD
Income Statement					
Operating Income	18,335,697	16,759,526	14,525,998	12,796,291	11,411,661
Profit before tax	6,571,041	5,947,524	4,719,218	2,805,320	1,850,226
Financial Position					
Total Asset	41,949,044	37,699,222	30,579,011	27,045,015	25,805,856
Net Equity	18,974,137	14,617,662	10,940,765	9,900,264	8,385,278
Loans to Customers (net)	36,937,669	32,210,883	25,007,158	23,612,446	20,313,504
Cash at Bank	2,641,190	2,116,361	1,688,598	1,308,832	3,914,745
Returns and ratio					
Return on Asset	17%	12%	16%	48%	44%
Operational Self Sufficiency (OSS)	129%	131%	126%	115%	111%
Operational Statistics					
Total borrowers	183,103	162,398	138,142	113,959	101,068
Cost per Loan	45	36	62	77	73
PAR>30 days (%)	3.56	2.75	2.14	1.7	2.3

LAST OPERATING INCOME VS PROFIT BEFORE TAX



BRAC TANZANIA FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

GENERAL INFORMATION

Directors

Name	Position	Nationality
Dr. A. M. R. Chowdhury	Chairperson	Bangladeshi
Mr. Faruque Ahmed	Member	Bangladeshi
Mr. Shib Narayan Kairy	Member	Bangladeshi
Mr. Shameran Abed	Member	Bangladeshi

Administrator

Assan Golowa Phiri	Country Representative

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 M Tanzania Limited
8 Obama Drive,
P.O. Box 96,
Dar es Salaam ,Tanzania

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

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

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

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

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

1. The directors of BRAC Tanzania Finance Limited have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of BRAC Tanzania Finance Limited ("the Company") as at that date in accordance with Companies Act, 2002.

2. REGISTRATION

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

3. VISION

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

4. 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.

5. 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.

6. PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of microfinance activities to improve the livelihood of poor people in over 34 districts through 120 branch offices in Tanzania including extending loan facilities.

7. FINANCIAL PERFORMANCE

The Company's performance during the year ended 31 December 2017 is as follows:

- Total revenue increased by 20% from TZS 35,799 million in 2016 to TZS 42,976 million in 2017.
- Loans to customers (Gross) increased by 16% from TZS 70,012 million in 2016 to TZS 81,251 million in 2017.
- Operating expenses increased by 21% from TZS 18,141 million in 2016 to TZS 22,050 million in 2017.
- Finance costs have increased by 6% from TZS 3,423 million in 2016 to TZS 3,611 million in 2017.

During the year, the Company had an attributable profit of TZS 9.9 billion (TZS 8.8 billion in 2016) and increase of 12%. The statement of financial position as at 31 December 2017 is set out on page 48.

8. RESULTS FROM OPERATIONS

The result for the Company's operations for the year ended 31 December 2017 is set out on page 49.

9. COMPOSITION OF DIRECTORS

The directors, who served during the year and up to the date of this report unless as otherwise stated, are set out on page 40.

10. DIRECTORS' BENEFITS

No director has received or become entitled to receive any benefits during the financial year.

11. 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 regularly throughout the year;
- 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.

12. 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.

13. 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;
- IT and MIS;
- Human resources;
- Training; and
- Procurement, logistics and transportation.

14. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 24 to the financial statements.

15. FUTURE DEVELOPMENT PLANS

In 2018 the Company will extend its programs to remote rural areas in order to reach the poorer section of the population. The Company is planning to target 196,489 borrowers aiming to disburse USD 93.31 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.

16. KEY ACHIEVEMENTS IN 2017

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

- The number of borrowers has increased by 14% during the year and the amount disbursed has increased by 19% from TZS 153 billion in 2016 to TZS 181 billion in 2017.
- Agri-finance product has done well with an increase of amount disbursed of TZS 12.7 billion compared to TZS 10.7 billion in 2016. However its Portfolio at Risk above 30 days (PAR 30) has increased from a range of 0.24% to 1.03% to a range of 1.03% to 3.68%. 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.
- Strengthening of supporting services such as 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.

17. SOLVENCY

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

18. EMPLOYEES' WELFARE

Management/employee relationship

There were continued good relation 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 2017, the Company spent a sum of TZS 256.6 million for staff training in order to improve employees' technical skills and hence effectiveness (2016: TZS 182.5 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 2017, The Company paid TZS 132.7million

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)/ Parastatal Pensions Fund (PPF) which are approved pension funds. The Company's contribution to the Pension Funds is limited at 10% of the employee gross salary.

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

19. GENDER PARITY

The Company had 1,507 employees in 2017 out of them 234 males and 1,273 females. In 2016 total employees were 1,538 with251 males and 1,287 females.

20. 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

.... 21.03.2018
Director

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 2017, 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 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 21 March, 2018 and signed by:

....
Director

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/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, Deusdedith Mulindwa being the Head of Finance of BRAC Tanzania Finance Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2017, have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: ....

Position: Head of Finance

NBAA Membership No.: 30323

Date: 21 March, 2018

KPMG

KPMG
Certified Public Accountants
2ND Floor, The luminary
Haile Selassie Road, Masaki
PO Box 1160
Dar es Salaam, Tanzania

Telephone +255 22 2600330
Fax +255 22 2600490
Email info@kpmg.co.tz
Internet www.kpmg.com/eastrafrica

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 49 which comprise the statement of financial position as at 31 December 2017, 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 2017, 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), 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.

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 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)

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Signed by: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam
21 March, 2018

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 TZS '000	Memo 2017 USD	2016 TZS '000	Memo 2016 USD
Income					
Interest income	6	39,981,925	17,954,274	32,317,447	14,840,969
Interest expense	7	(3,611,228)	(1,621,657)	(3,422,831)	(1,571,848)
Net interest income		**36,370,697**	**16,332,617**	**28,894,616**	**13,269,121**
Fee and commission income	8	1,890,493	848,944	1,785,475	819,934
Other income	9	874,956	392,907	1,130,690	519,241
Grant income utilised	23	311,482	139,874	568,543	261,089
Foreign exchange gain		(83,326)	(37,418)	(3,038)	(1,395)
Total operating income		**39,364,302**	**17,676,924**	**32,376,286**	**14,867,990**
Impairment charge on loans to customers	15(a)	(3,069,422)	(1,378,354)	(1,530,295)	(702,749)
Operating income after impairment charge on loans to customers		**36,294,880**	**16,298,570**	**30,845,991**	**14,165,241**
Staff costs and other benefits	10	(13,307,599)	(5,975,907)	(10,627,899)	(4,880,594)
Travelling and transportation costs		(2,764,154)	(1,241,271)	(2,114,565)	(971,061)
Training, workshop and seminars costs		(256,583)	(115,221)	(182,535)	(83,824)
Occupancy expenses	11	(950,853)	(426,990)	(622,890)	(286,046)
Other operating expenses	12	(4,544,881)	(2,040,923)	(4,325,249)	(1,986,261)
Depreciation	17	(115,633)	(51,926)	(129,886)	(59,647)
Amortisation	18	(110,578)	(49,656)	(138,223)	(63,475)
Profit before taxation		**14,244,599**	**6,396,676**	**12,704,744**	**5,834,333**
Tax expense	13	(4,332,435)	(1,945,523)	(3,860,740)	(1,772,947)
Profit for the year		**9,912,164**	**4,451,153**	**8,844,004**	**4,061,386**
Other comprehensive income					
Foreign currency translation loss		-	(226,606)	-	(102,720)
Total comprehensive income for the year		**9,912,164**	**4,224,547**	**8,844,004**	**3,958,666**

Notes and related statements forming part of the financial statements appear on pages 53-82.

Report of the auditors is on page 47-48.

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 TZS '000	Memo 2017 USD	2016 TZS '000	Memo 2016 USD
ASSETS					
Cash and bank balances	14	5,766,153	2,573,027	4,282,801	1,982,778
Fixed deposits		5,543,569	2,473,703	4,511,553	2,088,682
Loans to customers	15	76,403,006	34,093,265	67,188,512	31,105,793
Other assets	16	1,121,651	500,514	1,125,056	520,859
Property and equipment	17	334,731	147,581	300,253	139,006
Intangible assets	18	142,550	63,610	253,128	117,189
Deferred tax asset	19	1,506,456	672,225	898,300	415,879
Corporation tax recoverable		-	-	86,754	40,164
Total assets		**90,818,116**	**40,523,925**	**78,646,357**	**36,410,350**
LIABILITIES AND EQUITY					
Long term liabilities					
Long term portion of term loans	22	16,926,958	7,553,306	4,861,579	2,250,731
Total long term liabilities		**16,926,958**	**7,553,306**	**4,861,579**	**2,250,731**
Current liabilities					
Other liabilities	20	4,504,434	2,010,010	5,147,669	2,383,168
Related party payables	21	1,185,009	528,786	878,515	406,732
Corporate tax payable	13(b)	728,157	324,925	633,078	293,091
Loan security fund	21	15,728,076	7,018,330	13,142,128	6,084,319
Current portion of term loans	22	5,084,686	2,268,936	17,365,305	8,039,493
Deferred revenue grants	23	5,174,483	2,309,006	5,043,934	2,335,154
Total current liabilities		**49,331,803**	**22,013,299**	**47,072,208**	**21,792,688**
Equity					
Allocated capital		8,039,570	3,814,099	8,039,570	3,770,021
Retained earnings		33,446,743	14,924,919	23,534,579	10,950,283
Translation reserve		-	(228,392)	-	(102,642)
Total equity		**41,486,313**	**18,510,626**	**31,574,149**	**14,617,662**
Total equity and liabilities		**90,818,116**	**40,523,925**	**78,646,357**	**36,410,350**

The financial statements on pages 53 to 82 were approved for issue by the Board of Directors on 21 March, 2018 and signed on its behalf by;

Head of Finance
BRAC

Country Representative/CEO
BRAC

Director/Member

Director/Member

BRAC TANZANIA FINANCE LIMITED

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Allocated capital TZS '000	Retained earning USD	Total 2015 TZS '000	Total 2015 USD
Balance at 1 January 2015	8,039,570	14,690,576	22,730,146	10,657,862
Profit for the year	-	8,844,003	8,844,003	4,061,384
Other comprehensive income, net of income tax:				
Foreign currency translation loss	-	-	-	(101,584)
Balance as at 31 December 2015	**8,039,570**	**23,534,579**	**31,574,149**	**14,617,662**
Balance at 1 January 2016	**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
Other comprehensive income, net of income tax:				
Foreign currency translation loss	-	-	-	(331,593)
Balance as at 31 December 2017	**8,039,570**	**33,446,743**	**41,486,313**	**18,510,616**

Notes and related statements forming part of the financial statements appear on pages 53 to 82.

Report of the auditors is on page 47-48.

	Notes	2017 TZS '000	Memo 2017 USD	2016 TZS '000	Memo 2016 USD
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		14,244,599	6,396,676	12,704,744	5,834,333
Adjustment for non-cash items					
Loss on disposal of assets		5,151	2,313	-	-
Loans written off	15	1,044,267	468,939	821,724	378,089
Impairment charge on loans to customers	15	3,069,422	1,378,354	1,530,295	702,749
Depreciation charge and amortisation	17 & 18	226,211	101,582	268,109	123,122
Forex gain on term loans	23	110,551	49,641	59,193	27,693
Interest expense on term loans	23	3,627,139	1,621,657	3,335,407	1,571,848
Write off of irrecovables taxes		86,754	38,956	-	-
Amortisation of capital grants	24	(311,482)	(139,874)	(568,543)	(261,089)
		22,102,612	**9,918,244**	**18,150,929**	**8,376,745**
Changes in:					
- Other assets		3,405	1,529	16,486	7,633
- Fixed deposits		(1,032,016)	(463,437)	956,279	442,722
- Other liabilities and related parties		(336,741)	(151,208)	2,543,188	1,783,210
- Loans to customers	15	(13,328,183)	(5,984,815)	(16,945,164)	(7,661,733)
		7,409,077	**3,320,339**	**4,721,718**	**2,948,577**
Withholding tax paid	13(b)	(129,043)	(57,583)	-	-
Corporate tax paid	13(b)	(4,716,469)	(2,117,971)	(4,761,571)	(2,186,631)
Net cash used in operating activities		**2,563,565**	**1,144,785**	**(39,853)**	**761,946**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property and equipment	17	(155,263)	(69,722)	(246,650)	(113,268)
Net cash used in from investing activities		**(155,263)**	**(69,722)**	**(246,650)**	**(113,268)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Term loans acquired during the year	23	16,941,580	7,559,831	6,729,754	3,090,469
Repayment of the term loans23		(17,540,867)	(7,876,880)	(6,761,569)	(3,105,079)
Interest per loan		(3,353,643)	(1,505,986)	(3,333,682)	(1,543,372)
Net loan security funds received during the year	22	2,585,949	1,161,246	2,762,694	1,279,025
Grants received during the year	24	442,031	198,498	1,696,304	778,985
Net cash generated from financing activities		**(924,950)**	**(415,357)**	**1,903,501**	**500,028**
Net increase in cash and cash equivalents		**1,483,352**	**659,709**	**806,998**	**1,148,706**
Cash and cash equivalents at the beginning of the year	**14**	**4,282,801**	**1,982,778**	**3,475,803**	**1,629,920**
Foreign exchange translation reserve		-	(69,457)	-	(795,848)
Cash and cash equivalents at the end of the year	**14**	**5,766,153**	**2,573,027**	**4,282,801**	**1,982,778**

Notes and related statements forming part of the financial statements appear on pages 53-82.

