

BRAC ZANZIBAR FINANCE LIMITED
ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

BRAC ZANZIBAR FINANCE LIMITED

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

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GENERAL INFORMATION

Directors

Name	Position	Gender	Nationality	Age	Date of Appointment/ Resignation	Qualification	Status
Shameran Abed	Chairperson	Male	Bangladeshi	44	20 June 2018	Bachelor of arts in Economics	Active
Johannes Maria Antonius Eskes	Member	Male	Dutch	71	20 June 2018	Master's degree in accounting	Active
Ms Bridget Dougherty	Member	Female	American	41	16 February 2023	BA. Economics	Active
Marie-Marcelle Saint Gilles Gerard	Member	Female	Haitian	52	03 April 2023	BA Economics	Active

Senior Management Team

Name	Position
Marie-Marcelle Saint Gilles Gerard	Chief Executive Officer/Board of Director
Shafkat Shahriyar Bin Reza	Chief Operating Officer
Thabit Ndilahomba	Head of Finance
Ladislaus Mganga	Head of Administration, Procurement and Logistics
Alex Kibiki	Head of Internal Audit
Florentina Benard	Head of Human Resources and Training
Prisila Clemence	Company Secretary
Amini Amani	Head of Information Technology

Principal place of business

Plot No.SM/MP/2A/164
Jangombe Mpendae
P. O. Box 2635
Zanzibar, Tanzania.

Registered office

Plot No.SM/MP/2A/164
Jangombe Mpendae
P. O. Box 2635
Zanzibar, Tanzania.

Auditor

PricewaterhouseCoopers
Certified Public Accountant
Pemba house, 369 Toure Drive Oysterbay
P. O. Box 45, Dar es Salaam, Tanzania
Reg: 117633
TIN: 110-212-285
PF number: 047
VRN number: 100099081

Banker

National Bank of Commerce (NBC) Limited
Zanzibar Branch
Zanzibar Business Centre, Kenyata Road
P. O. Box 157
Zanzibar, Tanzania

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REPORT OF THOSE CHARGED WITH GOVERNANCE

Those charged with governance have the pleasure to submit their report and the audited financial statements for the year ended 31 December 2024, which disclose the state of affairs of BRAC Zanzibar Finance Limited (“BRAC Zanzibar Finance Limited”). This report has been prepared in compliance with Tanzania Financial Reporting Standard No. 1 (TFRS 1).

Far more than a statutory obligation, this report is a dynamic chronicle of BZFL’s journey in 2024. This report also offers an open, forward-looking perspective into our operations, performance, and vision to our core stakeholders, investors, creditors, and valued partners. It upholds alignment with NBAA standards and delivers audit-ready precision to ensure transparency and accountability.

1 REGISTRATION

BRAC Zanzibar Finance Limited was initially established as a company limited by guarantee on 9 September 2008. It underwent a transition to a company limited by shares on 25 September 2019, receiving registration number Z0000043092. Additional information on the number of shares and shareholders is provided in Note 12.

2 PRINCIPAL ACTIVITIES

BRAC Zanzibar Finance Limited is dedicated to delivering impactful financial services to underserved communities across Zanzibar regions. Through a robust network of 5 branch offices, BZFL offers three core financial products: Microloans, Agri-finance, and small enterprise loans (SEP). These offerings are strategically designed to improve livelihoods and stimulate economic growth within the communities we serve.

Empowering women remains a cornerstone of our mission, with women representing 99% of our clientele and client protection principles. To support this goal, BZFL has implemented financial literacy programs for our clients, ensuring they are better equipped to manage and grow their resources. In parallel, we have advanced staff development initiatives to cultivate a skilled and motivated workforce, fostering innovation and excellence in service delivery.

3 VISION

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

4 MISSION

BRAC Zanzibar Finance Limited’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 programs that enable men and women to realize their potential.

5 OUR VALUES

Innovation- BRAC Zanzibar Finance Limited 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- BRAC Zanzibar Finance Limited 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. BRAC Zanzibar Finance Limited holds these to be the most essential elements of our work ethic.

Inclusiveness- BRAC Zanzibar Finance Limited 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- BRAC Zanzibar Finance Limited 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.

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6 VALUE CREATION TO MICROFINANCE CLIENTS

BZFL's unique value lies in alleviating poverty through microfinance, aligning with dynamic stakeholder expectations, competitive forces, trends, and regulations. Our model transforms resources into impactful outputs:

Digital Transformation:

The institution advanced its value creation efforts through digital initiatives, investing in core banking software and IT systems. These upgrades supported mobile repayment platforms, improved savings management, expedited disbursement times, and enabled tracking of client behavior for tailored services. Additionally, a call center was established to swiftly resolve clients complaints, enhancing client satisfaction and operational efficiency.

Economic Empowerment:

In 2024, BZFL empowered 10,074 clients, boosting incomes, sustaining families, and facilitating investments. With 84% women in its workforce, BZFL championed micro-business creation and economic resilience

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**REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED)
6 VALUE CREATION TO MICROFINANCE CLIENTS (CONTINUED)**

Resources	Input 2024	Output 2024	Outcomes 2024	Input 2023	Output 2023	Outcomes 2023
Financial Resources	-The pool of funds supporting business operations, including equity finance and debt -TZS 1.5 billion equity capital -Shareholder funds: TZS 7.57 billion (including equity capital TZS 1.5 billion).	- Revenue: TZS 3.85 billion. - Operating profit: TZS 1.43 billion -Operational expenditure of 2.1 billion -Corporate Income Tax for the year TZS 614 million	Access to finance alternatives – Based on the output the company was able to reach over 10,000 Clients. According to the lean data published for 2024. Increase in client who first take loans to 87%.	-The pool of funds supporting business operations, including equity finance and debt -TZS 1.5 billion equity capital -Shareholder funds: TZS 6.23 billion (including equity capital TZS 1.5 billion)	-Revenue: TZS 3.814 billion. -Operating profit: TZS 2.238 billion -Operational expenditure of 1.7 billion -Corporate Income Tax for the year TZS 676 million	12,544+ clients reached, 90% no alternatives, 67% income improvement, 98% collection rate
Human Resources	- Competencies, capabilities, and experience of our Staffs and how they innovate, collaborate, and align with BRAC's objectives. -45 Skilled customer-centric staff. -experienced and ethical leadership team -Performance management system -Various training and development courses	- Excellent client service - TZS 966 million was paid in salaries and benefits, along with staff training. 1% turnover rate - Increased diversity by hiring staff locally. - More than 84% are female staff, serving more than 99% of Female Members (clients)	- BRAC empowerment in women as 84% of all staff are women. - Significant staff-related investments give us the staff and capabilities required to deliver our strategy and performance targets. - Our appeal as an employer of choice and our brand value, in turn, increase our intellectual capital. - BZFL follows safeguard policies and guidelines	- Competencies, capabilities, and experience of our Staffs and how they innovate, collaborate, and align with BRAC's objectives. -45 Skilled customer-centric staff. -experienced and ethical leadership team -Performance management system -Various training and development courses	TZS 1.0B salaries, TZS 3.6M training, 1% turnover	83.75% female staff, 99% female clients, low turnover, staff empowerment

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REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED)

6 VALUE CREATION TO MICROFINANCE CLIENTS (CONTINUED)

Intellectual and Technological Resources	The Company focused on T24 stabilization and implementation of the DARS Reporting System.	To better serve clients using reducing balance method (RBM), which improves visibility on what clients are charged. Being able to integrate with mobile network operators and other providers, including digital field automation. Better responses to changing consumer needs.	There are multiple alternatives to repayment methodology. (Cash, Bank, and Mobile collection)	The company migrated to the new core banking software, which was developed over the last 3 years. From 2024 onward, BRAC Tanzania Finance will charge BRAC Zanzibar reimbursement of the cost of the new core banking system. IT systems and enterprise architecture improve the organization's Trust in the BRAC brand and resonate with clients.	To better serve clients using reducing balance method (RBM), which improves visibility on what clients are charged. Being able to integrate with mobile network operators and other providers, including digital field automation. Better responses to changing consumer needs.	• Reduce client complaints on pricing and visibility. • Better saving the client through digital platforms • Improve disbursement time and track client behaviour.
Social and Relationship Resources	The Company enhanced compliance with local regulatory Zanzibar Revenue Authority and Tanzania Revenue Authority no outstanding disputes.	Brand reinforcement and market communication Understanding our client Enhanced sustainability and achieving long-term objectives and plans.	The company was accoladed by Tanzania Revenue Authority for being the best Taxpayer for the year 2024.	The Company enhanced compliance with local regulatory authorities, including clearance of the Tanzania Revenue Authority Audit from 2018 to 2021, along with clearance of the Zanzibar Revenue Board. Also, Management resolved client complaints by 100% and opened cases by 100% as compared to 2023.	Brand reinforcement and market communication Understanding our client Enhanced sustainability and achieving long-term objectives and plans.	Stakeholder-related investments enable us to have a community of stakeholders that are loyal and supportive of our brand and provide our social license to operate

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BRAC Zanzibar Finance Limited, underscoring its strategic growth and resilience as highlighted below:

	Definition	Actual (TZS'000)	2024	Actual (TZS'000)	2023
Number of branches			5		7
Number of active Microfinance clients			10,074		12,544
Loan disbursement (TZS'000)			16,735,000		16,560,700
Gross outstanding portfolio net of interest (TZS'000)	Total loan outstanding		8,131,049		7,404,297
Portfolio At Risk over 30 Days (PAR 30)	Principal outstanding > 30 days / Total Principal Loan Outstanding		0.95%		1%
Total Revenue (TZS'000)			3,853,160		3,814,056
Operating expenses (TZS'000)			2,100,544		1,681,214
Net Profit (TZS'000)			1,426,297		1,561,491
Total assets (TZS'000)	Total assets of the company		9,245,263		8,305,236
Debt/Equity ratio	Debt/Equity		NIL		NIL
Operating self-sufficiency	Total income / Total cost		156.22%		164.77%
Return on Performing Assets	Net profit after tax - Donation / Average Total Asset		16.25%		25.5%

- **Disbursement (TZS'000):** Loan disbursements grew with 1% to TZS 16,735,000, driven by rural expansion.
- **Total Revenue (TZS'000):** Gross revenue (interest income) increased by 1% to TZS 3,853,160, due to loan book growth from TZS 7,404,297 to TZS 8,131,049.
- **Operating Expenses (TZS'000):** Expenses rose by 25% to TZS 2,100,544, driven by costs of the new CBS, cloud platform operations, and a 3.5% decrease in personnel costs due to branch merging.
- **Net Profit (TZS'000):** Profit fell by 8.6% to TZS 1,426,297, primarily due to the sharp rise in operating costs outpacing revenue growth, despite challenging weather conditions, and including heavy rainfall in the year's first half.

