BRAC ZANZIBAR FINANCE LIMITED

REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

"Small is beautiful, but scale is necessary".
Sir Fazle Hasan Abed - Founder of BRAC

BRAC ZANZIBAR FINANCE LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2025

TABLE OF CONTENTS	PAGE NO

BRAC ZANZIBAR FINANCE LIMITED

GENERAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2025

Directors

Name	Position	Gender	Nationality	Age	Date of Appointment/ Resignation	Qualification	Status
Shameran Abed	Chairperson	Male	Bangladeshi	45	20 June 2018	Bachelor of arts in Economics	Active
Johannes Maria Antonius Eskes	Member	Male	Dutch	72	20 June 2018	Master's degree in accounting	Active
Bridget Dougherty	Member	Female	American	42	16 February 2023	BA. Economics	Active
Marie-Marcelle Saint Gilles Gerard	Member	Female	Haitian	53	03 April 2023	BA Economics	Active

Senior Management Team

Name	Position
Marie-Marcelle Saint Gilles Gerard	Chief Executive Officer/Board of Director
Nur Alam Siddiki	Head of Operations
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
House number: ZA-57 Mjini Magharibi – Unguja
District: West 'A', Ward: Uholanzi, Street:
Mchina Mwanzo , Road: MKAPA ROAD
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) Limitec
Zanzibar Branch
Zanzibar Business Centre, Kenyata Road
P. O. Box 157
Zanzibar, Tanzania

CRDB Bank PLC
Zanzibar Branch
Zanzibar Business Centre, Malawi Road
P. O. Box 268
Zanzibar, Tanzania

BRAC ZANZIBAR FINANCE LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025

Those charged with governance hereby submit their report together with the audited financial statements of BRAC Zanzibar Finance Limited ("BZFL") for the year ended 31 December 2025. This report has been prepared in compliance with Tanzania Financial Reporting Standard No. 1 (TFRS 1) and should be read in conjunction with the accompanying financial statements.

The year was marked by continued growth in outreach, stronger funding mobilization, deeper client impact, and targeted investments in people and digital capability. During October and November 2025, operations were temporarily suspended for 12 days due to a nationwide directive that affected all financial institutions. This interruption, together with elevated impairment charges, contributed to profit falling short of budgeted projections. Despite these challenges, BZFL closed the year with resilient portfolio quality and solid profitability.

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. Refers to note 12 for more details on the number of shares and shareholders.

2 PRINCIPAL ACTIVITIES

BRAC Zanzibar Finance Limited is a Tier 2 non-deposit taking microfinance service provider dedicated to delivering responsible financial services to underserved communities across Zanzibar. Through a network of 5 branches as at 31 December 2025, BZFL offered three core products - Microfinance, Agri-finance, and Small Enterprise Program (SEP) loans - designed to improve livelihoods, support enterprise growth, and strengthen household resilience.

Empowering women and expanding access for low-income and rural households remained central to our mission. During the year, BZFL served 10,909 borrowers, of whom 98% were women. BZFL also completed a client protection pre-assessment, resolved 99% of complaints on time, delivered financial literacy training to clients, including youth, and continued strengthening staff capability, customer experience, and digital 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 most vulnerable people to lift themselves out of poverty. We value creativity in program 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 Tanzania 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 recognizing 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 program targets, and to improve and deepen the impact of our interventions.

6 VALUE CREATION TO MICROFINANCE CLIENTS

BZFL creates value by combining disciplined capital allocation, frontline delivery, responsible finance, and technology-enabled operations to broaden inclusion while sustaining institutional resilience.

Digital Transformation:
BZFL strengthened its digital backbone during 2025 through core banking stabilization, cybersecurity remediation, Digital Field Application (DFA) rollout, and mobile money collections. Core Banking System (CBS) uptime reached 97%, transaction success rate 99%, and admissions and disbursement turnaround improved to 1-3 days.

Economic Empowerment:
BZFL ended the year with 5 branches, 10,909 borrowers, and TZS 19.8 billion in disbursements. Principal outstanding closed at TZS 9.5 billion, PAR>30 remained at 2.36%, and operating self-sufficiency reached 166%, reflecting a balanced model of outreach, portfolio discipline, and financial resilience.

Promoting Financial Inclusion:
Responsible inclusion remained central to our model. Financial literacy training reached 9,261clients, including 4,218 youth. The 2025 60 Decibels survey showed that 44% of clients live below USD 3.65 per day, and 29% are youth; 98% reported improved quality of life, and BZFL recorded a Net Promoter Score of 78.

Social Impact and Sustainability:
BZFL completed a client protection pre-assessment and resolved 99% of complaints on time. The 2025 Social Outcomes Index improved to 76%, supported by stronger household welfare outcomes. ESG considerations remain embedded in governance, product design, people practices, and climate-sensitive agriculture finance.

6 VALUE CREATION TO MICROFINANCE CLIENTS (CONTINUED)

Resources	Input 2025	Output 2025	Outcomes 2025	Input 2024	Output 2024	Outcomes 2024
Financial Resources	The pool of funds supporting business operations, including equity finance and shareholder funds. - TZS 1.5 billion equity capital - Shareholder funds: TZS 9.45 billion (including equity capital TZS 1.5 billion).	Revenue: TZS 4.8 billion Profit after tax: TZS 1.89 billion Operating expenditure: TZS 1.81 billion Corporate income tax for the year: TZS 829 million Total assets: TZS 11.5 billion	Access to finance alternatives - Based on the output, the company was able to reach 10,909 borrowers according to the loan data published for 2025. Women borrowers remained at 98%. PAR>30 stood at 2.36%.	The pool of funds supporting business operations, including equity finance and shareholder funds. - TZS 1.5 billion equity capital - Shareholder funds: TZS 7.57 billion (including equity capital TZS 1.5 billion).	Revenue: TZS 4.04 billion Profit after tax: TZS 1.43 billion Operating expenditure: TZS 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 loan data published for 2024. Increase in clients taking first loans rose to 87%.
Human Resources	Competencies, capabilities, and experience of our staff and how they innovate, collaborate, and align with BRAC's objectives. - 33 skilled customer-centric staff in Zanzibar - Experienced and ethical leadership team - Performance management system - Various training and development courses	Excellent client service TZS 708 million was paid in salaries, benefits, and staff development. All are local staff supported by 35 seconded staff from BTFL.	Women remained strongly represented by 100% of the workforce in BZFL. Significant staff-related investments strengthened the capabilities required to deliver strategy and performance targets. BZFL follows safeguard policies and guidelines.	Competencies, capabilities, and experience of our staff 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% staff turnover rate Increased diversity by hiring staff locally. More than 84% are female staff, serving more than 99% female members (clients).	Women empowerment at BRAC, 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 values, in turn, increase our intellectual capital. BZFL follows safeguard policies and guidelines.

6 VALUE CREATION TO MICROFINANCE CLIENTS (CONTINUED)

Resources	Input 2025	Output 2025	Outcomes 2025	Input 2024	Output 2024	Outcomes 2024
Intellectual / Technological	The Company focused on core banking stability, digital field automation, cybersecurity remediation, and mobile transaction capability.	To better serve clients, CBS uptime stood at 97% and transaction success reached 99%. Mobile repayment uptake reached 6%, improving visibility on client transactions. Better responses to changing consumer needs.	There are multiple alternatives to repayment methodology, including cash, bank, and mobile collection. Faster turnaround times, stronger controls, reduced printing costs, and improved field-level data visibility strengthened service delivery.	The Company focused on T24 stabilization, implementation of the DARS Reporting System, and strengthening digital repayment capability.	To better serve clients using the 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).
Social / Relationship	The Company enhanced client outreach through financial literacy, client protection, complaints resolution, and youth outreach.	Brand reinforcement and market communication through 9,261 clients trained and 4,218 youth reached. Understanding our clients through 99% of complaints resolved on time, and client protection pre-assessment completed. Enhanced sustainability and long-term client confidence.	The company maintained strong client experience, with an NPS of 78 and a Social Outcomes Index of 76%. 98% of surveyed clients reported improved quality of life.	The Company enhanced compliance with local regulatory requirements of the Zanzibar Revenue Authority and Tanzania Revenue Authority, with no outstanding disputes.	Brand reinforcement and market communication. Understanding our client. Enhanced sustainability and achievement of long-term objectives and plans.	The company was accoladed by the Tanzania Revenue Authority as the best taxpayer for the year 2024.