Report of the auditors is on page 47-48.

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.

(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 2017 which of TZS 2,241.00 (2016:TZS 2,160.50) to USD 1 except for additions to property, plant and equipment were translated at an average rate for the period of TZS 2,226.88 (2016: TZS 2,177.58);
- Income and expenses were translated using an average exchange rate for the period of TZS 2,227 (2016: TZS 2,177.58);
- 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 release to income to match the depreciation for the period and amortisation of the fixed assets as charged to Profit or Loss.

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

Donor grants received in kind, through the provision of gifts and/or services, are recorded at fair value (excluding situations 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.

BRAC TANZANIA FINANCE LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(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.

(h) Financial assets and liabilities

(i) Recognition

The Company 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 Company 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 Company 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

Refer to accounting policies on Note (3i and 3j)

(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 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 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).

(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 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.

(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.

(i) 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.

(j) 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.

(k) Property and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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.

(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	Loans and receivables
Other assets	Loans and receivables

(q) New standards, amendments and interpretations

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

The Company has adopted the following new standards and amendments during the year ended 31 December 2017, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2017. The nature and effects of the changes are as explained here in.

New standard or amendments	Effective for annual periods beginning on or after
— Disclosure Initiative (Amendments to IAS 7)	1 January 2017
— Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017

Disclosure Initiative (Amendments to IAS 7)

The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
The International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii)changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application are permitted.

The adoption of these changes did not have a significant impact on the financial statements of the Company.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

— Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
— The carrying amount of an asset does not limit the estimation of probable future taxable profits.
— Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
— An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The standard was effective for annual periods beginning on or after 1 January 2017 with early application permitted. As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Board has not added additional transition relief for first-time adopters.

The adoption of these changes did not have a significant impact on the financial statements of the Company.

Annual improvements cycle (2014-2016)

Standard	**Amendments Disclosure of Interests in Other Entities**
IFRS 12 Employee Benefits	Clarifies that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

The adoption of these changes did not have a significant impact on the financial statements of the Company.

(ii) New standards, amendments and interpretations in issue but not yet effective

At the date of authorisation of the financial statements for the year ended 31 December 2017, the following relevant standards and interpretation were in issue but not yet effective:

The Company does not plan to adopt these standards early. These are summarised below;

The following are not expected to have a significant impact on the financial statements of the Company:

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 17 Insurance contracts	1 January 2021
IAS 40 Transfers of Investment Property	1 January 2018
IFRIC 23 Income tax exposures	1 January 2019

The following are expected to have a significant impact on the financial statements of the Company:

IFRS 9 Financial Instruments (2014)	1 January 2018
IFRS 16 Leases	1 January 2019

IFSR 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments Standard, which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

In October 2017, the IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Company will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date. Based on preliminary assessments undertaken to date, the implementation of IFRS9 will not have significant impact to the Company's financial assets.

Once a full assessment is done during 2018, the Company expects that IFRS 9 impact will be insignificant.

The above assessment is preliminary because not all transition work has been finalized. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require the Company to revise its accounting process and internal controls and these changes are not yet complete;
- The new accounting policies, assumptions, judgments and estimation techniques employed are subject to change until the Company finalizes its first financial statements that included initial application.

The following paragraphs analyse in details expected impact of applying IFRS 9 in terms of classification, recognition and measurement of financial instruments, disclosures requirements as well as the transitions requirements.

i) Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

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 interests (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only 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 achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding amount.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised costs or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company will make an assessment of the objective of the business model in which 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 that will be considered includes; how the performance of the portfolio is a evaluated and reported to Company management, 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 in prior periods, the reasons for such sales and expectations about future sales activity. However, information about future sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment whether contractual cash flows is solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, 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 interests, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial assets contain 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 will consider among others: prepayments and extensions terms; features that modify consideration for the time value of money – e.g. periodic reset of interest rates and contingent events that would change the amount and timing of cash flows.
Interest rates on certain loans made by the Company are based on the Standard Variable rates (SVRs) that are set at the discretion of the Company. SVR are generally based on borrowings rates and loan administration costs. In these cases, the Company will assess whether the discretionary feature is consistent with SPPI criterion

Impact assessment

IFRS 9 will affect the classification and measurement of financial assets held as at 1 January 2018 as follows

Asset description	IAS 39 classification and measurement method	IFRS 9 classification/ measurement method
Loans and advances to customers	Loans and receivable, measured at amortised costs	Measured at amortised costs
Cash and Bank balances	Loans and receivable, measured at amortised costs	Measured at amortised costs
Placements with banks (Fixed deposits)	Loans and receivable, measured at amortised costs	Measured at amortised costs

The Company does not expect any impact on equity upon adoption of the new classification.

ii) Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Company has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Company's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

iii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI and loan commitments issued (previously, impairment was measured under IAS 37, Provisions, Contingent Liabilities and Contingent Assets).

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company will recognise loss allowances at an amount equal to lifetime ECLs.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in details below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses and will be measured as follows;
- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows the Company expects to receive
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39

Measurement of ECL is affected by the number of factors including how the Company define certain terms referred into the standards as well as inputs used in measuring ECL. Below is the discussion of some of the key terms that will affect measurement of ECL as well discussion of key inputs to the ECL model.

Under IFRS 9, the Company will consider at a minimum both quantitative and qualitative information to determine financial asset that are in default. The borrower who is more that than 90 days past due will generally be regarded as being in default. This approach is largely consistent with the definition for the best practices in the Tanzanian business environment.

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on financial instrument has increased significantly since initial recognition, the Company will consider reasonable and supportable information that is relevant and available without cost or effort, including both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and forward-looking information. The Company is not expecting to rebut the presumption that there is significant increase in credit risk for instrument which has been past due for more than 60 days on Small enterprise loans whole instalment collection is monthly and 30 days for Group lending whose instalment collection is weekly.

Credit risk grade

The Company will allocate each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Since the Company is issuing loans with a maximum tenor of 12 months, all financial instruments will be categorised in the 12-months ECL bucket irrespective of the obligor's credit risk rating at origination.

Inputs into measurement of ECLs

The key inputs into measurement of ECL are likely to be the term structure of the following variables which will be derived from internally developed statistical models and other historical data. The inputs will be adjusted to reflect forward-looking information as described below.

Probability Default (PD): PD is estimates at a certain date, which will be calculated based on statistical models. The statistical model will be based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD of certain customers. For portfolio in respect of which the Company has limited historical data, external benchmark information will be used to supplement internally available data.

Loss Given Default (LGD): LGD is the magnitude of the likely loss if there is a default. The Company will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models will consider among others, the structure, and collateral, seniority of claims, counterparty industry and recovery costs of any collateral that is integral to the financial asset. Further, the Company shall consider forecasts of future collateral valuations (including expected sale discount), time to realisation of collateral (and other recoveries), allocation of collateral across exposures where there are several exposures to the same borrower, recovery rates, haircuts, type of collateral and external costs of realisation of collateral.

Exposure at Default (EAD): EAD represents the expected exposure in the event of a default. The Company will derive EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation and prepayments. EAD of financial asset will be the gross carrying amount at default.

As described above and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company will measure ECLs considering the risk of default over the maximum contractual period (6 or 12 months based on the Company's existing loan products) over which it is exposed to credit risk.

The Company will use group modelling where the financial instruments will be grouped on the basis of shared risk characteristics that include industry, instrument type, collateral type and remaining term to maturity. The groupings will be subject to regular review to ensure that the exposures within a particular group remain appropriately homogenous.

Forward-looking information

Under IFRS 9, the Company will incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The Company shall take into consideration the impact of macroeconomic factors on how they related to the inputs into ECLs models and how they impact them.

Impact assessment

The significant impact on the Company's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments in scope of the IFRS 9 impairment model.

IFRS 9 incorporates the requirements of IAS 39 for the derecogntion of financial assets and financial liabilities without substantive amendments. However, it contains specific guidance for the accounting when modification of financial instruments not measured at FVTPL does not result in derecogntion. The Company expects an immaterial impact from adopting these new requirements.

v) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs.

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration.

A Company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases.

Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(a) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A Company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a Company also recognises a financial liability representing its obligation to make future lease payments.

(b) Depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a Company to recognise assets and liabilities for:

(a) Short-term leases (i.e. leases of 12 months or less) and;
(b) Leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted in so far as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

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

Loans to customers **Carrying amount**	**2017** **TZS'000**	**2016** **TZS'000**
Standard	76,005,808	66,845,149
Watch List	1,259,899	951,758
Substandard	829,340	923,232
Doubtful	227,757	150,045
Loss	2,928,627	1,141,597
	81,251,431	**70,011,781**
Allowance for impairment	(4,848,424)	(2,823,269)
Net loans	**76,403,006**	**67,188,512**
Balance at 1 January	**2,823,269**	
2,114,698		
Impairment charge on loans to customers during the year	3,069,422	1,530,295
Loans written off during the year	(1,044,267)	(821,724)
Balance at 31 December	**4,848,424**	**2,823,269**

Write-off policy

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

(b) Liquidity risk

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

Management of liquidity risk

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

Residual contractual maturities of financial liabilities.

31 December 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	-	-
	48,603,646	**48,603,646**	**31,676,687**	**4,519,500**	**12,407,459**

31 December 2016	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	13,142,128	13,142,128	13,142,128	-	-
Term loans	22,226,884	22,226,884	17,365,305	4,861,579	-
Deferred revenue grants	5,043,934	5,043,934	5,043,934	-	-
Other current liabilities	6,659,262	6,659,262	6,659,262	-	-
	47,072,208	**47,072,208**	**42,210,629**	**4,861,579**	**-**

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.

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 2017. Assets and liabilities are categorised by currency. (Amounts in TZS'000)

31 December 2017	TZS	USD	Total
Financial assets			
Cash and bank balance	5,483,417	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	**88,126,732**	**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	**62,975,375**	**(23,394,125)**	**39,571,984**

31 December 2016	TZS	USD	Total
Financial assets			
Cash and bank balance	3,742,179	540,622	4,282,801
Fixed deposit	4,511,553	-	4,511,553
Loans to customers	67,188,512	-	67,188,512
Other assets	540,000	-	540,000
Total assets	**75,982,244**	**540,622**	**76,522,866**
Financial liabilities			
Term loans	13,577,301	8,649,583	22,226,884
Other liabilities	6,659,262	-	6,659,262
Loan security fund	13,142,128	-	13,142,128
Deferred grants	-	5,043,934	5,043,934
Total liabilities	**33,378,691**	**13,693,517**	**47,072,208**
Net on balance sheet position	**42,603,553**	**(13,152,895)**	**29,450,658**

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

Sensitivity analysis
The rate of exchange as at 31 December 2017 is USD 1 = TZS 2,241, strengthening of USD against TZS by 10% means that the rate of exchange will move to USD 1 = TZS 2,465.10
The rate of exchange as at 31 December 2016 was USD 1 = TZS 2,160, strengthening of USD against TZS by 10% means that the rate of exchange would move to USD 1 = TZS 2,376.00. The movement in exchange is not expected to have significant impact on the profit or loss as most the transactions and commitments are in shilling.

(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 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	-	-	-	-	5,775,419	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**	**-**	**-**	**6,472,159**	**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)**	**-**	**(20,353,681)**	**39,571,985**

31 December 2016	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	-	-	-	-	4,282,801	4,282,801
Fixed deposits	-	4,511,553	-	-	-	4,511,553
Loans to customers	1,718,936	65,469,576	-	-	-	67,188,512
Other assets	-	-	-	-	540,000	540,000
Total assets	**1,718,936**	**69,981,129**	**-**	**-**	**4,822,801**	**76,522,866**
LIABILITIES						
Other liabilities	-	-	-	-	6,659,262	6,659,262
Loan security fund	-	-	-	-	13,142,128	13,142,128
Term loans	-	17,365,305	4,861,579	-	-	22,226,884
Deferred revenue grants	-	-	-	-	5,043,934	5,043,934
Total liabilities	**-**	**17,365,305**	**4,861,579**	**-**	**24,845,324**	**47,072,208**
Net assets/(liabilities)	**1,718,936**	**52,615,824**	**(4,861,579)**	**-**	**(20,022,523)**	**29,450,658**

(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 policy3(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 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 the financial instruments are short term or reprice in the short run.

