brac

2016 ANNUAL REPORT

TANZANIA

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 innovation 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

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

Mission

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.

Values

Integrity

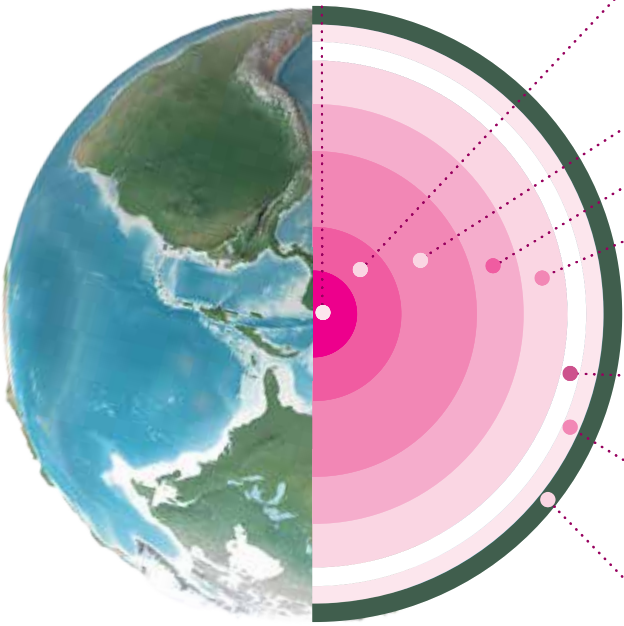
Innovation

Inclusiveness

Effectiveness

5-year goal

Empower 20 million of the most underserved and disenfranchised people to gain greater access to and have more control over resources, decisions and actions, **while continuing to maximise opportunities and expand services for the unmet needs of the 120 million people we already reach in Bangladesh by 2020.**



Social enterprises

Initiatives that engage individuals, micro and small enterprises as suppliers, producers and consumers. Instead of maximising profits, our 13 social enterprises focus on maximising gains in quality of life for all.

Investments

Socially responsible companies that assist us in our mission. Our network of seven 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. BRAC University constantly incorporates the most current educational techniques and material. 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.

BRAC across the world

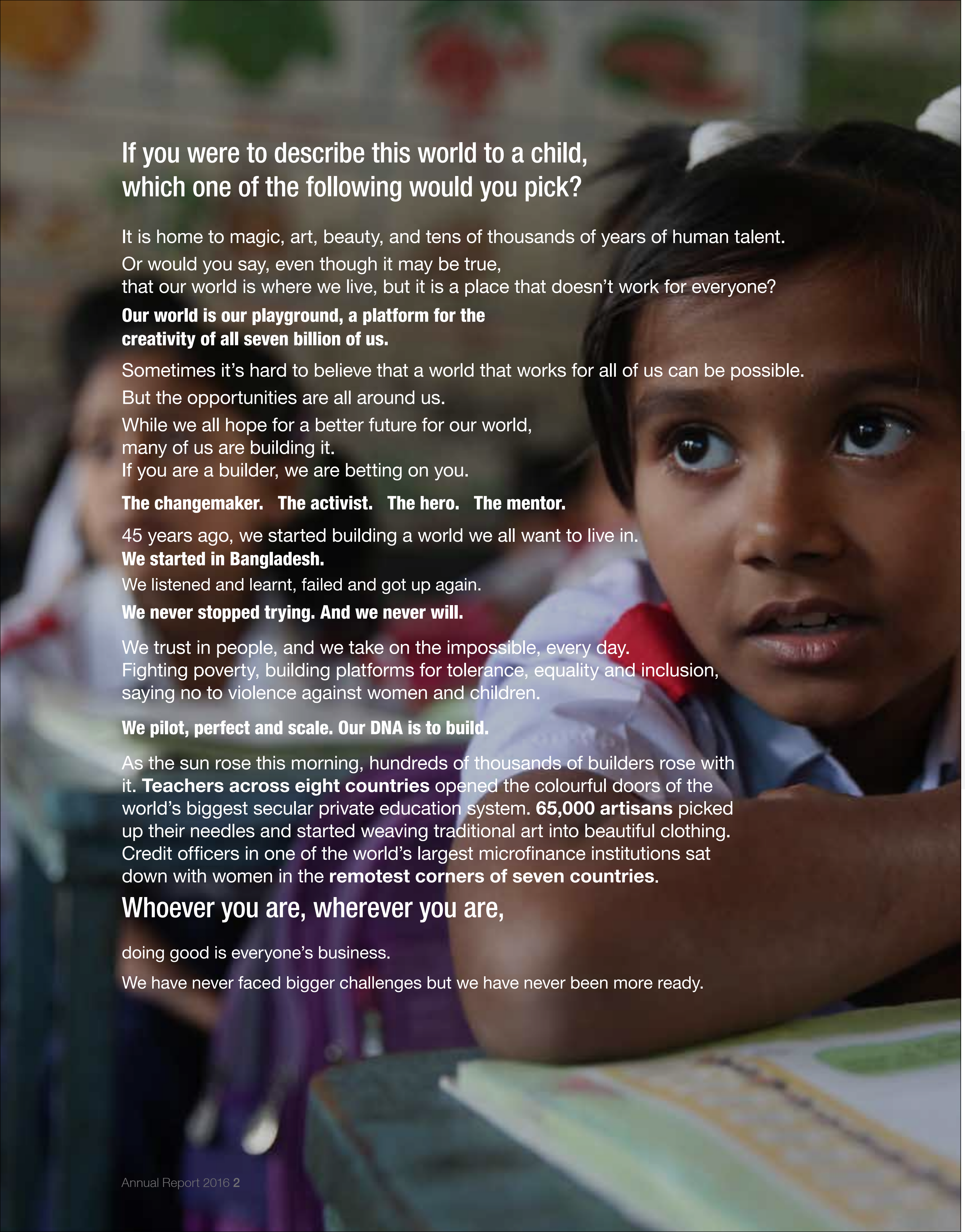
Country offices

BRAC in Bangladesh
BRAC in Afghanistan
BRAC in Pakistan
BRAC in Myanmar
BRAC in Nepal
BRAC in Philippines
BRAC in South Sudan
BRAC in Liberia
BRAC in Tanzania
BRAC in Sierra Leone
BRAC in Uganda

Affiliate offices

BRAC USA
BRAC UK

Stichting BRAC International, Netherlands



If you were to describe this world to a child, 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.
Fighting poverty, building platforms for tolerance, equality and inclusion,
saying no to violence against women and children.

We 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.

Here at BRAC, we are many things:

social enterprise

non-government organisation

public forum

knowledge hub

social investors

policy advocates

university

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:

share the ideas

follow the best minds

take action

support us

we are a team of the world's most dedicated staff, a dynamic board and passionate partners, standing together at the frontline of the world's biggest challenges.

Join the world's biggest family.

CONTENTS

CHAIRPERSON'S FOREWORD

We entered 2016 with 17 Sustainable Development Goals, the first of which was to end all forms of poverty by 2030. This is one of the most pressing yet exciting challenges we face today. For the first time in history we have the means to achieve this goal in the not-too-distant future.

BRAC is increasingly at the forefront of this movement. A provider and global advocate of holistic solutions to reduce poverty over the last 45 years, our ultra poor graduation model in particular is being championed as a solution to help reach the millions of households around the world that still live in extreme poverty.

Established in 2002, the ultra poor graduation approach targets households left behind by economic growth or mainstream development interventions. Our model supports them towards building sustainable livelihoods through a powerful combination of asset transfer, enterprise training, financial services, healthcare, mentoring and social integration. In Bangladesh alone our programme has put 1.77 million households on to sustained pathways out of poverty. With impacts confirmed by rigorous research both in Bangladesh and internationally, the ultra poor graduation approach has now been adapted in 59 programmes across 37 countries by other NGOs, governments and multilateral institutions.

Our work on extreme poverty also extends beyond our own programming. Our ultra poor graduation initiative comprises advocacy efforts and technical assistance on how to adapt and implement the approach effectively in different environments. With staff working across the US, UK, Bangladesh and BRAC country offices around the world, we are spearheading the movement to proliferate graduation and reach as many extreme poor households globally as possible. This year, for example, we started working with the Governments of Kenya and the Philippines to integrate the model into their poverty alleviation strategies.

Our development programmes are funded from internally-generated revenue and grants received from external sources. Our internal revenue totalled BDT 4,997 crore (USD 646 million) this year, making up 82% of our total annual revenue.

We continue to invest in a range of socially-responsible companies. This year we consolidated BRAC Bank, an institution that was founded at a time when it was almost impossible for small and medium enterprise entrepreneurs to obtain financing from the banking sector in Bangladesh. We took banking solutions to entrepreneurs, and have disbursed over USD 4.37 billion since inception. More than half of our lending today is still to small and medium enterprises.

Our home-grown solutions in education, health, microfinance and other development areas now reach 10 countries outside of Bangladesh. This year we continued our expansion in Nepal, moving from the relief we provided after the 2015 earthquake into education and health. We have also launched a five-year strategy for Africa which will take us into five new countries by 2020.

We have never faced bigger challenges but I truly believe that, as a global community, we have never been more equipped, more connected or more ready to face them. I am filled with a genuine feeling of hope as we look ahead into 2017. I look forward to sharing the journey with you.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

LETTER FROM THE EXECUTIVE DIRECTOR

It is my pleasure to share our Annual Report with you. At BRAC International, we believe we are One BRAC, working with a unified goal to achieve large-scale, positive impact through our economic and social programmes around the world.

I am happy to say that we have accomplished much in 2016. We opened 31 new microfinance branches. Liberia and Sierra Leone are now operationally sustainable, and there is surplus in five out of six countries. We partnered with the government of Liberia to improve learning outcomes. Our initiatives in health, agriculture and livestock have inspired people to receive training and offer support to others in their own communities. We are implementing BRAC's ultra-poor graduation programme in Uganda and Pakistan, and hope to expand our reach to lift more people out of poverty.

Despite our accomplishments, we faced several challenges in 2016. We witnessed significant paradigm changes with traditional donor countries reassessing their foreign aid. We faced unexpected crises like the civil war in South Sudan that compelled us to scale down our projects and restrict our work to Juba. The challenges only bring us closer in our efforts to building a better world for all.

At BRAC, we believe that young people today will be our strength tomorrow, and technology is the language of the future. We are capacitating the youth by providing them with training and access to finance. We are exploring web-based monitoring and management system and the use of mobile money. Our priority is to adapt with changing times, build on our accomplishments and work even harder and smarter in 2017.

BRAC was ranked #1 by Geneva-based NGO Advisor in a list of world's best 500 NGOs because of our impact, innovation, and sustainability. We must maintain our effectiveness and ensure the quality of our work. At BRAC, we know it is the people that make us #1. I urge you all to stay with us as you have over the years. I thank our board members and country advisory councils for their guidance, as well as all members of the BRAC family around the world for their support and hard work.

I look forward to continuing our work together with renewed energy and hope, with the same dream that unites us all - a world free of exploitation and discrimination, and a better future for all.

Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE

It has been a decade since BRAC started operations in Tanzania. We have come a long way since then, creating opportunities for people, especially women, young people and children living in poverty.

We improved access to finance to advance women's empowerment, provided education for children and improved livelihoods and skills for smallholder farmers. We are currently implementing education, youth development, early childhood development, microfinance, agriculture, poultry, small enterprise, agrifinance and investment fund projects, across 127 branch offices in 20 regions across the country.

2016 was a big year for BRAC in Tanzania as we expanded into more regions and districts, reaching more people and creating more impact. We opened seven new branch offices and received licenses to add 11 more in three new regions. Our outstanding loan increased by 18% with addition of 17,000 new borrowers. We reached more than 700,000 people this year. We achieved a rating of A from the Department of International Development in the last two years for our livelihood enhancement for agricultural development project.

All these achievements are the result of hard work and a sense of ownership that people feel towards the work they do. We intensified our focus on capacity development, especially with our national staff.

We strengthened relationships with the government, donors and other stakeholders. For the first time ever, we made a footprint in the parliamentary session of Tanzania.

We acknowledge and thank our advisory council members for their valuable contributions. I would also like to thank our partners, donors and the Government of Tanzania who have been part of the all our achievements.

We look forward to continued partnership and further outreach in Tanzania.

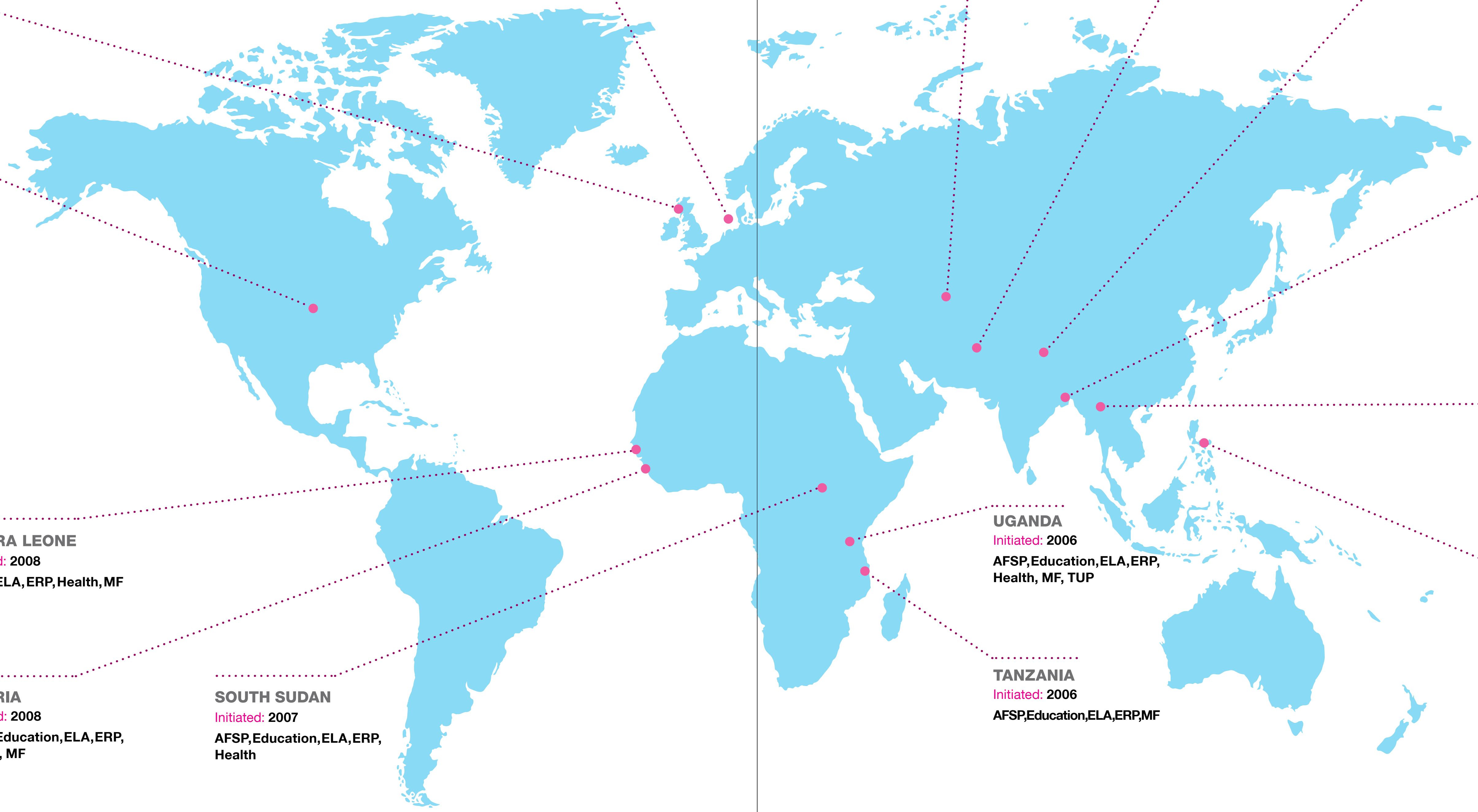
Rakibul Bari Khan
Country Representative,
BRAC in Tanzania

BRAC ACROSS THE WORLD

NETHERLANDS
Initiated: **2009**
StichtingBRACInternational registeredasafoundation

UK
Initiated: **2006**
Anindependentcharity toraiseprofileandfunds for BRAC globally

USA
Initiated: **2007**
Anindependentcharity toraiseprofileandfunds for BRAC globally



SIERRA LEONE
Initiated: **2008**
AFSP, ELA, ERP, Health, MF

LIBERIA
Initiated: **2008**
AFSP, Education, ELA, ERP, Health, MF

SOUTH SUDAN
Initiated: **2007**
AFSP, Education, ELA, ERP, Health

AFGHANISTAN
Initiated: **2002**
AFSP, Education, CDP, ERP, Health, NSP

PAKISTAN
Initiated: **2007**
Education, ERP, MF, Health, TUP

NEPAL
Initiated: **2015**
ERP, ELA, Health, WASH

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

MYANMAR
Initiated: **2013**
ERP, MF

UGANDA
Initiated: **2006**
AFSP, Education, ELA, ERP, Health, MF, TUP

PHILIPPINES
Initiated: **2012**
Education

TANZANIA
Initiated: **2006**
AFSP, Education, ELA, ERP, MF

AFSP: Agriculture and Food Security Programme
BEP: BRAC Education Programme
CDP: Capacity Development Programme
CEP: Community Empowerment Programme
DMCC: Disaster, Management and Climate Change
ELA: Empowerment and Livelihood for Adolescents
ERP: Emergency Response Programme
GJD: Gender Justice and Diversity
HNPP: Health, Nutrition and Population Programme
HRLS: Human Rights and Legal Aid Services
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

SCORECARD

76,122
CHILDREN RECEIVED EDUCATION FROM BRAC COMMUNITY–BASED SCHOOLS
AFGHANISTAN

86,975
HOUSEHOLDS GRADUATED FROM EXTREME POVERTY
BANGLADESH

40,517
PEOPLE REACHED THROUGH NUTRITION–AWARENESS CAMPAIGNS
LIBERIA

38,270
CLIENTS RECIEVED A TOTAL OF $11.7 MILLION IN MICROLOANS
MYANMAR

750
EARTHQUAKE–AFFECTED VICTIMS RECEIVED MEDICAL CARE
NEPAL

56,327
CLIENTS RECEIVED A TOTAL OF $24.5 MILLION IN LOANS
PAKISTAN

21,639
RECEIVED EDUCATION FROM 730 BRAC LEARNING CENTERS
PHILIPPINES

100
URBAN HEALTH PROMOTERS PROVIDED SEXUAL & REPRODUCTIVE HEALTH SERVICES TO ADOLESCENTS IN 10 SLUMS OF FREETOWN
SIERRA LEONE

167,452
PATIENTS RECEIVED ANTI–MALARIAL MEDICATION
SOUTH SUDAN

106,460
FARMERS AND POULTRY REARERS ORGANIZED IN 8,021 GROUPS
TANZANIA

49,093
ELA GIRLS LEARNED FROM 1,096 MENTORS
UGANDA

COUNTLESS STORIES TO TELL...