8 RESULTS FROM OPERATIONS

The results for the Company for the year ended 31 December 2024 are set out on page 20.

9 COMPOSITION OF DIRECTORS

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

10 DIRECTORS' BENEFITS AND DIVIDEND TO SHAREHOLDERS

During the year, directors' seating allowances were paid, alongside no declaration and payment of a dividend.

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REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED)

11 CORPORATE GOVERNANCE

The Board, consisting of four directors (two women and two men), is responsible for overseeing the company's strategy, risk management, and performance. The Board convenes at least four times a year and delegates daily management tasks to the Chief Executive Officer, who is supported by senior management. Adhering to NBAA principles, BRAC Zanzibar Finance Limited prioritizes integrity, transparency, and accountability. The attendance of the board members in the meeting during the year is as follows

Directors	Meeting 1	Meeting 2	Meeting 3	Meeting 4
Shameran Abed	✓	✓	✓	✓
Johannes Maria Antonius Eskes	✓	✓	✓	✓
Bridget Dougherty	✓	✓	✓	✓
Marie Marcelle Saint Gilles Gerard	✓	✓	✓	✓

The board, in its capacity, performed the following activities

- Approved 2024 audited annual report.
- Reviewed the auditors' report to understand the key audit issues of the company
- Monitored the organization's operating and financial performance along with the achievement of its budget.
- Review the progress of the entity against the Growth for Impact Strategy.
- Reviewed and approved all strategic investments of the company.
- Reviewed and approved all clients for the company

Company Secretary

Ms, Prisila Clemence, Company Secretary, guides the Board on governance and ethics, inducting new directors and tracking legislative changes.

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The company's capital structure and the total number of shareholders' shares during the year under review.

	No	2024 TZS'000	No	2023 TZS'000
BRAC Tanzania Finance Ltd	749,999	1,499,998	749,999	1,499,998
Shameran Abed	1	2	1	2
	750,000	1,500,000	750,000	1,500,000

Holders of ordinary shares are entitled to receive dividends as declared periodically and hold the right to one vote per share at BRAC Zanzibar Finance Limited's meetings. All ordinary shares rank equally regarding BRAC Zanzibar Finance Limited's residual assets. As BZFL is part of BRAC International Holdings BV, dividend distribution aligns with the policies and structure of the parent entity.

Component	2024 Actual (TZS'000)	2023 Actual (TZS'000)
Equity	7,566,065	6,139,768
Debt	NIL	NIL
Debt + Equity	7,566,065	6,139,768
Debt-to-Equity Ratio	-	-

13 RISK MANAGEMENT

The Board assumes ultimate responsibility for the risk management and internal control systems of BRAC Zanzibar Finance Limited. Management is responsible for the continuous development and maintenance of robust internal financial and operational control systems, designed to provide reasonable assurance regarding the organization's operations and oversight:

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

The effectiveness of any internal control system relies heavily on the strict adherence to established measures. However, the risk of staff non-compliance with these measures remains a potential challenge. While no internal control system can offer absolute assurance against errors or losses, BRAC Zanzibar Finance Limited's framework is designed to provide the Board with reasonable confidence that the implemented procedures are functioning as intended.

The Board oversees internal risk management through the Board Audit and Risk Committee. Following an assessment of the internal control systems throughout the financial year ending 31 December 2024, the Board concluded that the systems met the required standards.

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REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED)

13 RISK MANAGEMENT (CONTINUED)

Principal Risks and Uncertainties

The key factors that could significantly influence BRAC Zanzibar Finance Limited's short- to medium-term strategy include Credit, Operational (encompassing Legal and Reputational aspects), Compliance, Strategic, Liquidity, and Market risks.

Credit Risk

This is the risk resulting from the possibility that a clients is either unwilling to fulfil any obligation or his ability is impaired, resulting in an economic loss to the organisation.

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

Operational Risk

Operational risk refers to potential losses arising from failures in internal processes, staff, systems, or external events, including legal and reputational risks. Fraud, whether internal or external, is a subset of operational risk.

At BRAC Zanzibar Finance Limited, fraud remains low due to a strong culture of integrity and proactive risk management. Key factors include robust fraud detection systems, regular audits, comprehensive staff training, a strict code of ethics, and effective talent retention. Continuous process optimization and regulatory compliance further reinforce security and trust in financial operations

Compliance Risk

Regulatory compliance risk refers to potential financial and operational losses from violations or misinterpretations of laws, regulations, internal policies, and ethical standards.

BRAC Zanzibar Finance Limited mitigates this risk through a dedicated compliance unit that collaborates with the Legal department to monitor regulatory changes and assess their impact. Key requirements are communicated to management for necessary policy and procedural adjustments. Internal compliance is reinforced through conformance reviews by the second line of defense, ensuring effective implementation.

Strategic Risk

Strategic risk pertains to potential threats to earnings and capital caused by poor business decisions, ineffective strategy implementation, or insufficient adaptation to changes in the business environment. BZFL mitigates these risks through strong controls, including regular strategic risk reviews at Management and Board levels.

Liquidity Risk

Liquidity risk refers to the challenge a company may face in meeting its financial obligations, particularly those settled through cash or other financial assets.

BRAC Zanzibar Finance Ltd effectively mitigates this risk by implementing robust controls and comprehensive monitoring mechanisms. These include detailed cash flow forecasts and proactive steps to evaluate and address cash requirements. Such strategies play a pivotal role in ensuring that BZFL maintains sufficient liquidity to meet its obligations promptly and efficiently.

Market Risk

Market risk arises from fluctuations in market prices, such as changes in interest rates, foreign exchange rates, shares, and commodity prices. Since BRAC Zanzibar Finance Limited does not hold shares or commodities, its market risk exposure is limited to the following areas:

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13 RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

- Foreign Exchange Risk
- Interest Rate Risk

To manage market risk effectively, BZFL employs robust controls and monitoring mechanisms.

BRAC Zanzibar Finance Limited operates under the supervision of the Board of Directors, while day-to-day management is delegated to the Chief Executive Officer (CEO). The CEO is supported by the heads of departments. The organizational structure comprises the following divisions:

- Operations (Micro finance program, Small Enterprise Program (SEP), and Agri finance.)
- Accounts & finance.
- Internal audit.
- Risk and compliance.
- Information Technology (IT) and Management Information System (MIS)
- Human resources & Training
- Procurement, Administration and logistics
- Communication
- Safeguarding

14 RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 20 to the financial statements.

15 KEY ACHIEVEMENTS IN 2024

In 2024, BRAC Zanzibar Finance Limited achieved significant milestones, reinforcing its mission to empower underserved communities and enhance financial inclusion.

Business Growth & Performance

- BZFL exceeded KPIs (disbursement, loan portfolio, sustainability, PAR targets) for 2024, building on 2023's 9% loan disbursement growth.
- Loan disbursements increased to 16.74 million, reaching TZS 8,131 million for 10,000+ clients by December 2024 (2023: TZS 16.6 billion, 12,544 clients).

Financial Literacy:

- As part of the annual strategic plan (ASP's) commitment to responsible inclusive finance, BZFL trained 5,000 clients in financial literacy across 5 branches, exceeding the Accelerating Impact for Young Women (AIM) target of 3,000, with materials piloted and expanded by Q4, Financial literacy module implemented for all clients, improving financial management.

Innovation and Accessibility:

- BZFL scaled mobile money repayments to all branches by 2024, using communication materials, training, and monitoring.
- In alignment with the ASP's aim to enhance rural outreach, BZFL established sub-branches, increasing rural coverage.

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REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED)

16 FUTURE DEVELOPMENT PLANS

BRAC Zanzibar Finance Limited is committed to strengthening financial inclusion by expanding access, improving services, and fostering sustainability through the following initiatives:

Expanding Impact & Outreach

Increasing financial access for more underserved women and young women in remote areas, supporting economic empowerment and inclusivity by reaching 15,000 clients in 2025.

- **Scaling Financial Literacy**

Enhancing outreach across 5 branches in rural area, targeting 5,000 new clients, including Agri-finance clients, to foster informed financial decision-making.

- **Automating Processes**

Piloting the Digital Field Application (DFA) to streamline operations, enhance efficiency, and enable data-driven decision-making.

- **Launching Mobile Disbursements**

Partnering with MNOs to implement paperless transactions, boosting efficiency, reducing costs, strengthening security, and promoting sustainability.

- **Smart Agri-Finance**

Assessing feasibility to drive 5–10% loan book growth by 2026 and beyond, supporting agricultural finance innovation.

- **Enhancing Staff Development**

Strengthening leadership capabilities, soft skills, and succession planning to cultivate a resilient and adaptive workforce.

- **Strengthening Sustainability & Compliance**

Advancing ESG principles, reinforcing digital security, and ensuring regulatory compliance to foster long-term resilience.

