

BRAC TANZANIA FINANCE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

“Small is beautiful, but scale is necessary”.

Sir Fazle Hasan Abed

Founder of BRAC

BRAC TANZANIA FINANCE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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BRAC TANZANIA FINANCE LIMITED**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****GENERAL INFORMATION****Board of directors**

Name	Position	Gender	Nationality	Age	Date of Appointment	Qualification	Status
Mr. Shameran Abed	Chairperson	Male	Bangladeshi	42	20 June 2018	Bachelor of Arts in Economics	Active
Mr. Johannes Maria Antonius Eskes	Member	Male	Dutch	69	20 June 2018	Masters degree in Accounting	Active
CPA Bahati Ibrahim Geuzye	Member	Female	Tanzanian	46	22 July 2020	Masters degree in Business Administration Phd in Business Administration	Active
Dr Evelyn Mweta Richard	Member	Male	Tanzanian	51	22 July 2020	Bachelor of Arts in Economics	Active
Ms Bridget Dougherty	Member	Female	American	39	16 February 2022	Bachelor in Accounting	Active
Mr. Syed Abdul Muntakim*	Member	Male	British	47	6 November 2019		Inactive

* Resigned on 14th September 2022.

Senior Management Team

Marie Marcelle Saint Gilles Ge	Chief Executive Officer (CEO)	Joined January 2023
Shafkat Bin Reza	Chief Operation Officer	
Mr Syed Humayum Kabir	Program Manager	
Mr Thabit Ndilahomba	Head of Finance	
Ms Julieth Abia	Head of Audit	
Mr Hamoud Rashid Amiri	Ag. Head of Administration	
Mr Amedeus Michael	Company secretary	
Ms Violeth Temba	Ag. Head of Human Resources	
Ms Emma Mbaga	Communications Manager	
Godwin Mbekelu	Head of Information Technology	

Principal place of business

Plot 17, Natai Plaza
Light Industrial Road
P. O. Box 105213
Dar es Salaam, Tanzania

Registered office

Plot 17, Natai Plaza
Light Industrial Road
P. O. Box 105213
Dar es Salaam, Tanzania

Auditor

KPMG
Certified Public Accountant
The Luminary
Plot No.574, Haile Selassie Road
Reg: 107992
TIN: 100-144-921
Msasani Peninsula Area
P. O. Box 1160, Dar es Salaam, Tanzania

BRAC TANZANIA FINANCE LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

GENERAL INFORMATION (CONTINUED)

Bankers

NBC Limited
Sokoine Drive & Azikiwe Street
P. O. Box 1863
Dar es Salaam, Tanzania

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

CRDB Bank Plc
Azikiwe Street Opposite Posta Mpya
Postal Address 268, Dar es Salaam
Dar es Salaam, Tanzania.

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

Standard Chartered Bank
International House Property Branch (IHP)
2nd floor, Shabaan Robert Street, Garden Avenue
P.O. Box 9011
Dar es Salaam, Tanzania

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors of BRAC Tanzania Finance Limited have pleasure to submit their report and the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of BRAC Tanzania Finance Limited ("the Company") as at that date in accordance with Companies Act, 2002 and the Tanzania Financial Reporting Standard No.1 (TFRS 1).

1. REGISTRATION

BRAC Tanzania Finance Limited was incorporated as a company limited by guarantee on 9 September 2008 and subsequently converted to a company limited by shares on 2 October 2019 and assigned registration number 67364. Refer to Note 23 for more details on number of shares and shareholders. In 2021, the entity was registered for tier 2 under the central bank of Tanzania with registration number MSP2-0350.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of microfinance activities to improve the livelihood of poor people in over 114 districts through 157 branch offices in Tanzania.

3. VISION

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

4. MISSION

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

5. OUR VALUES

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

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

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

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

6. VALUE CREATION TO MICROFINANCE PROGRAM PARTICIPANTS

Our unique reside on value creation to microfinance program participants focusing on poverty alleviation in alignment to the dynamic environment of competing stakeholders' expectations, complex competitive forces, emerging trends, and regulatory pressures.

BRAC TANZANIA FINANCE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. VALUE CREATION TO MICROFINANCE PARTICIPANTS (CONTINUED)