7 FINANCIAL PERFORMANCE

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

	Definition	Target 2025	Actual 2025	Target 2024	Actual 2024
Number of branches		5	5	5	5
Number of active borrowers		10,754	10,909	10,024	10,074
Loan disbursement (TZS'000)		19,162,440	19,883,991	15,675,600	16,735,000
Loans and advances to customers (TZS'000)	Total loan outstanding	8,400,014	9,504,156	7,801,746	8,131,049
Portfolio At Risk over 30 Days (PAR 30)	Principal outstanding>30 days/Total Principal Loan Outstanding	3.00%	2.36%	3.10%	0.95%
Total service charge/interest income (TZS'000)		3,885,208	4,790,230	4,039,690	4,020,529
Operating expenses (TZS'000)		2,175,117	1,811,341	2,287,242	2,100,544
Finance Costs (TZS'000)		-	8,755	-	6,915
Net Profit (TZS'000)		1,565,637	1,888,189	1,308,948	1,426,828
Borrowings (TZS'000)		NIL	NIL	NIL	NIL
Total assets (TZS'000)	Total assets of the company	13,564,631	11,474,083	9,611,287	9,245,263
Debt/Equity ratio		NIL	NIL	NIL	NIL
Operating self-sufficiency (OSS)	Total income/Total cost	178.6%	166.21%	177%	156.22%
Return on Performing Assets	Net profit after tax, Donation/Average Asset	12.48%	16.46%	14%	16.25%

- **Disbursements**: Increased by 18% to TZS 19.88 billion in 2025, driven by branch expansion, stronger field execution, and sustained demand across Microfinance, SEP, and Agri finance.
- **Loans and Advances to Customers**: Closed at TZS 9.5 billion, 17.9% higher than 2024, underscoring continued portfolio growth.
- **Total Revenue**: Service charge income increased by 20% to TZS 4.8 billion, reflecting growth in the portfolio and revenue resilience across products
- **Operating Expenses**: Expenses decrease by 14% to TZS 1,811,341, driven mainly by cost optimization initiatives.
- **Net Profit**: Profit after tax increased to TZS 1.88 billion, elevated credit provisions, and a 12-day country-wide disruption in Q4 2025 that deferred part of revenue into 2026.
- **Return on Performing Assets**: improved to 18.18% from 16.25% in 2024, showing better profitability relative to the asset base.

8 RESULTS FROM OPERATIONS

The results for the Company for the year ended 31 December 2025 are set out on page 18.

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.

11 RELATED PARTY TRANSACTIONS

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

12 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.

13 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

- Reviewed and approved the 2024 audited annual report and key statutory disclosures.
- Reviewed the external auditors' report and monitored follow-up on key audit and control matters
- Monitored financial, operational, social, and portfolio performance against approved plans and risk appetite.
- Oversaw major strategic investments, funding transactions, covenant compliance, and foreign exchange risk matters.
- Reviewed regulatory, legal, tax, and compliance matters, including progress on key remediation actions
- Provided guidance on strategic priorities, digital transformation, and the emerging 2027-2030 framework.

Company Secretary

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

14 CAPITAL STRUCTURE

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

	No	2025 TZS'000	No	2024 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 Tanzania Finance limited, dividend distribution aligns with the policies and structure of the parent entity.

Component	2025 Actual (TZS'000)	2024Actual (TZS'000)
Equity	9,454,254	7,566,065
Debt	NIL	NIL
Debt + Equity	9,454,254	7,566,065
Debt-to-Equity Ratio	-	-

15 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 the Company's assets
- The reliability of accounting records
- Business continuity
- Responsible behaviours towards all stakeholders

While no internal control framework can provide absolute assurance against error or loss, BZFL's control environment is designed to give the Board reasonable assurance over financial reporting, operations, compliance, cybersecurity, business continuity, and responsible conduct. During 2025, management strengthened credit controls, fraud monitoring, digital safeguards, and regulatory remediation processes.

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 2025, the Board concluded that the systems met the required standards.

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 client is either unwilling to fulfil any obligation or his ability is impaired, resulting in an economic loss to the organisation.

15 RISK MANAGEMENT (CONTINUED)

Principal Risks and Uncertainties (continued)
Credit Risk (continued)

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 defence, 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 the 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:

- Foreign Exchange Risk
- Interest Rate Risk

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

15 RISK MANAGEMENT (CONTINUED)

Principal Risks and Uncertainties (continued)
Market Risk (continued)
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). At present, the CEO and the wider management team are sourced from BRAC Tanzania Finance Limited (BTFL) under a formal management services agreement. This arrangement covers the key management roles supporting BZFL's operations and is structured in compliance with applicable transfer pricing requirements and arm's length market comparability principles. The CEO is supported by the heads of departments under this arrangement. The organizational structure comprises the following divisions:

- Operations (Microfinance 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 & Learning Development
- Procurement, Administration and Logistics
- Communication

16 KEY ACHIEVEMENTS

In 2025, BRAC Zanzibar Finance Limited achieved significant milestones that reinforced its mission to empower underserved communities while sustaining financial and operational resilience.

Business Growth & Performance

- Under the 2025 Annual Strategic Plan, BZFL closed the year with 5 branches and 10,909 borrowers, above budget. Disbursements reached TZS 19.88 billion while loans and advances to customers ended at TZS 9.5 billion.
- Portfolio quality remained within appetite at PAR>30 of 2.36%. Management responded to rising impairment pressure through tighter appraisal, strengthened collections discipline, credit reference checks for larger loans, and enhanced field supervision.
- Profit after tax increased to TZS 1.88 billion despite higher financing costs, elevated credit provisions, and operational suspension that deferred part of revenue into 2026.

Responsible Inclusive Finance.
BZFL delivered financial literacy training to 9,261 clients, including 4,218 youth, and completed a client protection pre-assessment. The 2025 60 Decibels study reported a Net Promoter Score of 78, a Social Outcomes Index of 76%, and improved quality of life for 98% of surveyed clients.

Innovation and Accessibility:
BZFL stabilized its core banking environment and completed 100% cybersecurity remediation. Mobile repayments with 6% uptake by year-end.
During the year, BZFL continued extending services to hard-to-reach areas and field presence, supporting deeper outreach and improved client convenience.

17 FUTURE DEVELOPMENT PLANS

BRAC Tanzania Finance Limited remains committed to strengthening financial inclusion, operational efficiency, and institutional resilience through the following priorities for 2026 and beyond:

- **Expand Impact and Outreach** Deepen service to women, youth, and rural clients through disciplined growth, stronger retention.
- **Accelerate Digital Transformation** Scale DFA across all branches and drive wider DFS adoption, while enhancing collections efficiency. Leverage improved data visibility to strengthen credit risk management, elevate service quality, and boost productivity, ensuring sharper execution and measurable business impact.
- **Strengthen Portfolio Quality and Funding Resilience** Reinforce underwriting, collections, funding diversification, liquidity planning, and foreign exchange management to safeguard profitability and support sustainable growth.
- **Advance Strategy 2027–2030** Finalize the 2027–2030 strategy and KPI framework under continued Board oversight, prioritizing scalable impact, technology effectiveness, and sustained investment in people.
- **Promote Climate-Resilient Agri-finance** Develop climate-sensitive Agri-finance solutions and refine products to strengthen resilience for rural clients and agricultural value chains.
- **Invest in People and Culture** Enhance leadership development, safeguarding, succession planning, and staff wellbeing, with a decisive focus on frontline capability and accountability.
- **Embed Sustainability, Compliance, and Cybersecurity** Deepen regulatory engagement, integrate ESG principles, and fortify digital defenses as automation and data reliance expand.