- **Strengthening Technology & Cybersecurity**

Reinforcing digital security measures to safeguard data integrity as automation expands.

17 SOLVENCY

The Board of Directors confirms adherence to applicable accounting standards and asserts that the financial statements have been prepared on a going concern basis. They have reasonable expectations that BRAC Zanzibar Finance Limited possesses sufficient resources to maintain operational continuity in the foreseeable future. Additionally, BRAC Zanzibar Finance Limited has met all Bank of Tanzania liquidity ratios and fully complied with the key covenant ratios set by its lenders.

18 STAKEHOLDER RELATIONSHIP

a) Clients

Enhanced access to financial services is provided through a network of 5 branch offices, tailored to meet client needs by offering information and financial advice. BZFL is committed to being a safe and trustworthy financial services provider, while maintaining excellence in client service.

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REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED)

18 STAKEHOLDER RELATIONSHIP (CONTINUED)

b) Staffs

BRAC Zanzibar ensures that staffs benefit from:

- An empowering and supportive environment that fosters diversity and inclusiveness.
- Fair remuneration, effective performance management, and recognition, creating a workplace where Staffs can thrive and reach their full potential.
- Opportunities for self-directed development and career progression.
- Employment within an ethical organization with a reputable and strong brand.
- A safe and healthy work environment.

c) Creditors

BZFL demonstrates strong creditworthiness by consistently meeting creditors demands promptly, ensuring timely payments, and maintaining full compliance with all terms and requirements

d) Regulators and Policy makers

BRAC Zanzibar actively engages with BRELA, Bank of Tanzania, Tanzania Revenue Authority, government bodies, and other regulators to ensure:

- Fair and ethical collaboration with stakeholders.
- Active contributions to industry and regulatory working groups.
- Full compliance with all legal and regulatory requirements.
- Responsible tax practices across all jurisdictions of operation.

e) Society

BRAC Zanzibar Finance Limited serves local communities, including microfinance clients and small enterprises clients, by:

- Offering financial solutions that empower individuals, families, and businesses.
- Partnering with communities to address social and environmental challenges to build a thriving society.

f) Investors and Shareholders

BRAC Zanzibar Finance Limited focuses on creating shareholder value by:

- Supporting poverty alleviation through microfinance programs.
- Engaging continuously to support informed investment decisions.

19 STAFFS WELFARE

BRAC Zanzibar Finance Limited invests in staffs' growth through training, flexible work arrangements, and social security contributions. In 2024, 84% of female staff received digital training, with TZS 13 million allocated, up from TZS 3 million in 2023.

Staff's well-being is supported through medical insurance (NHIF, 3% employer contribution), workers' compensation (0.5% of salaries), and pension benefits (14% ZSSF, 10% NSSF). Additionally, BZFL funds professional certification memberships, including ACCA, CPA, and Tanzania Law School, reinforcing its commitment to workforce development.

BRAC Zanzibar Finance Limited, through its Learning and Development Unit in the Human Resources Department, facilitates capacity-building programs to enhance staff skills, service quality, and productivity.

Staff with Disabilities: BRAC Zanzibar Finance Limited fosters an inclusive work environment by prioritizing employment and career development for persons with disabilities while maintaining an 84% female workforce and a 2:2 female and male Board ratio.

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REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED)

20 GENDER PARITY

In 2024, women comprised an impressive 84% of the workforce, reflecting a strong commitment to gender parity.

21 SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious unfavorable matters that can affect BRAC Zanzibar Finance Limited (2024: None).

22 STATEMENT OF COMPLIANCE

As required by TFRS 1, those charged with governance confirm compliance with the provisions of this Standard and all other statutory legislation relevant to the entity.

23 POLITICAL AND CHARITABLE DONATIONS

During the year the company had no political and charitable donations.

24 ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) COMMITMENT

BRAC Zanzibar Finance Limited is committed to purposeful leadership, seamlessly embedding ESG principles into its core operations to drive sustainable impact and create lasting value for all stakeholders.

- **Climate Impact Mitigation:**

Agri-Finance, accounting for 8% of the loan portfolio, faces critical climate-related challenges, particularly impacting rural clients. To mitigate these risks, BZFL is developing a specialized Agri-finance product designed to address environmental concerns, support sustainable farming practices, and enhance resilience against climate variability. Implementation is planned for 2025.

- **Social**

Client Empowerment: BRAC Zanzibar Finance Limited (BZFL) empowers women and promotes financial inclusion and independence, with 99% of its clients being women. Through its AIM program in partnership with Mastercard Foundation, it surpassed 2024 targets, enhancing participants' financial literacy and fostering sustainable livelihoods for smallholder farmers and micro-entrepreneurs.

Staffs Wellbeing: BZFL supports its predominantly female workforce with initiatives like:

- **Diversity and Inclusion:** Targeting 84% female representation by 2025, fostering belonging.
- **Health and Wellness:** Providing healthcare benefits and wellness programs.
- **Recognition and Rewards:** Promoting appreciation through recognition programs.

Community Impact: In 2024, BRAC Zanzibar Finance Limited made remarkable strides in transforming lives and driving sustainable progress. Our efforts impacted on underserved communities, reaching:

Key Household Well-Being Achievements

- 90% of children's educational achievement.
- 81% access to quality meals.
- 75% home improvements.
- 57% of healthcare visits.

Client Success and Empowerment

- 96% of clients reported a better quality of life.
- 95% experienced improved financial management and income growth.
- 89% increased their savings balances.
- 97% gained confidence in achieving financial goals and personal growth.

(Source: Lean Data Report 2024)

a) Governance

- **Board Oversight:** Our Board, composed of 2 women and 2 men, ensures ethical governance, transparency, and accountability by addressing ESG matters in 2024. This is in alignment with NBAA standards.

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REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED)

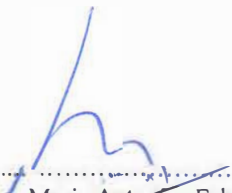
25 AUDITOR

BRAC Zanzibar Finance Limited’s auditor, PricewaterhouseCoopers, has expressed their willingness to continue in the office subject to regulatory confirmation. Upon confirmation there is a resolution to reappoint PWC as the auditor will be put to the Annual General Meeting.

26 RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

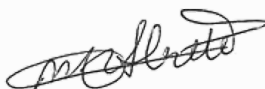
The members charged with governance take full responsibility for preparing these financial statements, ensuring they provide a true and fair view of BRAC Zanzibar Finance Limited up to the date of approval of the audited financial statements, in compliance with applicable standards, rules, regulations, and legal provisions. They further confirm compliance with the provisions of the requirements of TFRS 1 and all other statutory legislations relevant to BRAC Zanzibar Finance Limited.

BY ORDER OF THE BOARD


.....
Johanne Maria Antonius Eskes

Director

Date: 22/4/2025


.....
Marie Marcelle Saint Gilles Gerard

Director/Chief Executive Officer

Date: 22/4/2025

BRAC ZANZIBAR FINANCE LIMITED

**STATEMENT OF DIRECTOR'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2024**

The Companies Act, 2013 of Zanzibar requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the year. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for prevention and detection of fraud, error, and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International IFRS Accounting Standards and the requirements of the Companies Act, 2013 of Zanzibar. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with IFRS Accounting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:


.....
Johannes Maria Antonius Eskes
Director

Date: 22/4/2025

BRAC ZANZIBAR FINANCE LIMITED

**DECLARATION OF HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

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

It is the duty of a Professional Accountant to assist the Governing Body/Management in discharging the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's 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 the Directors Responsibility statement on an earlier page.

I **Thabit Ndilahomba** being the Head of Finance of BRAC Zanzibar Finance Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2024, have been prepared in compliance with applicable accounting standards and statutory requirements.

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



Signed by:

Position: Head of Finance

NBAA Membership No.: ACPA 2477

Date: 22/4/2025

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRAC ZANZIBAR FINANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2024**

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Zanzibar Finance Limited (the Company) as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2013 of Zanzibar.

What we have audited

The financial statements of BRAC Zanzibar Finance Limited as set out on pages 20 to 50 comprise:

- the statement of financial position as at 31 December 2024.
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include material accounting policies information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

Other information

The directors are responsible for the other information. The other information comprises the report by those charged with governance, statement of directors' responsibilities, and declaration of head of finance and memorandum financial information in USD but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information, 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRAC ZANZIBAR FINANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2024**

Report on the audit of the financial statements (continued)

Responsibilities of the 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 IFRS Accounting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRAC ZANZIBAR FINANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2024**

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act, 2013 of Zanzibar and for no other purposes.

As required by the Companies Act, 2013 of Zanzibar, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.



Zainab Salome Msimbe, FCPA - 1708
For and on behalf of PricewaterhouseCoopers
Certified Public Accountants

28-04-2025 | 21:55 EAT

Date:.....

BRAC ZANZIBAR FINANCE LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024**

		2024	2023
	Notes	TZS '000	TZS '000
Income			
Interest income calculated using effective rate	6	3,853,160	3,814,056
Interest expense	8	(6,915)	(3,388)
		<u>3,846,245</u>	<u>3,810,668</u>
 Fees and commission income	 7	 <u>182,179</u>	 <u>161,493</u>
Total operating income		<u>4,028,424</u>	<u>3,972,161</u>
 Impairment release/losses	 14(b)	 <u>112,954</u>	 <u>(52,902)</u>
Operating income after impairment Losses		<u>4,141,378</u>	<u>3,919,259</u>
 Operating expenses			
Staff costs	9	(965,595)	(1,000,569)
Traveling and transportation		(298,653)	(252,366)
Training workshops and seminars		(13,390)	(3,602)
Occupancy expenses	10	(9,421)	(7,969)
Other operating expenses	11	(755,314)	(357,011)
Depreciation on ROU of assets	24(a)	(25,996)	(40,014)
Depreciation charge	16(a)	(32,175)	(19,683)
		<u>(2,100,544)</u>	<u>(1,681,214)</u>
 Profit before tax		<u>2,040,834</u>	<u>2,238,045</u>
Income tax expense	12(a)	(614,006)	(676,554)
Profit for the year		<u>1,426,828</u>	<u>1,561,491</u>
 Other comprehensive income		 <u>-</u>	 <u>-</u>
Total comprehensive Income for the year		<u>1,426,828</u>	<u>1,561,491</u>

Notes and related statements forming part of the financial statements appear on pages 24 to 50.