31 December 2017	Level 1	Level 2	Level 3	Carrying value	Fair value
	TZS'000	TZS'000	TZS'000	TZS'000	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	76,403,006
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**

31 December 2016	Level 1	Level 2	Level 3	Carrying value	Fair value
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS					
Cash and bank balances	-	4,282,801	-	4,282,801	4,282,80
Fixed deposits	-	4,511,553	-	4,511,553	4,511,553
Loans to customers	-	-	67,188,512	67,188,512	67,188,512
Other assets	-	-	540,000	540,000	540,000
Total assets	**-**	**8,794,354**	**67,728,512**	**76,522,866**	**76,522,866**
LIABILITIES					
Other liabilities	-	-	6,659,262	6,659,262	6,659,262
Loan security fund	-	13,142,128	-	13,142,128	13,142,128
Term loans	-	22,226,884	-	22,226,884	22,226,884
Deferred revenue grants	-	-	5,043,934	5,043,934	5,043,934
Total liabilities	**-**	**35,369,012**	**11,703,196**	**47,072,208**	**47,072,208**

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

(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.

	2017	Memo 2017	2016	Memo 2016
	TZS'000	USD	TZS'000	USD
6. INTEREST INCOME				
Interest on loans to group members:				
-Micro finance	31,294,018	14,052,885	25,227,879	11,585,264
-Small enterprise program	5,165,927	2,319,810	4,470,244	2,052,846
-Adolescent development program	620,020	278,426	338,082	155,256
-Empowerment and livelihood for adolescent program	333,661	149,834	219,253	100,686
-Agriculture	2,501,858	1,123,484	1,930,761	886,653
-Investment Fund	44,581	20,020	131,228	60,264
-Pembejeo	5,233	2,349	-	-
-Job Holder Loan	16,627	7,466	-	-
	39,981,925	**17,954,274**	**32,317,447**	**14,840,969**

7. INTEREST EXPENSE

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Interest expense on loans from:				
-BRAC Africa Micro Finance Limited	1,245,514	559,310	2,010,997	923,499
-Financial Sector Deepening Trust (FSDT)	-	-	42,485	19,510
-Bank of Africa	399,617	179,452	1,066,146	489,601
-Responsibility	451,386	202,699	303,203	139,238
-BRAC International	160,209	71,943	-	-
-Global Partnership Social Investment Fund	527,016	236,662	-	-
-Stromme Microfinance (E.A) Ltd	359,238	161,319	-	-
-Triodos Investment Management	249,066	111,846	-	-
-Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.-FMO	235,094	105,571	-	-
-BRAC (Zanzibar) finance costs allocation	(136,490)	(60,391)	-	-
-Fund management fees	120,578	54,146	-	-
	3,611,228	**1,621,657**	**3,422,831**	**1,571,848**

8. FEE AND COMMISSION INCOME

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Membership fee	60,480	27,159	232,953	106,978
Loan appraisal fee	1,799,124	807,914	1,526,917	701,198
Loan application fee	30,889	13,871	25,605	11,758
	1,890,493	**848,944**	**1,785,475**	**819,934**

9. OTHER INCOME

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Gain due to early repayment of loan	342	154	557	256
Interest income from bank deposit	593,257	266,408	1,057,129	485,460
Other income	281,357	126,345	73,004	33,525
	874,956	**392,907**	**1,130,690**	**519,241**

10. STAFF COSTS AND OTHER BENEFITS

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Salaries	11,140,880	5,002,910	8,860,325	4,068,880
Bonus	239,119	107,379	234,557	107,714
Pension	1,306,847	586,863	1,039,333	477,288
SDL	620,753	278,755	493,684	226,712
	13,307,599	**5,975,907**	**10,627,899**	**4,880,594**

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

11. OCCUPANCY EXPENSES

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Rent	854,951	383,924	537,717	246,933
Utilities	95,902	43,066	85,173	39,113
	950,853	**426,990**	**622,890**	**286,046**

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12. OTHER OPERATING EXPENSES

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Maintenance and general expenses	1,186,969	533,020	1,054,969	479,730
Cash write off	11,902	5,345	40,798	18,735
Members death benefit expenses	92,205	41,406	80,595	37,011
Office Vehicle running expenses	82,608	37,096	53,761	24,688
Audit and other legal fees	106,145	47,665	172,442	83,928
Head Office logistics and management expenses	1,394,818	626,357	940,339	431,827
Stationery expenses	290,748	130,563	306,642	140,818
Staff medical Insurance	322,125	144,653	156,220	71,740
Software Maintenance	269,559	121,048	219,819	100,946
Business licence fees	127,612	57,306	-	-
Bank Charges	201,642	90,549	172,412	79,176
Other expenses	458,548	205,915	1,127,252	517,662
	4,544,881	**2,040,923**	**4,325,249**	**1,986,261**

13. TAXATION

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
(a) Tax expense				
Current income tax charge	4,940,591	2,218,621	4,086,104	1,876,440
Deferred tax (credit) /charge for the year	(608,156)	(273,098)	(225,364)	(103,493)
Prior year tax charge underprovided	-	-	-	-
	4,332,435	**1,945,523**	**3,860,740**	**1,772,947**
Tax rate reconciliation	**%**		**%**	
Standard rate of income tax	30.0		30.0	
Tax effect of non-deductible expenses	0.0		0.4	
Tax effect of prior year deferred tax asset under provision	0.0		0.0	
Effective rate of income tax	**30.0**		**30.4**	
(b) Tax payable				
At 1 January	633,078	282,498	1,308,545	613,620
Charge during the year	4,940,591	2,204,637	4,086,104	1,772,947
Withholding tax utilised during the year	(129,043)	(57,583)	-	-
Payment during the year	(4,716,469)	(2,117,971)	(4,761,571)	(2,186,631)
Foreign exchange translation reserve	-	13,344	-	93,155
At 31 December	**728,157**	**324,925**	**633,078**	**293,091**

14. CASH AND BANK BALANCES

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Cash in hand	19,849	8,857	78,582	36,380
Cash at bank	5,746,304	2,564,170	4,204,219	1,946,398
	5,766,153	**2,573,027**	**4,282,801**	**1,982,778**

15. LOANS TO CUSTOMERS

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Loans to customers (gross)	81,251,430	36,256,774	70,011,781	32,412,862
Provision for impairment on loans to customers [Note-15(a)]	(4,848,424)	(2,163,509)	(2,823,269)	(1,307,069)
Balance at 31 December	**76,403,006**	**34,093,265**	**67,188,512**	**31,105,793**

Loans 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.

(a) Impairment charge on loans to customers:

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Balance as at 1 January	2,823,269	1,307,069	2,114,698	991,652
Impairment charge during the year	3,069,422	1,378,354	1,530,295	702,749
Loans written off during the year	(1,044,267)	(468,939)	(821,724)	(378,089)
Foreign currency translation reserve	-	(52,975)	-	(9,243)
Balance at 31 December	**4,848,424**	**2,163,509**	**2,823,269**	**1,307,069**

(b) Analysis of loans per group

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
- Micro finance	59,030,818	26,341,284	50,829,506	23,532,179
- Small enterprise program	13,811,168	6,162,949	11,949,309	5,532,086
- Adolescent program	1,269,928	566,679	830,007	384,263
- Empowerment and livelihood for adolescent program	588,976	262,818	547,689	253,560
- Agriculture	6,280,873	2,802,710	5,587,807	2,586,948
- Investment fund	135,300	60,375	267,463	123,826
-Pembejeo	4,234	1,889	-	-
-Job Holder Loan	130,133	58,069	-	-
	81,251,430	**36,256,774**	**70,011,781**	**32,412,862**

16. OTHER ASSETS

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Advances and prepayments	233,397	104,149	455,292	210,783
Stock of consumables	119,976	53,537	129,764	60,076
Interest expense receivable from Zanzibar	136,490	60,906	-	-
VAT receivable/ (Payable)	13,683	6,106	-	-
Advance withholding tax on FDR interest	57,855	25,816	-	-
Deposit (BRAC International Loan Facility reserve)	560,250	250,000	540,000	250,000
	1,121,651	**500,514**	**1,125,056**	**520,859**

17. 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
NBV/Cost							
At 1 January 2016	301,986	232,559	37,020	3,240	19,966	594,771	278,907
Additions	132,525	109,405	-	-	4,720	246,650	113,268
Foreign exchange translation difference	-	-	-	-	-	-	(2,628)
At 31 December 2016	**434,511**	**341,964**	**37,020**	**3,240**	**24,686**	**841,421**	**389,547**
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**	**430,824**
Accumulated depreciation							
At 1 January 2016	123,717	227,339	37,020	3,240	19,966	411,282	192,864
Charge during the year	43,451	85,491	-	-	944	129,886	59,647
Foreign exchange translation difference	-	-	-	-	-	-	(1,970)
At 31 December 2016	**167,168**	**312,830**	**37,020**	**3,240**	**20,910**	**541,168**	**250,541**
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**
Net book value							
At 31 December 2017	**296,440**	**38,291**	**-**	**-**	**-**	**334,731**	**147,581**
At 31 December 2016	**267,343**	**29,134**	**-**	**-**	**3,776**	**300,253**	**139,006**

18. 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**
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**
Net book value		
At 31 December 2017	142,550	63,610
At 31 December 2016	**253,128**	**117,189**

19. DEFERRED TAX ASSET

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
The movement in the deferred tax asset during the year is as follows:				
Opening balance as at 1 January	898,300	415,879	672,936	315,562
(Charge)/credit for the year	608,156	273,098	225,364	103,493
Foreign exchange translation difference	-	(16,752)	-	(3,176)
At 31 December	**1,506,456**	**672,225**	**898,300**	**415,879**
Deferred tax arises from temporary differences on the following items:				
Capital allowances	51,929	23,172	51,319	23,758
Impairment provision – general	1,454,527	649,053	846,981	392,121
Other provisions	-	-	-	-
	1,506,456	**672,225**	**898,300**	**415,879**

20. OTHER LIABILITIES

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Accrued liabilities				
Accrued expenses	192,353	85,833	398,875	184,654
Current accounts in transit	4,149,970	1,851,838	4,597,887	2,128,651
Withholding tax on term loans payable	-	-	102	46
SDL payable	56,913	25,396	-	-
Provision for audit fees	42,422	18,930	92,465	42,808
NSSF payable	62,776	28,013	58,340	27,009
	4,504,434	**2,010,010**	**5,147,669**	**2,383,168**

21. RELATED PARTY PAYABLES

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Payable to BRAC Bangladesh	149,724	66,811	399,336	184,889
Payable to BRAC IT Service (BITS)	229,215	102,282	287,828	133,254
Payable to BRAC International Holdings B.V	806,070	359,693	191,351	88,589
	1,185,009	**528,786**	**878,515**	**406,732**

22. LOAN SECURITY FUND

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Balance as at 1 January 2017	13,142,128	6,084,319	10,379,434	4,867,261
Collection during the year	6,720,112	3,017,733	4,343,018	1,994,421
Withdrawals during the year	(4,134,164)	(1,856,487)	(1,580,324)	(725,724)
Foreign exchange translation reserve	-	(227,235)	-	(51,639)
Balance as at 31 December 2017	15,728,076	7,018,330	13,142,128	6,084,319

This represents deposits by customers which acts as collateral for the customers' loan obligations to the Company. This is computed at 10% of the customers' approved loan. In the event of any default, the clients forfeit all or part of the deposit to the extent of the amount at risk.

23. TERM LOANS

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
Long term portion of term loans	16,926,958	7,553,306	4,861,579	2,250,731
Current portion of term loans (Includes accrued interest payable)	5,084,686	2,268,936	17,365,305	8,039,493
	22,011,644	**9,822,242**	**22,226,884**	**10,290,224**
(a) Term loan movement				
Opening balance as at January 2017	22,226,884	10,290,224	22,269,480	10,442,899
New loans received during the year	16,941,580	7,607,765	6,729,754	3,090,469
Loans repaid during the year	-	(7,827,250)	(6,761,569)	(3,105,079)
Prior overpaid due to exchange rate movement	32,065	14,399	(10,781)	(4,991)
Foreign exchange translation loss	-	(372,068)	-	(133,074)
	21,659,662	**9,665,177**	**22,226,884**	**10,290,224**
(b) Analysis of term loans				
BRAC Africa Microfinance Limited	-	-	9,966,307	4,614,032
Bank of Africa Tanzania Limited	-	-	3,618,122	1,675,057
Responsibility Investments AG	2,707,617	1,208,218	6,617,368	3,063,595
BRAC (Bangladesh)	2,025,087	903,653	2,025,087	937,540
Stromme Microfinance (E.A) Limited	3,500,000	1,561,803	-	-
Global Partnerships Social Investment Fund 6.0, LLC	5,595,078	2,496,688	-	-
Triodos Microfinance Fund	3,916,325	1,747,579	-	-
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	3,915,555	1,747,236	1,747,236	-
	21,659,662	**9,665,177**	**22,226,884**	**10,290,224**
(c) Interest payable				
Opening balance at January 2017	(46,687)	(21,614)	(48,412)	(22,702)
Interest accrued	3,627,139	1,621,657	3,335,407	1,571,848
Interest paid	(3,353,643)	(1,505,986)	(3,333,682)	(1,543,372)
Foreign exchange gain	125,172	56,210	-	-
Translation reserve	-	6,798	-	(27,388)
	351,981	**157,065**	**(46,687)**	**(21,614)**

Further details about the term loans are as follows:

BRAC Africa Micro Finance Limited

The loan agreement of USD 24.25 million was entered on 27 October 2008 for period of 7 years. Up to 1 January 2013 the Company had drawn USD 10.25 million. The loan was restructured on 17 June 2013 when the interest rate was increased from 12% to 14.85%. During the year, the Company has paid the interest amounting to TZS 1.38 billion. Also the remaining 80% of principal amounting to TZS 10 billion was paid.