MICROFINANCE

We started our microfinance programme in 2006 to provide financial access to people excluded from mainstream financial institutions. Microfinance is part of our holistic approach for poverty alleviation through the provision of affordable and easily accessible microloans and small enterprise loans.

WHAT WE DO

We ensure access to capital for our clients, enabling them to manage and expand their businesses.

We scaled our microfinance operations to seven new branches, now a total of 127 branches across 21 regions. This year we revoked the joint liability system where clients were liable as a group for loans, as opposed to each individual being liable for their own loans. We also launched a top-up loan facility to address sudden financial shocks.

We continued serving the credit needs of women, young people and smallholder farmers through group-based microloans. A bi-weekly instalment realisation system for group loans was also introduced. We provided small enterprise loans through 17 microloan branches for individual clients.

It was a year of innovation and partnership. We piloted a number of agriculture loan products, including a combined scheme of cash, voucher and training, and a loan product for solar dryers. We partnered with the Prime Minister's Office to finance rural and agriculture projects.

HIGHLIGHTS

135,511 clients received microloans disbursement of USD 57.70 million in loans

5,285 clients received USD 8.81 million in microloans under the Small Enterprise Programme

EDUCATION

We started our education programme in 2012 to improve access to, and the performance of students, through community-based schools, in-school interventions, community study centres and clubs for children and youth.

WHAT WE DO

We prioritise a safe atmosphere at our schools and raise awareness on the importance of having child protection systems in place to enable children to thrive and grow. Our child protection policy was developed according to the United Nations Conventions on the Rights of Child.

Our community-based schools give girls a second chance at education. We support government primary schools with learning materials, library facilities and after-class tutoring.

We initiated an early childhood development project in partnership with the LEGO Foundation called Play Labs for children aged 3 to 5 years where we use play to stimulate children's cognitive, physical, emotional and social development. We are running this project in Uganda and Bangladesh as well.

HIGHLIGHTS

1,673 girls received secondary education

7,606 girls received life skills–based education

240 adolescent girls received livelihood training along with input support

3,914 students received learning materials, library facilities and after class tutoring from 100 government primary schools

Stimulated development through play for 1,200 children aged three to five years in 40 Play Labs

Mainstreamed 787 children from 30 pre–primary schools into government primary schools

EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS

We began focusing on empowering adolescents in 2008. We enable young people to access basic life skills training in safe spaces, and develop understanding of reproductive health, family planning, livelihood training and financial literacy

WHAT WE DO

We empower adolescents to participate meaningfully in making decisions that will affect their lives positively, thus creating a supportive environment for the development of adolescent girls at the household and the community level.

Our community-based, adolescent clubs provide a safe space for young people to socialise with peers and provide mentoring and life skills trainings. We combine this approach with livelihood, vocational, financial literacy training, and customised microloans, which socially and financially empower young girls.

In addition, the clubs provide textbooks and offer recreational activities such as reading, staging drama, dancing, and indoor and outdoor games.

HIGHLIGHTS

5,933 girls received livelihood training and life skills–based education through 180 adolescent clubs

AGRICULTURE AND FOOD SECURITY

We initiated our agriculture and livestock programme in 2007 to increase the productivity and income of farmers through capacity-building initiatives and technical support.

WHAT WE DO

The best example of what we do can be seen in our Livelihood Enhancement for Agricultural Development project which will end early 2017. We focus on maize and poultry market systems to increase the income of households in rural Tanzania. We provide training to farmers to adopt good agronomic or poultry rearing practices and feasible technologies to increase smallholder farmers' productivity and household income.

We are currently implementing the project in 40 branch offices across 15 regions. We follow the "making markets work for the poor (M4P)" approach for a systemic change in market systems by facilitating access to technologies, inputs, market linkages, and working capital. This approach aligns all market players incentives and creates synergy.

HIGHLIGHTS

52,863 maize farmers and 53,597 poultry farmers received training

89 agro–vets and agro–dealers, 85 maize traders and 83 poultry traders received training

27,654 borrowers received a total of USD 5.5 million in loans

50 entrepreneurs received USD 722,375 through investment fund support

150% increase in maize production per farmer

121% increase in income for poultry rearers

20.69% increase in sales for maize and 32.49% for poultry achieved through collective arrangement sales

Formed 4,004 poultry produce groups and 4,017 maize produce groups

120 events conducted with different stakeholders to engage them in local value chain development

Farmers demonstrated 200 hand maize shellers to separate grains from the cob and 4,100 Purdue Improved Crops Stoarge bags

EMERGENCY RESPONSE

We began strengthening our emergency preparedness skills and knowledge from 2015 to build safer and more resilient communities, with the support of the Bill and Melinda Gates Foundation.

WHAT WE DO

We develop organisational capacity on emergency response, which includes conflict mapping and trend analysis, disaster preparedness planning, country risk assessments, multi-hazard risk assessment and equipping staff with new skills.

HIGHLIGHTS

25 staff members received training on emergency response

Represented BRAC in two national forums and two international forums

Contributed USD 8,910 to the communities affected by an earthquake in the Kagera region

Developed one country risk assessment, one multi–hazard risk assessment, one disaster preparedness planning and 40 weekly situation updates

STORAGE FOR THE FUTURE

At Shiboro village, in the Arumeru district of Arusha, maize farmers struggled with storing their maize harvests. The farmers used traditional storage methods where maize is hung on tree branches to avoid being damaged.

Moses Njwai, a maize farmer, was determined to find a solution. Initially, Moses used to collect eight bags or less from his 1.5 acre maize farm. Storage for him was not a big issue as he handled only a few sacks of maize.

Moses joined our LEAD project in 2014 and received training on modern farming techniques. Soon after he was able to harvest 24 sacks of maize. This new amount presented storage problems.

Moses received a Purdue Improved Crop Storage (PICS) bag the following year. PICS bags were developed in 1987 by Purdue University in partnership with USAID and Bean/Cowpea Collaborative Research Support Programmes to address post- harvest losses in grain storage. They have three layers which create a hermetically sealed environment when sealed. The newest version, PICS 3, is being distributed to smallholder farmers in West Africa. Moses became the first in his village to try this. Using the bag, he was able to store maize for up to eight months.

"I am surprised why this idea took so long to reach us. Now our maize is safe and fresh," Moses claims. He expects to extend his 1.5 acre farm to 3 acres this season. With the additional land, Moses will get 50 more sacks of maize. With the PICS bag, Moses can now make more profit without having to worry about his crop going bad.

FEED CALCULATOR APP

Amina Shemsi lives in Boko, Tanzania. Amina was a food vendor, but she always wanted to be a poultry farmer. First, she had a few local chickens in her house. She then rented a small room to accommodate 200 broiler chickens. Amina joined our agriculture project in 2015 and received training on modern poultry farming.

"I started with 200 chicks, the chicken feed by then was 45,000 TZS (USD 40) and I had to wait for one month to get 250,000 TZS (USD 112) in profit from selling the chickens," recalls Amina Amina's poultry activities were greatly improved by the introduction of the feed calculator app. The app enables poultry farmers to prepare their own chicken feed through a calculated formula. The app was developed through a joint initiative by the International Institute of Tropical Agriculture and our livelihood enhancement and agriculture development (LEAD) project, which supports farmers in improving their productivity and income.

"This app can tell you how much you need to feed any number of chickens. I can even get recipes for the feed. The only challenge is the language as some of us do not understand English, so we usually ask our trainer for help," says Amina. Before the app, Amina would buy ready-made chicken feed from local traders. She said it would take up to six weeks before selling the chickens.

The feed calculator has made it possible for Amina to redefine her business. Using the feed application has improved her chicken growth. Now she can sell healthy chicken in four months and make more than 600,000 TZS (USD 268), double of what she used to earn previously. Today, poultry traders are seen lining up to her farm to buy chicken.

I am BRAC

My name is Pili Yusuph, and I am a teacher at BRAC's Play Lab project in Temeke, Dar es Salaam. I have been a part of the BRAC family since 2015 when I became a member of BRAC's adolescent club. I was 17 years old, and my dream was to see more girls speak up about the challenges they face during their adolescent years.

I was able to start a children's trousers business. All it took was a startup loan of USD 70. I could also pay my tuition expenses with that money.

The club made me feel safe and inspired. There were girls who were still in school so we helped each other with our studies. I played games and learned at the same time. I even got training on poultry farming and other relevant skills.

I went on to become the club mentor. For three years, I supported my peers to achieve their very best. I moved from street to street, and house to house looking out for out-of-school girls, and convincing them to join the club.

This year, I joined the Play Lab project as a teacher. I always wanted to be a part of BRAC, and be someone who can bring change into people's lives. I grew up with this organisation, and now I have the chance to give back and transform my community.

I love spending time with children. They are funny and honest. I have 30 children under my care. I am in the position to help them grow to be smart citizens, and I cannot wait to see them develop into wonderful human beings one day.

If you ask me who BRAC is, my answer is simple. **I am BRAC.**

Pili Yusuph
BRAC in Tanzania

GOVERNANCE AND MANAGEMENT

BRAC INTERNATIONAL

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

GOVERNING BODY

Stichting BRAC International has a constitution under the laws of the Netherlands and was governed by a 10-member board of directors. In line with the rising fiscal requirements and public expectations in the Netherlands, the board decided to adopt a two-tier governance structure, with a management board and a supervisory board.

On 8 December 2016, on its 31st meeting, the Stichting BRAC International governing board adopted the following amendments to the Constitution of Stichting BRAC International which came into effect from 28 December 2016:
The present governing board becomes the supervisory board of Stichting BRAC International.

The supervisory board appointed the management board of Stichting BRAC International comprising 1) Executive Director, BRAC International, 2) Director Finance, BRAC International and 3) a maximum of three BRAC International programme directors.

The composition of the supervisory board of Stichting BRAC International is as follows:

Chairperson:
Sir Fazle Hasan Abed, KCMG

Members:
Ahmed Mushtaque Raza Chowdhury
Dr Muhammad Musa
Sylvia Borren
Dr Debapriyo Bhattacharya
Shabana Azmi
Shafiqul Hassan (Quais)
Parveen Mahmud
Irene Zubaida Khan
Fawzia Rashid

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.

On 8 December 2016, on the 31st general meeting of the shareholder of BRAC International Holdings BV, the Stichting BRAC International Governing Board adopted the amendments to the Articles of Association of BRAC International Holdings BV.

The following came into effect from 28 December 2016:

The present board of directors, with the exception of Hans Eskes becomes the supervisory board of BRAC International Holdings BV.

A two-member management board is formed with one Bangladeshi and one Dutch national.

The composition of the present supervisory board of BRAC International Holdings BV is as follows:

Chairperson:
Sir Fazle Hasan Abed, KCMG

Members:
Sylvia Borren
Dr Muhammad Musa
Parveen Mahmud

The composition of the management board of BRAC International Holdings BV is as follows:

Managing Director:
Faruque Ahmed

Director:
Hans Eskes

Details about the roles of the supervisory board and management board are available in the Deed of Incorporation of Stichting BRAC International and BRAC International Holdings BV.

FINANCE AND AUDIT COMMITTEE

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

Parveen Mahmud, Chair
Dr Muhammad Musa, Member
Sylvia Borren, Member
Faruque Ahmed, Member
Hans Eskes, Member
SN Kairy, 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

BRAC Tanzania Finance LTD

Dr A M R Chowdhury - Chairperson
Faruque Ahmed - Member
Shib Narayan Kairy - Member
Shameran Bahar Abed - Member

BRAC Maendeleo Tanzania

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

BRAC Zanzibar

Dr A M R Chowdhury - Chairperson
Faruque Ahmed - Member
Shib Narayan Kairy - Member
Rahma Ali Khamis Abdallah - Member

Country Advisory Council Members

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

MANAGEMENT

Rakibul Bari Khan, Country Representative
Md Abdullah-Al-Mahtab Khan, Programme Manager, Education
Hem Chandro Roy, Project Manager, LEAD, Agriculture
AKM Sazzad Hossain, Programme Manager, Micro-finance Programme
Md Hafizur Rahman Programme Manager, Small Enterprise Programme
Deusdedith Mulindwa, Country Head of Accounts
Lilian J Msoffe, Monitoring Team Leader
Dotto Mnyadi, Communications Manager

DEVELOPMENT PARTNERS

UHURU NA UMOJA

IITA
Research to Nourish Africa

NoVo Foundation
create. change.

ONE ACRE FUND

Norad

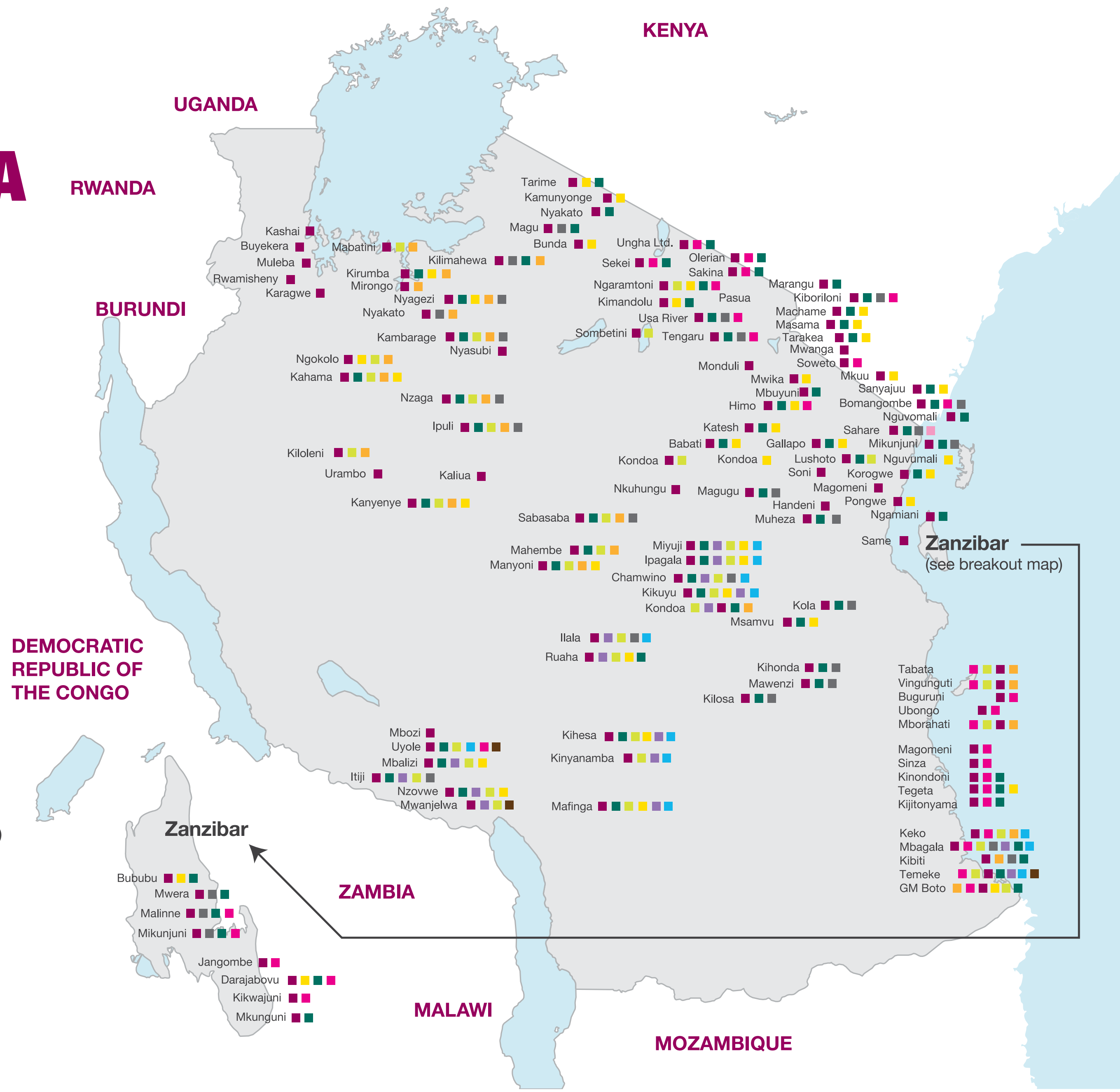
UKaid
from the British people

The LEGO Foundation

WHOLE PLANET FOUNDATION

FSDT
FINANCIAL SECTOR DEEPENING TRUST

BRAC IN TANZANIA



Branch Programmes

- Microfinance
- Agriculture, Livestock and Poultry
- Girls Education Challenge (GEC)
- ELA
- Small Enterprise Programme
- LEAD Agriculture, Livestock
- GPAF Agriculture, Livestock
- Pre-Primary School
- **Play Lab**
- **Accelerated Learning Process**

FINANCIALS

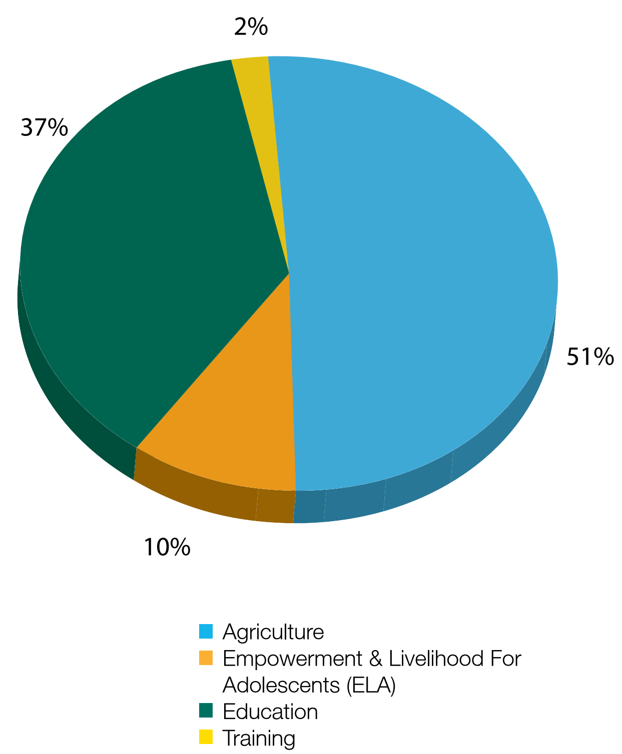
FINANCIALS – NGO

BRAC in Tanzania received grants amounting to USD 4,742,570 in 2016 compared to USD 5,821,695 in 2015. Total project expenses for the year were USD 4,024,709 (USD 4,222,700 in 2015). Out of the total expenses, the majority was spent in agriculture and livestock sector supported by DFID. Almost 94% of total expenditure is being used for programme services with only 6% being incurred for administrative expenses.