18 STAKEHOLDER RELATIONSHIP

a) Clients

Enhanced access to financial services is provided through a network of 5 branch offices and supporting field presence, tailored to client needs through information, financial advice, and responsible finance practices. BZFL remains committed to being a safe and trusted financial services provider.

b) Staff

BRAC Zanzibar ensures that staff benefit from:

- An empowering and supportive environment that fosters diversity and inclusiveness.
- Fair remuneration, effective performance management, and recognition, creating a workplace where staff 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.

18 STAKEHOLDER RELATIONSHIP (CONTINUED)

d) Regulators and Policy makers

BRAC Zanzibar actively engages with BPRA, 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

BZFL continued investing in staff through training, flexible work arrangements, social security contributions, safeguarding, and leadership development. During 2025, management strengthened succession planning, mid-management development, frontline technical refreshers, and well-being initiatives to support retention and productivity.

Employee well-being is supported through medical insurance, workers' compensation, and pension benefits. BZFL also supports relevant professional certification memberships, including ACCA, CPA, and Tanzania Law School, reinforcing its commitment to long-term staff development.

Through the Learning and Development function, BZFL facilitates technical, digital, customer service, safeguarding, cybersecurity, and leadership training to improve service quality, operational effectiveness, and accountability.

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 100% female workforce and a 2:2 female and male Board ratio.

20 SERIOUS PREJUDICIAL MATTERS

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

21 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.

22 POLITICAL AND CHARITABLE DONATIONS

No political donations.

23 ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) COMMITMENT

BRAC Zanzibar Finance Limited is committed to purposeful leadership and continues to embed environmental, social, and governance principles into its strategy, operations, and decision-making to create long-term value for stakeholders.

- **Climate Impact Mitigation:**
  Agri-finance remains an important product line for rural livelihoods and climate resilience. BZFL continued assessing climate-sensitive product design, strengthening field awareness, and integrating sustainability considerations into agricultural finance and operational planning.

- **Social Impact**
  Client Empowerment: BZFL advanced financial inclusion and women's economic participation, with 96.41% of borrowers being women and outreach remaining rural. Financial literacy training reached 113,095 clients, while the 2025 60 Decibels study reported strong results: a Net Promoter Score of 78, a Social Outcomes Index of 76, and improved quality of life for 98% of surveyed clients.

Key Household Well-Being Achievements:

- 96% of clients (up from 90% in 2024) reported improved ability to cover household expenses.
- 92% reported greater capacity to meet education costs.
- 91% reported improvements in meal quantity and quality.
- 98% reported enhanced overall quality of life.
- 84% indicated BTFL was their first-ever loan access.

(Source: Lean Data Report 2025).

Staff Wellbeing:
BZFL supported its predominantly female workforce through leadership development, safeguarding, health coverage, and feedback channels that strengthened wellbeing and accountability:

- **Diversity and Inclusion:** women represented 50% of the Board and remained strongly represented across management and frontline roles.
- **Health and Wellness:** employee medical cover, statutory benefits, and wellbeing measures continued to support staff resilience and productivity.
- **Recognition and Rewards:** leadership development, training, and recognition initiatives supported a culture of performance, learning, and service to communities

Community Impact: In 2025, BRAC Zanzibar Finance Limited made remarkable strides in transforming lives and driving sustainable progress. Our efforts impacted underserved communities, reaching:

Key Household Well-Being Achievements

- 96% of surveyed clients reported improved ability to cover household expenses.
- 92% reported improved ability to meet education expenses.
- 91% reported improvement in the number and quality of meals consumed.
- 50% reported that quality of life had "very much improved".

Client Success and Empowerment

- 98% of surveyed clients reported improved quality of life.
- 53% reported that business income had "very much increased," and 50% reported stronger financial management.
- 16% reported challenges, down from 24% in 2024, although resolution timeliness remains an area of ongoing focus.
- 84% of surveyed clients reported they had not had access to a previous loan before BZFL.

(Source: Lean Data Report 2025)

23 ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) COMMITMENT (CONTINUED)

- **Governance**
  - **Board Oversight:** Our Board, composed of two women and two men, continued to oversee strategy, risk, governance, and major decisions, including ESG-related matters, during 2025.
  - **Risk Management:** BZFL strengthened governance through Board and Audit and Risk Committee oversight, 100% cybersecurity remediation and license compliance, and continued regulatory engagement, including remediation actions arising from the Bank of Tanzania targeted examination

24 AUDITOR

PricewaterhouseCoopers (PwC) will not be proposed for reappointment as the Company's auditor, in compliance with the regulatory requirement for auditor rotation after three years. Accordingly, the external audit role is now open, and the appointment of a new external auditor will be presented for approval at the Annual General Meeting.

25 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

…………………………………	…………………………………
Shameran Abed	Marie Marcelle Saint Gilles Gerard
Chairperson	Director/Chief Executive Officer
Date: 29/04/2026	Date: 28.04.2026

BRAC ZANZIBAR FINANCE LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2025

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:

…………………………………
Shameran Abed
Chairperson

Date: 29/04/2026

BRAC ZANZIBAR FINANCE LIMITED

DECLARATION OF HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025, 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:

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRAC ZANZIBAR FINANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025, 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 19 to 52 comprise:

- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of financial position as at 31 December 2025;
- 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 General Information, 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 2025

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, 2013 of Zanzibar, 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.

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

Date: 30-April-2026

BRAC ZANZIBAR FINANCE LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Notes	2025 TZS '000	2024 TZS '000 Restated
Income			
Interest income	6	4,790,230	4,020,529
Interest expense	8	(8,755)	(6,915)
		4,781,475	**4,013,614**
Fees and commission income	7	4,950	14,810
Total operating income		**4,786,425**	**4,028,424**
Impairment release/losses	14(b)	(257,568)	112,954
Operating income after impairment Losses		**4,528,857**	**4,141,378**
Operating expenses			
Staff costs	9	(708,101)	(965,595)
Traveling and transportation		(314,842)	(298,653)
Training workshops and seminars		(17,620)	(13,390)
Occupancy expenses	10	(10,237)	(9,421)
Other operating expenses	11	(724,133)	(755,314)
Depreciation on ROU of assets	24(a)	(22,055)	(25,996)
Depreciation charge	16(a)	(14,353)	(32,175)
		(1,811,341)	**(2,100,544)**
Profit before tax		**2,717,516**	**2,040,834**
Income tax expense	12(a)	**(829,327)**	(614,006)
Profit for the year		**1,888,189**	**1,426,828**
Other comprehensive income		-	-
Total Comprehensive Income for the year		**1,888,189**	**1,426,828**

Notes and related statements forming part of the financial statements appear on pages 23 to 52.

The report of the auditor is on pages 17 - 18.