Bank of Africa Tanzania Limited

BRAC Tanzania Finance Limited secured a loan from Bank of Africa Tanzania in April 2015 for the period of 36 months. The loan amounted to TZS 8.066 billion as term loan and TZS 2 billion overdraft. Both are quoted at the rate of 18% raised to 21.5% during the year. During the year TZS 3.6 billion which was the remaining balance from 2016 was repaid as a result of its maturity. The loan was obtained to finance issue of micro finance.

Responsibility Investments AG

BRAC Tanzania Finance Limited secured a loan of USD 3 million from Responsibility Investments AG in July 2015 for the period of 36 months after drawdown at 7.1% per annum. During the year ended December 2017 USD 1.75million was repaid as principal and USD 156,003 as interest. The remaining principal amount to be repaid in 2018.

Stromme Microfinance (E.A) Limited

BRAC Tanzania Finance Limited secured a loan from Stromme Microfinance (E.A) Limited in June 2017 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 2017 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 2017 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 2017 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

BRAC TANZANIA FINANCE LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

24. DEFERRED REVENUE GRANTS

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
(a) Donor funds received in advance				
Opening balance	**5,043,934**	**2,335,154**	**3,557,278**	**1,668,125**
Grants received during the year [Note 23(b)]	442,031	198,498	1,696,304	778,985
Grants income utilised during the year	(311,482)	(139,874)	(568,543)	(261,089)
Loan disbursement- ELA	-	-	-	-
Reclass of prior year grant utilised to Deferred grant	-	-	358,895	164,814
Foreign currency translation difference	-	(84,772)	-	(15,681)
Balance at 31 December	**5,174,483**	**2,309,006**	**5,043,934**	**2,335,154**
(b) Grant received during the year				
Whole Planet Foundation (WPF)	-	-	324,043	148,808
DFID - LEAD project grant final receipt	130,549	58,624	-	-
Marketing infrastructure value addition and Rural Finance support program (MIVRAF)	311,482	139,874	311,434	143,018
BRAC USA-Research	-	-	526,900	241,965
BRAC Uganda –Research (Grow Project)	-	-	64,247	29,505
BRAC Maendeleo Tanzania	-	-	469,680	215,689
	442,031	**198,498**	**1,696,304**	**778,985**

*On 1 April 2013, BRAC Maendeleo Tanzania entered into grant agreement amounting to GBP 8.2 million with Department for International Development (DFID). Part of this fund amounting to GBP 1.25 million was allocated for disbursement of loans relating to Agriculture and Livestock. The Loans were disbursed through BRAC Tanzania Finance Limited. All the amounts has been utilised as required by the Grant Agreement and the project ended on 31 March 2017. The fund has been kept in Microfinance program as revolving fund under Agrifinance program which is running and expanding to more regions.

25. RELATED PARTY TRANSACTIONS

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
(a) Due to related parties				
BRAC Africa Microfinance Limited (Loan payable)	-	-	9,966,307	4,614,032
BRAC Bangladesh (loan payable)	2,025,087	903,653	2,025,087	937,540
BRAC Bangladesh (Expatriate staff and travelling cost)	149,724	66,811	399,336	184,878
BRAC International Holdings B.V	806,070	359,692	191,351	88,589
BRAC USA (DECC)	-	-	-	-
BRAC USA (Deferred grant)	-	-	264,324	121,384
BRAC IT services (BITS)	229,214	102,282	287,828	133,254
Stitching BRAC International (Head Office logistics and management expenses)	-	-	-	-
BRAC International Loan Fund (BILF)	540,000	250,000	540,000	250,000
BRAC (Zanzibar)-Interest receivable on term loan	134,484	60,391	-	-
	3,884,579	**1,742,829**	**13,674,233**	**6,329,677**

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2016 USD
(b) Expenses incurred during the year by related parties on behalf of the Company:				
Head Office logistics and management expenses*	1,394,818	626,357	940,339	435,301
Expatriate staff and travelling cost*	1,132,636	508,621	**3,104,620**	**1,425,718**
(c) Interest expense on loans from a related party				
BRAC Africa Micro Finance Limited	**1,245,514**	**559,310**	**2,010,997**	**923,499**
BRAC Stichting -Loan	**160,209**	**71,943**	**-**	**-**

* The expenses above are subsequently paid by the Company. The payable amount as at the end of the year has been included in the due to related party above.

26. EVENTS AFTER BALANCE SHEET DATE

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.

27. EVENTS AFTER BALANCE SHEET DATE

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

BRAC MAENDELEO TANZANIA

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

GENERAL INFORMATION

Members of Governing Council

Dr. A. M. R. Chowdhury	Chairperson	Bangladeshi
Mr. Faruque Ahmed	Member	Bangladeshi
Mr. Shib Narayan Kairy	Member	Bangladeshi
Dr. Harun Kasale	Member	Tanzanian
Dr. Hassan Mshinda	Member	Tanzanian
	Member	Tanzanian

Administrator

		.
Assan Golowa Phiri	Country Representative	

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

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

BRAC MAENDELEO TANZANIA

REPORT OF THE GOVERNING COUNCIL
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017,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 2017 are set out on page 96.

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 84.

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.

BRAC MAENDELEO TANZANIA
REPORT OF THE GOVERNING COUNCIL
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017

The following are the key achievements for the year:

LIVELIHOOD ENHANCEMENT THROUGH AGRICULTURE DEVELOPMENT (LEAD)

LEAD project in collaboration with the UK government was commenced on April 2013 and ended on 31st March 2017. The total budget amounted to GBP 8.214 million. Overall, the project has made significant progress in achieving lives and livelihoods of smallholder farmers.

- Four years of implementation has been successfully completed; and in the donor review of 2014-2017 periods achieved "A" grade in all the indicators.
- Above 8,021 producer groups formed; group size is 12-15 farmers of which at least 65% are women;
- Directly trained 106,460 new farmers (Maize-52,863 and poultry-53,597) for adopting specific management techniques and technologies (90% is small holder farmer);
- Introduced 4,100 storage bags for maize farmers and also 200 maize sellers for separating grains from the cobs in partnership with 2 companies
- Developed and strengthened 600 community poultry promoter through training and inputs support;
- Strengthened 89 Agro vet / Agro dealer service provider for supplying quality inputs and services;
- Trained 83 poultry traders and 83 maize traders for linking small holders farmers;
- Established 400 agriculture demonstration plot and 390 livestock farm as demonstration for disseminating modern farming technology and practices;

15. KEY ACHIEVEMENTS IN 2017 (Continued)

LIVELIHOOD ENHANCEMENT THROUGH AGRICULTURE DEVELOPMENT (LEAD) (Continued)

- Organised 120 value chain facilitation workshops in LEAD working branches and regions with input companies, technology providers and other stakeholders for promoting access to quality inputs and technologies; Also the project organised two big phase-out workshop which brought different stakeholders to ensure smooth handover of beneficiaries to Government and other stakeholders.
- Market assessments were conducted for local 40 maize and also the same poultry markets and findings analysed for creating access for the project beneficiaries;
- After successful pilot round operations with 8 entrepreneurs, a total 50 businesses received USD 722,375 investment fund support during this period. The investment fund support ranges from USD 5,000- 30,000 per entrepreneurs.
- Successfully implemented agri-finance loans for maize and poultry farmers and disbursed USD 5,138,310 asagri-finance loans among 20,018 borrowers for working capital and business expansion requirements.

EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS (ELA)

- 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

GIRLS EDUCATION CHALLENGE (GEC)

- School management committee workshop conducted with 100 school and 477 participants to strengthen their role as decision makers at school level.
- Primary school teachers workshop with 93 participants conducted as well as an annual workshop with 400 school teachers was conducted successfully.
- 75 District level leaders and 100 head teachers workshop conducted in 5 regions and community leaders' workshop with 750 participants in 5 regions conducted successfully to strengthen the education stakeholders.
- Annual awareness campaign Themed: Importance of education was conducted in 5 regions where 1272 girls participated.
- Successfully registered 1,179 phases one and 184 phase two out of school girls for the national exams and graduation ceremonies for both in school and out of school girls were conducted where 1150 out of school girls and 3882 in school girls participate.
- 73 out of school girls successfully passed their stage two examinations (Form 4) and 281 girls passed their stage two exams (Form 2).
- 400 primary in school teachers received refreshers training twice in the year and 7887 in school girls and 1150 out of school girls received life skills training.

- 100 printers, 100 projectors and 100 desktop computers were distributed in 100 government primary schools and 100 primary school libraries opened. This was accompanied by supply of furniture and books to those schools.

ACCELERATED LEARNING PROCESS (ALP)

- 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

PRE-PRIMARY PROJECT (PPS)

- 1499 pupils enrolled in BRAC and NORAD funded Pre-Primary Schools (PPS) were mainstreamed into government primary schools.
- 63 pre-primary school teachers were provided with employment opportunity
- 135 child protection committee members received training on child protection issues

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 member of Governing Council has 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 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.

18. GENDER PARITY

The Organisation had 49 employees in 2017 out of them 15 males and 34 females. In 2016 there were 185 employees with 104 being males and 81 females.

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

………………………………………… 21 March, 2018
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 2017, 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 21 March, 2018 and signed by:

…………………………………
Member

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/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, Deusdedith Mulindwa being the Head of Finance of BRAC Maendeleo Tanzania hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2017 ,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: Head of Finance

NBAA Membership No.: 30323

Date: .21 March 2018

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

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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 13 to 36 which comprise the statement of financial position as at 31 December 2017, 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 Maendeleo Tanzania as at 31 December 2017, 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, 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 and Segment Information. 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.

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.

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)

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

21 March, 2018

BRAC MAENDELEO TANZANIA

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 TZS '000	Memo 2017 USD	2016 TZS '000	Memo 2016 USD
INCOME					
Grant income utilised	6(b)	4,278,282	1,921,204	8,621,229	3,959,081
Other income	7	275,067	123,522	142,911	65,628
Total operating income		**4,553,349**	**2,044,726**	**8,764,140**	**4,024,709**
Staff costs	8	(1,696,780)	(761,956)	(2,918,609)	(1,340,297)
Travelling and transportation expenses		(382,110)	(171,590)	(687,843)	(315,874)
Training, workshop and seminar expenses		(476,448)	(213,954)	(894,392)	(410,727)
Occupancy expenses	9	(221,586)	(99,505)	(416,234)	(191,145)
Other operating expenses	10	(1,731,116)	(777,375)	(3,814,028)	(1,751,496)
Depreciation charge	14	(76,532)	(34,367)	(158,767)	(72,909)
Amortisation of capital grants	6(d)	31,223	14,021	125,733	57,740
Total expenditure		**(4,553,349)**	**(2,044,726)**	**(8,764,140)**	**(4,024,708)**
Surplus/(Deficit) before taxation		**-**	**-**	**-**	**-**
Tax(charge) / credit	11	-	-	(4,485)	(2,060)
Surplus/(Deficit) for the year		-	-	(4,485)	(2,060)
Other comprehensive loss					
Foreign currency translation reserve		-	-	-	(4,485)
Total comprehensive loss for the year		**-**	**-**	**(4,485)**	**(6,545)**

Notes and related statements forming part of the financial statements appear on pages 99 to 117.

Report of the auditors is on Page 93-94.

BRAC MAENDELEO TANZANIA

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 TZS '000	Memo 2017 USD	2016 TZS '000	Memo 2016 USD
ASSETS					
Cash and bank balances	12	1,103,784	492,541	547,948	253,679
Other assets	13	93,618	41,775	61,921	28,668
Property and equipment	14	415,416	185,371	487,753	225,811
Deferred tax asset	15	7,678	3,426	1,745	808
Total assets		**1,620,496**	**723,113**	**1,099,367**	**508,966**
LIABILITIES AND CAPITAL FUND					
Liabilities					
Other liabilities	16	757,606	338,067	493,097	228,286
Due to related parties	17	237,493	105,977	77,588	35,920
Deferred grants	6(a)	760,841	339,510	670,059	310,213
Corporate tax payable		6,155	2,746	222	102
Total liabilities		**1,762,095**	**786,300**	**1,240,966**	**574,521**
Capital deficit					
Accumulated losses		(141,599)	(63,186)	(141,599)	(66,357)
Foreign currency translation reserve		-	-	-	802
Total capital deficit		**(141,599)**	**(63,186)**	**(141,599)**	**(65,555)**
Total liabilities and capital deficit		**1,620,496**	**723,114**	**1,099,367**	**508,966**

The financial statements on page 95 to 117 were approved for issue by the members of Governing Council on 21 March, 2018 and signed on its behalf by:

Head of Finance
BRAC

Country Representative/CEO
BRAC

Director/Member

Director/Member

Notes and related statements forming part of the financial statements appear on pages 99 to 117.