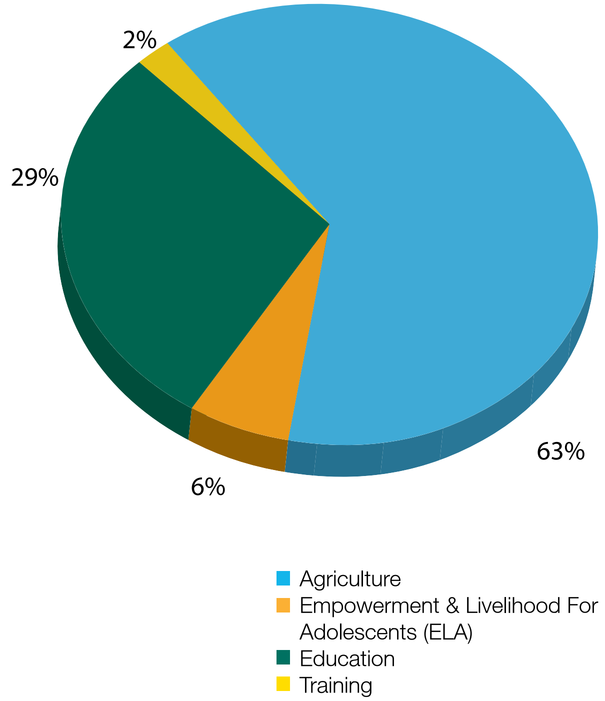
PROGRAMME COST BY NATURE OF PROGRAMMES

Programme	Year 2016		Year 2015	
	USD	%	USD	%
Agriculture and livestock	2,046,221	51%	2,650,515	63%
Empowerment and livelihood for adolescents	416,214	10%	243,860	6%
Education	1,497,247	37%	1,237,760	29%
Training	65,027	2%	90,565	2%
Total	4,024,709	100%	4,222,700	100%

2016



2015

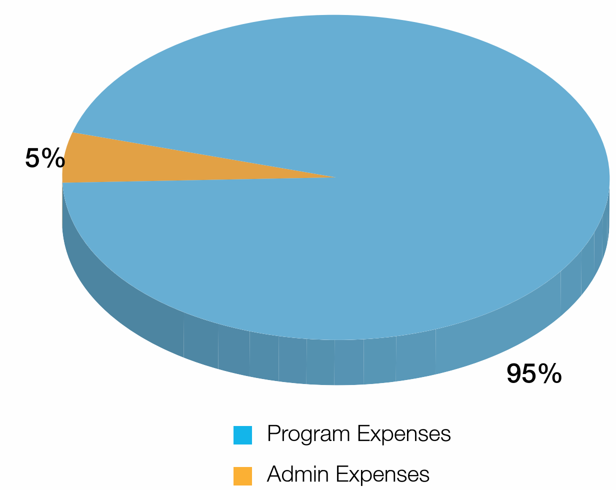


FINANCIALS – NGO

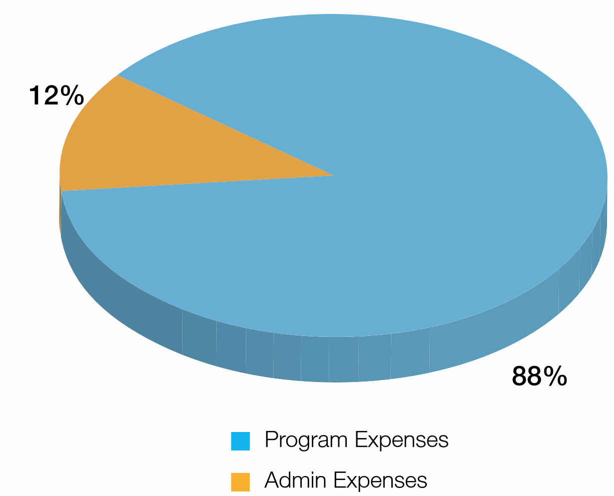
PROGRAMME COST BY NATURE OF EXPENSES

Expenses	Year 2016		Year 2015	
	USD	%	USD	%
Programme expenses	3,818,390	95%	3,715,976	88%
Admin expenses	206,319	5%	506,724	12%
Total	4,024,709		4,222,700	

2016



2015



Contribution to Government Exchequer	Year 2016	Year 2015
Staff tax	420,484	408,132
Social insurance	392,988	411,168

PERFORMANCE REVIEW

Income Statement	Year 2016	Year 2015	Year 2014	Year 2013	Year 2012
	USD	USD	USD	USD	USD
Grant income	3,959,081	4,127,847	3,575,001	1,981,881	680,849
BRAC contribution	-	-	142,720	112,080	202,342
Other income	65,628	94,854	101,190	150,836	132,513
Programme expenses	(3,818,390)	(3,715,976)	(3,401,750)	(2,036,786)	(921,715)
Administration expenses	(206,319)	(506,724)	(417,161)	(257,080)	(100,822)

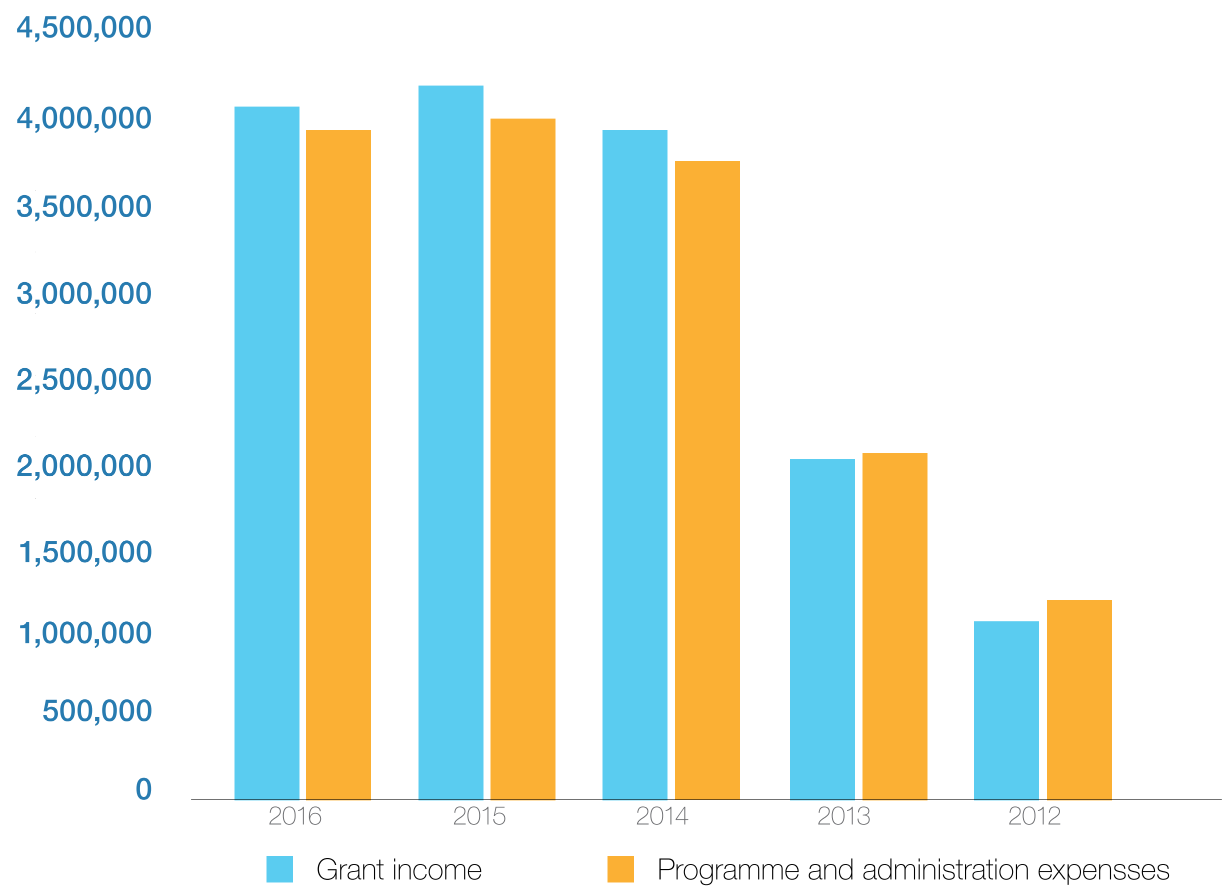
FINANCIALS – NGO

PERFORMANCE REVIEW

Financial Position	Year 2016	Year 2015	Year 2014	Year 2013	Year 2012
	USD	USD	USD	USD	USD
Cash at bank	253,679	1,873,689	1,871,110	-	61,016

Operational Statistics	Year 2016	Year 2015	Year 2014	Year 2013	Year 2012
Number of projects	7	7	5	5	5

GRANT INCOME VS PROGRAMME EXPENSES



FINANCIALS – MICROFINANCE

Net income

BRAC in Tanzania completed a profitable year in 2016 by registering pretax profit of USD 5,947,524 in 2016 compared to USD 4,719,218 in 2015. This is mainly due to an increase in the number of borrowers by 18% from 138,142 in 2015 to 162,398 in 2016.

Operating expenses

Total operating expenses for the year were USD 8,731,902 compared to USD 7,822,336 in 2015.

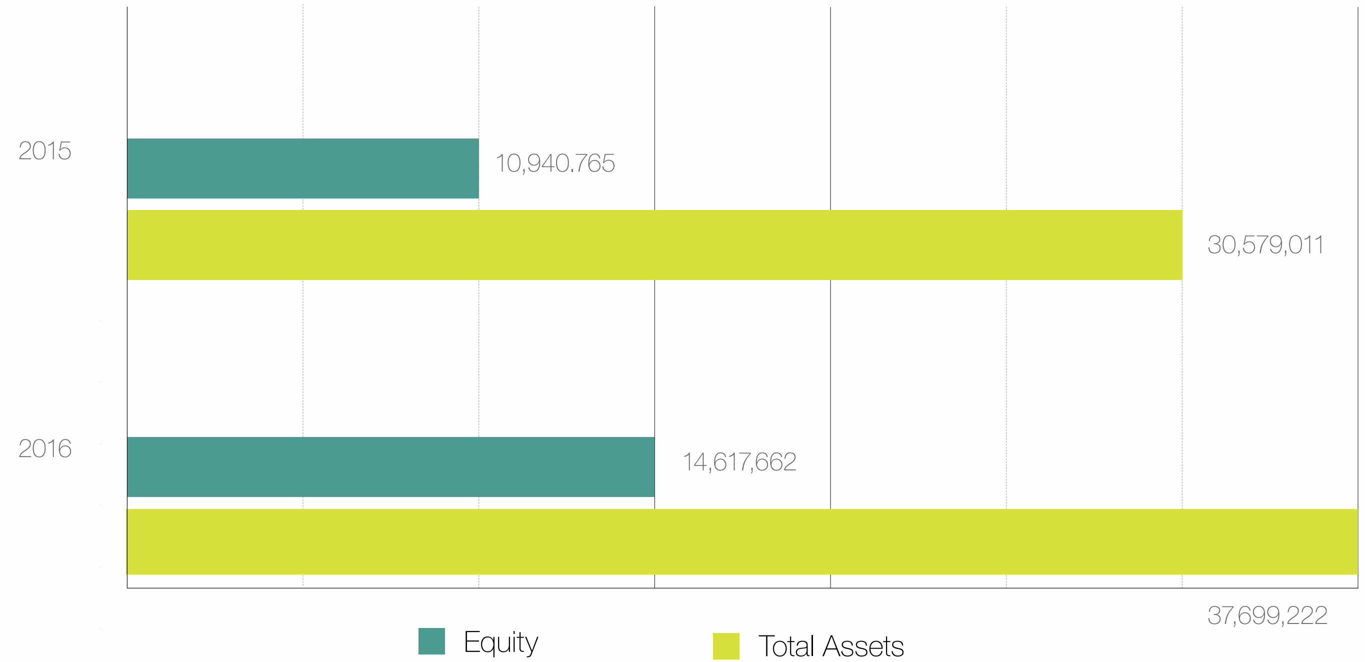
Provisions for impairment losses

Total reserve as against impairment in 2016 was USD 1,339,633 compared to USD 1,017,626 in 2015, an increment of 32% and representing 6% of the gross portfolio. This year the amount charged for impairment on loans was USD 714,076 compared to USD 621,778 in 2015. Portfolio at Risk (PAR>30 days) has gone up to 2.75% in 2016 compared to 2.14% in 2015.

Financial position

In 2016, total assets grew by 23% to USD 37,699,222 further consolidating its position in the market. Outstanding loans to customers increased by 29% and is now 88% of total assets. Security deposits increased by 25% and net equity increased by 37% to USD 14,617,662 from USD 10,940,765 in 2015. The growth of net equity is a direct result of increase in profitability.

TOTAL ASSETS VS. EQUITY



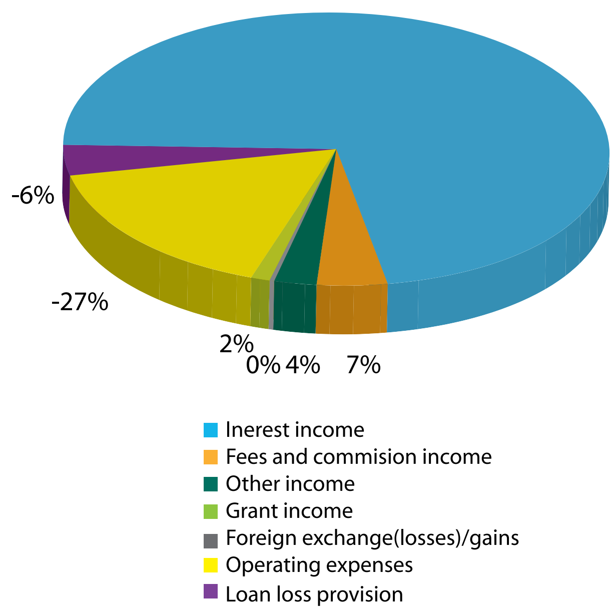
Value added statements

A value added statement provides a detailed account of total value addition and the distribution of value created by the organisation. BRAC in Tanzania contributes positively to overall economic development by empowering the people in poverty (especially females) through microcredit. We empower employees through the payment of salaries and allowances and by assisting the local regulatory authorities through paying taxes.

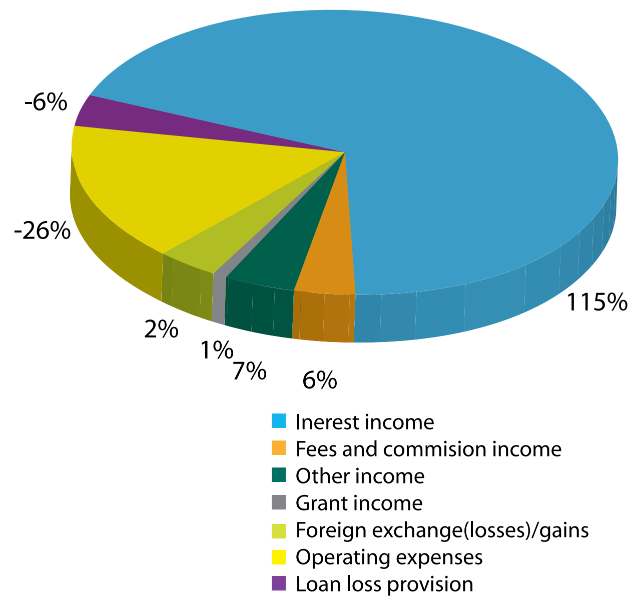
FINANCIALS – MICROFINANCE

Value Added	Year 2016		Year 2015	
	USD	%	USD	%
Interest income	15,390,793	120%	12,832,723	115%
Fees and commission income	850,886	7%	703,059	6%
Other income	517,846	4%	816,842	7%
Grant income	261,089	2%	124,538	1%
Foreign exchange (losses)/gains		0%	220,483	2%
Operating expenses	-3,515,304	-27%	-2,923,716	-26%
Loan loss provision	-714,076	-6%	-621,778	-6%
Total value added	12,791,235	100	11,152,151	100

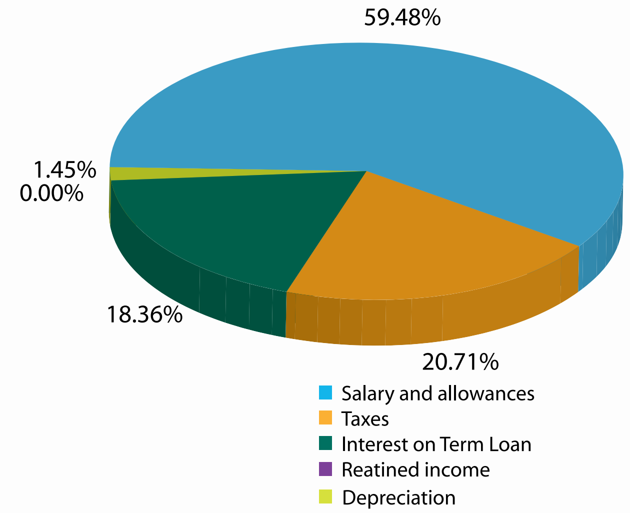
2016

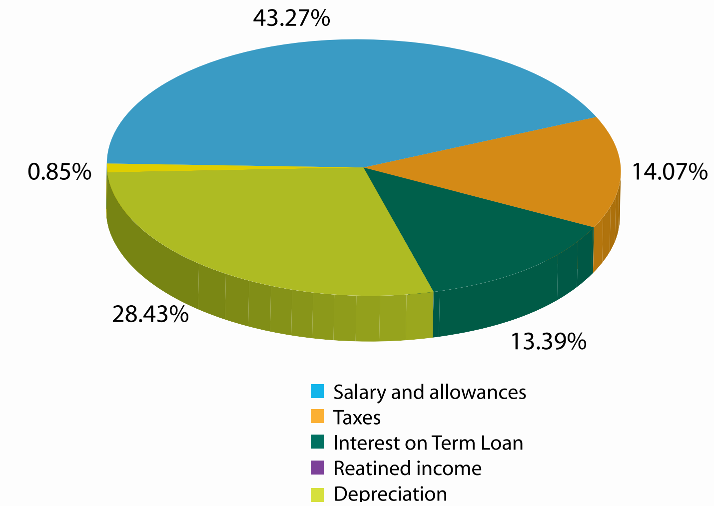


2015



Distribution	Year 2016		Year 2015	
	USD	%	USD	%
Employees				
Salary and allowances	5,092,059	59.48%	4,804,680	43.27%
Local Authorities				
Taxes	1,772,947	20.71%	1,562,274	14.07%
Creditors				
Interest on term loan	1,571,848	18.36%	1,487,211	13.39%
Growth				
Retained income		0.00%	3,156,943	28.43%
Depreciation	124,539	1.45%	93,933	0.85%
Total Value Distributed	8,561,393	100	11,105,041	100