BRAC ZANZIBAR FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	2025 TZS '000	2024 TZS '000
ASSETS			
Cash and cash equivalents	13	1,200,495	261,080
Loans to clients	14(a)	9,504,156	8,131,049
Other assets	15(a)	72,035	108,631
Due from related party	15(b)	229,118	408,218
Right of Use asset	24(a)	110,116	44,492
Corporate income tax receivable	12(b)	188,251	168,647
Deferred income tax asset	17	117,905	72,177
Property and equipment	16(a)	52,007	50,969
Total assets		**11,474,083**	**9,245,263**
LIABILITIES AND EQUITY			
Liabilities			
Loan security fund	18	1,772,814	1,542,225
Lease liability	24(b)	77,762	46,566
Other liabilities	19	152,643	89,363
Corporate income tax payable	12(b)	-	-
Due to related party	20(a)	16,610	1,044
Total liabilities		**2,019,829**	**1,679,198**
Equity			
Ordinary share capital	21(a)	1,500,000	1,500,000
Retained earnings		7,181,736	5,293,547
Capital reserve	21(b)	772,518	772,518
Total equity		**9,454,254**	**7,566,065**
Total liabilities and equity		**11,474,083**	**9,245,263**

The financial statements on pages 19 to 52 were approved and authorized for issue by the board of directors on ..28th April 2026... and signed on its behalf by.

Shameran Abed	Marie-Marcelle Saint Gilles Gerard
Chairperson	**Chief Executive Officer**

Notes and related statements forming part of the financial statements appear on pages 23 to 52.

Report of the independent auditors is on page 17 – 18.

BRAC ZANZIBAR FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Ordinary Share capital TZS'000	Capital Reserve TZS'000	Retained Earnings TZS'000	Total TZS'000
Balance as at 1 January 2025	1,500,000	772,518	5,293,547	**7,566,065**
Comprehensive income:				
Profit for the year			1,888,189	**1,888,189**
Balance as at 31 December 2025	**1,500,000**	**772,518**	**7,181,736**	**9,454,254**

	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	-	-	1,426,827	1,426,827
Balance as at 31 December 2024	1,500,000	772,518	5,294,077	7,566,595

Notes and related statements forming part of the financial statements appear on pages 23 to 52.

Report of the independent auditors is on pages 17 - 18.

BRAC ZANZIBAR FINANCE LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 TZS '000	2024 TZS '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		2,717,516	2,040,834
Adjustment for non-cash items:			
Provision for impairment on loans and advances	14(b)	257,568	(112,954)
Depreciation of property and equipment	16	14,353	32,175
Depreciation of right-of-use asset	24(a)	22,055	25,996
Interest on lease liability	24(b)	8,755	6,915
Lease Modification	24	(29,619)	2,393
PPE Adjustment		(118)	
(Gain)/loss on disposal of assets		-	(45)
Cash from operating activities before working capital changes		**2,990,510**	**1,995,314**
Changes in:			
Loans to clients		(1,630,675)	(726,614)
Other assets		36,596	275,428
Due from a related party		179,100	(399,920)
Loan security fund	18	230,589	94,469
Other liabilities	19	63,280	(23,425)
Balance due to related parties		15,566	(478,267)
Cash from operating activities after working capital changes		**1,884,966**	**736,985**
Interest paid on lease liability	24(d)	(8,755)	(6,915)
Tax paid	12(b)	(894,659)	(672,137)
Cash generated from/(used in) operating activities		**981,552**	**57,933**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	16(a)	(15,273)	(14,518)
Proceeds from disposal of assets			45
Cash flow to investing activities		**(15,273)**	**(14,473)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal lease liability	24(d)	(26,864)	(28,450)
Net cash flow used in financing activities		**(26,864)**	**(28,450)**
Net increase/(decrease) in cash and cash equivalents		**939,415**	**15,010**
Cash and Cash equivalent at start of year		261,080	246,070
Cash and cash equivalents at the end of the year	13	**1,200,495**	**261,080**

Notes and related financial statements forming part of the financial statements appear on pages 23 to 52.
Report of the auditor is on pages 17 - 18.

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.

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.

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.

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.

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.

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 Zanzibar 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.

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.

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.

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%

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.

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.

The loan security fund is initially recognized at fair value.

(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.

(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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Staffs' benefits (continued)

(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.

During the year ended 31 December 2025, the Company adopted the new standard/amendment effective for annual periods beginning on or after 1 January 2025 (date of initial application: 1 January 2025). The adoption of the new and revised requirement has not resulted in material changes to the Company's accounting policies.

i) The new requirement, effective from 1 January 2025, adopted by BZFL during the year was:

Relevant standard/amendments	Summary
IAS 21 Amendments – Lack of Exchangeability	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.
Impact	Management assessed BZFL's foreign currency transactions and exposures (including any foreign currency borrowings, remittances or vendor payments) and concluded that there were no exchange-ability constraints affecting BZFL's reporting. Accordingly, no material impact arose; however, relevant disclosures and the internal assessment process were updated where applicable.
Effective date	Effective for annual periods beginning on or after 1 January 2025 (date of initial application: 1 January 2025).

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

ii) New standards, amendments and interpretations issued but not yet effective

Relevant standard/amendments	Summary
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	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).
Impact	BZFL expects limited impact because its loan portfolio is largely measured at amortized cost and its funding liabilities are predominantly straightforward borrowings. BZFL will assess any relevant liability settlement processes and update disclosures where relevant.
Effective date	Annual periods beginning on or after 1 January 2026
Annual improvements to IFRS – Volume 11	Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards: • IFRS 1 First-time Adoption of International Financial Reporting Standards. • IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; • IFRS 9 Financial Instruments. • IFRS 10 Consolidated Financial Statements; and • IAS 7 Statement of Cash Flows.
Impact	IFRS 1: Changes - the hedge-accounting exception to retrospective application (Appendix B, paragraphs B5–B6) and refreshes cross-references to IFRS 9 hedge accounting requirements to improve consistency. The changes are not expected to apply because BZFL is not a first-time adopter. No impact is expected. IFRS 7: Changes - Targeted clarifications to certain disclosure requirements to improve consistency and understandability (including clarifications that may affect the way certain financial instruments disclosures are drafted, depending on an entity's facts and circumstances). Changes are not expected to be material; BZFL will review and refine relevant financial instruments disclosures where necessary.

3. MA MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) New standards, amendments, and interpretations (continued)

ii) New standards, amendments and interpretations issued but not yet effective (Continued)

Relevant standard/amendments	Summary
	IFRS 9: Changes - Targeted clarifications and transition guidance to improve consistent application of IFRS 9 in specific areas (including interactions with certain settlement mechanisms, where applicable). BZFL does not expect a material impact on classification and measurement. BZFL will assess any relevant settlement features in its processes and update disclosures where applicable. IFRS 10: Changes - Minor clarifications intended to support consistent application of consolidation requirements in limited scenarios. No impact expected because BZFL prepares standalone financial statements and does not consolidate subsidiaries. IAS 7: Changes - Targeted clarifications intended to support consistent presentation and disclosure in the statement of cash flows in specific circumstances. Changes are not expected to be material; any impact is expected to relate to presentation and/or disclosure refinements.
Effective date	Annual periods beginning on or after 1 January 2026.
Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity	These amendments change the 'own use' and hedge accounting requirements of IFRS 9 and include targeted disclosure requirements to IFRS 7. These amendments apply only to contracts that expose an entity to variability in the underlying amount of electricity because the source of its generation depends on uncontrollable natural conditions (such as the weather). These are described as ‘contracts referencing nature-dependent electricity’.
Impact	BZFL does not enter such contracts as part of its core microfinance operations. Accordingly, BZFL does not expect an impact on recognition and measurement; no incremental disclosures are expected.
Effective date	Annual periods beginning on or after 1 January 2026.
Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37- Disclosures about Uncertainties in the Financial Statements	These amendments include Examples illustrating how an entity applies the requirements in IFRS Accounting Standards to disclose the effects of uncertainties in its financial statements. The Examples demonstrate how to disclose the impacts of uncertainties within climate-related scenarios, but the principles and requirements are also applicable to disclosure of other uncertainties. The Examples do not add to or change requirements in IFRS Accounting Standards and therefore there are no transition requirements. Instead, these Examples will accompany the respective IFRS Accounting Standards to which they relate.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) New standards, amendments, and interpretations (continued)

ii) New standards, amendments and interpretations issued but not yet effective (Continued)

<table>
<tr><th>Relevant standard/amendments</th><th>Summary</th></tr>
<tr><td>IFRS 18, ‘Presentation and Disclosure in Financial Statements’</td><td>This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:
• 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.