Report of the auditors is on Page 93-94

BRAC MAENDELEO TANZANIA

STATEMENT OF CAPITAL DEFICIT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Accumulated losses TZS'000	Memo Total USD
Balance as at 1 January 2016	**137,114**	**64,297**
Deficit for the year	(4,485)	(2,060)
Foreign exchange translation reserve	-	802
Balance as at 31 December 2016	**(141,599)**	**(65,555)**
Balance at 1 January 2017	**(141,599)**	**(65,555)**
Deficit for the year	-	-
Foreign exchange translation reserve	-	2369
Balance as at 31 December 2017	**(141,599)**	**(63,186)**

Notes and related statements forming part of the financial statements appear on pages 99 to 117.

Report of the auditors is on Page 93-94

	Notes	2017 TZS '000	Memo 2017 USD	2016 TZS '000	Memo 2016 USD
CASH FLOWS FROM OPERATING ACTIVITIES					
Deficit for the year		-	-	-	-
Adjustment for non-cash items:					
Depreciation charge	14	76,532	34,367	158,767	72,909
Amortisation of capital grants	6(d)	(31,223)	(14,021)	(125,733)	(57,740)
Loss / (Gain) on disposal		8,451	3,795	21,587	9,913
		53,760	**24,141**	**54,621**	**25,083**
Changes in					
- Other assets	13	(31,697)	(14,234)	1,293,199	598,703
- Other liabilities	16	264,509	118,781	357,960	165,722
- Related parties payables	17	159,905	71,807	(499,510)	(231,255)
		446,477	**200,495**	**1,206,270**	**558,253**
Tax paid for the year		-	-	(18,837)	(8,721)
Cash generated/(used in) from operating activities		**446,477**	**200,495**	**1,187,433**	**549,532**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	14	(12,646)	(5,679)	(176,293)	(80,958)
		(12,646)	**(5,679)**	**(176,293)**	**(80,958)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Movement in deferred grants		122,005	54,788	(4,458,833)	(2,064,274)
		122,005	**54,788**	**(4,458,833)**	**(2,064,274)**
Net increase/(decrease) in cash and cash equivalents		**555,836**	**249,604**	**(3,447,693)**	**(1,595,700)**
Cash and cash equivalents at the beginning of the year		**547,948**	**253,679**	**3,995,641**	**1,873,689**
Foreign exchange translation reserve		-	(10,742)	-	(24,310))
Cash and cash equivalents at the end of the year	**12**	**1,103,784**	**492,541**	**547,948**	**253,679**

Notes and related statements forming part of the financial statements appear on pages 99 to 117.

Report of the auditors is on Page 93-94

1 REPORTING ENTITY

BRAC Maendeleo Tanzania ("the Organisation") was incorporated as an Organization limited by guarantee on 13December 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 2017which of TZS 2,241.00 (2016: TZS 2,160.50) to USD 1 except for additions to property, plant and equipment were translated at an average rate for the period of TZS 2,226.88 (2016: TZS2,177.58);
- Income and expenses were translated using an average exchange rate for the period of TZS 2,226.88 (2016: TZS 2,177.58);
- 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 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 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.

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.

(vi) Fair value measurement (Continued)
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 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.

(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 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.

(i) Employee benefits (continued)
(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

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

The Organization has adopted the following new standards and amendments during the year ended 31 December 2017, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2017. The nature and effects of the changes are as explained here in.

New standard or amendments	Effective for annual periods beginning on or after
Disclosure Initiative (Amendments to IAS 7)	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017

Disclosure Initiative (Amendments to IAS 7)

The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. The adoption of these changes did not have a significant impact on the financial statements of the Company.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

— Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

— The carrying amount of an asset does not limit the estimation of probable future taxable profits.

— Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
— An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The adoption of these changes did not have a significant impact on the financial statements of the Organization.

(ii) New standards, amendments and interpretations in issue but not yet effective.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017, and have not been applied in preparing these financial statements.

The Organisation does not plan to adopt these standards early. These are summarised below;

The following are not expected to have a significant impact on the financial statements of the Company:

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 17 Insurance contracts	1 January 2021

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Organization is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 9: Financial Instruments

On 29 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual period beginning on or after 1 January 2018 with retrospective application permitted if, and only if, it is possible without the use of hindsight. The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement including impairment changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018.

The new classification and measurement and impairment requirements will be applied by adjusting the Company's statement of financial position on 1 January 2018, the date of initial application, with no restatement of comparative period financial information.

Classification and Measurement

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on the nature of the cash flows of the assets and an entity's business model. These categories replace the existing IAS 39 classifications of FVTPL, available for sale (AFS), loans and receivables, and held-to-maturity. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9 other than the provisions relating to the recognition of changes in own credit risk for financial liabilities designated at fair value through profit or loss, as permitted by IFRS 9.

The combined application of the contractual cash flow characteristics and business model tests as at 1 January 2018 is expected to result in certain differences in the classification of financial assets when compared to the Company's classification under IAS 39". The most significant change involves classification of certain loans and advances from amortised cost to fair value.

Overall Comparison of the New Impairment Model and the Current Model

IFRS 9 introduces a new, single impairment model for financial assets that requires the recognition of expected credit losses (ECL) rather than incurred losses as applied under the current standard. Currently, impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after initial recognition of the asset and that loss event has a detrimental impact on the estimated future cash flows of the asset that can be reliably estimated. If there is no objective evidence of impairment for an individual financial asset, that financial asset is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment losses incurred but not yet identified. Under IFRS 9, ECLs will be recognized in profit or loss before a loss event has occurred, which could result in earlier recognition of credit losses compared to the current model.

Under the current standard, incurred losses are measured by incorporating reasonable and supportable information about past events and current conditions. Under IFRS 9, the ECL model, which is forward-looking, in addition requires that forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses. Forward-looking macroeconomic factors such as unemployment rates, inflation rates, interest rates, exchange rates, domestic borrowing, credit

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to private sector and gross domestic product will be incorporated into the risk parameters. Estimating forward-looking information will require significant judgment and must be consistent with the forward-looking information used by the Company for other purposes, such as forecasting and budgeting.

Scope

Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at fair value through profit or loss (FVTPL) and equity instruments designated as at fair value through other comprehensive income (FVOCI), which are not subject to impairment assessment. The scope of the IFRS 9 expected credit loss (ECL) impairment model includes financial assets classified as amortized cost, debt securities classified as at FVOCI, and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37). The above-mentioned reclassifications into or out of these categories under IFRS 9 and items that previously fell under the IAS 37 framework were considered in determining the scope of the Company's application of the new expected credit loss impairment model.

Definition of Default

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. However, IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. Under IFRS 9, the Organisation will consider a financial asset as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred or when contractual payments are 90 days past due. The Company's write-off policy under IAS 39 is not expected to be materially different under IFRS 9.

Impact assessment

Once the full assessment is completed in 2018, the organisation expects that IFRS 9 will result into minimal increase in impairment.

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration.

The Organization assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases.

Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. An Organization recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a Company also recognises a financial liability representing its obligation to make future lease payments.

(b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require the Organization to recognise assets and liabilities for:

(a) short-term leases (i.e. leases of 12 months or less) and;
(b) leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied.

The Organization is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRIC 23 Clarification on accounting for Income tax exposures

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made. Uncertainty is reflected in the overall measurement of tax and separate provision is not allowed.

The entity is required to measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty).

The entity will also need to provide disclosures, under existing disclosure requirements, about

(a) judgments made;
(b) assumptions and other estimates used; and
(c) potential impact of uncertainties not reflected.

The Organization is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

(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:

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Items on the statement of financial position	Class
Cash and cash equivalents	Loans and receivables
Other assets	Loans and receivables

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 2017	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000
Other current liabilities	832,586	832,586	832,586
Due to related parties	162,514	162,514	162,514
Deferred grants	760,841	760,841	760,841
Total Liabilities	**1,755,941**	**1,755,941**	**1,755,941**
31 December 2016			
Other current liabilities	493,097	493,097	493,097
Due to related parties	77,588	77,588	77,588
Deferred grants	670,060	670,060	670,060
Total Liabilities	**1,240,745**	**1,240,745**	**1,240,745**

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 2017. Assets and liabilities are categorised by currency. (Amounts in TZS '000).

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	832,586	-	832,586
Due to related parties	162,514	-	162,514
Deferred grants	-	760,842	760,842
Total liabilities	**995,100**	**760,842**	**1,755,942**
Net on balance sheet position	**(887,846)**	**329,306**	**(558,540)**

31 December 2016	**TZS**	**USD**	**Total**
Financial assets			
Cash and bank balance	2,129	545,819	547,948
Due from related Party	-	-	-
Other assets	61,921	-	61,921
Total assets	**64,050**	**545,819**	**609,869**
Financial liabilities			
Other liabilities	493,097	-	493,097
Due to related parties	77,588	-	77,588
Deferred grants	-	670,060	670,060
Total liabilities	**570,685**	**670,060**	**1,240,745**
Net on balance sheet position	**(506,635)**	**(124,241)**	**(630,876)**

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

Sensitivity analysis
The rate of exchange as at 31 December 2017 is USD 1 = TZS 2,241, strengthening of USD against TZS by 10% means that the rate of exchange will move to USD 1 = TZS 2,465.10
The rate of exchange as at 31 December 2016 was USD 1 = TZS 2,160.50, strengthening of USD against TZS by 10% means that the rate of exchange would move to USD 1 = TZS 2,377.65. However the movement of exchange rate will not have a significant impact the projects fund flows are received in foreign current unless the shilling strengthen against the foreign current. In addition significant project transactions are done shilling.

(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.
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.

Microfinance

31 December 2017	Level 1	Level 2	Level 3	Carrying value	Fair values
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS					
Cash and bank balances	-	1,103,784	-	1,103,784	1,103,784
Due from related party	-	-	-	-	-
Other assets	-	-	93,618	93,618	93,618
Total assets	**-**	**1,103,784**	**93,618**	**1,197,402**	**1,197,402**
LIABILITIES					
Other liabilities	-	-	832,586	832,586	832,586
Due to related parties	-	-	162,514	162,514	162,514
Deferred revenue grants	-	-	760,842	760,842	760,842
Total liabilities	**-**	**-**	**1,755,942**	**1,755,942**	**1,755,942**

31 December 2016	Level 1	Level 2	Level 3	Carrying value	Fair values
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS					
Cash and bank balances	-	547,948	-	3,995,641	3,995,641
Loans to customers	-	-	-	673,438	673,438
Other assets	-	-	61,921	857,053	857,053
Total assets	**-**	**547,948**	**61,921**	**5,526,132**	**5,526,132**
LIABILITIES					
Other liabilities	-	-	493,097	493,097	493,097
Due to related parties	-	-	77,588	77,588	77,588
Deferred revenue grants	-	-	670,060	670,060	670,060
Total liabilities	**-**	**-**	**1,240,745**	**1,240,745**	**1,240,745**

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

(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.