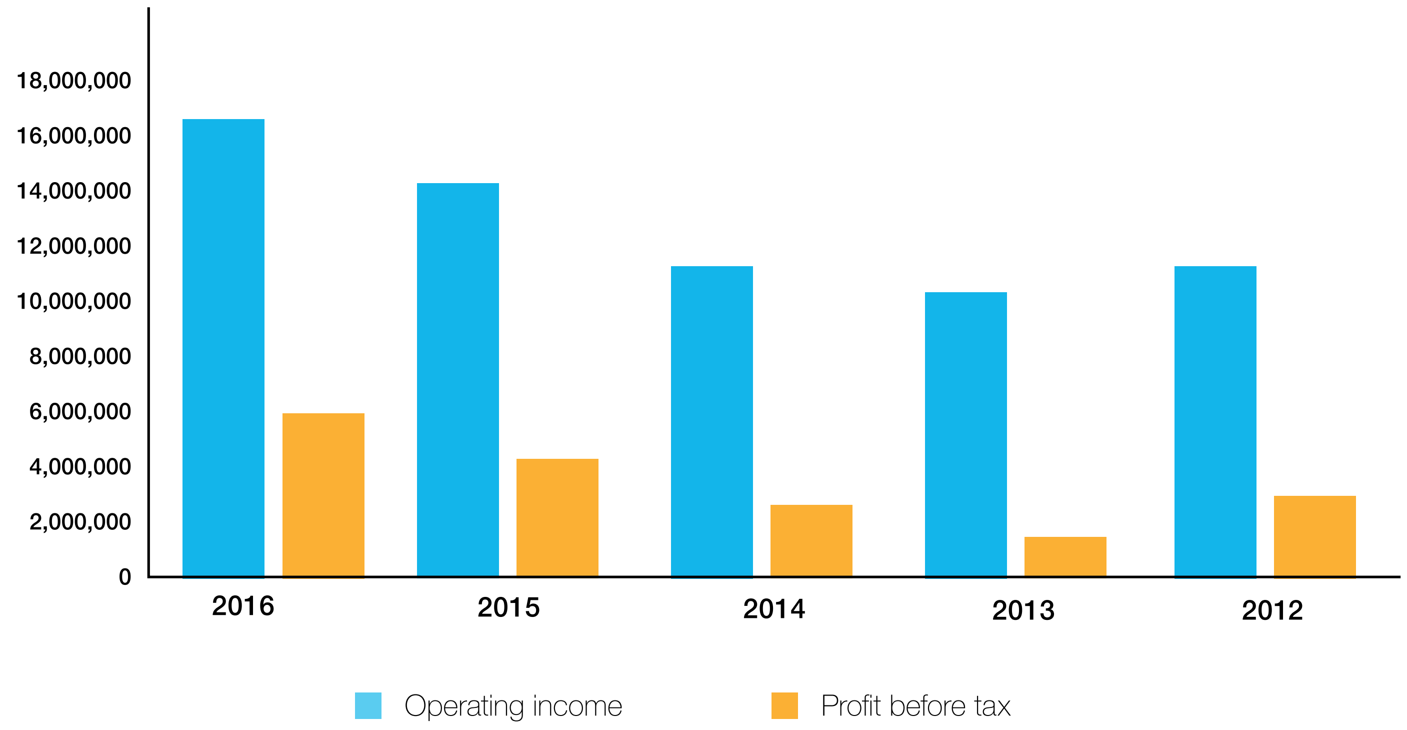
Contribution to Government Exchequer	Year 2016	Year 2015
Staff tax	419,422	407,166
Social Insurance	390,423	409,035

FIVE YEAR PERFORMANCE REVIEW

In USD

	Year 2016	Year 2015	Year 2014	Year 2013	Year 2012
Income Statement					
Operating income	16,759,526	14,525,998	12,796,291	11,411,661	11,770,892
Profit before tax	5,947,524	4,719,218	2,805,320	1,850,226	3,409,810
Financial Position					
Total asset	37,699,222	30,579,011	27,045,015	25,805,856	25,539,716
Net equity	14,617,662	10,940,765	9,900,264	8,385,278	7,209,371
Loans to customers (net)	32,210,883	25,007,158	23,612,446	20,313,504	19,499,229
Cash at bank	2,116,361	1,688,598	1,308,832	3,914,745	4,772,563
Returns and Ratio					
Return on asset	12%	16%	48%	44%	49%
Operational self sufficiency (OSS)	131%	126%	115%	111%	124%
Operational Statistics					
Total borrowers	162,398	138,142	113,959	101,068	104,225
Cost per loan	36	62	77	73	57
PAR>30 days (%)	2.75	2.14	1.7	2.3	3.55

OPERATING INCOME VS PROFIT BEFORE TAX



BRAC MAENDELEO TANZANIA

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

BRAC MAENDELEO TANZANIA

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

GENERAL INFORMATION

Members of Governing Council

Name	Position	Nationality
Dr. A. M. R. Chowdhury	Chairperson	Bangladeshi
Mr. Faruque Ahmed	Member	Bangladeshi
Mr. Shib Narayan Kairy	Member	Bangladeshi
Dr.HarunKasale	Member	Tanzanian
Dr. Hassan Mshinda	Member	Tanzanian

Administrator

Mr. Rakibul Bari Khan — 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. Box 1863
Dar es Salaam, Tanzania
3054

Bank of Africa (Tanzania) Limited
NDC Development House,
Ohio Street/Kivukoni Front
Shaaban Robert Street/Garden

Standard Chartered Bank (Tanzania)
Limited
NMB Plc.
1st Floor, International House Avenue P.O. Box
P.O. Box 9011
Dar es Salaam, Tanzania

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

CRDB Bank Plc.
P. O. Box 268
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 2016

1. The members of Governing Council have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2015, 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 13December 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 entitywas 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 organistaion 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.

REPORT OF THE GOVERNING COUNCIL
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

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 2016 are set out on page 51

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 40.

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

Themembers 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)
- AdolescentsDevelopment Program (ADP);
- Agriculture and livestock program;
- Accounts and finance;
- Internal audit;
- Monitoring;
- IT and MIS;
- Human resources;
- Training; and
- Procurement, logistics and transportation.

12. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 18 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 progarmme 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 2016

The following are the key achievements for the year:

LIVELIHOOD ENHANCEMENT THROUGH AGRICULTURE DEVELOPMENT (LEAD)

15. KEY ACHIEVEMENTS IN 2016 (Continued)

LEAD project in collaboration with the UK government was commenced on April 2013 and expected to end 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.

- Three years and nine months of implementation has been successfully completed; and in the donor review of 2014-2015 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 106,460new farmers (Maize-52,863and 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;
- 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;
- 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)

- Secured research fund from World Bank of $165,628 to conduct Sexual and Transmitted infection (STi) and Sexual Transmitted Diseases testing to adolescents in Tanzania.
- 30 tailoring machines distributed to ELA members as a pilot for future start of enterprise project.
- New partnership created with Their World for introduction of Coding clubs where the training is expected to start in early 2017.
- 240 girls received livelihood training as part of developing their life skills.

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.

15. KEY ACHIEVEMENTS IN 2016 (Continued)

- Annual awareness campaign Themed: Importance of education was conducted in 5 regions where 1272 girls participated.
- Successfully registered 1179 phase 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

ACCELERATED LEARNING PROCESS (ALP)

- Extension of the project funding for an extra year where 35 more clubs will be established. This project is supported by NOVO Foundation.
- 42% girls passed their phase Qualifying exams
- Training and Orientation of 20 community facilitators were conducted as well as conducting workshop for 75 secondary teachers.

PLAY LAB PROJECT(Early Childhood Development)

- Establishment of 40 play lab management committees and 40 child protection committees funded by Lego Foundation
- Training of local play materials conducted to 1,200 parents and 240 play lab management committee members.
- Play curriculum for 3-4 year old children developed and approved by the Ministry of education which will be used by national wide.
- Play leaders basic training conducted to 40 leaders for use of curriculum as well as parental training conducted for 1200 parents for early child education.

PRE-PRIMARY PROJECT (PPS)

- Out of 30 pre-primary schools running, 20 schools are being tested to see if we can transfer the model to the community as self-run schools for sustainability.
- New funding received from Norwegian Government funded project (NORAD) to open 35 new pre-primary schools in Tanga.

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.

REPORT OF THE GOVERNING COUNCIL
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

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 225 employees in 2016 out of them 104 males and 81 females. In 2015 there were 225 employees with 108 being males and 117 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

....29.03.......2017

Mr. Shib Narayan Kairy
Member

STATEMENT OF GOVERNING COUNCIL'S RESPONSIBILITY
FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016, 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 Companies 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 Organisation 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 ....29.03.... 2017 and signed by:

....
Mr. Shib Narayan Kairy
Member

BRAC MAENDELEO TANZANIA

DECLARATION OF HEAD OF ACCOUNTS

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 ..GETRUDA JOHN.........being the Finance Manager ofBRAC Maendeleo Tanzania hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2016 ,have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financialstatements ofBRAC 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: Finance Manager

NBAA Membership No.: 5376

Date: ....29.............March 2017

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

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

Opinion

We have audited the financial statements of BRAC Maendeleo Tanzania ("the Organization"), set out on pages 13 to 34 which comprise the statement of financial position as at 31 December 2016, 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 2016, 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 theFinancial 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.

OtherInformation

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 Companies Act, 2002, Statement of responsibilities of the Governing Council's and Declaration of Head of Accounts. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on thefinancial 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 Standardsand in the manner required by the Companies 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 thesefinancial statements.

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

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

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

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 Maendeleo Tanzania;
- the individual accounts are in agreement with the accounting records of the organisation; and
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

KPMG
Certified Public Accountants (T)

....
Signed by: M Salim Bashir
Dar es Salaam

......29.03........**2017**

BRAC MAENDELEO TANZANIA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS AT 31 DECEMBER 2016

	Notes	2016 TZS '000	Memo 2016 USD	2015 TZS '000	Memo 2015 USD
Income					
Grant income utilised	6(b)	8,621,229	3,959,081	8,361,619	4,121,985
Other income	7	142,911	65,628	192,415	94,854
Total operating income		**8,764,140**	**4,024,709**	**8,554,034**	**4,216,839**
Staff costs	8	(2,918,609)	(1,340,297)	(2,648,808)	(1,305,770)
Travelling and transportation expenses		(687,843)	(315,874)	(709,357)	(349,687)
Training, workshop and seminar expenses		(894,392)	(410,727)	(2,429,155)	(1,197,488)
Occupancy expenses	9	(416,234)	(191,145)	(359,702)	(177,321)
Other operating expenses	10	(3,814,028)	(1,751,496)	(2,389,904)	(1,178,139)
Depreciation charge	14	(158,767)	(72,910)	(142,872)	(70,431)
Amortisation of capital grants	6(d)	125,733	57,740	125,764	61,997
Total expenditure		**(8,764,140)**	**(4,024,709)**	**(8,554,034)**	**(4,216,839)**
Surplus/(Deficit) before taxation		-	-	-	-
Tax(charge) / credit	11	(4,485)	(2,060)	(7,332)	(3,615)
Surplus/(Deficit) for the year		**(4,485)**	**(2060)**	**(7,332)**	**(3,615)**
Other comprehensive loss					
Foreign currency translation reserve		**-**	**(4,485)**	**-**	**176**
Total comprehensive loss for the year		**(4,485)**	**(6,545)**	**(7,332)**	**(3,439)**

Notes and related statements forming part of the financial statements appear on pages 55 to 70.

Report of the auditors is on Page 49-50.

BRAC MAENDELEO TANZANIA

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 TZS '000	Memo 2016 USD	2015 TZS '000	Memo 2015 USD
ASSETS					
Cash and bank balances	12	547,948	253,679	3,995,641	1,873,689
Other assets	13	61,921	28,668	1,355,121	635,461
Property and equipment	14	487,753	225,811	491,814	230,629
Deferred tax asset	15	1,745	808	6,230	2,921
Total assets		**1,099,367**	**508,966**	**5,848,806**	**2,742,700**
LIABILITIES AND CAPITAL FUND					
Liabilities					
Other liabilities	16	493,097	228,286	135,139	63,371
Due to related parties	16(a)	77,588	35,920	577,098	270,621
Deferred grants	6(a)	670,060	310,213	5,254,625	2,464,068
Corporate tax payable		221	102	19,058	8,937
Total liabilities		**1,240,966**	**574,521**	**5,985,920**	**2,806,997**
Capital deficit					
Accumulated losses		(141,599)	(66,357)	(137,114)	(79,511)
Foreign currency translation reserve		-	802	-	15,214
Total capital deficit		**(141,599)**	**(65,555)**	**(137,114)**	**(64,297)**
Total liabilities and capital deficit		**1,099,367**	**508,966**	**5,848,806**	**2,742,700**

The financial statements on pages 13 to 34 were approved for issue by the members Governing Council on 29.03.2017 and signed on its behalf by:

....
Mr. Shib Narayan Kairy
Member

Notes and related statements forming part of the financial statements appear on pages 55 to 70.

Report of the auditors is on Page 49-50.

BRAC MAENDELEO TANZANIA

STATEMENT OF CAPITAL DEFICIT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Accumulated losses TZS '000	Memo Total USD
Balance at 1 January 2015	**(131,275)**	**(82,990)**
Surplus for the year	(7,332)	(3,615)
Foreign exchange translation reserve	-	15,214
Balance as at 31 December 2015	**(137,114)**	**(64,297)**
Balance 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)**

Notes and related statements forming part of the financial statements appear on pages 55 to 70.

Report of the auditors is on Page 49-50.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Memo 2016 TZS '000	2016 USD	Memo 2015 TZS '000	2015 USD
CASH FLOWS FROM OPERATING ACTIVITIES					
Depreciation charge	14	158,767	72,910	142,872	70,431
Adjustment for non cash items	6(d)	(125,733)	(57,740)	(125,764)	(61,997)
Loss / (Gain) on disposal	14	21,587	9,913	13,579	6,693
		54,621	**25,083**	**30,687**	**15,127**
Changes in:					
- Other assets	13	1,293,199	598,703	161,322	75,473
- Other liabilities	16	357,960	165,722	164	77
- Related parties payables	16(a)	(499,510)	(231,255)	(150,569)	(70,607)
		1,206,270	**558,253**	**41,604**	**20,070**
Tax paid for the year		(18,837)	(8,721)	-	-
Cash generated/(used in) from operating activities		**1,187,433**	**549,532**	**41,604**	**20,070**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	14	(176,293)	(80,958)	(152,332)	(71,434)
		(176,293)	**(80,958)**	**(152,332)**	**(71,434)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Movement in deferred grants		(4,458,833)	(2,064,274)	906,771	425,215
		(4,458,833)	**(2,064,274)**	**906,771**	**425,215**
Net increase/(decrease) in cash and cash equivalents		(3,447,693)	(1,595,700)	796,043	373,851
Cash and cash equivalents at the beginning of the year		3,995,641	1,873,689	3,199,598	1,871,110
Foreign exchange translation reserve		-	(24,310)	-	(371,272)
Cash and cash equivalents at the end of the year	**13**	**547,948**	**253,679**	**3,995,641**	**1,873,689**

Notes and related statements forming part of the financial statements appear on pages 55 to 70.

Report of the auditors is on Page 49-50.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1 REPORTING ENTITY

BRAC Maendeleo Tanzania(“the Organisation”) was incorporated as anOrganization 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.

Memorandumfigures

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 2016 which of TZS 2,160.50(2015: TZS 2,132.50) to USD 1 except for additions to property, plant and equipment were translated at an average rate for the period of TZS 2,177.58 (2015: TZS 2,028.54);
- Income and expenses were translated using an average exchange rate for the period of TZS 2,177.58(2015: TZS 2,028.54);
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Contintued)

(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 losson 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 thelease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Contintued)

(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.

(ii) Classification

Trade and other payables

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

(iii) De-recognition

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(e) Financial assets and liabilities (Continued)

(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 MaendeleoTanzania's trading activity.

(v) Amortised cost measurement

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

(vi) Fair value measurement

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(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 hasdecreased 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(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 A of the time value of money and, where appropriate, the risks specific to the liability.

(i) **Employee benefits**

(i) Defined contribution plans

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

(ii) Short-term benefits

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

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

(j) Relevant new and amended standards in issue but not yet effective for the year ended 31 December 2016

At the date of authorisation of the financial statements for the year ended 31 December 2016, the following relevant Standards were in issue but not yet effective:

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
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• IFRS 9 Financial Instruments	1 January 2018
• IFRS 16 leases	1 January 2019

All Standards and Interpretations will be adopted at their effective date except for those Standards and Interpretations that are not applicable to the Organisation). The members of governing council are in the process of assessing the impact of these new standards some of which may have significant impact on the Organisation.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(j) Relevant new and amended standards in issue but not yet effective for the year ended 31 December 2016 (CONTINUED)

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.

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

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 model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have an impact on the Organisation, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Organisation is currently in the process of performing a more detailed assessment of the impact of this standard on the Organisation and will provide more information in the year ended 31 December 2017 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 *Financial Instruments*

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard mayhave a significant impact on the Organisation, which will include changes in the measurement bases of the Organisation's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. 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, which is expected to increase the provision for bad debts recognised in the Organisation.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

IFRS 16 *Leases*

IFRS 16 was published in January 2016. It 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'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Organisation have begun assessing the potential impact on the financial statements resulting from the application of IFRS 16. This standard will most likely have a significant impact on the Organisation, which will include bringing almost all leases on the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Classes of financial instruments

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

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

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

(a) Credit risk;
(b) Liquidity risk;and
(c) Market risk.
(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(b) Management of liquidity risk (continued)

Residual contractual maturities of financial liabilities.

31 December 2016	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000
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**
31 December 2015			
Other current liabilities	135,139	135,139	135,139
Due to related parties	577,098	577,098	577,098
Deferred grants	5,254,625	5,254,625	5,254,625
Total Liabilities	**5,966,862**	**5,966,862**	**5,966,862**

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 2016. Assets and liabilities are categorised by currency. (Amounts in TZS '000).

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

31 December 2016

	TZS	USD	Total
Financial assets			
Cash and bank balance	2,129	545,819	547,948
Other assets	61,921	-	61,921
Total assets	**64,050**	**545,81**	**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)**

31 December 2015	**TZS**	**USD**	**Total**
Financial assets			
Cash and bank balance	5,740	3,989,901	3,995,641
Due from related Party	-	-	-
Other assets	1,355,121	-	1,355,121
Total assets	**1,360,861**	**3,989,901**	**5,350,762**
Financial liabilities			
Other liabilities	135,139	-	135,139
Due to related parties	577,098	-	577,098
Deferred grants	-	5,254,625	5,254,625
Total liabilities	**712,237**	**5,254,625**	**5,966,862**
Net on balance sheet position	**648,624**	**(1,264,724)**	**(616,100)**

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

Sensitivity analysis

The rate of exchange as at 31 December 2016 is USD 1 = TZS 2,160.50, strengthening of USD against TZS by 10% means that the rate of exchange will move to USD 1 = TZS 2,377.65

The rate of exchange as at 31 December 2015 was USD 1 = TZS 2,132.50, strengthening of USD against TZS by 10% means that the rate of exchange would move to USD 1 = TZS 2,345.75

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Key sources of estimation uncertainty (continued)

(a) Fair values of financial instruments (continued)

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

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

Microfinance

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	-	547,948	-	547,948	547,948
Due from related party	-	-	-	-	-
Other assets	-	-	61,921	61,921	61,921
Total assets	**-**	**547,948**	**61,921**	**609,869**	**609,869**
LIABILITIES					
Other liabilities	-	-	493,097	493,097	493,097
Due to related parties	-	-	77,588	77,588	77,5
Deferred revenue grants	-	-	670,060	670,060	670,060
Total liabilities	**-**	**-**	**1,240,745**	**1,240,745**	**1,240,745**

31 December 2015	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Carrying Value TZS'000	Fair Values TZS'00
ASSETS					
Cash and bank balances	-	3,995,641	-	3,995,641	3,995,641
Loans to customers	-	-	673,438	673,438	673,438
Other assets	-	-	857,053	857,053	857,053
Total assets	**-**	**3,995,641**	**1,530,491**	**5,526,132**	**5,526,132**
LIABILITIES					
Other liabilities	-	-	135,139	135,139	135,139
Due to related parties	-	-	577,098	577,098	577,098
Deferred revenue grants	-	-	5,254,625	5,254,625	5,254,625
Total liabilities	**-**	**-**	**5,966,862**	**5,966,862**	**5,966,862**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Key sources of estimation uncertainty (continued)

(b) 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.