For the year ending December 2025, disclosures should include:
• the nature of the changes,
• the fact that IFRS 18 application is required for annual periods beginning on or after 1 January 2027,
• the planned adoption date, and
• either:
o known or reasonably estimable information relevant to assessing the possible impact that application of IFRS 18 will have on the entity's financial statements in the period of initial application; or
o if that impact is not known or reasonably estimable, a statement to that effect.

In order to comply with Paragraphs 30-31 of IAS 8, entities should consider the following principles when preparing disclosures related to the adoption of IFRS 18:

a. Disclosures are expected to become increasingly detailed as entities implementation process progresses toward 2027.
The level of detail that an entity includes in its disclosures will depend on the progress of its implementation activities, including those related to internal controls. For the year ending December 2025, entities that have yet to make significant progress in implementation might only disclose that they are actively assessing the impact of IFRS 18 and that more comprehensive disclosures cannot reasonably be provided.
b. Where appropriate and reliable, consider including quantitative information.
It may be appropriate to disclose preliminary figures, when the company has an appropriate and reliable basis for making such disclosures and provides clear explanations regarding their provisional nature. For example, an entity might quantify the effects on profit and loss subtotals. If the quantitative impact is not reasonably estimable, a statement to that effect should be included. An entity may disclose known and reasonably quantifiable impacts, but it is not expected to early provide IFRS 18 disclosures, such as an MPM reconciliation, before the application date.
c. Consider alignment with other public communications.
If management has publicly detailed anticipated impacts, such as in an investor presentation, the IAS 8 financial statement disclosures should be consistent with these communications.
d. Disclosures should be based on the information available through the date of issuance of the financial statements, not only the end of the reporting period.</td></tr>
</table>

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) New standards, amendments, and interpretations (continued)
ii) New standards, amendments and interpretations issued but not yet effective (Continued)

Relevant standard/amendments	Summary
Impact	IFRS 18 is expected to affect the presentation of BZFL's financial performance and related disclosures. BZFL is assessing reporting process and system changes needed to support the new categories, subtotals and MPM disclosures. Comparative information will be restated on adoption.
Effective date	Annual periods beginning or after 1 January 2027.

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 clients.

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 an arrangement with the respective members of the Company. The Company members are required to contribute for a client who has defaulted on the biweekly 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 has delegated responsibility for the oversight of credit risk to the Chief Executive Office who works with the assistance of the Head of Operations 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.

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

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 client analyzed according to the internal rating grading system.

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT

(a) Credit risk (Continued)

Allowance for impairment

The table provides details of exposure to credit risk:

Year ended 31 December 2025 **Carrying amount**	**Stage I** **12–Month** **ECL** **TZS'000**	**Stage II** **Lifetime** **ECL** **TZS'000**	**Stage III** **Lifetime** **ECL** **TZS'000**	**Total** **TZS'000**
Standard (zero days overdue)	9,547,599	-	-	9,547,599
Watch list (1 to 30 days) overdue)	136,283	-	-	136,283
Substandard (31 to 90 days) overdue))	-	59,549	-	59,549
Doubtful (91 to 365 days) overdue)	-	-	213,191	213,191
Gross loans to client	**9,683,882**	**59,549**	**213,191**	**9,956,622**
Allowance for impairment	145,816	35,134	191,931	**372,881**
Net loans to client	**9,538,066**	**24,415**	**21,260**	**9,583,741**
Deferred loan appraisal fee	(77,821)	(904)	(860)	(79,585)
Net loans and advances	**9,460,245**	**23,511**	**20,400**	**9,504,156**
Year ended 31 December 2024				
Carrying amount				
Standard (zero days overdue)	8,140,022	-	-	8,140,022
Watch list (1 to 30 days) overdue)	80,303	-	-	80,303
Substandard (31 to 90 days) overdue)	-	19,797	-	19,797
Doubtful (91 to 365 days) overdue)	-	-	74,114	74,114
Gross loans to client	**8,220,325**	**19,797**	**74,114**	**8,314,236**
Allowance for impairment	(97,462)	(9,898)	(75,827)	(183,187)
Net loans to client	**8,122,863**	**9,899**	**(1,713)**	**8,131,049**

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.

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Residual contractual maturities of financial liabilities.

31 December 2025	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000	1 to 2 Years TZS'000
Loan security fund	1,772,814	1,772,814	1,772,814	-
Related party payables	16,610	16,610	16,610	-
Lease liabilities	77,762	77,762	47,509	30,253
Other liabilities*	145,204	145,204	145,204	-
Total liabilities	**2,012,390**	**2,012,390**	**1,982,137**	**30,253**

31 December 2024	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000	1 to 2 Years 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*	34,047	34,047	34,047	-
Total liabilities	**1,623,954**	**1,633,730**	**1,605,559**	**28,171**

* *Other liabilities excludes non-financial liabilities such as provisions for expenses and suspense accounts.*

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.

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk

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

31 December 2025	Up to 1 month TZS'000	From 1 to 12 months TZS'000	Non-interest bearing TZS'000	Total TZS'000
ASSETS				
Cash and bank balances		-	1,200,495	1,200,495
Loans to client	44,046	9,460,110	-	9,504,156
Other assets		-	-	-
Related party receivables			229,118	229,118
Total assets	**44,046**	**9,460,110**	**1,429,613**	**10,933,769**
LIABILITIES				
Loan security fund	-	-	1,772,814	1,772,814
Related party payables	-	-	16,610	16,610
Lease liabilities	-	77,762		77,762
Other liabilities*	-	-	145,204	145,204
Total liabilities	**-**	**77,762**	**1,934,628**	**2,012,390**
Interest repricing gap	**-**	**9,382,348**		**9,382,348**

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 client*	8,314,236	-	8,314,236
Other assets	-	70,479	70,479
Related party receivables		408,218	408,218
Total assets	**8,314,236**	**739,777**	**9,054,013**
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	**46,566**	**1,577,388**	**1,623,954**
Interest repricing gap	**8,267,670**		**8,267,670**

* *Other liabilities excludes non-financial liabilities such as provisions for expenses and suspense accounts.*

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.

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 2025, 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.

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty

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).

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 reprice in the short run.