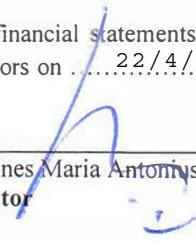
Report of the auditor is on page 17 - 19.

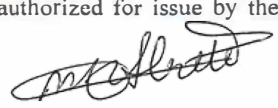
BRAC ZANZIBAR FINANCE LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024**

		2024	2023
	Note	TZS '000	TZS '000
ASSETS			
Cash and cash equivalents	13	261,080	246,071
Loans to clients	14(a)	8,131,049	7,404,297
Other assets	15(a)	108,631	384,059
Due from related party	15(b)	408,218	50
Right of Use asset	24(a)	44,492	81,395
Corporate Income tax receivable	12(b)	168,647	-
Deferred Income tax asset	17	72,177	112,419
Property and equipment	16(a)	50,969	76,945
Total assets		<u>9,245,263</u>	<u>8,305,236</u>
LIABILITIES AND EQUITY			
Liabilities			
Loan security fund	18	1,542,225	1,447,756
Lease liability	24(b)	46,566	83,530
Other liabilities	19	89,363	112,789
Corporate income tax payable	12(b)	-	42,010
Due to related party	20(a)	1,044	479,383
Total liabilities		<u>1,679,198</u>	<u>2,165,468</u>
Equity			
Ordinary share capital	21(a)	1,500,000	1,500,000
Retained earnings		5,293,547	3,867,250
Capital reserve	21(b)	772,518	772,518
Total equity		<u>7,566,065</u>	<u>6,139,768</u>
Total liabilities and equity		<u>9,245,263</u>	<u>8,305,236</u>

The financial statements on pages 20 to 50 were approved and authorized for issue by the board of directors on 22/4/2025 and signed on its behalf by.


Johannes Maria Antonius Eskes
Director


Marie-Marcelle Saint Gilles Gerard
Chief Executive Officer

Notes and related statements forming part of the financial statements appear on pages 24 to 50.

Report of the independent auditors is on page 17 – 19.

BRAC ZANZIBAR FINANCE LIMITED

**STATEMENT OF CHANGE OF EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Ordinary Share capital TZS'000	Capital Reserve TZS'000	Retained Earnings TZS'000	Total TZS'000
Balance as at 1 January 2024	1,500,000	772,518	3,867,250	6,139,768
Comprehensive income:				
Profit for the year	-	-	1,426,828	1,426,828
Balance as at 31 December 2024	<u>1,500,000</u>	<u>772,518</u>	<u>5,294,078</u>	<u>7,566,596</u>

	Ordinary Share capital TZS'000	Capital Reserve TZS'000	Retained Earnings TZS'000	Total TZS'000
Balance as at 1 January 2023	1,500,000	772,518	2,305,759	4,578,277
Comprehensive income:				
Profit for the year	-	-	1,561,491	1,561,491
Balance as at 31 December 2023	<u>1,500,000</u>	<u>772,518</u>	<u>3,867,250</u>	<u>6,139,768</u>

Notes and related statements forming part of the financial statements appear on pages 24 to 50.

Report of the independent auditors is on pages 17 - 19.

BRAC ZANZIBAR FINANCE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Notes	2024 TZS '000	2023 TZS '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		2,040,834	2,238,045
Adjustment for non-cash items:			
Provision for impairment on loans and advances	14(b)	(112,954)	52,902
Depreciation of property and equipment	16(a)	32,175	19,683
Depreciation of right-of-use asset	24(a)	25,996	40,014
Amortization of intangible assets	16(b)	-	-
Interest on lease liability	24 (b)	6,915	3,388
Lease Modification		2,393	-
(Gain)/loss on disposal of assets		(45)	1,577
Cash from operating activities before working capital changes		1,995,314	2,355,609
Changes in:			
Loans to clients	14	(613,798)	(1,372,839)
Other assets	15(a)	275,428	(15,449)
Due from a related party	15(b)	(399,920)	2,152
Loan security fund	18	94,469	197,465
Other liabilities	19	(23,425)	(144,519)
Balance due to related parties	20	(478,267)	(462,232)
Cash from operating activities after working capital changes		849,801	560,187
Interest paid on lease liability	24(d)	(6,915)	(3,388)
Tax paid	12(b)	(784,953)	(582,590)
Cash generated from/(used in) operating activities		57,933	(25,791)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	16(a)	(14,518)	(51,987)
Proceeds from disposal of assets		45	-
Cash flow to investing activities		(14,473)	(51,987)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal lease liability	24(d)	(28,450)	(46,419)
Net cash flow used in financing activities		(28,450)	(46,419)
Net increase/(decrease) in cash and cash equivalents		15,010	(124,197)
Cash and Cash equivalent at start of year		246,070	370,268
Cash and cash equivalents at the end of the year	13	261,080	246,071

Notes and related financial statements forming part of the financial statements appear on pages 24 to 50.
Report of the auditor is on pages 17 - 19.

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. REPORTING ENTITY

BRAC Zanzibar Finance Limited was incorporated as a Company limited by shares on 25 September 2019. The Company is part of the global BRAC family and BRAC Tanzania Finance Limited holds the majority shareholding. BRAC Zanzibar Finance Limited has two main shareholders, refer to capital structure Note 21.

2. BASIS OF PREPARATION

(a) Basis of accounting

These financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2013 of Zanzibar.

(b) Functional and presentation currency

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

Memorandum figures

The memorandum of financial information representing the results in United States Dollars (USD) are for presentation purposes only, and do not form part of the audited financial statements.

(c) 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 recognized in the period in which the estimate is revised and in any future period 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 recognized in the financial statements are described in Note 3.

(d) Going concern

The Board of Directors confirms that applicable accounting standards have been followed in preparing these financial statements on going concern and nothing has come to attention that cast doubt on the going concern of the entity on the signing date of the reports.

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL 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 re-translated 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 amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized 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 re-translated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in profit or loss, except for differences arising on the re-translation of available-for-sale equity instruments which are recognized directly in equity.

(b) Interest income and expense

Interest income and expense are recognized 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 the statement of profit or loss and other comprehensive income resulting from Interest on financial assets and liabilities at amortized cost on an effective interest rate basis.

(c) Fees and commission income

Fees, 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) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

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

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

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Leases (Continued)

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

(e) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity.

The Company determines whether interest and penalties related to income taxes, including uncertain tax treatments, meet the definition of income taxes, and are accounted for under IAS 12 Income Taxes, otherwise accounted for under IAS 37 Provisions, Contingent Liabilities, and Contingent Assets.

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Current tax

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

Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if, it has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- temporary differences related to investments in subsidiaries, associates, and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. 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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized, deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(e) Cash and cash equivalents

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 Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(f) Financial instruments

(i) Recognition

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

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

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

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

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

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

Business model assessment

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

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

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

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

(ii) De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

(iii) De-recognition (continued)

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

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

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

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

(iv) Offsetting

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

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

(v) Amortised cost measurement

The amortized 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 amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

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

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

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

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

(vi) Fair value measurement (continued)

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 based on the net exposure to either market or credit risk are measured based on 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 based on 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

Impairment in terms of IFRS 9 are determined based on an Expected credit Loss (ECL) model, as opposed to an incurred loss model used in IAS 39.

The ECL model applies to financial assets measured at amortised cost and debt instruments at Fair Value through Other comprehensive income (FVOCI), lease receivables and certain loan commitments as well as financial guaranteed contracts.

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

12-month ECLs: these are a portion of the lifetime expected credit losses and represent the amount of expected credit losses that result from default events that are possible within 12 months after the reporting date.

Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. BRAC Zanzibar Finance Limited recognises an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition.

Indicators of SICR include any of the following:

- 30 days past due rebuttable presumption.
- Considering historical delinquency behaviour of accounts that are currently up to date and bucket (1- 30 days)
- Technical/operational arrears with proof that an account remains in arrears after the technical /operational error is fixed.
- Significant adverse changes in business, financial and /or economic conditions in which the clients operate.

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Measurement of ECLs

The measurement of ECLs reflects a probability weighted outcome, the time value of money and the entity's available forward-looking information. The above-mentioned probability weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss occurring is low. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The assessment of ECL of a financial asset or portfolio of financial assets entails estimation of the likelihood of defaults occurring and of default correlation between counterparties. The Company measures ECL using probability of default (PD), exposure of default (EAD) and loss given default (LGD). These three components are multiplied together and adjusted for the likelihood of default.

(vii) Identification and measurement of impairment (continued)

The calculation of ECL incorporates forward looking information. The Company has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio at subsidiary level. These economic variables and their associated impact on the PD, EAD and LGD do not vary by financial instrument. The Company uses BMI research/Fitch solution to assist in the forecast of the economic variables and an overview of the economy quarterly or more often if necessary.

Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfer nor retains substantially all the risks and rewards of ownership and the Company has not retained control. The Company enters into transactions where it retains the contractual rights to receive cashflows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risk and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Company:

- (i) Has no obligation to make payments unless it collects equivalent amounts from assets.
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay

(vi) Modification of contractual cashflows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the company recalculates the gross carrying amount of the financial asset and recognize a modification gain or loss in 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.