(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.

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
6 DEFERRED GRANTS				
(a) Composition of deferred grants is as follows:				
Deferred revenue grants [Note 6(b)]	487,374	225,636	4,946,206	2,319,440
Deferred capital grants [Note 6(d)]	182,686	84,577	308,419	144,628
	670,060	**310,213**	**5,254,625**	**2,464,068**
(b) Deferred revenue grants				
Balance as at 1 January 2016	4,946,206	2,319,440	4,039,435	2,362,24
Grant received during the year [Note 6(c)]	10,327,341	4,742,574	11,809,550	5,821,695
Transfer to BRAC Tanzania Finance limited	(469,680)	(215,689)	(2,354,545)	(1,160,708)
Transfer to BRAC (formerly BRAC Zanzibar)	-	-	(186,615)	(91,995)
Transfer to BRAC finance for LEAD projects prior year expenses.	(5,762,240)	(2,646,163)	-	-
Grant income utilised during the year	(8,621,229)	(3,959,081)	(8,361,619)	(4,121,985)
Foreign exchange translation reserve	-	(46,201)	-	(489,809)
Receipt from BRAC Tanzania Finance for Emergency Preparedness project-EPP	66,975	30,756	-	-
Balance as at 31 December	**487,374**	**225,636**	**4,946,206**	**2,319,440**
(c) Grant received during the year				
Name of the donor				
Norwegian Government-NORAD	138,771	63,727	198,059	97,636
BRAC USA –Lego foundation	741,845	340,675	-	-
BRAC USA-ELA	274,298	125,966	-	-
BRAC USA – NOVO Foundation	1,065,571	489,337	-	-
Department for International Development (DFID)	8,106,856	3,722,869	11,611,491	5,724,059
	10,327,341	**4,742,574**	**11,809,550**	**5,821,695**
(d) Deferred capital grants				
Balance as at 1 January 2016	308,418	144,628	434,183	253,908
Amortisation during the year	(125,733)	(57,740)	(125,764)	(61,997)
Foreign exchange translation reserve	-	(2,311)	-	(47,283)
Balance as at 31 December	**182,685**	**84,577**	**308,419**	**144,628**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016	Memo 2016	2015	Memo 2015
	TZS'000	USD	TZS'000	USD
7. OTHER INCOME				
Other income	7,692	3,532	2,212	1,091
Training	135,219	62,096	190,203	93,763
	142,911	**65,628**	**192,415**	**94,854**
8. STAFF COSTS				
Salaries	2,512,427	1,153,768	2,272,801	1,120,411
Bonus	35,599	16,348	35,087	17,297
Social security Fund contribution (NSSF)	251,242	115,377	227,280	112,041
Skills Development sLevy (SDL)	119,341	54,804	113,640	56,021
Total	**2,918,609**	**1,340,297**	**2,648,808**	**1,305,770**

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

	2016	Memo 2016	2015	Memo 2015
9. OCCUPANCY EXPENSES				
Rent	410,834	188,665	352,691	173,865
Utilities	5,400	2,480	7,011	3,456
	416,234	**191,145**	**359,702**	**177,321**
10. OTHER OPERATING EXPENSES				
Maintenance and general expenses	3,114,035	1,430,043	1,734,138	854,869
Program supplies	556,291	255,462	463,792	228,634
HO logistics and management expenses	143,702	65,991	191,974	94,636
	3,814,028	**1,751,496**	**2,389,904**	**1,178,139**
11. TAX EXPENSE				
Current income tax charge	14,048	6,926		
Deferred tax credit	4,485	2,060	(6,716)	(3,311)
	4,485	**2,060**	**7,332**	**3,615**
12. CASH AND BANK BALANCES				
Cash in hand	-	-	-	-
Cash at bank	547,948	253,679	3,995,641	1,873,689
	547,948	253,679	3,995,641	1,873,689
13. OTHER ASSETS				
Advances and prepayments	61,921	28,668	34,064	15,974
Current account in transit	-	-	1,321,057	619,487
	61,921	**28,668**	**1,355,121**	**635,461**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PROPARTY AND EQUIPMENT

	Furniture &fixtures TZS'000	Equipment TZS'000	Motor vehicle TZS'000	Bicycle TZS'000	Motor cycles TZS'000	Total TZS'000	Total USD
Cost							
At 1 January 2015	460,027	171,718	195,754	14,385	51,835	893,719	522,643
Additions	88,660	26,951	32,320	2	4,400	152,333	75,094
Disposal		(2)	-	(6,641)	(7,453)	(14,096)	(6,948)
Translation reserve	-	-	-	-	-	-	(106,871)
At **31 December 2015**	**548,687**	**198,667**	**228,074**	**7,746**	**48,782**	**1,031,956**	**483,918**
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
Disposal	(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**
Accumulated depreciation							
At 1 January 2015	196,506	80,173	84,920	7,746	28,443	397,788	232,625
Charge for the year	43,956	48,422	43,522	-	6,972	142,872	70,431
Disposal			-	-	(518)	(518)	(243)
Translation reserve	-	-	-	-	-	-	(49,522)
At 31 December 2015	**240,462**	**128,595**	**128,442**	**7,746**	**34,897**	**540,142**	**253,291**
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
Disposal					-		
Translation reserve	-	-	-	-	-	-	(2,701)
At 31 December 2016	**290,579**	**181,963**	**173,426**	**7,746**	**45,195**	**698,909**	**323,499**
Net book value							
At 31 December 2016	**297,909**	**31,293**	**142,358**	**-**	**16,193**	**487,753**	**225,811**
At 31 December 2015	**308,225**	**70,072**	**99,632**	**-**	**13,885**	**491,814**	**230,627**

BRAC MAENDELEO TANZANIA

NOTES TO THE FINANCIALS STATMENTS (Continued)

	2016	Memo 2016	2015	Memo 2015
	TZS'000	USD	TZS'000	USD

15. DEFERRED TAX (ASSET)/ LIABILITY

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

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
At 1 January	(6,230)	(2,921)	486	284
Charge in respect of prior year	-	-	-	-
Credit for the year	4,485	2,060	(6,716)	(3,311)
Foreign exchange translation	-	53	-	106
At 31 December	**(1,745)**	**(808)**	**(6,230)**	**(2,921)**
Deferred tax asset arises from temporary-differences on the following items:				
Capital allowances	(1,745)	(808)	(6,230)	(2,921)

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. However, the Organisation has not yet obtained the corporation tax exemption status from the Tanzania Revenue Authority (TRA).

16. OTHER LIABILITIES

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
Accrued expenses	90,991	42,127	47,409	22,232
Other payables			6	3
Revolving fund	402,106	186,159	87,724	41,136
	493,097	**228,286**	**135,139**	**63,371**

(a) Due to related parties

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
Stichting BRAC International- HO Logistics	59,508	27,550	403,800	189,355
BRAC International – Expatriate staff cost	-	-	-	-
Payable to Tanzania MF Ltd	18,080	8,370	20,728	9,720
BRAC – GPAF funds			152,570	71,546
	77,588	**35,920**	**577,098**	**270,621**

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

	2016 TSZ'000	Memo 2016 USD	2015 TSZ'000	Memo 2015 USD
Head office logistics and management	**143,702**	**65,991**	**191,974**	**94,636**

17. 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.

18. POST BALANCE SHEET EVENTS

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

BRAC MAENDELEO TANZANIA

APPENDICES - SEGMENTAL INFORMATION

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	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**	**31,003**	**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)**

BRAC MAENDELEO TANZANIA

APPENDIX II - STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Play Lab TZS'000	EPP TZS'000	Research TZS'000	Sub Total TZS'000	Grand Total 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	-	-	-	-	-
Tax charge	-	-	-	-	(4,485)
			(4,485)		
Amortisation of Capital grants	-	-	-	-	125,733
Total expenditure	**(402,978)**	**(17,045)**	**(140,379)**	**(560,402)**	**(8,764,140)**
Surplus for the year	-	-	-	-	-
Tax charge	-	-	-	-	(4,485)
					(4,485)

BRAC MAENDELEO TANZANIA

APPENDICES - SEGMENTAL INFORMATION

Appendix I- Statement of profit or loss and other comprehensive income
For the year ended 31 December 2015

		Agriculture, poultry & livestock		Empowerment and livelihood for adolescents (ELA)						
	BRAC	LEAD	GPAF	NIKE-ADP	NOVO-ELA	GEC	Pre Primary School	Training	ALPG-NORAD	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Income										
Grant income	-	5,150,422	214,306	214,400	274,370	2,448,771	5,916	-	53,434	8,361,619
Other income/ (expenses)	-	56	3	2,093	3,816	35	2,698	183,714	-	192,415
Total income	**-**	**5,150,478**	**214,309**	**216,493**	**278,186**	**2,448,806**	**8,614**	**183,714**	**53,434**	**8,554,034**
Expenditure										
Staff costs and other benefits	-	(1,454,084)	(101,571)	(122,134)	(175,224)	(734,880)	(1,090)	(54,847)	(4,978)	(2,648,808)
Travelling and transportation expenses	-	(497,952)	(7,523)	(13,287)	(29,264)	(153,371)	(28)	(5,409)	(2,521)	(709,355)
Training, workshop and seminar expenses	-	(1,703,649)	(87,422)	(5,126)	(4,542)	(589,352)	(3,905)	(2,287)	(22,327)	(2,418,610)
Occupancy expenses	-	(199,142)	(6,235)	(13,031)	(11,239)	(84,048)	(1,232)	(31,525)	(13,250)	(359,702)
Other general and administration expenses	-	(1,295,651)	(11,558)	(60,437)	(56,142)	(877,063)	(2,359)	(87,445)	(9,799)	(2,400,454)
Depreciation charge	-	(125,764)	-	(2,478)	(1,775)	(10,092)	-	(2,201)	(559)	(142,869)
Amortisation of Capital grants	-	125,764	-	-	-	-	-	-	125,764	
Total expenditure	**-**	**(5,150,478)**	**(214,309)**	**(216,493)**	**(278,186)**	**(2,448,806)**	**(8,614)**	**(183,714)**	**(53,434)**	**(8,554,034)**
Surplus for the year	-	-	-	-	-	-	-	-	-	-
Tax charge	(7,332)	-	-	-	-	-	-	-	-	(7,332)
	(7,332)	-	-	-	-	-	-	-	-	**(7,332)**

BRAC MAENDELEO TANZANIA

APPENDICES - SEGMENTAL INFORMATION

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
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**	**1,158,936**

BRAC MAENDELEO TANZANIA

APPENDICES - SEGMENTAL INFORMATION

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**	**12,431**	**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**	**-**	**-**	**12,431**	**1,099,367**

BRAC MAENDELEO TANZANIA

APPENDICES - SEGMENTAL INFORMATION

Appendix II- Statement of Financial position
As at 31 December 2015

		Agriculture, poultry & livestock		Empowerment and livelihood for adolescents (ELA)						
	BRAC	LEAD	GPAF	NIKE-ADP	NOVO-ELA	GEC	Pre Primary School	Training	ALPG-NORAD	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	3,995,611	-	-	30	-	-	-	-	-	3,995,641
Other assets	(4,026,951)	4,659,893	177,578	(149,546)	(119,155)	549,550	98,661	52,900	112,191	1,355,121
Property and equipment	17,936	393,057	-	1,791	1,063	41,447	-	4,086	32,434	491,814
Deferred tax asset	6,230	-	-	-	-	-	-	-	-	6,230
Total assets	**(7,174)**	**5,052,950**	**177,578**	**(147,725)**	**(118,092)**	**590,997**	**98,661**	**56,986**	**144,625**	**5,848,806**
LIABILITIES AND CAPITAL FUND										
Liabilities										
Other liabilities	133,889	(4,614)	5,885	2,152	(2,444)	20	251	-	-	135,139
Due to related parties	-	44,433	152,570	50,975	16,332	278,811	-	33,978	-	577,099
Deferred grants	-	5,013,131	19,123	(200,852)	(131,980)	312,166	98,410	-	144,625	5,254,623
Corporate tax payable	19,057	-	-	-	-	-	-	-	-	19,057
Total liabilities	**152,946**	**5,052,950**	**177,578**	**(147,725)**	**(118,092)**	**590,997**	**98,661**	**33,978**	**144,625**	**5,985,919**
Capital fund/(deficit)										
Accumulated losses	(160,120)	-	-	-	-	-	-	23,008	-	(137,112)
Total liabilities and capital fund	**(7,174)**	**5,070,950**	**177,578**	**(147,725)**	**(118,092)**	**590,997**	**98,661**	**56,986**	**144,625**	**5,848,806**

BRAC TANZANIA FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

Rakibul Bari Khan	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. Box 1863
Dar es Salaam
Tanzania

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

Standard Chartered Bank (Tanzania) Limited
1st Floor, International House
Shaaban Robert Street/Garden Avenue
P.O. Box 9011
Dar es Salaam, Tanzania

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

CRDB Bank Plc.
P. O. Box 268
Dar es Salaam, Tanzania

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

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

1 The directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2015, 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 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 groundbreaking 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 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 2016 is as follows:

- Total revenue increased by 24% from TZS 28,866 million in 2015 to TZS 35,799 million in 2016.
- Loans to customers (Gross) increased by 31% from TZS 53,589 million in 2015 to TZS 70,012 million in 2016.
- Operating expenses increased by 19% from TZS 15,184 million in 2015 to TZS 18,141 million in 2016.
- Finance costs have increased by 13% from TZS 3,017 million in 2015 to TZS 3,423 million in 2016.

During the year, the Company had an attributable profit of TZS 8.8 billion (TZS 6.3 billion in 2015). The statement of financial position as at 31 December 2016 is set out on page 88.

8 RESULTS FROM OPERATIONS

The result for the Company's operations for the year ended 31 December 2016 is set out on page 87.

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 78.

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, ensure 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 2017 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 170,694 borrowers aiming to disburse USD 76.7 million under micro loans and SEP.

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.

16 KEY ACHIEVEMENTS IN 2016

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

- The number of borrowers has increased by 18% during the year and the amount disbursed has increased by 26% from TZS 121 billion in 2015 to TZS 153 billion in 2016.
- Agri-finance product has done well with an increase of amount disbursed of TZS 10.7 billion compared to TZS 7.5 billion in 2015. Also its PAR 30 has maintained a range of 0.24% to 1.03%. This has shown an impact on the agricultural sector which highlights the potentiality of supporting poor farmers given the seasonality challenges in agriculture.
- 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 prepare 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 2016, the Company spent a sum of TZS 182.5 million for staff training in order to improve employees' technical skills and hence effectiveness (2015: TZS 127 million).

DIRECTORS' REPORT (Continued)

18 EMPLOYEES' WELFARE (Continued)

Medical assistance

The Company reimburses medical expenses incurred by employees for medical treatment on a 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 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 is contributing 1% of gross salaries of all employees to a newly established worker's compensation fund regulated by the Government to cover all employees' injury or permanent disability which occur at working environment. During the year BRAC contributed TZS 66.4 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 1,538 employees in 2016 out of them 251 males and 1,287 females. In 2015 total employees were 1,652 with 400 males and 1,252 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

....

Mr. Shib Narayan Kairy
Director

..........29.03...........2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 2016, 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 ....29.03.2017...... 2017 and signed by:

....

Mr. Shib Narayan Kairy
Director

BRAC TANZANIA FINANCE LIMITED
DECLARTION OF FINANCE MANAGER

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 Finance Manager 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 …GETRUDA JOHN…being the Finance Manager of BRAC hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2016; 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: FINANCE MANAGER

NBAA Membership No.: 5376

Date: ....29...........March 2017

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

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

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

Report on the financial statements

Opinion

We have audited the financial statements of BRAC Tanzania Finance Limited ("the Company"), set out on pages 12 to 41 which comprise the statement of financial position as at 31 December 2016, 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 2016, 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.

Auditors' Responsibilities for the Audit of the financial Statements

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors 'use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG
Certified Public Accountants (T)

....
Signed by: M Salim Bashir
Dar es Salaam

29 March 2017

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 TZS '000	Memo 2016 USD	2015 TZS '000	Memo 2015 USD
Income					
IInterest income	6	32,317,447	14,840,969	25,135,317	12,390,831
Interest expense	7	(3,422,831)	(1,571,848)	(3,016,870)	(1,487,211)
Net interest income		**28,894,616**	**13,269,121**	**22,118,447**	**10,903,620**
Fee and commission income	8	1,785,475	819,934	1,426,184	703,059
Other income	9	1,130,690	519,241	1,604,570	790,997
Grant income utilised	23	568,543	261,089	252,631	124,538
Foreign exchange gain		(3,038)	(1,395)	447,260	220,483
Total operating income		**32,376,286**	**14,867,990**	**25,849,092**	**12,742,697**
Impairment charge on loans to customers	15(a)	(1,530,295)	(702,749)	(1,233,764)	(608,202)
Operating income after impairment charge on loans to customers		**30,845,991**	**14,165,241**	**24,615,328**	**12,134,495**
staff costs and other benefits	10	(10,627,899)	(4,880,594)	(9,338,453)	(4,603,530)
Travelling and transportation costs		(2,114,565)	(971,061)	(1,571,279)	(774,585)
Training, workshop and seminars costs		(182,535)	(83,824)	(126,678)	(62,448)
Occupancy expenses	11	(622,890)	(286,046)	(501,302)	(247,125)
Other operating expenses	12	(4,325,249)	(1,986,261)	(3,457,003)	(1,704,181)
Depreciation and amortisation expense	17& 18	(268,109)	(123,122)	(189,696)	(93,513)
Profit before taxation		**12,704,744**	**5,834,333**	**9,430,917**	**4,649,113**
Tax expense	13	(3,860,740)	(1,772,947)	(3,136,437)	(1,546,154)
Profit for the year		**8,844,004**	**4,061,386**	**6,294,480**	**3,102,958**
Other comprehensive income					
Foreign currency translation loss		-	(102,720)	-	(151,062)
Total comprehensive income for the year		**8,844,004**	**3,958,666**	**6,294,480**	**2,951,896**

Notes and related statements forming part of the financial statements appear on pages 91-116.

Report of the auditors is on page 85-86.