5. USE OF ESTIMATES AND JUDGEMENT (CONTINUED)

Key sources of estimation uncertainty (continued)

Year ended 31 December 2025	**Level 1**	**Level 2**
	TZS'000	**TZS'000**
ASSETS		
Cash and bank balances	1,200,495	-
Loans to client	-	9,583,741
Other assets	-	72,035
Total assets	**1,200,495**	**9,655,776**
LIABILITIES		
Other liabilities	-	152,643
Loan security fund	-	1,772,814
Due to related parties	-	16,610
Total liabilities	**-**	**1,942,067**

Year ended 31 December 2024	**Level 1**	**Level 2**
	TZS'000	**TZS'000**
ASSETS		
Cash and bank balances	261,080	-
Loans to client	-	8,131,049
Other assets	-	108,631
Total assets	**261,080**	**8,239,680**
LIABILITIES		
Other liabilities	-	89,363
Loan security fund	-	1,542,225
Due to related parties	-	1,116
Total liabilities	**-**	**1,632,704**

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

	2025	**2024**
	TZS'000	**TZS'000**
6. INTEREST INCOME		
Interest on loans to Company members:		
- Microfinance	3,944,097	3,383,380
- Small enterprise program	344,589	266,148
- Agri-finance	319,067	203,632
	4,607,753	3,853,160
Loan appraisal fee	182,477	167,369
Total interest income	**4,790,230**	**4,020,529**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

7. FEES AND COMMISSION INCOME

	2025 TZS'000	2024 TZS'000
Loan application fee	515	1,651
Passbook/Disposal	689	2,183
Membership fees	3,537	11,076
Administrative fee from the Insurance scheme	209	(100)
Total fee and commission income	**4,950**	**14,810**

8. INTEREST EXPENSES

Interest on lease liability	8,755	6,915
	8,755	**6,915**

9. STAFF COSTS

Salaries	573,498	746,848
NSSF and ZSSF	109,591	165,768
Bonus	25,012	52,979
	708,101	**965,595**

10. OCCUPANCY EXPENSES

Utilities	10,237	9,421
	10,237	**9,421**

11. OTHER OPERATING EXPENSES

General expenses	212,980	195,986
Audit fees	61,362	68,025
Regulatory fees and taxes	35,398	389,232
Office Stationery	8,963	21,673
Management fees	405,430	80,398
	724,133	**755,314**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

12. TAXATION

(a) Income tax expense.

	2025 TZS'000	2024 TZS'000
Current income tax charge for the year	875,055	573,764
Deferred income tax charge/(credit) – prior year	8	(458)
Deferred income tax (credit)/charge – current year	(45,736)	40,700
	829,327	**614,006**

Effective tax rate reconciliation

	2025	2024
Profit before income tax	**2,717,516**	**2,040,834**
Tax calculated at a rate of 30% (2024:30%)	815,255	612,250
Expenses not deductible for tax purposes	85,190	(20,282)
Permanent differences	(25,390)	(18,204)
Differences giving rise to deferred tax asset	(45,736)	40,700
Deferred income tax – prior year	8	(458)
	829,327	**614,006**

(b) Corporate tax receivable

	2025	2024
At start of year	(168,647)	42,010
Charge for the year (note 12 (a)	875,055	573,764
Tax paid during the year	(894,659)	(672,137)
Tax paid for prior years' assessments	-	(112,284)
At end of year	**(188,251)**	**(168,647)**

13. CASH AND CASH EQUIVALENTS

	2025	2024
Cash at bank	1,200,495	261,080
	1,200,495	**261,080**
Current	1,200,495	261,080
Non current	-	-
	1,200,495	**261,080**

14. LOANS TO CLIENT

(a) Net loans to client

	2025 TZS'000	2024 TZS'000
Gross loans to client	9,956,622	8,314,236
Provision for impairment on loans to client (Note-14(b))	(372,881)	(183,187)
Balance at 31 December	**9,583,741**	**8,131,049**
Deferred loan appraisal fee	(79,585)	-
Net loans and advances	**9,504,156**	**8,131,049**
Expected to be recovered:		
Within 1 year - current	9,504,156	8,131,049
After 1 year - non-current	-	-
Net loans and advances	**9,504,156**	**8,131,049**

(b) Impairment losses

	2025 TZS'000	2024 TZS'000
Balance at 1 January	183,187	338,571
(Release)/charge for the year	257,568	(112,954)
Write-off	(67,874)	(53,467)
Charge of provision on interest receivable	-	11,037
Balance at 31 December	**372,881**	**183,187**

(c) Gross loans to client

	2025 TZS'000	2024 TZS'000
Microfinance	7,861,677	6,915,978
Small enterprise program	923,312	623,128
Agriculture	919,697	588,920
Interest Receivable	251,936	186,210
	9,956,622	**8,314,236**

15. OTHER RECEIVABLES BALANCES

(a) Other assets

	2025 TZS'000	2024 TZS'000
Advances and prepayments	476	869
Interbranch balance receivable	-	70,479
Stock and stores consumables	71,559	37,283
	72,035	**108,631**
Current	72,035	108,631
Non-current	-	-
	72,035	**108,631**

(b) Due from related party

	2025 TZS'000	2024 TZS'000
BRAC International Holdings B. V	-	-
BRAC Tanzania Finance Limited	229,118	408,218
	229,118	**408,218**
Current portion		
BRAC International Holdings B. V	-	-
BRAC Tanzania Finance Limited	229,118	408,218
	229,118	**408,218**

16. FIXED ASSETS

Property and equipment

Year ended 31 December 2025	Furniture &Fixtures TZS'000	Equipment TZS'000	Total TZS'000
COST			
At start of year	**43,552**	**90,355**	**133,907**
Additions	9,345	5,928	15,273
Disposal	-	-	-
At end of year	**52,897**	**96,283**	**149,180**
ACCUMULATED DEPRECIATION			
At start of year	**25,969**	**56,970**	**82,939**
Charge for the year	3,497	10,856	14,353
Classification/Adjustment	-	(119)	(119)
Disposal	-	-	-
At end of year	**29,466**	**67,707**	**97,173**
NET BOOK VALUE	**23,431**	**28,576**	**52,007**
Year ended 31 December 2024			
COST			
At start of year	**51,941**	**93,550**	**145,491**
Additions	-	14,518	14,518
Disposal	(8,390)	(17,712)	(26,102)
At end of year	**43,551**	**90,356**	**133,907**
ACCUMULATED DEPRECIATION			
At start of year	**30,235**	**38,383**	**68,618**
Charge for the year	4,124	28,051	32,175
Disposal	(8,390)	(9,464)	(17,854)
At end of year	**25,969**	**56,970**	**82,939**
NET BOOK VALUE	**17,582**	**33,386**	**50,968**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

17. DEFERRED INCOME TAX ASSET

	2025 TZS'000	2024 TZS'000
The movement in the deferred income tax asset during the year is as follows:		
At 1 January	72,177	112,419
Credit/(charge) to the P/L – current year	45,736	458
Charge to P/L – prior year	(8)	(40,700)
At 31 December	**117,905**	**72,177**
Deferred income tax arises from temporary-differences on the following items:		
Property and equipment	10,307	11,051
Impairment provision – general	121,161	64,244
IFRS 16 adjustments	(13,563)	(3,118)
At 31 December	**117,905**	**72,177**

18. LOAN SECURITY FUND

	2025 TZS'000	2024 TZS'000
Balance at 1 January	1,542,225	1,447,756
Collections during the year	1,641,358	553,096
Withdraws during the year	(1,410,769)	(458,627)
Balance at 31 December	**1,772,814**	**1,542,225**
Current	1,772,814	1,542,225
Non Current	-	-
	1,772,814	**1,542,225**

19. OTHER LIABILITIES

	2025 TZS'000	2024 TZS'000
Audit fees payable	55,316	55,316
Insurance premium and claims	2,500	3,809
Interbranch balance payable	27,033	-
Other accrued liabilities	67,794	30,238
	152,643	**89,363**
Current	152,643	89,363
Non Current	-	-
	152,643	**89,363**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

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

	2025	2024
	TZS'000	TZS'000
BRAC Tanzania Finance Limited	15,825	-
Stitching BRAC International	785	1,044
	16,610	**1,044**
(b) Due from related parties		
BRAC International Holdings B.V.	-	-
BRAC Tanzania Finance Limited	229,118	408,218
	229,118	**408,218**

	2025	2024
	TZS'000	TZS'000
(b) Related parties' expenses		
Head Office logistics and management expenses	405,430	(80,398)

(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%	1	2
		750,000	**1,500,000**

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.