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Property and equipment

(ii) Subsequent costs

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

(iii) Depreciation and amortisation charges

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

The estimated useful lives are as stated:

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

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

(iv) De-recognition of property and equipment

The company derecognises the carrying amount of an item of property and equipment, on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in the profit or loss when the item is derecognized.

(i) Impairment of non-financial assets

The carrying amounts of the Company'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.

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets

i. Recognition and measurement

Intangible assets including computer software that are acquired by the company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for computer software are 4 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iv. De – recognition of intangible assets

The company derecognises an intangible asset on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss when the asset is derecognised.

(k) Loan security fund

The Company classifies capital instruments i.e., loan security fund as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The loan security fund is a 10% of loan disbursed, covering potential risk of default.

Loan security fund is initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest method. BRAC Zanzibar Finance Limited utilise the term loan as source of funding.

(l) Provisions

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

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Staffs' 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 Staffs 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 Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the staff and the obligation can be estimated reliably.

(n) Share capital.

Ordinary share proceeds are included in equity, net of transaction costs. Dividends and other returns to equity holders are recognized when declared by the board. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(o) Contingent assets and liabilities

Contingent assets are disclosed where an inflow of economic benefits is probable. When the realization of income is virtually certain, then the related asset is recognized as appropriate.

Contingent liabilities are disclosed in the financial statements where there is a possible obligation, but payment is not probable, or the amount cannot be measured reliably.

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

(i) New and Amended Standards Adopted

The Company has adopted the following new standards and amendments during the year ended 31 December 2024, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2024. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Company's accounting policies.

Number	Effective date	Executive summary
Amendments to IAS 1, 'Presentation of Financial Statements' - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IFRS 16, 'Leases' - sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

BRAC ZANZIBAR FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)****3. MATERIAL ACCOUNTING POLICIES (CONTINUED)****(p) New standards, amendments, and interpretations effective and adopted during the year (Continued)****(ii) New Standards and amendments issued but not yet effective**

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

Number	Effective date	Executive summary
Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments	Annual periods beginning on or after 1 January 2026 (Published May 2024)	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).
IFRS 18, 'Presentation and Disclosure in Financial Statements'	Annual periods beginning on or after 1 January 2027 (Published April 2024)	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT

BRAC Zanzibar 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, The Company'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 clients or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company loans and advances to clientss.

Management of credit risk

For risk management reporting purposes, the Company considers and consolidates 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 clients or counterparty.

The model that the Company uses to mitigate this risk is arrangement with the respective members of the Company. The Company members are required to contribute for a client who has defaulted on the weekly loan repayment. This model is used exclusively by The Company.

As set out above, the main activity of the Company is the provision of unsecured loans to Organisation members. The board of directors have delegated responsibility for the oversight of credit risk to the Chief Executive Office who works with the assistance of Chief Operation Officer and the Risk and Compliance department. However, this must be viewed in light of the overall framework of the exclusive use of "Organisation guaranteed" loan repayment mechanism.

Impaired loans

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

Past due but not impaired loans

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

Allowances for impairment

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

12-month ECLs: these are a portion of the lifetime expected credit losses and represent the amount of expected credit losses that result from default events that are possible within 12 months after the reporting date.

Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. BRAC Zanzibar Finance Limited recognises an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition.

Indicators of SICR include any of the following:

- 30 days past due rebuttable presumption.
- Considering historical delinquency behaviour of accounts that are currently up to date and bucket (1- 30 days)
- Technical/operational arrears with proof that an account remains in arrears after the technical /operational error is fixed.
- Significant adverse changes in business, financial, and /or economic conditions in which the clients operate.

The table below shows the profile of the loans and advances to clientclient analyzed according to the internal rating grading system.

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Allowance for impairment

The table provides details of exposure to credit risk:

	Stage I	Stage II	Stage III	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total
Year ended 31 December 2024	TZS'000	TZS'000	TZS'000	TZS'000
Carrying amount				
Standard (zero days overdue)	8,140,021	-	-	8,140,021
Watch list (1 to 30 days)	80,303	-	-	80,303
Substandard (31 to 90 days)	-	19,797	-	19,797
Doubtful (91 to 365 days)	-	-	74,114	74,114
Gross loans to client/client	8,220,324	19,797	74,114	8,314,235
Allowance for impairment	<u>(97,461)</u>	<u>(9,898)</u>	<u>(75,827)</u>	<u>(183,186)</u>
Net loans to client/client	<u>8,122,863</u>	<u>9,898</u>	<u>(1,713)</u>	<u>8,131,049</u>
Year ended 31 December 2023				
Carrying amount				
Standard (zero days overdue)	7,551,498	-	-	7,551,498
Watch list (1 to 30 days)	109,113	-	-	109,113
Substandard (31 to 90 days)	-	14,506	-	14,506
Doubtful (91 to 365 days)	-	-	67,751	67,751
Gross loans to client/client	7,660,611	14,506	67,751	7,742,868
Allowance for impairment	<u>(226,247)</u>	<u>(13,318)</u>	<u>(99,006)</u>	<u>(338,571)</u>
Net loans to client/client	<u>7,434,364</u>	<u>1,188</u>	<u>(31,255)</u>	<u>7,404,297</u>

Write-off policy

BRAC Zanzibar Finance Limited writes off a loan balance (and any related allowances for impairment losses) when The Company 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 standardized loans, charge-off decisions generally are based on a product specific past due status.

(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.

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

Residual contractual maturities of financial liabilities.

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 Years
31 December 2024	TZS'000	TZS'000	TZS'000	TZS'000
				-
Loan security fund	1,542,225	1,542,225	1,542,225	-
Related party payables	1,116	1,116	1,116	-
Lease liabilities	46,566	56,342	28,171	28,171
Other liabilities*	89,363	89,363	89,363	-
Total liabilities	1,679,270	1,689,046	1,660,875	28,171
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 Years
31 December 2023	TZS'000	TZS'000	TZS'000	TZS'000
Loan security fund	1,447,756	1,447,756	1,447,756	-
Related party payables	479,333	479,333	479,333	-
Lease liabilities	83,529	99,612	49,806	49,806
Other liabilities*	47,141	47,141	47,141	-
Total liabilities	2,057,759	2,073,842	2,024,036	49,806

* Other liabilities do not include all statutory liabilities

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

(c) Market risk

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

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 period-end date.

During the year, the Company did not incur significant transactions in other foreign currencies except few immaterial transactions with related entities.

BRAC ZANZIBAR FINANCE LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**
4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT (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 2024	From 1 to 12 months TZS'000	Non-interest- bearing TZS'000	Total TZS'000
ASSETS			
Cash and bank balances	-	261,080	261,080
Loans to clientclient*	8,314,236	-	8,314,236
Other assets	-	108,631	108,631
Total assets	8,314,236	369,711	8,683,947
LIABILITIES			
Loan security fund	-	1,542,225	1,542,225
Related party payables	-	1,116	1,116
Lease liabilities	-	46,566	46,566
Other liabilities**	-	34,047	34,047
Total liabilities	-	1,623,954	1,623,954
Net assets/(liabilities)	8,314,236	(1,254,243)	7,059,993

31 December 2023	From 1 to 12 months TZS'000	Non-interest- bearing TZS'000	Total TZS'000
ASSETS			
Cash and bank balances	-	246,071	246,071
Loans to clientclient*	7,742,868	-	7,742,868
Other assets	-	23,039	23,039
Total assets	7,742,868	269,110	8,011,978
LIABILITIES			
Loan security fund	-	1,447,756	1,447,756
Related party payables	-	479,383	479,383
Lease liabilities	-	83,529	83,529
Other liabilities**	-	47,142	47,142
Total liabilities	-	2,057,810	2,057,810
Net assets/(liabilities)	7,742,868	(1,788,700)	5,954,168

* Loans and advances to clientclient outstanding before impairment.

** Other liabilities do not include all statutory liabilities

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company 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 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.

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

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 and operational risk management (see Note 4).

Key sources of estimation uncertainty

In arriving at the credit losses for the year ended 31 December 2024, the following assumptions were used;

(i) Allowances for credit losses

Assets accounted for at amortized cost are evaluated for impairment on a basis described in accounting policy 3(g) (vii). The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial where each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions as well as forward looking information.

(i) Property and equipment, leased premises and intangible assets.

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

(ii) 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 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.

(iii) Fair values of financial instruments

IFRS 13 requires the company to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The Company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the company's market assumptions. These two types of inputs have created the following fair value hierarchy.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurement are those derived from inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (I.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurement are those derived from valuation techniques that includes inputs for the assets or liability that are not based on observable market data (unobservable inputs).

BRAC ZANZIBAR FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)****5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)****Key sources of estimation uncertainty (Continued)****(iii) Fair values of financial instruments (Continued)**

The hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

Fair value of the company's financial assets and liabilities that are measured at fair value on recurring basis.

The company did not hold any financial assets or liabilities that are measured at fair value on a recurring basis.

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 repriced in the short run.

Year ended 31 December 2024	Level 1 TZS'000	Level 2 TZS'000
ASSETS		
Cash and bank balances	261,080	-
Loans to clientclient	-	8,131,049
Other assets	-	<u>108,631</u>
Total assets	<u>261,080</u>	<u>8,239,680</u>
LIABILITIES		
Other liabilities	-	89,363
Loan security fund	-	1,542,225
Due to related parties	-	<u>1,044</u>
Total liabilities	<u>-</u>	<u>1,632,632</u>
 Year ended 31 December 2023	 Level 1 TZS'000	 Level 2 TZS'000
ASSETS		
Cash and bank balances	246,071	-
Loans to clientclient	-	7,404,297
Other assets	-	<u>23,039</u>
Total assets	<u>246,071</u>	<u>7,427,336</u>
LIABILITIES		
Other liabilities	-	113,643
Loan security fund	-	1,447,756
Due to related parties	-	<u>479,333</u>
Total liabilities	<u>-</u>	<u>2,040,732</u>

The financial assets above fall under financial assets and financial liabilities measured at amortized cost.