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 TZS '000	Memo 2016 USD	2015 TZS '000	Memo 2015 USD
ASSETS					
Cash and bank balances	14	4,282,801	1,982,778	3,475,803	1,629,920
Fixed deposits		4,511,553	2,088,682	5,467,832	2,564,048
Loans to customers	15	67,188,512	31,105,793	51,474,104	24,137,915
Other assets	16	1,125,056	520,859	960,531	450,424
Property and equipment	17	300,253	139,006	183,489	86,044
Intangible assets	18	253,128	117,189	323,078	151,502
Deferred tax asset	19	898,300	415,879	672,936	315,562
Corporation tax recoverable		86,754	40,164	493,129	231,245
Total assets		**78,646,357**	**36,410,350**	**63,050,902**	**29,566,660**
LIABILITIES AND EQUITY					
Long term liabilities					
Long term portion of term loans	22	4,861,579	2,250,731	14,871,299	6,973,646
Total long term liabilities		**4,861,579**	**2,250,731**	**14,871,29**	**6,973,646**
Current liabilities					
Other liabilities	20	6,659,262	3,082,991	4,116,818	1,930,513
Loan security fund	21	13,142,128	6,084,319	10,379,434	4,867,261
Current portion of term loans	22	17,365,305	8,039,493	7,398,181	3,469,253
Deferred revenue grants	23	5,043,934	2,335,154	3,557,278	1,668,125
Total current liabilities		**47,072,208**	**21,792,688**	**25,451,711**	**11,935,152**
Equity					
Allocated capital		8,039,570	3,770,021	8,039,570	3,482,717
Retained earnings		23,534,579	10,950,283	14,688,322	7,240,828
Translation reserve		-	(102,642)	-	(65,683)
Total equity		**31,574,149**	**14,617,662**	**22,727,892**	**10,657,862**
Total equity and liabilities		**78,646,357**	**36,410,350**	**63,050,902**	**29,566,660**

The financial statements on pages 10 to 41 were approved for issue by the Board of Directors on ....29.03.....2017 and signed on its behalf by;

Mr. Shib Narayan Kairy
Director

Notes and related statements forming part of the financial statements appear on pages 91-116.

Report of the auditors is on page 85-86.

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Allocated capital TZS '000	Retained earning USD	Total 2015 TZS '000	Total 2015 USD
Balance at 1 January 2015	8,039,570	8,396,096	16,435,666	9,611,504
Profit for the year	-	6,294,480	6,294,480	3,102,958
Other comprehensive income, net of income tax:				
Foreign currency translation loss	-	-	-	(2,056,600)
Balance as at 31 December 2015	**8,039,570**	**14,690,576**	**22,730,146**	**10,657,862**
Balance at 1 January 2016	**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 2016	**8,039,570**	**23,534,579**	**31,574,149**	**14,617,662**

Notes and related statements forming part of the financial statements appear on pages 91-116.

Report of the auditors is on page 85-86.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 TZS '000	Memo 2016 USD	2015 TZS '000	Memo 2015 USD
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		12,704,744	5,834,333	9,430,917	4,649,113
Adjustment for non-cash items					
Depreciation charge and amortisation		268,109	123,122	189,696	93,513
Amortisation of capital grants		(568,543)	(261,089)	(252,098)	(124,276)
Loans written off		(821,724)	(378,089)	(528,470)	(247,817)
Impairment charge on loans to customers		1,530,295	702,749	1,233,764	608,202
		13,112,881	**6,021,026**	**10,073,809**	**4,978,735**
Changes in:					
- Other assets		(389,890)	(180,504)	(428,123)	(200,762)
- Fixed deposit maturing after 3 months		956,279	442,722	(4,308,785)	(2,020,532)
- Other liabilities		3,851,733	1,783,210	(839,686)	(393,757)
- Loans to customers		(16,549,343)	(7,661,733)	(13,346,220)	(6,258,485)
- Tax recoverable		406,376	188,137	-	-
		1,388,036	**592,858**	**(8,849,005)**	**(3,894,801)**
Tax paid		(4,761,571)	(2,186,631)	(1,909,215)	(941,176)
Net cash used in operating activities		(3,373,535)	(1,593,773)	(10,758,220)	(4,835,977)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property and equipment		(246,650)	(113,268)	(101,785)	(50,176)
Acquisition of intangible asset		-	-	-	-
Net cash used in from investing activities		**(246,650)**	**(113,268)**	**(101,785)**	**(50,176)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Term loans acquired during the year		6,729,754	3,090,469	9,705,256	4,551,116
Repayment of the term loans		(6,761,569)	(3,105,079)	(2,283,686)	(1,125,777)
Loan security funds received during the year		2,762,694	1,279,025	2,543,787	1,192,866
Grants received during the year		1,696,304	778,985	2,190,357	1,027,132
Net cash generated from financing activities		**4,427,183**	**2,043,400**	**12,155,714**	**5,645,337**
Net increase /(decrease) in cash and cash equivalents		**806,998**	**336,359**	**1,295,708**	**759,183**
Cash and cash equivalents at the beginning of the year		3,475,803	1,629,920	2,180,095	1,274,910
Foreign exchange translation reserve		-	16,499	-	(404,173)
Cash and cash equivalents at the end of the year	14	**4,282,801**	**1,982,778**	**3,475,803**	**1,629,920**

Notes and related statements forming part of the financial statements appear on pages 91-116.

Report of the auditors is on page 85-86.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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.

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 2016 which of TZS 2,160.50 (2015:TZS 2,132.50) to USD 1 except for additions to property, plant and equipment were translated at an average rate for the period of TZS 2,177.58 (2015: TZS 2,028.54);
- Income and expenses were translated using an average exchange rate for the period of TZS 2,177.58 (2015: TZS 2,028.54);
- 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 in to

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

(a) Foreign currency transactions (Continued)

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

(d) Grants (Continued)

(i) Deferred grants (Continued)

completed or phased out projects and programs, any unutilised amounts are dealt with in accordance with consequent donor and management agreements.

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

(ii) Grant income

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

(e) Interest from deposits with banks

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

(f) Lease payments made

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

(g) Income tax expense

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position 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.

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.

(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

(h) Financial assets and liabilities (Continued)

(i) Recognition (Continued)

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) Off setting

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

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

(v) Amortised cost measurement

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

(h) Financial assets and liabilities (Continued)

(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 statement of financial position 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets and liabilities (Continued)

(vii) Identification and measurement of impairment (Continued)

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 statement of profit or loss and other comprehensive income.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Property and equipment (Continued)

(iii) Depreciation (Continued)

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.

(l) 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 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.

(m) 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 5 years.

(n) 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.

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

(o) 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.

(p) 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.

(q) 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

(r) New standards and interpretations in issue but not yet effective

At the date of authorisation of the financial statements for the year ended 31 December 2016, the following relevant Standards were in issue but not yet effective:

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
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• IFRS 9 Financial Instruments	1 January 2018
• IFRS 16 leases	1 January 2019

All Standards and Interpretations will be adopted at their effective date except for those Standards and Interpretations that are not applicable to the Company). The directors are in the process of assessing the impact of these new standards some of which may have significant impact on the Company.

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

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

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

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.

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

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 Customer*s 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 model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have an impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the year ended 31 December 2017 financial statements. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 *Financial Instruments*

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. 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, which is expected to increase the provision for bad debts recognised in the Company.

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

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

IFRS 16 *Leases*

IFRS 16 was published in January 2016. It 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'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Company have begun assessing the potential impact on the financial statements resulting from the application of IFRS 16. This standard will most likely have a significant impact on the Company, which will include bringing almost all leases on the statement of financial position.

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.

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (C0NTINUED)

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

	2016 TZS'000	2015 TZS'000
Standard	66,845,149	52,226,336
Watch List	951,758	525,859
Substandard	923,232	410,756
Doubtful	150,045	82,861
Loss	1,141,597	342,990
	70,011,781	**53,588,802**
Allowance for impairment	(2,823,269)	(2,114,698)
Net loans	**67,188,512**	**51,474,104**
Balance at 1 January	2,114,698	1,409,404
Impairment charge on loans to customers during the year	1,530,295	1,233,764
Loans written off during the year	(821,724)	(528,470)
Balance at 31 December	**2,823,269**	**2,114,698**

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.

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Contintuted)

(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 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**	**-**

31 December 2015	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	10,379,434	10,379,434	10,379,434	-	-
Term loans	22,269,480	22,269,480	7,398,181	13,778,799	1,092,500
Deferred revenue grants	3,557,278	3,557,278	3,557,278	-	-
Other current liabilities	4,116,818	4,116,818	4,116,818	-	-
	40,323,011	**40,323,011**	**25,451,711**	**13,778,799**	**1,092,500**

(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.

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

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 2016. Assets and liabilities are categorised by currency. (Amounts in TZS'000)

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	1,125,056	-	1,125,056
Total assets	**76,567,300**	**540,622**	**77,107,922**
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	**43,188,609**	**(13,152,895)**	**30,035,714**

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

c) **Market risk (Continued)**

(i) **Currency risk (Continued)**

31 December 2015	TZS	USD	Total
Financial assets			
Cash and bank balance	3,321,082	154,721	3,475,803
Fixed deposit	5,467,832	-	5,467,832
Loans to customers	51,474,104	-	51,474,104
Other assets	960,531	-	960,531
Total assets	**61,223,549**	**154,721**	**61,378,270**
Financial liabilities			
Term loans	21,176,980	1,092,500	22,269,480
Other liabilities	4,116,818	-	4,116,818
Loan security fund	10,379,434	-	10,379,434
Deferred grants	-	3,557,278	3,557,278
Total liabilities	**35,673,232**	**4,649,778**	**40,323,010**
Net on balance sheet position	**25,550,317**	**(4,495,057)**	**21,055,260**

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

Sensitivity analysis

The rate of exchange as at 31 December 2016 is USD 1 = TZS 2,160.50, strengthening of USD against TZS by 10% means that the rate of exchange will move to USD 1 = TZS 2,377.65
The rate of exchange as at 31 December 2015 was USD 1 = TZS 2,132.50, strengthening of USD against TZS by 10% means that the rate of exchange would move to USD 1 = TZS 2,345.75

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

c) **Market risk (Continued)**

(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 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	-	-	-	-	1,125,056	1,125,056
Total assets	**1,718,936**	**69,981,129**	**-**	**-**	**5,407,857**	**77,107,922**
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)**	**-**	**(19,437,467)**	**30,035,714**

31 December 2015	Up to 1 month TZS'000	From 1 to 12 months TZS'000	From 1 years to 2 years TZS'000	From 2 years and above TZS'000	Non interest bearing TZS'000	Total TZS'000
ASSETS						
Cash and bank balances	-	-	-	-	3,475,803	3,475,803
Fixed deposits	-	5,467,832	-	-	-	5,467,832
Loans to customers	1,118,983	50,355,121	-	-	-	51,474,104
Other assets	-	-	-	-	960,531	960,531
Total assets	**1,118,983**	**55,822,953**	**-**	**-**	**4,436,334**	**61,378,270**
LIABILITIES						
Other liabilities	-	-	-	-	4,116,818	4,116,818
Loan security fund	-	-	-	-	10,379,434	10,379,434
Term loans	-	7,398,181	13,778,799	1,092,500	-	22,269,480
Deferred revenue grants	-	-	-	-	3,557,278	3,557,278
Total liabilities	**-**	**7,398,181**	**13,778,799**	**1,092,500**	**18,053,530**	**40,323,010**
Net assets/(liabilities)	**1,118,983**	**48,424,772**	**(13,778,799)**	**(1,092,500)**	**(13,617,196)**	**21,055,260**

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Contintuted)

(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.

5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty

(i) Allowances for credit losses (continued)

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 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	-	4,282,801	-	4,282,801	4,282,801
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**

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

Key sources of estimation uncertainty (continued)

(ii) Fair values of financial instruments (continued)

31 December 2015	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	-	3,475,803	-	3,475,803	3,475,803
Fixed deposits	-	5,467,832	-	5,467,832	5,467,832
Loans to customers	-	-	51,474,104	51,474,104	51,474,104
Other assets	-	-	533,125	533,125	533,125
Total assets	**-**	**8,943,635**	**52,007,229**	**60,950,864**	**60,950,864**
LIABILITIES					
Other liabilities	-	-	4,116,818	4,116,818	4,116,818
Loan security fund	-	10,379,434	-	10,379,434	10,379,434
Term loans	-	22,269,480	-	22,269,480	22,269,480
Deferred revenue grants	-	-	3,557,278	3,557,278	3,557,278
Total liabilities	**-**	**32,648,914**	**7,674,096**	**40,323,010**	**40,323,010**

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

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

(iv) Taxes

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

6. **INTEREST INCOME**

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
Interest on loans to group members:				
-Micro finance	25,227,879	11,585,264	20,795,049	10,251,231
-Small enterprise program	4,470,244	2,052,846	3,196,638	1,575,831
-Adolescent development program	338,082	155,256	193,977	95,624
-Empowerment and livelihood for adolescent program	219,253	100,686	128,820	63,504
-Agriculture	1,930,761	886,653	786,342	387,639
-Investment Fund	131,228	60,264	34,491	17,002
	32,317,447	**14,840,969**	**25,135,317**	**12,390,831**

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
7. INTEREST EXPENSE				
Interest expense on loans from:				
-BRAC Africa Micro Finance Limited	2,010,997	923,499	2,216,140	1,092,479
-Financial Sector Deepening Trust (FSDT)	42,485	19,510	155,236	76,526
-Bank of Africa	1,066,146	489,601	640,280	315,636
-Responsibility	303,203	139,238	5,214	2,570
	3,422,831	**1,571,848**	**3,016,870**	**1,487,211**
8. FEE AND COMMISSION INCOME				
Membership fee	232,953	106,978	201,231	99,200
Loan appraisal fee	1,526,917	701,198	1,212,121	597,533
Loan application fee	25,605	11,758	12,832	6,326
	1,785,475	**819,934**	**1,426,184**	**703,059**
9. OTHER INCOME				
Gain due to early repayment of loan	557	256	752	371
Interest income from bank deposit	1,057,129	485,460	390,184	192,347
Other income	73,004	33,525	1,213,634	598,279
	1,130,690	**519,241**	**1,604,570**	**790,997**
10. STAFF COSTS AND OTHER BENEFITS				
Salaries	8,860,325	4,068,880	7,942,404	3,915,327
Bonus	234,557	107,714	204,688	100,904
NSSF	1,039,333	477,288	794,241	391,533
SDL	493,684	226,712	397,120	195,766
	10,627,899	**4,880,594**	**9,338,453**	**4,603,530**

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

11. OCCUPANCY EXPENSES

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
Rent	537,717	246,933	425,251	209,634
Utilities	85,173	39,113	76,051	37,491
	622,890	**286,046**	**501,302**	**247,125**

12. OTHER OPERATING EXPENSES

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
Maintenance and general expenses	1,054,969	479,730	991,982	489,012
Cash write off	40,798	18,735	33,864	16,694
Members death benefit expenses	80,595	37,011	76,410	37,667
Vehicle running expenses	53,761	24,688	60,941	30,042
Audit and other legal fees	172,442	83,928	337,403	166,328
Head Office logistics and management expenses	940,339	431,827	883,027	435,301
Stationery expenses	306,642	140,818	240,062	118,342
Other expenses	1,675,703	769,524	833,314	410,795
	4,325,249	**1,986,261**	**3,457,003**	**1,704,181**

13. TAX EXPENSE

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
Current income tax charge	4,086,104	1,876,440	3,098,811	1,527,606
Deferred tax (credit) /charge for the year	(225,364)	(103,493)	(81,322)	(40,089)
Prior year tax charge underprovided	-		-	
			118,948	58,637
	3,860,740	**1,772,947**	**3,136,437**	**1,546,154**

Tax rate reconciliation	%		%	
Standard rate of income tax	30.0		30.0	
Tax effect of non-deductible expenses	0.4		0.6	
Tax effect of prior year deferred tax asset under provision	0.0		0.0	
Effective rate of income tax	30.4		30.6	

Tax Movement

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
At 1 January	1,308,545	613,620	-	-
Charge during the year	4,086,104	1,772,947	3,217,760	1,546,154
Withholding tax utilised during the year	-	-	(30,619)	(15,094)
Payment during the year	(4,761,571)	(2,186,631)	(1,878,596)	(926,082)
Foreign Exchange Translation reserve	-	93,156	-	8,642
At 31 December	**633,078**	**293,092**	**1,308,545**	**613,620**

14. CASH AND BANK BALANCES

	Memo 2016 TZS'000	2016 USD	Memo 2015 TZS'000	2015 USD
Cash in hand	78,582	36,380	77,832	36,498
Cash at bank	4,204,219	1,946,398	3,397,971	1,593,422
	4,282,801	**1,982,778**	**3,475,803**	**1,629,920**

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.