	2017	Memo 2017	2016	Memo 2017
	TZS'000	USD	TZS'000	USD
6. DEFERRED GRANTS				
(a) Composition of deferred grants is as follows:				
Deferred revenue grants [Note 6(b)]	609,379	271,923	487,374	225,636
Deferred capital grants [Note 6(d)]	151,462	67,587	182,685	84,577
	760,841	**339,510**	**670,059**	**310,213**
(b) Deferred revenue grants				
Balance as at 1 January 2017	487,374	225,636	4,946,206	2,319,440
Grant received during the year [Note 6(c)]	4,400,287	1,976,010	10,327,341	4,742,574
Transfer to BRAC Tanzania Finance limited	-	-	(469,680)	(215,689)
Transfer to BRAC (formerly BRAC Zanzibar)	-	-	-	-
Transfer to BRAC finance for LEAD projects prior year expenses.	-	-	(5,762,240)	(2,646,163)
Grant income utilised during the year	(4,278,282)	(1,921,204)	(8,621,229)	(3,959,081)
Foreign exchange translation reserve	-	(8,519)	-	(46,201)
Receipt from BRAC Tanzania Finance for Emergency Preparedness project-EPP	-	-	66,975	30,756
Balance as at 31 December	**609,379**	**271,923**	**487,373**	**225,636**
(c) Grant received during the year				
Name of the donor				
Norwegian Government-NORAD	1,709,492	767,664	138,771	63,727
BRAC USA –Lego foundation	775,763	348,364	741,845	340,675
BRAC USA-ELA	681,296	305,943	274,298	125,966
BRAC USA-CEGA	157,808	70,865	-	-
World Bank -Research	171,964	77,222	-	-
Their world-Research	71,383	32,055	-	-
WASH-Lancaster university	108,120	48,552	-	-
BRAC USA – NOVO Foundation	94,650	42,522	1,065,571	489,337
Department for International Development (DFID)	629,811	282,823	8,106,856	3,722,869
	4,400,287	**1,976,010**	**10,327,341**	**4,742,574**

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2017 USD
(d) Deferred capital grants				
Balance as at 1 January 2017	182,685	84,577	308,418	144,628
Amortisation during the year	(31,223)	(14,021)	(125,733)	(57,740)
Foreign exchange translation reserve	-	(2,969)	-	(2,311)
Balance as at 31 December	**151,462**	**67,587**	**182,685**	**84,577**
7. OTHER INCOME				
Other income	11,286	5,068	7,692	3,532
Training	263,781	118,454	135,219	62,096
	275,067	**123,522**	**142,911**	**65,628**
8. STAFF COSTS				
Salaries	1,425,295	640,043	2,512,427	1,153,768
Bonus	25,452	11,429	35,599	16,348
Social security Fund contribution (NSSF)	169,678	76,196	251,242	115,377
Skills Development Levy (SDL)	76,355	34,288	119,341	54,804
Total	**1,696,780**	**761,956**	**2,918,609**	**1,340,297**

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

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2017 USD
9. OCCUPANCY EXPENSES				
Rent	217,190	97,531	410,834	188,665
Utilities	4,396	1,974	5,400	2,480
	221,586	**99,505**	**416,234**	**191,145**
10. OTHER OPERATING EXPENSES				
Maintenance and general expenses	1,579,108	709,114	3,114,035	1,430,043
Program supplies	91,112	40,915	556,291	255,462
HO logistics and management expenses	60,896	27,346	143,702	65,991
	1,731,116	**777,375**	**3,814,028**	**1,751,496**
11. TAX EXPENSE				
Current income tax charge	5,933	2,664	-	-
Deferred tax credit**	(5,933)	(2,664)	4,485	2,060
	-	**-**	**4,485**	**2,060**

** The deferred tax assets has increased by TZS 31 million, however the organisation is not expecting to utilize the tax credit due to being not for project (Depending on donor funded projects) which does not result into any surplus/profit hence the amount recognised is equivalent to the tax charge during the year which has resulted from temporary differences.

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2017 USD
12. CASH AND BANK BALANCES				
Cash in hand	13,636	6,085	-	-
Cash at bank	1,090,148	486,456	547,948	253,679
	1,103,784	**492,541**	**547,948**	**253,679**
13. OTHER ASSETS				
Advances and prepayments	91,917	41,016	61,921	28,668
VAT input receivable	1,701	759	-	-
	93,618	**41,775**	**61,921**	**28,668**

14. PROPERTY AND EQUIPMENT

	Furniture &fixtures TZS'000	Equipment TZS'000	Motor Motor TZS'000	Bicycle TZS'000	Motor cycles TZS'000	Total TZS'000	Memo Total USD
Cost							
At 1 January 2016	548,687	198,667	228,074	7,746	48,782	1,031,956	483,918
Additions	61,388	14,589	87,710	-	12,606	176,293	80,958
Reclassification	(21,587)	-	-	-	-	(21,587)	(9,913)
Translation reserve	-	-	-	-	-	-	(5,653)
At 31 December 2016	**588,488**	**213,256**	**315,784**	**7,746**	**61,388**	**1,186,662**	**549,310**
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)	(7,971)
Translation reserve	-	-	-	-	-	-	(19,285)
At 31 December 2017	**579,668**	**216,716**	**311,596**	**3,439**	**51,293**	**1,162,712**	**450,558**
Accumulated depreciation							
At 1 January 2016	240,462	128,595	128,442	7,746	34,897	540,142	253,291
Charge for the year	50,117	53,368	44,984	-	10,298	158,767	72,909
Translation reserve	-	-	-	-	-	-	(2,701)
At 31 December 2016	**290,579**	**181,963**	**173,426**	**7,746**	**45,195**	**698,909**	**323,499**
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)

14. PROPERTY AND EQUIPMENT(CONTINUED)

	Furniture &fixtures TZS'000	Equipment TZS'000	Motor Motor TZS'000	Bicycle TZS'000	Motor cycles TZS'000	Total TZS'000	Memo Total USD
Translation reserve	-	-	-	-	-	-	(11,772)
At 31 December 2017	**302,621**	**197,991**	**195,695**	**7,746**	**43,243**	**747,296**	**333,456**
Net book value							
At 31 December 2017	**277,047**	**18,725**	**115,901**	**(4,307)**	**8,050**	**415,416**	**115,064**
At 31 December 2016	**297,909**	**31,293**	**142,358**	**-**	**16,193**	**487,753**	**225,811**

15. DEFERRED TAX (ASSET)/ LIABILITY

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

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2017 USD
At 1 January	(1,745)	(808)	(6,230)	(2,921)
Charge in respect of prior year	-	-	-	-
Credit for the year	(5,933)	(2,664)	4,485	2,060
Foreign exchange translation	-	46	-	53
At 31 December	**(7,678)**	**(3,426)**	**(1,745)**	**(808)**

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

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2017 USD
Capital allowances	**(7,678)**	**(3,426)**	**(1,745)**	**(808)**

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).

16. OTHER LIABILITIES

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2017 USD
Accrued expenses	-	-	90,991	42,127
Other payables	44,174	19,712	5,164	2,391
Project current accounts	713,432	318,355	396,942	183,768
	757,606	**338,067**	**493,097**	**228,286**

17. RELATED PARTY PAYABLES

(a) Due to related parties

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2017 USD
Stichting BRAC International- HO Logistics	144,434	64,451	59,508	27,550
BRAC IT Services	74,979	33,458	-	-
Payable to Tanzania MF Ltd	18,080	8,068	18,080	8,370
	237,493	**105,977**	**77,588**	**35,920**

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

	2017 TZS'000	Memo 2017 USD	2016 TZS'000	Memo 2017 USD
BRAC IT services	74,979	33,458	-	-
Head office logistics and management	60,895	27,346	143,702	65,991
	135,874	**60,804**	**143,702**	**65,991**

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 2017

		Agriculture, poultry & livestock		Empowerment and livelihood for adolescents(ELA)						
	BRAC	LEAD	GPAF	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	TZS'000
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)	(94)	(7,603)	(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)**	**(11,083)**	**(263,782)**	**(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	EPP	Research	WASH	Sub Total	Grand Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	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 grant	-	-	-	-	-	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
For the year ended 31 December 2016

		Agriculture, poultry & livestock		Empowerment and livelihood for adolescents(ELA)						
	BRAC	LEAD	GPAF	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	TZS'000
Income										
Grant income	-	4,057,949	-	379,956	517,052	2,715,173	25,585	-	365,371	8,061,086
Other income/ (expenses)	-	260		1,870	145	-	5,417	135,219	-	142,911
Total income	**-**	**4,058,209**	**-**	**381,826**	**517,197**	**2,715,173**	**31,002**	**135,219**	**365,371**	**8,203,997**
Expenditure										
Staff costs and other benefits	-	(1,591,452)	-	(192,871)	(154,983)	(676,429)	(3,030)	(58,052)	(87,419)	(2,764,236)
Travelling and transportation expenses	-	(439,319)	-	(22,794)	(37,720)	(123,473)	(1,367)	-	(9,380)	(634,053)
Training, workshop and seminar expenses	-	(606,692)	-	(9,868)	(19,576)	(206,750)	(10,732)	-	(14,168)	(867,786)
Occupancy expenses	-	(205,323)	-	(11,621)	(43,982)	(69,271)	(1,660)	(28,142)	(7,344)	(367,344)
Other general and administration expenses	-	(1,215,163)	-	(142,194)	(259,018)	(1,622,942)	(14,214)	(43,743)	(241,182)	(3,538,456)
Depreciation charge	-	(125,733)	-	(2,477)	(1,917)	(16,308)	-	(5,282)	(5,878)	(157,595)
Amortisation of Capital grants	-	125,733	-	-	-	-	-	-	-	125,733
Total expenditure	**-**	**(4,057,949)**	**-**	**(381,825)**	**(517,196)**	**(2,715,173)**	**(31,003)**	**(135,219)**	**(365,371)**	**(8,203,737)**
Surplus for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Tax charge	(4,485)	-	-	-	-	-	-	-	-	(4,485)
	(4,485)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,485)**

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

	Play Lab	EPP	Research	Sub Total	Grand Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Income					
Grant income	402,978	17,045	140,379	560,402	8,621,229
Other income/ (expenses)	-	-	-	-	142,911
Total income	**402,978**	**17,045**	**140,379**	**560,402**	**8,764,140**
Expenditure					
Staff costs and other benefits	(125,968)	(7,805)	(20,601)	(154,374)	(2,918,609)
Travelling and transportation expenses	(46,126)	(7,653)	-	(53,779)	(687,833)
Training, workshop and seminar expenses	(26,605)	-	-	(26,605)	(894,392)
Occupancy expenses	(48,890)	-	-	(48,890)	(416,234)
Other general and administration expenses	(154,207)	(1,587)	(119,778)	(275,572)	(3,814,028)
Depreciation charge	(1,182)	-	-	(1,182)	(158,777)
Amortisation of Capital grants	-	-	-	-	125,733
Total expenditure	**(402,978)**	**(17,045)**	**(140,379)**	**(560,402)**	**(8,764,140)**
Surplus for the year	-	-	-	-	(4,485)
Tax charge					
	_	-	-	-	**(4,485)**

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	LEAD	GPAF	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	TZS'000
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	**-**	**316,974**	**-**	**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	-	-	-	-	-	-	-	-	-	-

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

	Play Lab	EPP	Research	WASH	Sub Total	Grand Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
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)	(1,656)	(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	-	-	-	-	-	-

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

		Agriculture, poultry & livestock		Empowerment and livelihood for adolescents(ELA)						
	BRAC	LEAD	GPAF	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	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	EPP	Research	WASH	Sub Total	Grand Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	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 2017

		Agriculture, poultry & livestock		Empowerment and livelihood for adolescents(ELA)						
	BRAC	LEAD	GPAF	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	TZS'000
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

	Play Lab	EPP	Research	WASH	Sub Total	Grand Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
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**

Appendix II-Statement of Financial Position as at 31 December 2016

			Agriculture, poultry & livestock	Empowerment and livelihood for adolescents(ELA)						
	BRAC	LEAD	GPAF	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	TZS'000
Assets										
Cash and cash equivalent	551,574	-	-	-	-	1,165	-	(4,791)	-	547,948
Other assets	1,767	737	-	9,366	4,520	2,365	640	38,074	-	57,469
Property and equipment	17,926	267,325	-	(686)	575	81,006	-	8,531	105,097	479,774
Deferred tax asset	1,745	-	-	-	-	-	-	-	-	1,745
Total assets	**573,012**	**268,062**	**-**	**8,680**	**5,095**	**84,536**	**640**	**41,814**	**105,097**	**1,086,936**
LIABILITIES AND CAPITAL FUND										
Liabilities										
Other liabilities	737,399	492,837	-	248,790	(440,421)	(393,791)	(72,184)	18,806	187,074	778,510
Due to related parties	-	(432,409)	-	66,397	28,978	365,198	-	-	-	28,164
Deferred grants	-	207,634	-	(306,507)	416,538	113,129	72,824	-	(81,977)	421,641
Corporate tax payable	221	-	-	-	-	-	-	-	-	221
Total liabilities	**737,620**	**268,062**	**-**	**8,680**	**5,095**	**84,536**	**640**	**18,806**	**105,097**	**1,228,536**
Capital fund/(deficit)										
Accumulated losses	(164,608)	-	-	-	-	-	-	23,008	-	(141,600)
Total liabilities and capital fund	**573,012**	**268,062**	**-**	**8,680**	**5,095**	**84,536**	**640**	**41,814**	**105,097**	**1,086,936**

Appendix II-Statement of Financial Position as at 31 December 2016

	Play Lab	EPP	Research	Sub Total	Grand Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets					
Cash and cash equivalent	-	-	-	-	547,948
Other assets	4,200	-	252	4,453	61,921
Property and equipment	7,979	-	-	7,979	487,753
Deferred tax asset	-	-	-	-	1,745
Total assets	**12,179**	**-**	**252**	**12,432**	**1,099,367**
LIABILITIES AND CAPITAL FUND					
Liabilities					
Other liabilities	(376,113)	(49,929)	140,631	(285,411)	493,099
Due to related parties	49,424	-	-	49,424	77,588
Deferred grants	338,868	49,929	(140,379)	248,418	670,059
Corporate tax payable	-	-	-	-	221
Total liabilities	**12,179**	**-**	**252**	**12,431**	**1,240,967**
Capital fund/(deficit)					
Accumulated losses	-	-	-	-	(141,600)
Total liabilities and capital fund	**12,179**	**-**	**252**	**12,431**	**1,099,367**

BRAC

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

GENERAL INFORMATION

Members of Governing Council

Name	Position	Nationality
Dr. A. M. R Chowdhury	Chairperson	Bangladeshi
Ms. Rahma Ali Khamis Abdallah	Member	Tanzanian
Mr. Faruque Ahmed	Member	Bangladeshi
Mr. Shib Narayan Kairy	Member	Bangladeshi

Administrator

Name	Position
Mr. Assan Golowa Phiri	Country Representative

Principal place of business

Plot No 52, Mbweni
P. O. Box 2635
Zanzibar

Registered office

Plot No 52, Mbweni
P. O. Box 2635
Zanzibar

Auditors

KPMG
Certified Public Accountants
02ndFloor, 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

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 2017, 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 2017 is as follows. These enhance sustainability of the organization and ability to reach new beneficiaries.