BRAC ZANZIBAR FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

	2024	2023
	TZS'000	TZS'000
6. INTEREST INCOME CALCULATED USING EFFECTIVE RATE		
Interest on loans to Company members:		
- Microfinance	3,383,380	3,371,804
- Small enterprise program	266,148	245,746
- Agri-finance	<u>203,632</u>	<u>196,506</u>
	<u>3,853,160</u>	<u>3,814,056</u>
7. FEES AND COMMISSION INCOME		
Loan application fee	1,651	1,200
Loan appraisal fee	167,369	137,092
Passbook/Disposal	2,183	1,827
Membership fees	11,076	21,435
Administrative fee from the Insurance scheme	<u>(100)</u>	<u>(61)</u>
	<u>182,179</u>	<u>161,493</u>
8. INTEREST EXPENSES		
Interest on lease liability	<u>6,915</u>	<u>3,388</u>
	<u>6,915</u>	<u>3,388</u>
9. STAFF COSTS		
Salaries	746,848	807,602
NSSF and ZSSF	165,768	176,967
Bonus	<u>52,979</u>	<u>16,000</u>
	<u>965,595</u>	<u>1,000,569</u>
10. OCCUPANCY EXPENSES		
Utilities	<u>9,421</u>	<u>7,969</u>
	<u>9,421</u>	<u>7,969</u>

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

11. OTHER OPERATING EXPENSES

	2024	2023
	TZS'000	TZS'000
General expenses	195,986	131,712
Audit fees	68,025	91,831
Regulatory fees and taxes	389,232	102,338
Office Stationery	21,673	31,130
Management fees	80,398	-
	<u>755,314</u>	<u>357,011</u>

12. TAXATION

(a) Income tax expense.

Current income tax charge for the year	573,764	673,795
Deferred income tax charge – prior year	(458)	-
Deferred income tax (credit)/charge – current year	40,700	2,759
	<u>614,006</u>	<u>676,554</u>

Effective tax rate reconciliation

Profit before income tax		2,238,045
	<u>2,040,834</u>	
Tax calculated at a rate of 30% (2023:30%)	612,250	671,414
Deferred income tax – prior year	(458)	-
Expenses not deductible for tax purposes	2,214	5,140
	<u>614,006</u>	<u>676,554</u>

(b) Corporate tax (receivable)/payable

At start of year	42,010	(49,194)
Charge for the year (note 12 (a))	573,764	673,794
Tax paid during the year	(672,137)	(560,978)
Tax paid for prior years' assessments	(112,816)	(21,612)
At end of year	<u>(169,179)</u>	<u>42,010</u>

13. CASH AND CASH EQUIVALENTS

Vodacom M-PESA	-	320
Cash at bank	261,080	245,751
	<u>261,080</u>	<u>246,071</u>

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

14. LOANS TO CLIENT

(a) Net loans to client

	2024	2023
	TZS'000	TZS'000
Gross loans to client	8,314,236	7,742,868
Provision for impairment on loans to client (Note-14(b))	<u>(183,187)</u>	<u>(338,571)</u>
Balance at 31 December	<u>8,131,049</u>	<u>7,404,297</u>

(b) Impairment losses

Balance at 1 January	338,571	338,571
(Release)/charge for the year	(112,954)	52,902
Write-off	(53,467)	(52,902)
Charge of provision on interest receivable as per IFRS 9 – 2019	<u>11,037</u>	<u>-</u>
Balance at 31 December	<u>183,187</u>	<u>338,571</u>

(c) Gross loans to client

Microfinance	6,915,978	6,295,505
Small enterprise program	623,128	582,557
Agriculture	588,920	413,985
Interest Receivable	<u>186,210</u>	<u>450,821</u>
	<u>8,314,236</u>	<u>7,742,868</u>

The above loan to client is classified as a current asset.

15. OTHER RECEIVABLES BALANCES

(a) Other assets

Advances and prepayments	71,348	361,020
Stock and stores consumables	<u>37,283</u>	<u>23,039</u>
	<u>108,631</u>	<u>384,059</u>

(b) Due from related party

BRAC International Holdings B. V	-	50
BRAC Tanzania Finance Limited	<u>408,218</u>	<u>-</u>
	<u>408,218</u>	<u>50</u>

Current portion

BRAC International Holdings B. V	-	50
BRAC Tanzania Finance Limited	<u>408,218</u>	<u>-</u>
	<u>408,218</u>	<u>50</u>

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

16. FIXED ASSETS

(a) Property and equipment

Year ended 31 December 2024	Furniture &Fixtures TZS'000	Equipment TZS'000	Motorcycles TZS'000	Total TZS'000
COST				
At start of year	51,942	93,550	-	145,492
Additions	-	14,517	-	14,517
Disposal	(8,390)	(17,712)	-	(26,102)
At end of year	43,552	90,356	-	133,907
ACCUMULATED DEPRECIATION				
At start of year	30,235	38,312	-	68,547
Charge for the year	4,124	28,051	-	32,175
Disposal	(8,390)	(9,465)	-	(17,855)
At end of year	25,969	56,898	-	82,867
NET BOOK VALUE	17,583	33,458	-	51,040
Year ended 31 December 2023				
COST				
At start of year	52,641	46,644	307	99,592
Additions	-	51,987	-	51,987
Disposal	(699)	(5,081)	(307)	(6,087)
At end of year	51,942	93,550	-	145,492
ACCUMULATED DEPRECIATION				
At start of year	27,733	25,642	-	53,375
Charge for the year	3,136	16,547	-	19,683
Disposal	(634)	(3,877)	-	(4,511)
At end of year	30,235	38,312	-	68,547
NET BOOK VALUE	22,771	54,174	-	76,945

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

16. FIXED ASSETS (CONTINUED)

(b) Intangible asset

	ERP software TZS'000
Cost	
At 1 January 2023	4,708
Disposal	<u>(4,708)</u>
Balance at 31 December 2023	<u>-</u>
At 1 January 2024 and at 31 December 2024	<u>-</u>
Accumulated depreciation	
At 1 January 2023	4,708
Disposal	<u>(4,708)</u>
Balance at 31 December 2023	<u>-</u>
At 1 January 2024 and at 31 December 2024	<u>-</u>
Net book value	
At 31 December 2023	<u>-</u>
At 31 December 2024	<u>-</u>

17. DEFERRED INCOME TAX ASSET

	2024 TZS'000	2023 TZS'000
The movement in the deferred income tax asset during the year is as follows:		
At 1 January	112,419	115,178
Credit/(charge) to the P/L – current year	458	(2,759)
Charge to P/L – prior year	<u>(40,700)</u>	<u>-</u>
At 31 December	<u>72,177</u>	<u>112,419</u>
Deferred income tax arises from temporary-differences on the following items:		
Property and equipment	2,530	3,941
Impairment provision – general	<u>69,647</u>	<u>108,478</u>
At 31 December	<u>72,177</u>	<u>112,419</u>

18. LOAN SECURITY FUND

Balance at 1 January	1,447,756	1,250,291
Collections during the year	553,096	1,656,070
Withdraws during the year	<u>(458,627)</u>	<u>(1,458,605)</u>
Balance at 31 December	<u>1,542,225</u>	<u>1,447,756</u>

BRAC ZANZIBAR FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)****19. OTHER LIABILITIES**

	2024	2023
	TZS'000	TZS'000
Liabilities for expenses	30,238	65,647
Accrued expenses	<u>59,125</u>	<u>47,142</u>
	<u>89,363</u>	<u>112,789</u>

20. RELATED PARTY TRANSACTIONS

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

Name of the related party	Nature	Nature of the transactions
BRAC Tanzania Finance Limited	Parent Company	Transactions include reimbursement costs and Head office logistics payments made by BRAC Tanzania Finance Limited on behalf of BZFL

(a) Due to related parties

	2024	2023
	TZS'000	TZS'000
BRAC Tanzania Finance Limited	-	477,717
Stichting BRAC International	<u>1,116</u>	<u>1,666</u>
	<u>1,116</u>	<u>479,383</u>

(b) Due from related parties

BRAC International Holdings B.V	-	50
BRAC Tanzania Finance Limited	<u>408,218</u>	-
	<u>408,218</u>	<u>50</u>

(b) Related parties' expenses

Head Office logistics and management expenses	<u>(80,398)</u>	-
---	-----------------	---

(c) Directors' Cost

There were no costs incurred with respect to Directors during the year and in prior year.

21. SHARE CAPITAL AND RESERVES**a) Ordinary share capital**

The company issued 750,000 and allotted 750,000 to two shareholders. Each ordinary share has per value TZS 2,000. Below is the outstanding balance on ordinary share capital.

	Ownership	No	TZS'000
BRAC Tanzania Finance limited	99.9%	749,999	1,499,998
Shameran Abed	0.01%	<u>1</u>	<u>2</u>
		<u>750,000</u>	<u>1,500,000</u>

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

BRAC ZANZIBAR FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

21. SHARE CAPITAL AND RESERVES (CONTINUED)

b) Capital reserves

Capital reserve relates to net assets that were transferred from a sister company, BRAC, which was deregistered in 2019. On 1 January 2020, TZS 2,272,518,000 net assets of BRAC were transferred to BRAC Zanzibar Finance Ltd following a board resolution passed on 6 November 2019 through an extraordinary general meeting. As at the date of the transfer, TZS 1,500,000,000 shares were allotted leaving a capital reserve balance of TZS 772,518,000.

22. CONTINGENT LIABILITIES

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

23. CAPITAL COMMITMENTS

There were no commitments for capital expenditure not provided for in these financial statements on 31 December 2024.