Resources	Input	Output	Outcomes
Financial Resources	<p>The pool of funds supporting business operations, including equity finance and debt</p> <ul style="list-style-type: none"> • TZS 15.0 billion equity capital. • TZS 134.9 billion debt capital. • Shareholder funds: TZS 65.8 billion. 	<ul style="list-style-type: none"> • Total revenue: TZS 82.7 billion. • Operating profit: TZS 25.3 billion. • Dividends declared in 2022 was TZS 4.96 billion and the same was paid in the same year. • Operational expenditures TZS 42.8 billion. • Finance costs TZS 12.6 billion. • Corporate Income Tax for the year TZS 7.7 billion. 	<p>Access to finance alternatives - According to Lean data published for 2022, program participants in Tanzania continued to report that they are unable to find good alternatives to BRAC Tanzania, suggesting that we are offering unique in the local market. 82% of BRAC Tanzania program participants believe we are better, which indicate strong position in context of low interest rate, efficient and quick loan process, and good repayment schedule.</p> <p>Impact on Income - In 2022, 93% of the program participant reported an increase in their income because of the BRAC Tanzania loan.</p>
Human Resources	<p>Competencies, capabilities, and experience of our employees and how they innovate, collaborate, and align with BRAC's objectives.</p> <ul style="list-style-type: none"> • 1,847 Skilled customers-centric staffs. • Experienced and ethical leadership team. • Performance management system. • Various training and development courses. 	<ul style="list-style-type: none"> • Excellent customer service. • TZS 20.9 billion paid in salaries and benefits and TZS 446 million incurred for staff training, workshops and seminars during the 2022 Talent development program. • 10% turnover rate. • Increased diversity through hiring people locally. • Recruited new female CEO. • More than 90% are female staffs saving more than 99% female members (clients). • Best employer of the year an award given by ATE. 	<p>BRAC gender parity initiatives resulted into 90% of staff being women.</p> <p>Significant people-related investments enable us to have the people and capabilities required to deliver our strategy and performance targets.</p> <p>Household impact-wellbeing where 75% of program participants in BRAC Tanzania confirmed about the positive impact on loan with regards to household wellbeing across multiple dimensions including, home improvement, healthcare visits, number and quality of meals, and children's education.</p> <p>BRAC follow safeguard policies and guidelines.</p>

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

6. VALUE CREATION TO MICROFIANCE PARTICIPANT (CONTINUED)

Resources	Input	Output	Outcomes
Intellectual Resources	The intangibles that sustain the quality of our product and service offering, which provide BRAC's competitive advantage, such as our innovations, core values, systems, and reputation. (Intangible assets) IT system and enterprise architecture (total investment for core banking software) Trustworthy BRAC brand that resonates with program participants.	<ul style="list-style-type: none"> • Distinctive capabilities that cannot be easily replicated by competitors – this will ensure coherent value creation. • Better responses to changing consumer needs. • Brand reinforcement and market communication. • Accelerated deployment of new technologies. 	The ongoing investment on improving program processes, in turn helps to grow in scale, also helps participant to make an informed decisions about the costs and benefit of their loans and supports in successes of loan management.
Social and Relationship Resources	The relationships and collaborations we create with our program participants, stakeholders, regulators, and communities.	<ul style="list-style-type: none"> • Brand reinforcement and market communication. • Understanding our program participants. Networking and partnerships Focused and committed corporate social investment. 	Meaningful change according to published Lean data 2022 includes, increases in savings balance, improved ability to manage finances and improved ability to afford home development and home improvement.
Natural resources	Renewable and non-renewable resources used by BRAC to function i.e., solar, Electricity Water Fuel.	<ul style="list-style-type: none"> • Focus use of our human and transformative resources to support operations. Maximizing digitalization. 	BRAC Tanzania piloted WE SOLVE (Women Entrepreneurship Through the Solar Value Chain for Economic Development) a loan product focus on unique, commercially viable business & technology mode of Solar equipment finance supply aiming to reduce emissions from non-renewable energy source.

BRAC TANZANIA FINANCE LIMITED**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****7. FINANCIAL PERFORMANCE**

The following is a summary highlight of the Company's performance.

	Definition	Target 2022	Actual 2022	Actual 2021
Number of branches		157	157	148
Total number of staff		1,934	1,847	1,642
Number of active Microfinance participants		294,318	309,073	253,627
Gross outstanding portfolio net of interest (TZS'000)	Total loan outstanding	155,764,722	166,432,728	127,242,952
Total assets (TZS'000)	Total asset of the company	256,430,494	253,586,683	164,935,350
Portfolio At Risk (PAR) 30 Days	Principle outstanding>30 days/Total Principal Loan outstanding	3.0%	1.21%	2.82%
Debt/Equity ratio	Debt/Equity	1.72	1.67	0.85
Operating self-sufficiency (OSS)	Total income/Total cost	131%	130%	122%
Return on performing Assets	Net profit before tax/Average Total Asset	10.84%	11.13%	10.00%

The Company managed to record significant achievement as highlighted below:

- Total interest income increased by 32% from TZS 58,192 million in 2021 to TZS 76,888 million in 2022 due to improvement of business environment.
- Loans to program participants (Gross) increased by 31 % from TZS 128,983 million in 2021 to TZS 168,970 million in 2022.
- The company increased borrowing to TZS 135 billion in 2022 from TZS 58 billion with the aim of supporting growth of the outreach of the programs.
- During the year, the Company had a profit after tax of TZS 17,606 million (2021: TZS 9,533 million), an increase of 46% from prior year mainly attributed by increased loan book.