15. LOANS TO CUSTOMERS

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
Loans to customers (gross)	70,011,781	32,412,862	53,588,802	25,129,567
Provision for impairment on loans to customers [Note-15(a)]	(2,823,269)	(1,307,069)	(2,114,698)	(991,652)
Foreign currency translation reserve	-	-	-	-
Balance at 31 December	**67,188,512**	**31,105,793**	**51,474,104**	**24,137,915**

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:

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
Balance as at 1 January	2,114,698	991,652	1,409,404	824,213
Impairment charge during the year	1,530,295	702,749	1,233,764	608,202
Loans written off during the year	(821,724)	(378,089)	(528,470)	(247,817)
Foreign currency translation reserve	-	(9,243)	-	(192,946)
Balance at 31 December	**2,823,269**	**1,307,069**	**2,114,698**	**991,652**

Analysis of Loans per group

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
- Micro finance	50,829,506	23,532,179	40,112,296	18,809,987
- Small enterprise program	11,949,309	5,532,086	8,918,757	4,182,301
- Adolescent program	830,007	384,263	393,467	184,510
- Empowerment and livelihood for adolescent program	547,689	253,560	277,690	130,218
- Agriculture	5,587,807	2,586,948	3,770,301	1,768,018
- Investment fund	267,463	123,826	116,291	54,533
	70,011,781	**32,412,862**	**53,588,802**	**25,129,567**

16. OTHER ASSETS

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
Advances and prepayments	455,292	210,783	349,799	164,032
Stock of consumables	129,764	60,076	77,607	36,392
Deposit (BRAC International Loan Facility reserve)	540,000	250,000	533,125	250,000
	1,125,056	**520,859**	**960,531**	**450,424**

BRAC MAENDELEO TANZANIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	Total USD
NBV/Cost							
At 1 January 2015	200,201	283,944	37,020	3,240	19,966	544,371	318,346
Additions	101,785	-	-	-	-	101,785	50,176
Disposal	-	(51,385)	-	-	-	(51,385)	(25,331)
Foreign exchange translation difference	-	-	-	-	-	-	(64,284)
At 31 December 2015	**301,986**	**232,559**	**37,020**	**3,240**	**19,966**	**594,771**	**278,907**
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
Disposal	-	-	-	-	-	-	-
Foreign exchange translation difference	-	-	-	-	-	-	-
At 31 December 2016	**434,511**	**341,964**	**37,020**	**3,240**	**24,686**	**841,421**	**389,547**
Accumulated depreciation							
At 1 January 2015	93,518	169,199	32,919	2,912	19,961	318,509	186,263
Charge during the year	30,199	58,140	4,101	328	5	92,773	45,733
Foreign exchange translation difference	-	-	-	-	-	-	(39,133)
At 31 December 2015	**123,717**	**227,339**	**37,020**	**3,240**	**19,966**	**411,282**	**192,863**
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**
Net book value							
At 31 December 2016	**267,343**	**29,134**	**-**	**-**	**3,776**	**300,253**	**139,006**
At 31 December 2015	**178,269**	**5,220**	**-**	**-**	**-**	**183,489**	**86,044**

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. INTANGIBLE ASSETS

	Software TZS'000	Memo Total USD
Cost		
At 1 January 2016	484,617	227,253
Additions	68,273	31,353
Foreign exchange translation difference	-	(2,638)
At 31 December 2016	**552,890**	**255,968**
Accumulated amortization		
At 1 January 2016	161,539	75,751
Charge during the year	138,223	63,475
Foreign exchange translation difference	-	(447)
At 31 December 2016	299,762	138,779
Net book value		
At 31 December 2016	**253,128**	**117,189**
At 31 December 2015	**323,078**	**151,502**

19. DEFERRED TAX ASSET

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

Opening balance as at 1 January	672,936	315,562	591,614	345,973
(Charge)/credit for the year	225,364	103,493	81,322	40,089
Foreign exchange translation difference	-	(3,176)	-	(70,500)
At 31 December	**898,300**	**415,879**	**672,936**	**315,562**

Deferred tax arises from temporary differences on the following items:

Capital allowances	51,319	23,758	38,527	18,066
Impairment provision – general	846,981	392,121	634,409	297,496
Other provisions	-	-	-	-
	898,300	**415,879**	**672,936**	**315,562**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
20. OTHER LIABILITIES				
Accrued expenses	549,680	254,481	543,401	254,818
Payable to Stitching BRAC International – Head office Logistics	-	-	933,177	437,597
Payable to BRAC Bangladesh	399,336	184,878	367,287	172,233
Payable to BRAC IT Service (BITS)	287,828	133,254	-	-
Payable to BRAC International Holdings B.V	191,351	88,589	-	-
Current accounts in transit	4,597,887	2,128,651	869,132	407,565
Corporate tax payable	633,078	293,092	1,310,800	614,678
Withholding tax on term loans payable	102	46	93,021	43,622
	6,659,262	3,082,991	4,116,818	1,930,513

21. LOAN SECURITY FUND

Balance as at 1 January 2016	10,379,434	4,867,261	7,835,648	4,582,250
Collection during the year	4,343,018	1,994,421	12,121,176	5,975,316
Withdrawals during the year	(1,580,324)	(725,724)	(9,577,390)	(4,721,318)
Foreign exchange translation reserve	-	(51,639)	-	(968,987)
Balance as at 31 December 2016	13,142,128	6,084,319	10,379,434	4,867,261

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.

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
22. TERM LOANS				
New loans received during the year	6,729,754	3,090,469	9,705,256	4,551,116
Loans repaid during the year	(6,761,569)	(3,105,079)	(2,283,686)	(1,125,777)
Prior overpaid due to exchange rate movement	(10,781)	(4,991)	-	-
Foreign exchange translation loss	-	(133,074)	-	52,437
	22,226,884	10,290,224	22,269,480	10,442,899
(a) Analysis of term loans				
Financial Sector Deepening Trust (FSDT)	-	-	847,374	397,363
BRAC Africa Microfinance Limited	9,966,307	4,614,032	12,602,474	5,909,719
Bank of Africa Tanzania Limited	3,618,122	1,675,057	6,906,931	3,238,889
Responsibility Investments AG	6,617,368	3,063,595	1,092,500	512,309
BRAC (Bangladesh)	2,025,087	937,540	820,201	384,619
	22,226,884	10,290,224	22,269,480	10,442,899
Long term portion of term loans	4,861,579	2,250,731	14,871,299	6,973,646
Current portion of term loans	17,365,305	8,039,493	7,398,181	3,469,253
	22,226,884	10,290,224	22,269,480	10,442,899

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. TERM LOANS (continued)

Further details about the term loans are as follows:

Financial Sector Deepening Trust

The loan carries an interest of 10%, is repaid in equal quarterly instalment of TZS 282,458,050 have been fully repaid during the year. There was no drawdown during the year.

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 2.1 billion. Also 20 % of principal amounting to TZS 2.6 billion was paid and the rest will be paid in 2017.

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 3.3 billion was repaid. The overdraft facility has not been utilised. The loan was obtained to finance issue of micro finance.

Responsibility Investments AG

BRAC Tanzania Finance Limited secured a loan of USD 3 from Responsibility Investments AG in July 2015 for the period of 36 months after drawdown @ 7.1%. As of December 2016 USD the full amount was drawn from that facility and an interest of TZS 0.3 Billion paid.
was obtained to finance issue of micro finance.

23. DEFERRED REVENUE GRANTS

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
(a) Donor funds received in advance				
Grants received during the year [Note 23(b)]	1,696,304	778,985	2,190,357	1,027,132
Grants income utilised during the year	(568,543)	(261,089)	(252,631)	(124,538)
Loan disbursement- ELA	-	-	(205,800)	(96,506)
Reclass of prior year grant utilised to Deferred grant	358,895	164,814	-	-
Foreign currency translation difference	-	(15,681)	-	(205,420)
Balance at 31 December	5,043,934	2,335,154	3,557,278	1,668,125
(b) Grant received during the year				
Whole Planet Foundation (WPF)	324,043	148,808	218,647	107,784
BRAC USA- Disaster, Environment and Climate Change (DECC)	-	-	99,765	49,181
Marketing infrastructure value addition and Rural Finance support program (MIVRAF)	311,434	143,018	-	-
BRAC USA-Research	526,900	241,965	235,190	115,941
BRAC Uganda –Research (Grow Project)	64,247	29,505	-	-
BRAC Maendeleo Tanzania	469,680	215,689	1,636,755	754,226
	1,696,304	778,985	2,190,357	1,027,132

*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 is ending on 31 March 2017.

24. RELATED PARTY TRANSACTIONS

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
(a) Due to related parties				
BRAC Africa Microfinance Limited (Loan payable)	9,966,307	4,614,032	12,650,886	5,932,420
BRAC Bangladesh (loan payable)	2,025,087	937,540	820,201	384,619
BRAC Bangladesh (Expatriate staff and travelling cost)	399,336	184,878	367,288	172,233
BRAC International Holdings B.V	191,351	88,589	-	-
BRAC USA (DECC)	-	-	99,765	49,181
BRAC USA (Deferred grant)	264,324	121,384	63,268	31,189
BRAC IT services (BITS)	287,828	133,254	-	-
Stitching BRAC International (Head Office logistics and management expenses)	-	-	933,177	437,597
BRAC International Loan Fund (BILF)	540,000	250,000	533,125	250,000
	13,674,233	**6,329,677**	**15,467,710**	**7,257,239**

(b) Expenses incurred during the year by related parties on behalf of the Company:

	2016 TZS'000	Memo 2016 USD	2015 TZS'000	Memo 2015 USD
Head Office logistics and management expenses*	**940,339**	**435,301**	**883,027**	**435,301**
Expatriate staff and travelling cost*	**3,104,620**	**1,425,718**	**2,052,171**	**962,331**
(c) Interest expense on loans from a related party				
BRAC Africa Micro Finance Limited	**2,010,997**	**923,499**	**2,000,053**	**985,956**

** 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.

25. CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities as at the date of this report.

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.

BRAC

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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. Rakibul Bari Khan	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
KPMG
Certified Public Accountants
02nd Floor, The Luminary
Haile Selassie Road, Masaki
P. O. Box 1160
Dar es Salaam, Tanzania

Bankers

NBC Limited
Zanzibar Branch
Zanzibar Busincess Centre
Kenyata Road
P.O. Box. 157
Zanzibar, Tanzania

BRAC

REPORT OF THE GOVERNING COUNCIL
FOR THE YEAR ENDED 31 DECEMBER 2016

1 The members of Governing Council have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of BRAC ("the Organisation") as at that date.

2 REGISTRATION

BRAC is a not-for-profit organisation 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 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 groundbreaking 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 principal activity of the Organisation 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 2016 is as follows:

- Total revenue increased by 33% from TZS 949 million in 2015 to TZS 1,265 million in 2016.
- Loans to customers increased by 29% from TZS 1,854 million in 2015 to TZS 2,387 million in 2016.
- Deferred tax assets has reduced by TZS 80 million which has resulted into tax charge of the same amount.

During the year, the Organization had a profit before tax of TZS 246 million (2015 – profit of TZS 142 million). The statement of financial position as at 31 December 2016 is set out on page 128.

8 RESULTS FROM OPERATIONS

The result for the Company's operations for the year ended 31 December 2016 is set out on page 127.

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 unless as otherwise stated, are set out on page 118.

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 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:

- 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 2016 the Organisation will extend it programs to remote rural areas in order to reach the poorer section of the population. The Organisation is planning to target 9,000 borrowers aiming to disburse USD 3.0 million as micro loans. Additional 202 borrowers will be targeted for Small Enterprise Loan (SEP). It is expected that USD 0.28 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 organised to improve and maintain quality.

BRAC

REPORT OF THE GOVERNING COUNCIL (Continued.)

14. FUTURE DEVELOPMENT PLANS (Continued.)

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 2016

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

- The number of borrowers has increased significantly and the amount disbursed has increased by 29% from TZS 4.4 billion in 2015 to TZS 5.7 billion in 2016.
- 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 second year where BRAC has made a profit since its inception.

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 relation between employees and management for the year 2015. 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.

REPORT OF THE GOVERNING COUNCIL (Continued.)

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 2016, the Organisation spent a sum of TZS 2.7 million for staff training in order to improve employees' technical skills and hence effectiveness (2015: TZS 3.4 million).

Medical facilities

The Organisation reimburses medical expenses incurred by employees for medical treatment on case to case basis.

Persons with disabilities

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

Retirement benefits

All eligible employees are members of Zanzibar Social Security Fund (ZSSF) or the Parastatal Provident Fund (PPF) 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 72 employees in 2016 with 54 being females and 18 males, whilst in 2015 the Organisation, had 66 employees with 54 being females and 12 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

....
Mr. Shib Narayan Kairy
Member

..........29.03...2016

REPORT OF THE GOVERNING COUNCIL
FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016, 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 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 Organisation 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 ...29.03...2017. and signed by:

....
Mr. Shib Narayan Kairy
Member

BRAC

DECLARATION OF FINANCE MANAGER

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 Finance Manager 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 ...GETRUDA JOHN...being the Finance Manager of BRAC hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2016; 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:

NBAA Membership No.:

Date: ....29.........March 2017

KPMG
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GOVERNING COUNCIL OF BRAC

Report on the financial statements

We have audited the financial statements of BRAC ("the Organization"), set out on pages 11 to 41 which comprise the statement of financial position as at 31 December 2016, 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 2016, 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 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 Companies Act, 2002 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.

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 Companies 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.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GOVERNING COUNCIL OF BRAC (Continued)

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.

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 ;
- the individual accounts are in agreement with the accounting records of the organisation; and
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

KPMG
Certified Public Accountants (T)

Signed by: M Salim Bashir
Dar es Salaam

29 March 2017

BRAC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Micro finance 2016 TZS '000	Social Development 2016 TZS '000	Total 2016 TZS '000	Total 2015 TZS '000	Memo Total 2016 USD	Memo Total 2015 USD
Income							
Interest income	6	1,197,291	-	1,197,291	896,396	549,825	441,892
Interest expense		(120,343)	-	(120,343)	(95,560)	(55,263)	(47,108)
		1,076,948	**-**	**1,076,948**	**800,836**	**494,562**	**394,784**
Grant income utilised	20(c)	-	-	-	11,890	-	5,862
Other income	7	67,402	-	67,402	52,427	30,952	25,845
Total operating income		**1,144,350**	**-**	**1,144,350**	**865,153**	**525,514**	**426,491**
Impairment charge on loans to customers	8	(24,666)	-	(24,666)	(27,540)	(11,327)	(13,576)
Operating income after impairment (charge)/release on loans to customers		**1,119,684**	**-**	**1,119,684**	**837,613**	**514,187**	**412,915**
Operating expenses							
Staff costs	9	(460,483)	-	(460,483)	(410,555)	(211,465)	(202,390)
Travelling and transportation		(52,900)	-	(52,900)	(34,440)	(24,293)	(16,978)
Training, workshop and seminars		(2,701)	-	(2,701)	(11,906)	(1,240)	(5,869)
Occupancy expenses	10	(32,408)	-	(32,408)	(23,129)	(14,883)	(11,402)
Other operating expenses	11	(321,620)	-	(321,620)	(214,519)	(147,696)	(105,751)
Depreciation charge	16	(3,086)	-	(3,086)	(852)	(1,417)	(420)
Surplus/(deficit) before taxation		**246,486**	**-**	**246,486**	**142,212**	**113,193**	**70,105**
Tax (expense) / credit	12	(79,711)	-	(79,711)	(32,700)	(36,605)	(16,120)
Surplus /(Deficit)for the year		**166,775**	**-**	**166,775**	**109,512**	**76,588**	**53,985**
Other comprehensive income:		**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive surplus for the Year		**166,775**	**-**	**166,775**	**109,512**	**76,588**	**53,985**

Notes and related statements forming part of the financial statements appear on pages 31 to 56.

Report of the auditors is on page 125-126

BRAC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	Micro finance 2016 TZS '000	Social Development 2016 TZS '000	Total 2016 TZS '000	Total 2015 TZS '000	Memo Total 2016 USD	Memo Total 2015 USD
ASSETS							
Cash and bank balances	13	288,540	-	288,540	125,131	133,583	58,678
Loans to customers	14	2,386,995	-	2,386,995	1,853,660	1,105,090	869,243
Other assets	15	19,709	-	19,709	14,657	9,051	6,873
Property and equipment	16	4,087	-	4,087	888	1,892	416
Deferred tax asset	17	84,792	-	84,792	164,502	39,256	77,141
Total assets		**2,784,123**	**-**	**2,784,123**	**2,158,838**	**1,288,872**	**1,012,351**
LIABILITIES AND CAPITAL FUND							
Liabilities							
Loan security fund	18	488,374	-	488,374	377,654	226,099	177,094
Other liabilities	19	1,314,309	-	1,314,309	1,073,337	608,508	503,323
Grants invested in loans	20(b)	211,375	-	211,375	211,375	97,859	99,121
Total liabilities		**2,014,058**	**-**	**2,014,058**	**1,662,366**	**932,46**	**779,538**
Capital fund							
Donor funds		814,454	-	814,454	802,564	374,017	376,349
Accumulated losses		(44,389)	-	(44,389)	(306,092)	(20,550)	(143,536)
Translation reserve		-	-	-	-	2,939	-
Total capital fund		**770,065**	**-**	**770,065**	**496,472**	**356,406**	**232,813**
Total liabilities and capital fund		**2,784,123**	**-**	**2,784,123**	**2,158,838**	**1,288,872**	**1,012,351**

The financial statements on pages 11 to 41 were approved for issue by the members of Governing Council on ....29.03..........2017 and signed on its behalf by;

....

Mr. Shib Narayan Kairy
Member

Notes and related statements forming part of the financial statements appear on pages 31 to 56.

Report of the auditors is on page 125-126

BRAC

STATEMENT OF CAPITAL FUND
FOR THE YEAR ENDED 31 DECEMBER 2016

	Donor funds Micro finance TZS '000	Accumulated deficit Micro fianance TZS '000	Accumulated deficit Social Development TZS '000	Total TZS '000	Memo Total USD
Balance as at 1 January 2015	**814,454**	**(320,676)**	**(94,928)**	**398,850**	**233,248**
Profit for the year	-	109,512	-	109,512	53,985
Donor funds	-	-	(11,890)	(11,890)	(5,576)
Foreign currency translation loss	-	-	-	-	(48,845)
Balance as at 31 December2015	**814,454**	**(211,164)**	**(106,818)**	**496,472**	**232,812**
Balance as at 1 January 2016	**814,454**	**(211,164)**	**(106,818)**	**496,472**	**232,812**
Profit /(Deficit) 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**

Notes and related statements forming part of the financial statements appear on pages 31 to 56.

Report of the auditors is on page 125-126

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Micro finance 2016 TZS '000	Social Development 2016 TZS '000	Total 2016 TZS '000	Total 2015 TZS '000	Memo Total 2016 USD	Memo Total 2015 USD
CASH FLOW FROM OPERATION ACTIVITIES							
Surplus/(Deficit)for the year		246,486	-	246,486	142,212	113,192	70,105
Adjustment for non-cash items:							
Depreciation charge	16	3,086	-	3,086	852	1,417	420
Amortisation of capital grants		-	-	-	-	-	-
Loans written off	8	(9,717)	-	(9,717)	(3,724)	(4,462)	(1,836)
Provision for impairment on loans and advances	8	24,666	-	24,666	27,540	11,327	13,576
		264,521	**-**	**264,521**	**166,880**	**121,474**	**82,265**
Changes in:							
- Other assets		(5,053)	-	(5,053)	(2,043)	(2,339)	(958)
- Other liabilities		252,291	-	252,291	64,619	116,802	(225,497)
- Loans to customers		(548,284)	-	(548,284)	(480,872)	(253,836)	31,856
- Loan security fund		110,720	-	110,720	96,656	51,25	45,325
- Balance due to related parties		95,499	-	95,499	54,906	44,212	25,747
		169,694	**-**	**169,694**	**(99,854)**	**77,571**	**(41,262)**
Tax paid		-	-	-	(2,123)	-	(1,047)
Cash used in from operating activities		**169,694**	**-**	**169,694**	**(101,977)**	**77,573**	**(42,309)**
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of equipment	**16**	**(6,285)**	**-**	**(6,285)**	**(5,625)**	**(2,886)**	**(2,773)**
CASH FLOWS FROM FINANCING ACTIVITIES							
Grants received for investment in loans during the year		-	-	-	174,725	-	82,071
Decrease in deferred income		-	-	-	(11,890)	-	(5,576)
Increase in grants received in advance		-	-	-	11,890	-	5,576
Net increase /(decrease) in cash and cash equivalents		**163,409**	**-**	**163,409**	**67,123**	**74,687**	**36,989**
Cash and cash equivalents at the beginning of the year		125,131	-	125,131	58,008	58,678	33,923
Foreign exchange translation reserve		-	-	-	-	218	(12,234)
Cash and cash equivalents at the end of the year	13	**288,540**	**-**	**288,540**	**125,131**	**133,583**	**58,678**

Notes and related statements forming part of the financial statements appear on pages 31 to 56.