24. LEASES

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

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

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

	2024 TZS'000	2023 TZS'000
Balance at 1 January	81,395	56,723
Depreciation charge for the year	(25,996)	(40,014)
Lease modification*	(10,907)	64,686
Balance at 31 December	44,492	81,395

* Lease modification for the year 2024 were due to remeasurements resulting from the change of office and closure of two branches (2023: Increase in lease term resulting from lease reassessment).

	2024 TZS'000	2023 TZS'000
(b) Lease liability (office premises)		
Balance at 1 January	83,530	65,260
Lease Modification	(8,514)	64,686
Interest expense (Note 8)	6,915	3,388
Lease payments (principal and interest)	(35,365)	(49,804)
Balance at 31 December	46,566	83,530
Current portion of a lease liability	28,450	46,419
Non-current portion of lease liability	18,116	37,111
	46,566	83,530
<i>Non-cancellable operating lease commitments</i>		
Less than one year	28,450	46,419
Between one and five years	18,116	37,111
Total undiscounted lease liabilities at 31 December	46,566	83,530

BRAC ZANZIBAR FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)****24. LEASES (CONTINUED)****(c) Amounts recognized in profit or loss**

	2024	2023
	TZS'000	TZS'000
Depreciation on right-of-use asset	25,996	40,014
Interest on lease liability	6,915	3,388
	<u>32,911</u>	<u>43,402</u>

(d) Amounts recognised in statement of cash flows

Payment of interest	6,915	3,388
Payment of principal	28,450	46,418
	<u>35,365</u>	<u>49,806</u>

The contractual maturity for lease liabilities as of 31 December 2024 are disclosed in Note 4 (b).

	Within 1 year	1 to 2 years	Total contractual
	TZS'000	TZS'000	cash flows
			TZS'000
Year ended 31 December 2024			
Lease liabilities	<u>28,171</u>	<u>18,395</u>	<u>46,566</u>
Year ended 31 december 2023			
Lease liabilities	<u>46,419</u>	<u>37,110</u>	<u>83,529</u>

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

25. SUBSEQUENT EVENTS

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

BRAC ZANZIBAR FINANCE LIMITED

**MEMORANDUM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

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BRAC ZANZIBAR FINANCE LIMITED
**MEMORANDUM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
FOR THE YEAR ENDED 31 DECEMBER 2024**

		2024	2023
	Note	USD	USD
Income			
Interest income calculated using effective rate	2	1,472,827	1,560,207
Interest expense	4	<u>(2,820)</u>	<u>(1,386)</u>
		<u>1,470,007</u>	<u>1,558,821</u>
 Fees and Commission Income	 3	 <u>53,600</u>	 <u>66,061</u>
Total operating income		<u>1,523,607</u>	<u>1,624,882</u>
 Impairment losses	 10(b)	 <u>46,066</u>	 <u>(21,640)</u>
Operating income after impairment charge		<u>1,569,673</u>	<u>1,603,242</u>
 Operating expenses			
Staff costs	5	(369,088)	(409,300)
Traveling and transportation	7	(114,157)	(103,235)
Training workshops and seminars	7	(5,118)	(1,473)
Occupancy expenses	6	(3,601)	(3,260)
Other operating expenses	7	(272,674)	(146,042)
Depreciation on ROU of assets	20(a)	(9,937)	(16,369)
Depreciation charge	12(a)	<u>(13,122)</u>	<u>(8,052)</u>
		<u>(787,697)</u>	<u>(687,731)</u>
 Profit before tax		 <u>781,976</u>	 <u>915,511</u>
Income tax expense	8(a)	<u>(234,697)</u>	<u>(276,756)</u>
Profit for the year		<u>547,279</u>	<u>638,755</u>
 Other comprehensive income			
Foreign currency translation gain/(loss)		<u>-</u>	<u>-</u>
Total comprehensive Income for the		<u>547,279</u>	<u>638,755</u>

BRAC ZANZIBAR FINANCE LIMITED
**MEMORANDUM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024**

		Memo 2024 USD	Memo 2023 USD
	Note		
ASSETS			
Cash and cash equivalents	9	106,477	97,841
Loans to clientclient	10(a)	3,316,088	2,944,054
Other assets	11(a)	44,302	152,707
Due from related party	11(b)	166,484	20
Right of Use asset	20(b)	18,145	32,364
Tax receivable	8(b)	68,997	-
Deferred tax asset	13	29,436	44,756
Property and equipment	12(a)	20,816	30,594
Intangible assets	12(b)	-	-
Total assets		<u>3,770,745</u>	<u>3,302,336</u>
LIABILITIES AND EQUITY			
Liabilities			
Loan security fund	14	628,966	575,649
Lease Liability	20(b)	18,991	33,211
Other liabilities	15	36,445	44,846
Tax Payable	8(b)	-	16,704
Due to related party	16(a)	455	190,610
Total liabilities		<u>684,857</u>	<u>861,020</u>
EQUITY			
Ordinary share capital	17(a)	655,081	655,081
Retained earnings		2,036,780	1,507,521
Capital reserve	17(b)	337,374	337,374
Translation adjustment reserve		56,653	(58,660)
Total equity		<u>3,085,888</u>	<u>2,441,316</u>
Total liabilities and equity		<u>3,770,745</u>	<u>3,302,336</u>

BRAC ZANZIBAR FINANCE LIMITED**MEMORANDUM STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Ordinary Share capital USD	Capital Reserve USD	Retained Earnings USD	Total USD
Year ended 31 December 2024				
Balance as of 1 January 2024	655,081	332,400	1,489,501	2,476,982
Profit for the year	-	-	547,279	547,279
Translation adjustment reserve	-	-	(90,192)	(90,192)
Balance as of 31 December 2024	<u>655,081</u>	<u>332,400</u>	<u>1,946,588</u>	<u>2,934,069</u>
Year ended 31 December 2023				
Balance as of 1 January 2023	655,081	332,400	959,065	1,946,546
Profit for the year	-	-	677,281	677,281
Translation adjustment reserve	-	-	(146,845)	(146,845)
Balance as of 31 December 2023	<u>655,081</u>	<u>332,400</u>	<u>1,489,501</u>	<u>2,476,982</u>

BRAC ZANZIBAR FINANCE LIMITED
**MEMORANDUM STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Notes	2024 USD	2023 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		780,086	915,512
Adjustment for non-cash items:			
Provision for impairment on loans and advances	10(b)	(43,175)	-
Depreciation of property and equipment	12(a)	12,299	8,052
Depreciation of right of use asset	20(a)	9,937	16,369
Amortization of intangible assets	12(b)	-	-
Lease modification		915	
Interest on lease liability		2,641	1,386
Loss/(gain) on disposal of assets		(17)	645
Cash from operating activities before working capital changes		762,686	941,964
Changes in:			
Loans to client/client	10(a)	(234,617)	(539,944)
Other assets	11(a)	105,280	(6,320)
Due from related party	11(b)	(152,865)	880
Loan security fund	14	36,110	80,776
Other liabilities	15	(8,954)	(59,118)
Balance due to related parties	16	(182,813)	(189,103)
Cash from operating activities after working capital changes		324,827	229,135
Interest paid on lease liability	20(d)	2,641	(1,386)
Tax paid	8(b)	(300,040)	(238,319)
Cash (used in)/generated from operating activities		22,146	(10,570)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	12(a)	(5,549)	(21,266)
Proceeds from disposal of assets		-	-
Cash used in investing activities		(5,549)	(21,266)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal lease liability	20(d)	(10,874)	(18,988)
Net cash flow used in financing activities		(10,874)	(18,988)
Net (decrease)/increase in cash and cash equivalents		5,722	(50,824)
Cash and Cash equivalent at start of year		97,841	157,427
Translation adjustment reserve		2,914	(8,762)
Cash and cash equivalents at end of year	9	106,477	97,841

BRAC ZANZIBAR FINANCE LIMITED**NOTES TO MEMORANDUM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024****1. FUNCTIONAL AND PRESENTATION CURRENCY**

The Company's general purpose financial statements are prepared and presented in Tanzanian Shillings (TZS) because it is the Company's functional currency. The memorandum financial statement representing the results in United States Dollars (USD) is for presentation purposes only and does not form part of the audited financial statements. The exchange rates used to translate the TZS figures to the USD memorandum were as follows:

- Assets and liabilities were translated at the closing rate on 31 December 2024 of TZS 2,616.17 to USD 1.
- Income and expenses were translated using an average exchange rate for the year of TZS 2,452.00 to USD 1.
- Equity is not translated; and
- All resulting exchange differences are being recognized in other comprehensive income.

	2024	2023
	USD	USD
2. INTEREST INCOME CALCULATED USING EFFECTIVE RATE		
Interest on loans to Company members:		
- Microfinance	1,293,259,	1,379,296
- Small enterprise program	101,732	100,527
- Agri-finance	<u>77,836</u>	<u>80,384</u>
	<u>1,472,827</u>	<u>1,560,207</u>

3. FEES AND COMMISSION INCOME

Loan application fee	631	491
Loan appraisal fee	47,935	56,080
Passbook/Disposal	838	746
Membership fees	4,234	8,768
Administrative fee from the Insurance scheme	<u>(38)</u>	<u>(24)</u>
	<u>53,600</u>	<u>66,061</u>

4. INTEREST EXPENSES

Interest Expenses	-	-
Interest Lease liability	<u>2,820</u>	<u>1,386</u>
	<u>2,820</u>	<u>1,386</u>

5. STAFF COSTS

Salaries	285,474	330,363
NSSF and ZSSF	63,363	72,392
Bonus	<u>20,251</u>	<u>6,545</u>
	<u>369,088</u>	<u>409,300</u>

6. OCCUPANCY EXPENSES

Recognition exemption for leases of low-value and short-term assets

Utilities	<u>3,601</u>	<u>3,260</u>
	<u>3,601</u>	<u>3,260</u>

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO MEMORANDUM FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024**

7. OTHER OPERATING EXPENSES

	2024	2023
	USD	USD
Maintenance and general expenses	74,913	53,879
Audit fees	26,002	37,565
Regulatory Fees and Taxes	148,780	41,863
Office Stationery	8,284	12,734
Head Office logistics and management expenses	30,731	-
	<u>288,710</u>	<u>146,041</u>

8. TAXATION

(c) Income tax expense.