- Total revenue increased by 27%from TZS 1,265 million in 2016 to TZS 1,603million in 2017
- Loans to customers increased by 24% from TZS 2,387 million in 2016 to TZS 2,957 million in 2017.
- Deferred tax assets have reduced by TZS 51 million which has resulted into tax charge of the same amount.

During the year, the Organization had a profit before tax of TZS 388 million (2016 – profit of TZS 246million). The statement of financial position as at 31 December 2017 is set out on page 141.

8 RESULTS FROM OPERATIONS

The results for the Organisation for the year ended 31 December 2017 are set out on page 140.

BRAC
REPORT OF THE GOVERNING COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2017

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 131.

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 Organization 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 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 2018 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 9,720 borrowers aiming to disburse USD 9.0 million as micro loans. Additional 720 borrowers will be targeted for Small Enterprise Loan (SEP) and Micro loans. It is expected that USD 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 2017

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

- The borrowings has increased and amount disbursed has improved by 26% from TZS 5.7 billion in 2016 to TZS 7.2 billion in 2017.
- Start-up of investment Fund product for extending production as well as opportunities to entrepreneurs who want to expand their business operations and producing quality inputs for the growers/ producers of rural areas but those who lack funds.
- 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 third year where BRAC has made a profit since its inception 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 2017. 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.

During the year 2017, the Organisation spent a sum of TZS 9.8 million for staff training in order to improve employees' technical skills and hence effectiveness (2016: TZS 2.7 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 theParastatal Provident Fund (PPF) which are approved pension funds. The Organisation contributes 10% of the employees' gross monthly salary.

The ZSSF and PPF 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 64 employees in 2017 with 53 being females and 11males, whilst in 2016 the Organisation, had 72 employees with 54 being females and 18 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

....   21.03.2018

Member

STATEMENTS OF GOVERNING COUNCIL'S RESPONSIBILTIES FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, 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 21 March 2018 and signed by:

....
Member

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, Deusdedith Mulindwa being the Head of Finance of BRAC hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2017; 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: Head of Finance

NBAA Membership No.: 30323

Date: 21 March, 2018

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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 140 to 164 which comprise the statement of financial positions at 31 December 2017, 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 2017, 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.
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.

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
21 March, 2018

BRAC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 TZS '000	Memo 2017 USD	2016 TZS '000	Memo 2016 USD
Income					
Interest income	6	1,516,017	680,782	1,197,291	549,825
Interest expense		(136,491)	(61,292)	(120,343)	(55,263)
		1,379,526	**619,490**	**1,076,948**	**494,562**
Other income	7	87,479	39,283	67,402	30,952
Total operating income		**1,467,005**	**658,773**	**1,144,350**	**525,514**
Impairment charge on loans to customers	8	(45,682)	(20,514)	(24,666)	(11,327)
Operating income after impairment charge		**1,421,323**	**638,259**	**1,119,684**	**514,187**
Operating expenses					
Staff costs	9	(540,881)	(242,888)	(460,483)	(211,465)
Travelling and transportation		(80,219)	(36,023)	(52,900)	(24,293)
Training, workshop and seminars		(9,777)	(4,390)	(2,701)	(1,240)
Occupancy expenses	10	(41,173)	(18,489)	(32,408)	(14,883)
Other operating expenses	11	(353,185)	(158,601)	(321,620)	(147,696)
Depreciation charge	16	(7,845)	(3,503)	(3,086)	(1,417)
Surplus before taxation		**388,243**	**174,365**	**246,486**	**113,193**
Tax expense	12(a)	(119,583)	(53,362)	(79,711)	(36,605)
Surplus for the year		**268,660**	**121,003**	**166,775**	**76,588**
Other comprehensive income:		-	-	-	-
Total comprehensive surplus for the year		**268,660**	**121,003**	**166,775**	**76,588**

Notes and related statements forming part of the financial statements appear on pages 144 to 164.

Report of the auditors is on Page 138-139.

BRAC

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 TZS '000	Memo 2017 USD	2016 TZS '000	Memo 2016 USD
ASSETS					
Cash and bank balances	13	152,754	68,163	288,540	133,583
Loans to customers	14	2,956,667	1,319,352	2,386,995	1,105,090
Other assets	15	34,892	15,570	19,709	9,051
Tax Receivable	12(b)	11,936	5,326	-	-
Deferred tax asset	17	33,767	15,068	84,792	39,256
Property and equipment	16	3,672	1,640	4,087	1,892
Total assets		**3,193,689**	**1,425,119**	**2,784,123**	**1,288,872**
LIABILITIES AND CAPITAL FUND					
Liabilities					
Loan security fund	18	602,536	268,869	488,374	226,099
Other liabilities	19	1,038,876	463,577	1,119,505	518,321
Related party payables	21(a)	302,177	134,840	194,804	90,187
Grants invested in loans	20	211,375	94,322	211,375	97,859
Total liabilities		**2,154,964**	**961,608**	**2,014,058**	**932,466**
Capital fund					
Donor funds		814,454	363,433	814,454	374,017
Retained earnings/ (Deficit)		224,271	100,453	(44,389)	(20,550)
Translation reserve		-	(375)	-	2,939
Total capital fund		**1,038,725**	**463,511**	**770,065**	**356,406**
Total liabilities and capital fund		**3,193,689**	**1,425,119**	**2,784,123**	**1,288,872**

The financial statements on pages 140 to 164 were approved for issue by the members Governing Council on 21 March 2018 and signed on its behalf by:

Head of Finance
BRAC

Country Representative/CEO
BRAC

Director/Member

Director/Member

Notes and related statements forming part of the financial statements appear on pages 144 to 164.

Report of the auditors is on Page 138-139.

BRAC
STATEMENT OF CAPITAL FUND
FOR THE YEAR ENDED 31 DECEMBER 2017

	Donor funds Micro finance TZS '000	Accumulated deficit/ Surplus Micro finance USD	Social Development	Total	Memo Total
Balance at 1 January 2016	**814,454**	**(211,164)**	**106,818**	**496,472**	**232,812**
Surplus for the year	-	166,775	-	166,775	76,587
Adjustment the project (GPAF) ended	-	-	106,818	106,818	49,453
Foreign currency translation loss	-	-	-	-	(2,446)
Balance as at 31 December 2016	**814,454**	**(44,389)**	**-**	**770,065**	**356,406**
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 loss	-	-	-	-	(13,899)
Balance as at 31 December 2017	**814,454**	**224,271**	**-**	**1,038,725**	**463,510**

Notes and related statements forming part of the financial statements appear on pages 144 to 164.

Report of the auditors is on Page 138-139.

BRAC
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Memo 2017 TZS '000	2017 USD	Memo 2016 TZS '000	2016 USD
CASH FLOWS FROM OPERATING ACTIVITIES					
Surplus for the year		388,243	174,364	246,486	113,192
Adjustment for non-cash items:					
Depreciation charge	16	7,845	3,503	3,086	1,417
Loans written off	8	(18,623)	(8,310)	(9,717)	(4,462)
Provision for impairment on loans and advances	8	45,682	20,514	24,666	11,327
		423,147	**190,071**	**264,521**	**121,474**
Changes in:					
- Other assets		(15,183)	(6,519)	(5,053)	(2,339)
- Other liabilities		(80,629)	(32,971)	252,291	116,802
- Loans to customers		(596,732)	(267,526)	(548,284)	(253,836)
- Loan security funds received during the year	18	114,162	42,770	110,720	51,258
- Balance due to related parties		107,373	48,217	95,499	44,212
		(47,862)	**(68,728)**	**58,974**	**26,313**
Tax paid	12(b)	(80,494)	(36,147)	-	-
Cash used in operating activities		**(128,356)**	**(104,875)**	**58,974**	**26,313**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of equipment	16	(7,430)	(3,315)	(6,285)	(2,886)
CASH FLOWS FROM FINANCING ACTIVITIES		-	-	-	-
Net increase /(decrease) in cash and cash equivalents		**(135,786)**	**(65,420)**	**163,409**	**74,687**
Cash and cash equivalents at the beginning of the year	13	**288,540**	**133,583**	**125,131**	**58,678**
Foreign exchange translation reserve		-	-	-	218
Cash and cash equivalents at the end of the year	**13**	**152,754**	**68,163**	**288,540**	**133,583**

Notes and related statements forming part of the financial statements appear on pages 144 to 164.

Report of the auditors is on Page 138-139.

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).

(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 2017 of TZS 2,241 (2016: TZS 2,160.00)to USD 1 except for additions to property and equipment which were translated at an average rate for the period of TZS 2,226.88 (2016:TZS 2,177.58) to USD 1;
- Income and expenses were translated using an average exchange rate for the period of TZS2,226.88(2016:TZS 2,177.58) 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.

(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

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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) 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'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 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 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 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 grouping 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

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%
Motor cycles	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) 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.

(k) 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.

(l) 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.

(m) New standards, amendments and interpretations

(i) New standards, amendments and interpretations effective and adopted during the year
The Organisation has adopted the following new standards and amendments during the year ended 31 December 2017, including consequential amendments to other standards with the date of initial application by the Organisation being 1 January 2017. The nature and effects of the changes are as explained here in.

New standard or amendments	Effective for annual periods beginning on or after
• Disclosure Initiative (Amendments to IAS 7)	1 January 2017
• Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	1 January 2017

Disclosure Initiative (Amendments to IAS 7)
The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing reconciliation between the opening and closing balances for liabilities arising from financing activities.
The adoption of these changes did not have a significant impact on the financial statements of the Organisation.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognized.

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Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The adoption of these changes did not have a significant impact on the financial statements of the Organisation.

(ii) New standards, amendments and interpretations in issue but not yet effective
At the date of authorisation of the financial statements for the year ended 31 December 2017, the following relevant Standards and interpretations were in issue but not yet effective:

The Organisation does not plan to adopt these standards early. These are summarised below;

The following are not expected to have a significant impact on the financial statements of the Organisation:

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 17 Insurance contracts	1 January 2021
IAS 40 Transfers of Investment Property	1 January 2018
IFRIC 23 Income tax exposures	1 January 2019

(ii) New standards, amendments and interpretations in issue but not yet effective
The following are expected to have a significant impact on the financial statements of the Organisation:

IFRS 9 Financial Instruments (2014)	1 January 2018
IFRS 16 Leases	1 January 2019

IFSR 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments Standard, which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

In October 2017, the IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Organisation will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date. Based on preliminary assessments undertaken to date, it is clear that the implementation of IFRS9 will not have a significant impact on the Organisation's financial assets. This is due to the fact that the Organisation provides 2% of the performing loans (current loans) as an impairment at the end of the year while the portfolio at risk above 30 days (non-performing loans) is 1% of the total loan book for the past four years and the probability of a current loan (performing loan) to move to non-performing loan is 0.49% as per the preliminary assessment.
Once the full assessment is completed in 2018, the Organisation expects that IFRS 9 may result in minimal increase in impairment.

The above assessment is preliminary because not all transition work has been finalized. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require the Organisation to revise its accounting process and internal controls and these changes are not yet complete;
- The new accounting policies, assumptions, judgments and estimation techniques employed are subject to change until the Organisation finalizes its first financial statements that included initial application.

Forward-looking information
Under IFRS 9, the Organisation will incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of Expected Credit Loss (ECLs). The Organisation shall also take into consideration the impact of Macroeconomic factors in terms of how they relate to the ECL models and the impact thereon.

Impact assessment
The impact on the Organisation's financial statements from the implementation of IFRS 9 is expected to be insignificant.

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration.

The Organisation assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases.

Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(a) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Organisation recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, the Organisation also recognises a financial liability representing its obligation to make future lease payments.

(b) Depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require the Organisation to recognise assets and liabilities for:

(a) Short-term leases (i.e. leases of 12 months or less) and;
(b) Leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied. The Organisation is assessing

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the potential impact on its financial statements resulting from the application of IFRS 16.