Report of the auditors is on page 125-126

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. REPORTING ENTITY

BRAC is a not-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, PO 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 orloss 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 2016 of TZS 2,160.00 (2015: TZS 2,132.50) to USD 1 except for additions to property and equipment which were translated at an average rate for the period of TZS 2,177.58 (2015:TZS 2,028.54) to USD 1;
- Income and expenses were translated using an average exchange rate for the period of TZS 2,177.58 (2015:TZS 2,028.54) 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 (Continued)

(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 the statement of profit or loss and other comprehensive income 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Grants (continued)

(i) Deferred grants (continued)

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 the statement of 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 the statement of 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 statement of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Contiuted)

(g) Financial assets and liabilities

(i) Recognition

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

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

(ii) Classification

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

Cash and cash equivalent

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

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

Loan and receivables

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

Trade and other payables

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

(iii) De-recognition

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

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

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

The Organisation enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them.

If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

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

(iv) 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 Oganisation 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.

(g) Financial assets and liabilities (continued)

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)
(h) Property and equipment (Continuted)
(iii) Depreciation (Continuted)

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.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continuted)**
(l) **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 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) **Relevant new and amended standards in issue but not yet effective for the year ended 31 December 2016**

At the date of authorisation of the financial statements for the year ended 31 December 2016, the following relevant Standards were in issue but not yet effective:

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
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• IFRS 9 Financial Instruments	1 January 2018
• IFRS 16 leases	1 January 2019

All Standards and Interpretations will be adopted at their effective date except for those Standards and Interpretations that are not applicable to the Organisation). The members of governing council are in the process of assessing the impact of these new standards some of which may have significant impact on the Organisation.

(m) **Relevant new and amended standards in issue but not yet effective for the year ended 31 December 2016 (continued)**
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 amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

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.

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

3. **SIGNIFICANT ACCOUNTING POLICIES (Continuted)**
(m) **Relevant new and amended standards in issue but not yet effective for the year ended 31 December 2016 (continued)**

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 model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have an impact on the Organisation, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Organisation is currently in the process of performing a more detailed assessment of the impact of this standard on the Organisation and will provide more information in the year ended 31 December 2017 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 *Financial Instruments*

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard may have a significant impact on the Organisation, which will include changes in the measurement bases of the Organisation's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. 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, which is expected to increase the provision for bad debts recognised in the Organisation.

IFRS 16 Leases

IFRS 16 was published in January 2016. It 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'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Organisation have begun assessing the potential impact on the financial statements resulting from the application of IFRS 16. This standard will most likely have a significant impact on the Organisation, which will include bringing almost all leases on the statement of financial position.

(n) **Classes of financial instruments**

The Company classifies the financial instruments into classes that reflect 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

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

Introduction and overview

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

(a) Credit risk;
(b) Liquidity risk; and
(c) Market risks.
(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 the BRAC's loans and advances to customers.

Management of credit risk

For risk management reporting purposes, the 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.

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

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:

(a) Credit risk (Continued)

Loans to customers

	2016	2015
Microfinance	**TZS'000**	**TZS'000**
Standard	2,391,518	1,860,188
Watch List	33,817	27,461
Substandard	12,927	4,629
Doubtful	2,789	3,534
Loss	16,283	13,238
	2,457,334	**1,909,050**
Allowance for impairment	(70,339)	(55,390)
Net loans	**2,386,995**	**1,853,660**

Balance at 1 January	55,390	31,574
Provision made during the year	24,666	27,540
Loans written off during the year	(9,717)	(3,724)
	70,339	**55,390**

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.

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

(b) Liquidy risk (Continued)

Residual contractual maturities of financial liabilities.

Consolidated	**Carrying amount**	**Contractual cash flows**	**Within 1year**
31 December 2016	**TZS'000**	**TZS'000**	**TZS'000**
Loan security fund	488,374	488,374	488,374
Other current liabilities	1,314,309	1,314,309	1,314,309
Total liabilities	**1,802,683**	**1,802,683**	**1,802,683**
31 December 2015			
Loan security fund	377,654	377,654	377,654
Other current liabilities	1,073,337	1,073,337	1,073,337
Total liabilities	**1,450,991**	**1,450,991**	**1,450,991**
Microfinance			
31 December 2016			
Loan security fund	488,374	488,374	488,374
Other current liabilities	1,314,309	1,314,309	1,314,309
Total liabilities	**1,802,683**	**1,802,683**	**1,802,683**
31 December 2015			
Loan security fund	377,654	377,654	377,654
Other current liabilities	966,519	966,519	966,519
Total liabilities	**1,344,173**	**1,344,173**	**1,344,173**

Social development	**Carrying**	**Contractual**	**Within**
31 December 2016	**amount**	**cash flows**	**1 year**
	TZS'000	TZS'000	TZS'000
Other current liabilities	-	-	-
31 December 2015			
Other current liabilities	**106,818**	**106,818**	**106,818**

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

(c) Market risk

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

(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.

	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**
31 December 2016						
ASSETS						
Cash and bank balances	-	-	-	-	288,540	288,540
Loans to customers*	105,781	2,281,214	-	-	-	2,386,995
Other assets	-	-	-	-	19,709	19,709
Total assets	**105,781**	**2,281,214**	**-**	**-**	**308,249**	**2,695,244**
LIABILITIES						
Loan security fund	-	-	-	-	(488,374)	(488,374))
Other liabilities	-	-	-	-	(1,314,309)	(1,314,309)
Deferred grants	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**(1,802,683)**	**(1,802,683)**
Net assets/(liabilities)	**105,781**	**2,281,214**	**-**	**-**	**(1,494,434)**	**892,561**

*Loans and advances to customers outstanding as at 31 December 2015, after impairment.

BRAC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

(c) Market risk (Continued)

(ii) Interest risk

31 December 2015	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	-	-	-	-	125,131	125,131
Loans to customers	20,354	1,833,306	-	-	-	1,853,660
Other assets	-	-	-	-	14,657	14,657
Total assets	**20,354**	**1,833,306**	**-**	**-**	**139,788**	**1,993,448**
LIABILITIES						
Loan security fund	-	-	-	-	(377,654)	(377,654)
Other liabilities	-	-	-	-	(966,519)	(966,519)
Deferred grants	-	-	-	-	-	-
Total liabilities	-	-	-	-	(1,344,173)	(1,344,173)
Net assets/(liabilities)	**20,354**	**1,833,306**	**-**	**-**	**(1,204,385)**	**649,275**

Microfinance

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	-	-	-	-	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**

BRAC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

***Loans and advances to customers outstanding as at 31 December 2016, before impairment.**

31 December 2015	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	-	-	-	-	125,131	125,131
Loans to customers	20,354	1,833,306	-	-	-	1,853,660
Other assets	-	-	-	-	14,657	14,657
Total assets	**20,354**	**1,833,306**	**-**	**-**	**139,788**	**1,993,448**
LIABILITIES						
Loan security fund	-	-	-	-	(377,654)	(377,654)
Other liabilities	-	-	-	-	(966,519)	(966,519)
Total liabilities	**-**	**-**	**-**	**-**	**(1,344,173)**	**(1,344,173)**
Net assets/(liabilities)	**20,354**	**1,833,306**	**-**	**-**	**(1,204,385)**	**649,275**

Social development

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						
Other assets	-	-	-	-	-	-
LIABILITIES						
Other liabilities	-	-	-	-	-	-
Net assets/(liabilities)	-	-	-	-	-	-
31 December 2014						
ASSETS						
Other Receivables	-	-	-	-	-	-
LIABILITIES						
Other liabilities	-	-	-			
Net assets/(liabilities)	-	-	-	-	-	-

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

(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.

5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

(i) Allowances for credit losses (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

(iv) Fair values of financial instruments (Continued)

Microfinance

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
Total liabilities	**-**	**-**	**2,014,058**	**2,014,058**	**2,014,058**

Social development

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	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	-	-	-	-	-
LIABILITIES					
Other liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-

BRAC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

(iii) Fair values of financial instruments (Continued)

Microfinance

31 December 2015	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	-	125,131	-	125,131	125,131
Loans to customers	-	-	1,853,660	1,853,660	1,853,660
Other assets	-	-	14,657	14,657	14,657
Total assets	**-**	**125,131**	**1,868,317**	**1,993,448**	**1,993,448**
LIABILITIES					
Other liabilities	-	-	377,654	377,654	377,654
Loan security fund	-	-	966,519	966,519	966,519
Total liabilities	**-**	**-**	**1,344,173**	**1,344,173**	**1,344,173**

Social development

31 December 2015	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	-	-	-	-	-
Other assets	-	-	137,948	137,948	137,948
Total assets	**-**	**-**	**137,948**	**137,948**	**137,948**
LIABILITIES					
Other liabilities	-	-	232,875	232,875	232,875
Total liabilities	**-**	**-**	**232,875**	**232,875**	**232,875**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. INTEREST INCOME

Microfinance	2016 TZS'000	2015 TZS'000	Memo 2016 USD	Memo 2015 USD
Interest on loans to group members:				
- Micro finance	964,999	746,388	443,151	367,943
- Small enterprise program	152,744	116,808	70,144	57,582
-Investment Fund	3,244	1,256	1,490	619
- Agri-finance	76,304	31,944	35,040	15,748
	1,197,291	**896,396**	**549,825**	**441,892**

7. OTHER INCOME

Microfinance				
Loan application fee	820	504	377	248
Loan appraisal fee	57,195	44,282	26,265	21,830
Gain due to early repayment of loan	1	2	-	1
Other income	66	6	30	3
Membership fees	9,320	7,633	4,280	3,763
	67,402	**52,427**	**30,952**	**25,845**

8. PROVISION FOR IMPAIRMENT- ON LOANS TO CUSTOMERS

Microfinance				
Balance at 1 January	55,390	31,574	25,974	20,359
Impairment charge/(release) on loans to customers	24,666	27,540	11,327	13,576
Loans written off during the year	(9,717)	(3,724)	(4,499)	(1,747)
Foreign currency translation reserve	-	-	(238)	(6,214)
Balance at 31 December	**70,339**	**55,390**	**32,564**	**25,974**

9. STAFF COSTS

Microfinance				
Salaries	374,314	347,346	171,894	171,229
Bonus	11,306	7,836	5,192	3,863
Social Security Fund contribution (ZSSF)	56,147	34,735	25,784	17,123
Skills Development Levy (SDL)	18,716	17,366	8,595	8,561
Staff Insurance	-	758	-	374
	460,483	**408,041**	**211,465**	**201,150**
Social development				
Salaries	-	2,186	-	1,078
Bonus	-	-	-	-
Social Security Fund contribution (ZSSF)	-	219	-	108
Skills Development Levy (SDL)	-	109	-	54
	-	2,514	-	1,240
Grand Total	**460,483**	**410,555**	**211,465**	**202,390**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. OCCUPANCY EXPENSES

Microfinance	2016 TZS'000	2015 TZS'000	Memo 2016 USD	Memo 2015 USD
Rent	22,826	16,237	10,482	8,004
Utilities	9,583	6,155	4,401	3,034
	32,408	**22,392**	**14,883**	**11,038**
Social development				
Rent	-	737	-	364
	32,408	**23,129**	**14,883**	**11,402**

11. OTHER OPERATING EXPENSES

Microfinance				
Maintenance and general expenses	88,425	41,729	40,606	20,571
Audit fees	55,312	40,284	25,402	19,858
Other legal and consultancy fees	-	17,147	-	8,453
Office stationery	17,310	5,218	7,949	2,572
Head Office logistics and management expenses	160,573	109,818	73,739	54,137
	321,620	**214,196**	**147,696**	**105,591**
Social development				
Program supplies, Maintenance and general expenses	-	323	-	160
	321,620	**214,519**	**147,696**	**105,751**

12. TAX EXPENSE

Microfinance				
Tax charge for the year	-	3,842	-	1,894
Deferred tax charge (Note 17)	79,711	28,858	36,605	14,226
	79,711	**32,700**	**36,605**	**16,120**

13. CASH AND BANK BALANCES	2016 TZS'000	2015 TZS'000	Memo 2016 USD	Memo 2015 USD
Microfinance				
Cash in hand	11,159	8,793	5,166	4,123
Mobile money – Vodacom account	-	769	-	361
Cash at bank	277,381	115,569	128,417	54,194
	288,540	**125,131**	**133,583**	**58,678**

14. LOANS TO CUSTOMERS

	2016 TZS'000	2015 TZS'000	Memo 2016 USD	Memo 2015 USD
Microfinance				
Loans to customers (gross)	2,457,334	1,909,050	1,137,654	895,217
Provision for impairment on loans to customers (Note 8)	(70,339)	(55,390)	(32,564)	(25,974)
Foreign currency translation reserve	-	-	-	-
Balance at 31 December	**2,386,995**	**1,853,660**	**1,105,090**	**869,243**
Analysis of Loans per group				
Microfinance	1,874,473	1,445,915	867,811	678,037
Small Enterprise Programme	354,672	295,963	164,200	138,787
Agri-finance	228,189	151,666	105,643	71,121
Investment Fund	-	15,506	-	7,271
	2,457,334	**1,909,050**	**1,137,654**	**895,216**

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	16,473	14,908	7,626	6,993
Stock and stores	(1,973)	(251)	(913)	(120)
Receivables from VodaCom M-Pesa	5,209	-	2,338	-
	19,709	**14,657**	**9,051**	**6,873**
Social development				
Receivable from BRAC Maendeleo Tanzania	-	-	-	-
	19,709	**14,657**	**9,051**	**6,873**

16. PROPERTY AND EQUIPMENT

	Furniture & fixtures TZS'000	Equipment TZS'000	Motor cycles TZS'000	Total TZS'0000	Total USD
Microfinance					
At 1 January 2015	25,805	9,439	9,823	45,067	26,355
Additions during the year	660	4,965	-	5,625	2,773
Disposal	(2,135)	(5,864)	(7,650)	(15,649)	(7,715)
Foreign currency translation	-	-	-	-	(4,981)
Balance at 31 December 2015	**24,330**	**8,540**	**2,173**	**35,043**	**16,432**
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	-	-	-	-	(185)
Balance at 31 December 2016	**24,960**	**11,965**	**4,403**	**41,328**	**19,133**
Accumulated depreciation					
At 1 January 2015	24,202	9,378	7,932	41,512	24,276
Charge for the year	128	727	-	852	420
Disposal	-	-	-	-	-
Foreign currency translation	-	-	-	-	(4,632)
Balance at 31 December 2015	**24,330**	**7,652**	**2,173**	**34,152**	**16,016**
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	-	-	-	-	(192)
Balance at 31 December 2016	**24,960**	**10,108**	**2,173**	**37,241**	**17,241**
Net book value					
At 31 December 2016	-	1,857	2,230	4,087	1,892
At 31 December 2015	**-**	**888**	**-**	**888**	**416**

17. DEFERRED TAX ASSET

	2016 TZS'000	2015 TZS'000	Memo 2016 USD	Memo 2015 USD
Microfinance				
The movement in the deferred tax asset during- the year is as follows:				
At 1 January	164,503	193,361	41,800	113,077
Credit/(charge) for the year	(79,711)	(28,859)	(36,605)	(14,226)
Foreign exchange translation	-	-	34,061	(21,710)
At 31 December	84,792	164,502	39,256	77,141
Deferred tax arises from temporary- differences on the following items:				
Property and equipment	2,620	2,831	1,213	1,328
Tax losses carried forward	60,578	144,698	28,045	67,854
Impairment provision - general	21,594	16,973	9,997	7,959
At 31 December	84,792	164,502	39,255	77,141
Tax rate reconciliation	%	%		
Standard rate of income tax	30.00	30.00		
Tax effect of prior year deferred tax (over)/under provision	2.30	0.70		
Tax effect of non-deductible expenses	0.00	0.50		
Effective rate of income tax	32.30	32.20		
Tax Movement				
At 1 January	164,503	193,361	41,800	142,180
Charge during the year	(79,711)	(28,858)	(36,605)	(14,226)
Payment during the year	-	-	-	-
Translation Reserve	-	-	34,061	(86,154)
At 31 December	84,792	164,503	39,256	41,800

18. LOAN SECURITY FUND

	2016 TZS'000	2015 TZS'000	Memo 2016 USD	Memo 2015 USD
Microfinance				
Balance at 1 January	377,654	280,998	177,094	164,326
Collection during the year	682,670	366,961	313,499	180,898
Withdrawals during the year	(571,950)	(270,305)	(262,654)	(133,251)
Foreign currency translation reserve	-	-	(1,840)	(34,879)
	488,374	377,654	226,099	177,094

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. OTHER LIABILITIES

	2016 TZS'000	2015 TZS'000	Memo 2016 USD	Memo 2015 USD
Microfinance				
Current accounts in transit	1,050,575	828,865	486,378	385,552
Provisions	68,930	38,348	31,943	21,114
Due to related parties [Note 21(a)]	194,804	99,306	90,187	46,567
	1,314,309	966,519	608,508	453,233
Social development				
Liabilities for expenses – accruals	-	640	-	300
Current account in transit	-	106,808	-	50,086
Provisions	-	-	-	-
Revolving fund (Health)	-	-	-	-
Revolving fund (Livestock)	-	(630)	-	(296)
Revolving fund (Agriculture)	-	-	-	-
	-	106,818	-	50,090
	1,314,309	1,073,337	608,508	503,323

20. DEFERRED GRANTS

	2016 TZS'000	2015 TZS'000	Memo 2016 USD	Memo 2015 USD
Microfinance				
(a) Movement in deferred capital grants during the year is as follows:				
At 1 January	-	-	-	-
loan from BRAC Maendeleo Tanzania during the year*	-	174,725	-	86,133
Transfer to Grants invested in Loans	-	(174,725)	-	(86,133)
Amortisation during the year	-	-	-	-
Foreign currency translation	-	-	-	-
(b) Grants invested in Loans				
Balance at 1 January	211,375	36,650	99,121	21,433
Transferred from grants received in advance*	-	174,725	-	86,133
Amount transferred to equity	-	-	-	-
Translation reserve	-	-	(1,262)	(8,445)
	211,375	211,375	97,859	99,121
(c) Social development				
Movement in deferred revenue grants during the year is as follows:				
Balance at 1 January	-	-		
Transfer from BRAC Maendeleo Tanzania	-	11,890		
Grants income utilised during the year	-	(11,890)		
Foreign currency translation	-	-	-	-
Balance at 31 December	-	-	-	-

** 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 up to 2015.

21. RELATED PARTY TRANSACTIONS

	2016 TZS'000	2015 TZS'000	Memo 2016 USD	Memo 2015 USD
(a) Due to related parties:				
Microfinance				
Stichting BRAC International	708	99,306	327	46,567
BRAC Tanzania Finance Limited	80,287	-	37,170	-
BRAC International Holdings B.V	80,287	-	37,170	-
BRAC IT Services (BITS)	33,522	-	15,520	-
	194,804	**99,306**	**90,187**	**46,567**
(b) Due from related parties:				
Social Development				
BRAC Maendeleo Tanzania	-	-	-	-
(c) Head Office logistics and management expenses-incurred on behalf:				
Microfinance				
BRAC International Holdings B.V	80,287	99,305	37,170	46,567
BRAC Tanzania Finance Limited	-	-	-	-
	80,287	**99,305**	**37,170**	**46,567**

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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BRAC Communications/BRAC International/AR16/July 17

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