Tax charge for the year	219,315	275,627
Deferred tax charge (Note 13)	15,382	1,129
	<u>234,697</u>	<u>276,756</u>

Tax rate reconciliation **%** **%**

Effective tax rate	<u>30.11%</u>	<u>30.23%</u>
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Standard rate of income tax	30%	30
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Tax effect of prior period deferred tax (over)/under provision	-	0.01
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Tax effect of non-deductible expenses	0.11	0.22
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Effective rate of income tax	<u>30.11%</u>	<u>30.23</u>
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(d) Tax payable/ (receivable)

At start of year	16,704	(20,916)
Charge for the year	219,315	275,627
Tax paid during the year	(256,917)	(229,478)
Tax paid for prior years' assessments	(43,123)	(8,841)
Translation reserve	(4,976)	312
At end of year	<u>(68,997)</u>	<u>16,704</u>

9. CASH AND CASH EQUIVALENTS

Vodacom M-PESA	-	127
Cash at bank	106,477	97,714
	<u>106,477</u>	<u>97,841</u>

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO MEMORANDUM FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024**

10. LOANS TO CLIENT

(a) Net loans to client

	2024 USD	2023 USD
Loans to client (gross)	3,390,797	3,078,675
Provision for impairment on loans to client [Note-10(b)]	<u>(74,709)</u>	<u>(134,621)</u>
Balance on 31 December	<u>3,316,088</u>	<u>2,944,054</u>

(b) Impairment losses

Balance as at 1 January	138,079	134,621
Charge for the year	(41,564)	21,034
Write-offs	(21,806)	(21,034)
Foreign exchange translation difference	<u>-</u>	<u>-</u>
Balance at 31 December	<u>74,709</u>	<u>134,621</u>

(c) Gross loans to client

Microfinance	2,820,545	2,503,183
Small enterprise program	254,132	231,633
Agriculture	240,179	164,607
Interest Receivable	<u>75,942</u>	<u>179,253</u>
	<u>3,390,798</u>	<u>3,078,676</u>

11. OTHER RECEIVABLES BALANCES

(a) Other assets

Advances and prepayments	326	143,547
Stock and stores	<u>43,976</u>	<u>9,160</u>
	<u>44,302</u>	<u>152,707</u>

(b) Due from related party

BRAC International Holdings B. V	-	20
BRAC Tanzania Finance Limited	<u>166,484</u>	<u>-</u>
	<u>166,484</u>	<u>20</u>

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO MEMORANDUM FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024**

12. FIXED ASSETS

(a) Property and equipment

	Furniture &Fixtures USD	Equipment USD	Motorcycles USD	Total USD
At 1 January 2024	20,653	37,197	-	57,850
Additions	-	5,549	-	5,549
Disposal	(3,422)	(7,223)	-	(10,645)
Foreign translation adjustment	531	1,327	-	1,858
Balance at 31 December 2024	17,762	36,850	-	54,612
Cost				
At 1 January 2023	22,381	19,832	131	42,344
Additions	-	21,266	-	21,266
Disposal	(278)	(2,020)	(122)	(2,420)
Foreign translation adjustment	(1,450)	(1,881)	(9)	(3,340)
Balance at 31 December 2023	20,653	37,197	-	57,850
Accumulated depreciation				
Accumulated depreciation				
At 1 January 2024	12,022	15,234	-	27,256
Charge for the year	1,682	11,440	-	13,122
Disposal	(3,422)	(3,860)	-	(7,282)
Foreign translation adjustment	309	391	-	700
Balance at 31 December 2024	10,591	23,205	-	33,796
Accumulated depreciation				
At 1 January 2023	11,791	10,902	-	22,693
Charge for the year	1,283	6,769	-	8,052
Disposal	(252)	(1,541)	-	(1,793)
Foreign translation adjustment	(800)	(896)	-	(1,696)
Balance at 31 December 2023	12,022	15,234	-	27,256
Net book value (NBV)				
At 31 December 2023	8,631	21,963	-	30,594
At 31 December 2024	7,171	13,604	-	20,816

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO MEMORANDUM FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024**

12. FIXED ASSETS (CONTINUED)

(b) Intangible asset

	ERP software USD
Cost	
At 1 January 2023	2,028
Disposal	<u>(2,028)</u>
Balance at 31 December 2023	<u>-</u>
At 1 January 2024	
Disposal	<u>-</u>
Balance at 31 December 2024	<u>-</u>
Accumulated depreciation	
At 1 January 2023	1,514
Disposal	<u>(1,514)</u>
Balance at 31 December 2023	<u>-</u>
At 1 January 2024	
Disposal	<u>-</u>
Balance at 31 December 2024	<u>-</u>
Net book value	
At 31 December 2023	<u>-</u>
At 31 December 2024	<u>-</u>

13. DEFERRED TAX ASSET

	2024 USD	2023 USD
The movement in the deferred tax asset during the year is as follows:		
At 1 January	45,848	48,970
Charge for the year- Note 8 (a)	(16,412)	(3,789)
Translation reserve	<u>-</u>	<u>806</u>
At 31 December	<u>29,436</u>	<u>45,987</u>
Deferred tax arises from temporary- differences on the following items:		
Property and equipment	1,032	1,612
Impairment provision – general	<u>28,404</u>	<u>44,375</u>
At 31 December	<u>29,436</u>	<u>45,987</u>

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO MEMORANDUM FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024**

	2024 USD	2023 USD
14. LOAN SECURITY FUND		
Balance at 1 January	575,649	531,587
Collections during the year	225,569	658,477
Withdrawals during the year	(187,042)	(579,693)
Foreign translation adjustment	14,790	(34,722)
Balance at 31 December	<u>628,966</u>	<u>575,649</u>
15. OTHER LIABILITIES		
Liabilities for expense	12,332	26,102
Accrued expenses	<u>24,113</u>	<u>18,744</u>
	<u>36,445</u>	<u>44,846</u>

16. RELATED PARTY TRANSACTIONS

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

Name of the related party	Nature	Nature of the transactions
BRAC Tanzania Finance Limited.	Parent Company	Transactions related to Charges for Management fees by BRAC International and related payments made by BRAC Tanzania Finance Limited. Management services Includes MF, Finance, HR, Internal Audit, Branding, communication, and administrative services to BTFL.
BRAC Tanzania Finance Limited	Under common management	Transactions include reimbursement costs and Head office logistics payments made by BRAC Tanzania Finance Limited on behalf of BZFL

(a) Due to related parties

	2024 USD	2023 USD
BRAC Tanzania Finance Limited		190,610
Stichting BRAC International	455	662
	<u>455</u>	<u>191,272</u>

(b) Related parties' expenses

Head Office logistics and management expenses	<u>32,789</u>	-
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(c) Directors Cost

There were no costs incurred with respect to Directors during the year and in prior year.

BRAC ZANZIBAR FINANCE LIMITED**NOTES TO MEMORANDUM FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024****17. SHARE CAPITAL AND RESERVES****a) Ordinary share capital**

During the year the company issued 750,000 and allotted 750,000 to two shareholders. Each ordinary share has per value TZS 2,000. Below is the outstanding balance on ordinary share capital.

	Ownership	No	USD
BRAC Tanzania Finance limited	99.9%	749,999	655,080
Shameran Abed	0.01%	<u>1</u>	<u>1</u>
		<u>750,000</u>	<u>655,081</u>

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

18. CONTINGENT LIABILITIES

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

19. CAPITAL COMMITMENTS

There were no commitments for capital expenditure not provided for in these financial statements at 31 December 2024.

20. LEASES

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

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

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

	2024 USD	2023 USD
Balance at 1 January	33,468	24,117
Depreciation charge for the year	(10,602)	(16,369)
Impact of modification*	<u>(4,721)</u>	<u>25,720</u>
Balance at 31 December	<u>18,145</u>	<u>33,468</u>

* Lease modification done during the period is due to an increase in lease term as a result of the current year re-assessment.

BRAC ZANZIBAR FINANCE LIMITED

**NOTES TO MEMORANDUM FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024**

20. LEASES (CONTINUED)

	2024	2023
	USD	USD
(b) Lease liability (office premises)		
Balance at 1 January	33,211	27,747
Impact on lease Modification	915	25,720
Interest expense (Note 8)	2,641	1,386
Lease payments (principal and interest)	(13,515)	(20,374)
Translation Reserve	<u>(4,261)</u>	<u>(1,268)</u>
Balance at 31 December	<u>18,991</u>	<u>33,211</u>
Current portion of a lease liability	11,603	18,455
Non-current portion of lease liability	<u>7,388</u>	<u>14,756</u>
	<u>18,991</u>	<u>33,211</u>
<i>Non-cancellable operating lease commitments</i>		
Less than one year	11,603	18,455
Between one and five years	<u>7,388</u>	<u>14,756</u>
Total undiscounted lease liabilities at 31 December	<u>18,991</u>	<u>33,211</u>
(c) Amounts recognized in profit or loss		
Depreciation on right-of-use asset	9,937	16,369
Interest on lease liability	<u>2,641</u>	<u>1,386</u>
	<u>12,578</u>	<u>17,755</u>
<i>Leases as lessee (IFRS 16)</i>		
(d) Amounts recognized in the statement of cash flows		
Payment of interest	2,641	1,386
Payment of principal	<u>10,874</u>	<u>18,988</u>
	<u>13,515</u>	<u>20,374</u>

21. SUBSEQUENT EVENTS

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