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 2025.

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)

	2025 TZS'000	2024 TZS'000
Balance at 1 January	44,492	81,395
Depreciation charge for the year	(22,055)	(25,996)
Lease modification*	87,679	(10,907)
Balance at 31 December	**110,116**	**44,492**

* Lease modification for the year 2025 were due to remeasurements resulting from the change of office and closure of two branches (2024: Increase in lease term resulting from lease reassessment).

	2025 TZS'000	2024 TZS'000
(b) Lease liability (office premises)		
Balance at 1 January	46,566	83,530
Lease Modification*	58,060	(8,514)
Interest expense (Note 8)	8,755	6,915
Lease payments (principal and interest)	(35,619)	(35,365)
Balance at 31 December	**77,762**	**46,566**
Current portion of a lease liability	47,509	28,450
Non-current portion of lease liability	30,253	18,116
	77,762	**46,566**
Non-cancellable operating lease commitments		
Less than one year	47,509	28,450
Between one and five years	30,253	18,116
Total undiscounted lease liabilities at 31 December	**77,762**	**46,566**

24. LEASES (CONTINUED)

(c) Amounts recognized in profit or loss

	2025 TZS'000	2024 TZS'000
Depreciation on right-of-use asset	22,055	25,996
Interest on lease liability	8,755	6,915
	30,810	**32,911**

(d) Amounts recognised in statement of cash flows

Payment of interest	8,755	6,915
Payment of principal	26,864	28,450
	35,619	**35,365**

The contractual maturity for lease liabilities as of 31 December 2025 are disclosed in Note 4 (b).

	Within 1 year TZS'000	1 to 2 years TZS'000	Total contractual cash flows TZS'000
Year ended 31 December 2025			
Lease liabilities	47,509	30,253	**77,762**
Year ended 31 December 2024			
Lease liabilities	28,450	18,116	**46,566**

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.

26. ULTIMATE PARENT

The ultimate parent organization of BRAC Zanzibar is Stichting BRAC International, a Dutch non-profit foundation registered in The Hague, Netherlands

BRAC ZANZIBAR FINANCE LIMITED

MEMORANDUM OF FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2025

TABLE OF CONTENT	PAGE

BRAC ZANZIBAR FINANCE LIMITED

MEMORANDUM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 USD	2024 USD
Income			
Interest income calculated using the effective rate	2	1,871,153	1,536,899
Interest expense	4	(3,420)	(2,820)
		1,867,733	1,534,079
Fees and Commission Income	3	1,934	5,661
Total operating income		**1,869,667**	**1,539,740**
Impairment losses	10(b)	(100,611)	46,066
Operating income after impairment charge		**1,769,056**	**1,585,806**
Operating expenses			
Staff costs	5	(276,597)	(369,088)
Traveling and transportation		(122,983)	(114,157)
Training workshops and seminars		(6,883)	(5,118)
Occupancy expenses	6	(3,998)	(3,601)
Other operating expenses	7	(282,861)	(272,674)
Depreciation on ROU of assets	20(a)	(8,615)	(9,937)
Depreciation charge	12(a)	(5,607)	(13,122)
		(707,544)	**(787,697)**
Profit before tax		**1,061,512**	**781,976**
Income tax expense	8(a)	(323,959)	(234,697)
Profit for the year		**737,553**	**547,279**
Other comprehensive income			
Foreign currency translation gain/(loss)		-	-
Total comprehensive Income for the		**737,553**	**547,279**

BRAC ZANZIBAR FINANCE LIMITED

MEMORANDUM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	Memo 2025 USD	Memo 2024 USD
ASSETS			
Cash and cash equivalents	9	485,048	106,477
Loans to client	10(a)	3,840,063	3,316,088
Other assets	11(a)	29,105	44,302
Due from related party	11(b)	92,573	166,484
Right of Use asset	20(b)	44,491	18,145
Tax receivable	8(b)	76,050	68,997
Deferred tax asset	13	47,642	29,436
Property and equipment	12(a)	21,013	20,816
Total assets		**4,635,985**	**3,770,745**
LIABILITIES AND EQUITY			
Liabilities			
Loan security fund	14	716,289	628,966
Lease Liability	20(b)	31,419	18,991
Other liabilities	15	61,674	36,445
Tax Payable	8(b)	-	-
Due to related party	16(a)	6,711	455
Total liabilities		**816,093**	**684,857**
EQUITY			
Ordinary share capital	17(a)	655,081	655,081
Retained earnings		2,901,703	2,036,780
Capital reserve		312,128	337,374
Translation adjustment reserve		(49,020)	56,653
Total equity		**3,819,892**	**3,085,888**
Total liabilities and equity		**4,635,985**	3,770,745

MEMORANDUM STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Ordinary Share capital USD	Capital Reserve USD	Retained Earnings USD	Total USD
Year ended 31 December 2025				
Balance as of 1 January 2025	**655,081**	**332,400**	**1,946,588**	**2,934,069**
Profit for the year	-	-	737,553	737,553
Translation adjustment reserve	(49,020)	(20,272)	217,562	148,270
Balance as of 31 December 2025	**606,061**	**312,128**	**2,901,703**	**3,819,892**
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	**655,081**	**332,400**	**1,946,588**	**2,934,069**

MEMORANDUM STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 USD	2024 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		1,061,512	780,086
Adjustment for non-cash items:			
Provision for impairment on loans and advances	10(b)	100,611	(43,175)
Depreciation of property and equipment	12(a)	5,607	12,299
Depreciation of right of use asset	20(a)	(8,615)	9,937
Lease modification		22,679	915
Interest on lease liability		(3,420)	2,641
Loss/(gain) on disposal of assets		-	(17)
Cash from operating activities before working capital changes		**1,178,374**	**762,686**
Changes in:			
Loans to client		(461,498)	(239,899)
Other assets		(52,248)	105,280
Due from related party		(69,932)	(152,865)
Loan security fund	14	90,073	36,110
Other liabilities	15	45,246	(8,954)
Balance due to related parties		6,080	(182,813)
Cash from operating activities after working capital changes		**736,095**	**319,545**
Interest paid on lease liability	20(d)	3,420	2,641
Tax paid	8(b)	(361,478)	(300,040)
Cash (used in)/generated from operating activities		378,037	22,146
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	12(a)	(5,965)	(5,549)
Proceeds from disposal of assets		-	-
Cash used in investing activities		**(5,965)**	**(5,549)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal lease liability	20(d)	(10,970)	(10,874)
Net cash flow used in financing activities		**(10,970)**	**(10,874)**
Net (decrease)/increase in cash and cash equivalents		**361,102**	**5,723**
Cash and Cash equivalent at start of year		106,477	97,841
Translation adjustment reserve		17,469	2,913
Cash and cash equivalents at end of year	9	**485,048**	**106,477**

NOTES TO MEMORANDUM OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025 of TZS 2475 to USD 1.
- Income and expenses were translated using an average exchange rate for the year of TZS 2,560.04 to USD 1.
- Equity is not translated; and
- All resulting exchange differences are being recognized in other comprehensive income.