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 group. The group 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 group 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 "group 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	2017 TZS'000	2016 TZS'000
Carrying amount		
Standard	2,956,287	2,391,518
Watch List	37,238	33,817
Substandard	20,661	12,927
Doubtful	14,210	2,789
Loss	25,686	16,283
	3,054,082	**2,457,334**
Allowance for impairment	(97,415)	(70,339)
Net loans	**2,956,667**	**2,386,995**
Balance at 1 January	**70,339**	55,390
Provision made during the year	45,682	24,666
Loans written off during the year	(15,162)	(8,941)
Interest receivable written off during the year	(3,444)	(776)
	97,415	**70,339**

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.

Consolidated	**Carrying amount**	**Contractual cash flows**	**Within 1 year**
31 December 2017	**TZS'000**	**TZS'000**	**TZS'000**
Loan security fund	602,536	602,536	602,536
Other current liabilities (including related parties)	1,341,053	1,341,053	1,341,053
Total liabilities	**1,943,589**	**1,943,589**	**1,943,589**

31 December 2016

	Carrying amount	**Contractual cash flows**	**Within 1 year**
31 December 2017	**TZS'000**	**TZS'000**	**TZS'000**
Loan security fund	488,374	488,374	488,374
Other current liabilities (including related parties)	1,314,309	1,314,309	1,314,309
Total liabilities	**1,802,683**	**1,802,683**	**1,802,683**

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 2017	**Up to 1**	**From 1 to**	**From 1 years month**	**From 2 12 months**	**Non- interest bearing**	**Total**
	TZS'000	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**
ASSETS						
Cash and bank balances	-	-	-	-	152,754	152,754
Loans to customers*	542,731	2,413,936	-	-	-	2,956,667
Other assets	-	-	-	-	34,892	34,892
Total assets	**542,731**	**2,413,936**	**-**	**-**	**187,646**	**3,144,313**
LIABILITIES						
Loan security fund	-	-	-	-	(602,536)	(602,536)
Other liabilities	-	-	-	-	(1,341,053)	(1,341,053)
Deferred grants	-	-	-	-	-	
Total liabilities	**-**	**-**	**-**	**-**	**(1,943,589)**	**(1,943,589)**
Net assets/(liabilities)	**542,731**	**2,413,936**	**-**	**-**	**(1,755,943)**	**1,200,724**

31 December 2016	**Up to 1**	**From 1 to**	**From 1 years month**	**From 2 12 months**	**Non- interest bearing**	**Total**
	TZS'000	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**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**	**2,281,21**	**-**	**-**	**308,249**	**2,695,244**

LIABILITIES						
Loan security fund	-	-	-	-	(488,374)	(488,374)
Other liabilities	-	-	-	-	(1,314,309)	(1,314,309)
Total liabilities	**-**	**-**	**-**	**-**	**(1,802,683)**	**(1,802,683)**
Net assets/(liabilities)	**105,781**	**2,281,21**	**-**	**-**	**(1,494,434)**	**892,561**

*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.

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.

5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

a. 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	-	152,754	-	152,754	152,754
Loans to customers	-	-	2,956,667	2,956,667	2,956,667
Other assets	-	-	34,892	34,892	34,892
Total assets	**-**	**152,754**	**2,991,559**	**3,144,313**	**3,144,313**
LIABILITIES					
Other liabilities	-	-	1,341,053	1,341,053	1,341,053
Loan security fund	-	-	602,536	602,536	602,536
Deferred revenue grants	-	-	211,375	211,375	211,375
Total liabilities	**-**	**-**	**2,154,964**	**2,154,964**	**2,154,964**

31 December 2016	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	-	-	2,386,995	2,386,995	2,386,995
Other assets	-	-	19,709	19,709	19,709
Total assets	**-**	**288,540**	**2,406,704**	**2,695,244**	**2,695,244**
LIABILITIES					
Other liabilities	-	-	1,314,309	1,314,309	1,314,309
Loan security fund	-	-	488,374	488,374	488,374
Deferred revenue grants	-	-	211,375	211,375	211,375
	-	**-**	**2,014,058**	**2,014,058**	**2,014,058**

The financial assets above fall under loans and receivables at amortised cost while the financial liabilities are carried at amortised cost.

6. Interest on loans to group members:

	2017 TZS'000	2016 USD	Memo 2017 TZS'000	Memo 2016 USD
Micro finance				
Interest on loans to group members:	1,256,757	964,999	564,359	443,151
- Small enterprise program	159,728	152,744	71,727	70,144
-Investment Fund	-	3,244	-	1,490
- Agri-finance	99,532	76,304	44,696	35,040
	1,516,017	**1,197,291**	**680,782**	**549,825**

7. OTHER INCOME

	2017 TZS'000	2016 USD	Memo 2017 TZS'000	Memo 2016 USD
Microfinance				
Loan application fee	865	820	388	377
Loan appraisal fee	70,578	57,195	31,694	26,265
Other income	6,001	67	2,695	30
Membership fees	10,035	9,320	4,506	4,280
	87,479	**67,402**	**39,283**	**30,952**

8. PROVISION FOR IMPAIRMENT- ON LOANS TO CUSTOMERS

	2017 TZS'000	2016 USD	Memo 2017 TZS'000	Memo 2016 USD
Microfinance				
Balance at 1 January	70,339	55,390	32,564	25,974
Impairment charge/(release) on loans to customers	45,682	24,666	20,514	11,327
Loans written off during the year	(18,606)	(9,717)	(8,310)	(4,499)
Foreign currency translation reserve	-	-	(1,299)	(238)
Balance at 31 December	**97,415**	**70,339**	**43,469**	**32,564**

9. STAFF COSTS

	2017 TZS'000	2016 USD	Memo 2017 TZS'000	Memo 2016 USD
Microfinance				
Salaries	432,682	374,314	194,902	171,894
Bonus	10,841	11,306	4,883	5,192
Social Security Fund contribution (ZSSF)	75,723	56,147	34,109	25,784
Skills Development Levy (SDL)	21,635	18,716	8,994	8,595
Staff Insurance	-	-	-	-
	540,881	**460,483**	**242,888**	**211,465**

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

	2017 TZS'000	2017 USD	Memo 2016 TZS'000	Memo 2016 USD
10. OCCUPANCY EXPENSES				
Microfinance				
Rent	26,730	22,826	12,003	10,482
Utilities	14,443	9,583	6,486	4,401
	41,173	32,408	18,489	14,883
11. OTHER OPERATING EXPENSES				
Microfinance				
Maintenance and general expenses	116,351	88,425	52,248	40,606
Audit fees	47,847	55,312	21,486	25,402
Office stationery	6,437	17,310	2,891	7,949
Head Office logistics and management expenses	182,550	160,573	81,976	73,739
	353,185	321,620	158,601	147,696
12. TAXATION				
(a) Tax expense				
Tax charge for the year	68,558	-	30,593	-
Deferred tax charge (Note 17)	51,025	79,711	22,769	36,605
	119,583	79,711	53,362	36,605
(b) Tax receivable				
At 1 January:	-	-	-	-
Charge during the year	68,558	-	30,787	-
Payment during the year	(80,494)	-	(36,147)	-
Translation Reserve	-	-	34	-
At 31 December: Receivable	(11,936)	-	(5,326)	-
13. CASH AND BANK BALANCES				
Microfinance				
Cash in hand	-	11,159	-	5,166
Cash at bank	152,754	277,381	68,163	128,417
	152,754	288,540	68,163	133,583

14. LOANS TO CUSTOMERS

	2017 TZS'000	2016 TZS'000	Memo 2017 USD	Memo 2016 USD
Microfinance				
Loans to customers (gross)	3,054,082	2,457,334	1,362,821	1,137,654
Provision for impairment on loans to customers (Note 8)	(97,415)	(70,339)	(43,469)	(32,564)
Balance at 31 December	2,956,667	2,386,995	1,319,352	1,105,090
Analysis of Loans per group				
Microfinance	2,781,785	1,874,473	1,240,539	867,811
Small Enterprise Programme	173,770	354,672	78,036	164,200
Agri-finance	83,627	228,189	37,555	105,643
Investment Fund	14,900	-	6,691	-
	3,054,082	2,457,334	1,362,821	1,137,654

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

Microfinance				
Advances and prepayments	24,829	16,473	11,079	7,626
Stock and stores	9,339	(1,973)	4,168	(913)
Receivables from VodaCom M-Pesa	724	5,209	323	2,338
	34,892	19,709	15,570	9,051

16. PROPERTY AND EQUIPMENT

Microfinance	Furniture &fixtures TZS'000	Equipment TZS'000	Motor cycles TZS'000	Total TZS'000	Memo Total USD
Cost					
At 1 January 2016	**24,330**	8,540	2,173	35,043	16,432
Additions during the year	630	3,425	2,230	6,285	2,886
Disposal	-	-	-	-	-
Foreign currency translation reserve	-	-	-	-	(185)
Balance at 31 December 2016	24,960	11,965	4,403	41,328	19,133
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

16. PROPERTY AND EQUIPMENT(continued)

	Furniture &fixtures TZS'000	Equipment TZS'000	Motor cycles TZS'000	Total TZS'000	Memo Total USD
Microfinance					
Accumulated depreciation					
At 1 January 2016	**24,330**	7,652	2,173	34,155	16,016
Charge for the year	630	2,456	-	3,086	1,417
Disposal	-	-	-	-	-
Foreign currency translation reserve	-	-	-	-	(192)
Balance at 31 December 2016	**24,960**	**10,108**	**2,173**	**37,241**	**17,241**
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	-	(1)	(3200)	(3,201)	(1,429)
Foreign currency translation reserve	-	-	-	-	(629)
Balance at 31 December 2017	**29,760**	**11,986**	**139**	**41,885**	**18,689**
Net book value					
At 31 December 2016	**-**	**1,857**	**2,230**	**4,087**	**1,892**
At 31 December 2017	**897**	**1,711**	**1,064**	**3,672**	**1,640**

17. DEFERRED TAX ASSET

	2017 TZS'000	2016 TZS'000	Memo 2017 USD	Memo 2016 USD
Microfinance				
The movement in the deferred tax asset during-the year is as follows:				
At 1 January	84,792	164,503	39,256	41,800
Credit/(charge) for the year	(51,025)	(79,711)	(22,913)	(36,605)
Foreign exchange translation	-	-	(1,275)	34,061
31 December	**33,767**	**84,792**	**15,068**	**39,256**
Deferred tax arises from temporary- differences on the following items:				
Property and equipment	3,451	2,620	1,540	1,213
Tax losses carried forward	30,316	60,578	13,528	28,045
Impairment provision - general	-	21,594	-	9,997
At 31 December	**33,767**	**84,792**	**15,068**	**39,255**
Tax rate reconciliation	**%**		**%**	
Standard rate of income tax	30.00		30.00	
Tax effect of prior year deferred tax (over)/under provision	0.2		2.30	
Tax effect of non-deductible expenses	0.4		0.00	
Effective rate of income tax	**31**		**32.30**	

18. LOAN SECURITY FUND

	2017 TZS'000	2016 TZS'000	Memo 2017 USD	Memo 2016 USD
Microfinance				
Balance at 1 January	**488,374**	377,654	**226,099**	177,094
Collection during the year	245,736	682,670	110,350	313,499
Withdrawals during the year	(131,574)	(571,950)	(59,084)	(262,654)
Foreign currency translation reserve	-	-	(8,496)	(1,840)
	602,536	**488,374**	**268,869**	**226,099**

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

	2017 TZS'000	2016 TZS'000	Memo 2017 USD	Memo 2016 USD
Microfinance				
Project current accounts	956,529	1,050,575	426,831	486,378
Accrued expenses	82,347	68,930	36,746	31,943
	1,038,876	**1,119,505**	**463,577**	**518,321**

20. DEFERRED GRANTS

	2017 TZS'000	2016 TZS'000	Memo 2017 USD	Memo 2016 USD
Grants invested in loans				
Balance at 1 January	211,375	211,375	97,859	99,121
Translation reserve	-	-	(3,537)	(1,262)
	211,375	**211,375**	**94,322**	**97,859**

21. RELATED PARTY TRANSACTIONS

	2017 TZS'000	2016 TZS'000	Memo 2017 USD	Memo 2016 USD
(a) Due to related parties:				
Microfinance				
Stichting BRAC International	708	708	316	327
BRAC Tanzania Finance Limited	171,563	80,287	76,556	37,170
BRAC International Holdings B.V	96,384	80,287	43,009	37,170
BRAC IT Services (BITS)	33,522	33,522	14,959	15,520
	302,177	**194,804**	**134,840**	**90,187**
(b) Head Office logistics and management expenses-incurred on behalf:				
Microfinance				
BRAC International Holdings B.V	96,384	80,287	43,009	37,170
BRAC Tanzania Finance Limited	86,166	80,287	38,450	37,170
	182,550	**160,574**	**81,459**	**74,340**

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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