	2025 USD	2024 USD
2. INTEREST INCOME CALCULATED USING EFFECTIVE INTEREST RATE		
Interest on loans to Company members:		
- Microfinance	1,540,637	1,293,259
- Small enterprise program	134,603	101,732
- Agri-finance	124,634	77,836
	1,799,874	**1,472,827**
Loan appraisal fee	71,279	64,072
	1,871,153	**1,536,899**
3. FEES AND COMMISSION INCOME		
Loan application fee	201	631
Passbook/Disposal	269	838
Membership fees	1,382	4,234
Administrative fee from the Insurance scheme	82	(42)
Total Fee and Commission income	**1,934**	**5,661**
4. INTEREST EXPENSES		
Interest Expenses	-	-
Interest Lease liability	3,420	2,820
	3,420	**2,820**
5. STAFF COSTS		
Salaries	224,019	285,474
NSSF and ZSSF	42,808	63,363
Bonus	9,770	20,251
	276,597	**369,088**
6. OCCUPANCY EXPENSES		
Recognition exemption for leases of low-value and short-term assets		
Utilities	3,998	3,601
	3,998	**3,601**

NOTES TO MEMORANDUM OF FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

7. OTHER OPERATING EXPENSES

	2025 USD	2024 USD
Maintenance and general expenses	83,195	74,913
Audit fees	23,969	26,002
Regulatory Fees and Taxes	13,827	148,780
Office Stationery	3,502	8,284
Head Office logistics and management expenses	158,368	30,731
	282,861	**288,710**

8. TAXATION

(c) Income tax expense.

Tax charge for the year	323,959	219,315
Deferred tax charge (Note 13)	-	15,382
	323,959	**234,697**

Tax rate reconciliation	**%**	**%**
Effective tax rate	1,061,512	781,976
Standard rate of income tax	30%	30
Tax effect of prior period deferred tax (over)/under provision	-	-
Tax effect of non-deductible expenses	0.4%	0.11
Effective rate of income tax	**30.4%**	**30.11%**

(d) Tax payable/ (receivable)

At start of year	(68,997)	16,704
Charge for the year	353,569	219,315
Tax paid during the year	(361,478)	(300,040)
Translation reserve	856	(4,976)
At end of year	**(76,050)**	**(68,997)**

9. CASH AND CASH EQUIVALENTS

Vodacom M-PESA	-	-
Cash at bank	485,048	106,477
	485,048	**106,477**

NOTES TO MEMORANDUM OF FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

10. LOANS TO CLIENT

(a) Net loans to client

	2025 USD	2024 USD
Loans to client (gross)	4,022,877	3,390,797
Provision for impairment on loans to client [Note-10(b)]	(150,659)	(74,709)
Balance on 31 December	**3,872,218**	**3,316,088**
Deferred loan appraisal fee	**(32,155)**	**-**
Net loans and advances	**3,840,063**	**3,316,088**
Expected to be recovered:	**-**	**-**
Within 1 year - current	3,840,063	3,316,088
After 1 year - Non-current	-	-
Net loans and advances	**3,840,063**	**3,316,088**

(b) Impairment losses

	2025 USD	2024 USD
Balance as at 1 January	74,709	138,079
Charge for the year	100,611	(41,564)
Write-offs	(27,424)	(21,806)
Foreign exchange translation difference	2,763	-
Balance at 31 December	**150,659**	**74,709**

(c) Gross loans to client

	2025 USD	2024 USD
Microfinance	3,176,435	2,820,545
Small enterprise program	373,055	254,132
Agriculture	371,595	240,179
Interest Receivable	101,792	75,942
	4,022,877	**3,390,798**

11. OTHER RECEIVABLES BALANCES

(a) Other assets

	2025 USD	2024 USD
Advances and prepayments	192	326
Interbranch Accounts	(10,923)	28,744
Stock and stores	28,913	43,976
	18,183	**72,904**

(b) Due from related party

	2025 USD	2024 USD
BRAC International Holdings B. V	-	-
BRAC Tanzania Finance Limited	92,573	166,484
	92,573	**166,484**

NOTES TO MEMORANDUM OF FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

12. FIXED ASSETS

(a) Property and equipment

	Furniture &Fixtures USD	Equipment USD	Motorcycles USD	Total USD
At 1 January 2025	17,762	36,850	-	54,612
Additions	3,650	2,315	-	5,965
Disposal	-	-	-	-
Foreign translation adjustment	-	(302)	-	(302)
Balance at 31 December 2025	**21,412**	**38,863**	-	**60,275**
Cost				
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**
Accumulated depreciation				
Accumulated depreciation				
At 1 January 2025	10,591	23,205	-	33,796
Charge for the year	1,366	4,241	-	5,607
Disposal	-	(8)	-	(8)
Foreign translation adjustment	(12)	(121)	-	(133)
Balance at 31 December 2025	**11,945**	**27,317**	**-**	**39,262**
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**
Net book value (NBV)				
At 31 December 2024	7,171	13,645	-	20,816
At 31 December 2025	9,467	11,546	-	21,013

13. DEFERRED TAX ASSET

	2025 USD	2024 USD
The movement in the deferred tax asset during the year is as follows:		
At 1 January	29,436	45,848
Charge for the year- Note 8 (a)	18,479	(16,412)
Translation reserve	(273)	-
At 31 December	**47,642**	**29,436**
Deferred tax arises from temporary-differences on the following items:		
Property and equipment	-	1,032
Impairment provision – general	47,642	28,404
At 31 December	**47,642**	**29,436**

14. LOAN SECURITY FUND

	2025 USD	2024 USD
Balance at 1 January	628,966	575,649
Collections during the year	663,175	225,569
Withdrawals during the year	(570,007)	(187,042)
Foreign translation adjustment	(5,845)	14,790
Balance at 31 December	**716,289**	**628,966**

15. OTHER LIABILITIES

	2025 USD	2024 USD
Liabilities for expense	59,547	12,332
Accrued expenses	23,360	24,113
	82,907	**36,445**

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 BZFL.
BRAC Tanzania Finance Limited	Under common Control	Transactions include reimbursement costs and Head office logistics payments made by BRAC Tanzania Finance Limited on behalf of BZFL

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Due to related parties	2025 USD	2024 USD
BRAC Tanzania Finance Limited	317	-
Stichting BRAC International	6,394	455
	6,711	**455**

(b) Related parties' expenses

Head Office logistics and management expenses	158,368	32,789

(c) Directors Cost

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

18. SHARE CAPITAL AND RESERVES

a) Ordinary share capital

During the period 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%	1	1
		750,000	**655,081**

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.

19. CONTINGENT LIABILITIES

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

20. CAPITAL COMMITMENTS

There were no commitments for capital expenditure not provided for in these financial statements at 31 December 2025.

21. 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)	2025 USD	2024 USD
Balance at 1 January	18,145	33,468
Depreciation charge for the year	(8,615)	(10,602)
Impact of modification*	34,961	(4,721)
Balance at 31 December	**44,491**	**18,145**

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

NOTES TO MEMORANDUM OF FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

21. LEASES (CONTINUED)

	2025 USD	2024 USD
(b) Lease liability (office premises)		
Balance at 1 January	18,991	33,211
Impact on lease Modification	23,458	915
Interest expense (Note 8)	3,420	2,641
Lease payments (principal and interest)	(14,391)	(13,515)
Translation Reserve	(59)	(4,261)
Balance at 31 December	**31,419**	**18,991**
Current portion of a lease liability	19,195	11,603
Non-current portion of lease liability	12,223	7,388
	31,418	**18,991**
Non-cancellable operating lease commitments		
Less than one year	19,195	11,603
Between one and five years	12,223	7,388
Total undiscounted lease liabilities at 31 December	**31,418**	**18,991**

(c) Amounts recognized in profit or loss

	2025 USD	2024 USD
Depreciation on right-of-use asset	(3,212)	9,937
Interest on lease liability	3,420	2,641
	208	**12,578**

Leases as lessee (IFRS 16)

(d) Amounts recognized in the statement of cash flows

	2025 USD	2024 USD
Payment of interest	3,420	2,641
Payment of principal	10,970	10,874
	14,390	**13,515**

22 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.

23 ULTIMATE PARENT

The ultimate parent organization of BRAC Zanzibar is Stichting BRAC International, a Dutch non-profit foundation registered in The Hague, Netherlands.