8. RESULTS FROM OPERATIONS

The result for the Company's operations for the year ended 31 December 2022 is 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

Directors' seating allowances of TZS 3.7 million was paid and dividend of TZS 4.96 billion was declared during the year.

11. CORPORATE GOVERNANCE

The Board of the Company consists of 5 directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering, and monitoring investment decisions. considering significant financial matters and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

11. CORPORATE GOVERNANCE (CONTINUED)

The Board is required to meet at least four times a year. The Board delegates the day-to-day management of the business to the Chief Executive Officer who is assisted by senior management. Senior Management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units.

The Company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency, and accountability.

Company Secretary

The company secretary, Mr Amedeus Mushi, provides support and guidance to the Board matters relating to governance and ethical practices.

He is also responsible for induction programs of new directors, keeping board members abreast of relevant changes in legislation and governance principles.

During the year, the following board subcommittees were in place to ensure a high standard of corporate governance throughout the Company:

Audit and Risk Committee

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the BRAC's financial statements and financial reporting process, systems of accounting and financial controls, the annual external audit of financial statements.

Performance of the Internal Audit, Risk and Compliance Functions; compliance with legal and regulatory requirements of the Bank of Tanzania. Compliance with International Financial Reporting Standards and applicable laws, rules, and regulations.

Name	Position	Country of Residences
CPA Bahati Ibrahim Geuzye	Chairperson	Tanzania
Mr Johannes Maria Antonius Eskes	Member	The Netherlands
Dr Evelyn Mweta Richard	Member	Tanzania
Mr.Syed Abdul Muntakim	*Member	British
Shafkat Bin Reza	Ag. CEO/ Ex- Official	Bangladeshi

* Resigned on 14th September 2022.

12. CAPITAL STRUCTURE

The company capital structure and the total number of shareholders share during the year under review. The share of the Company held as follows:

	No	2022 TZS'000	Memo 2022 USD	No	2021 TZS'000	Memo 2021 USD
BRAC international Holdings BV	4,999,999	14,999,997	6,535,947	4,999,999	14,999,997	6,535,947
Shameran Abed	1	3	1	1	3	1
	5,000,000	15,000,000	6,535,948	5,000,000	15,000,000	6,535,948

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

12. CAPITAL STRUCTURE (CONTINUED)

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 asset. Since BRAC Tanzania is part of BRAC International Holdings BV, The dividend declared by shareholders helps BRAC International Holdings BV to expand microfinance operations to other countries.

Early 2023, the Company finalized the acquisition of 99.9% of shares in BRAC Zanzibar Finance Limited from BRAC International Holdings BV.

13. RISK MANAGEMENT

The Board accepts final responsibility for the risk management and internal control systems of BRAC Tanzania Finance Limited (BTFL). It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

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

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

The Board carries out risk internal control assessment through the Board Audit and Risk Committee. The Board assessed the internal control systems throughout the financial year ended 31 December 2022 and is of the opinion that they met the accepted level.

Principal Risks and Uncertainties

The key that may significantly impact the Company's short to medium term strategy are mainly Credit, Operational which includes Legal and Reputational, Compliance, Strategic, Liquidity and Market risk.

Credit Risk

This is the risk resulting from the potential that a customer is either unwillingly to perform any obligation or his ability is impaired, resulting to an economic loss to the organisation.

The Company 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 is the risk of loss resulting from inadequate or failed internal processes, people, systems and from external events, including legal and reputational risk.

Fraud, whether internal or external, is also a subset of operational risk. The number and value of fraud cases at the Company is quite low when compared against the transaction size of Microfinance loans/loans disbursed. This is due to the organisation being able to implement a number of stringent controls including succession planning, talent retention, code of ethics which guides staff behavior, trainings on fraud risk management to all staff, review of processes from time to time to accommodate business changes.

13. RISK MANAGEMENT (CONTINUED)

Compliance Risk

The risk to earnings and capital arising from violations of, or non-compliance with laws, rules, regulations, internal policies, prescribed practices and ethical standards, as well as from the possibility of incorrect interpretation of effective laws or regulations. The Company ensures regulatory compliance risk is mitigated through a dedicated compliance unit which liaises with the Legal Unit to monitor all regulatory changes and its effect to the business, disseminates the requirements to the management team in order to make necessary changes

to the policies and procedures in place. Compliance with internal policies is ensured through conformance reviews by the second line of defense to ensure processes are being adequately implemented.

Strategic Risk

Strategic Risk is the current or prospective risk to earnings and capital arising from adverse business decisions, improper implementations of decisions, or lack of responsiveness to changes in the business environment, both internal and external. BTFL has strong controls in place to mitigate strategic risk, including regular strategic risk reviews at Management and Board Levels.

Liquidity Risk

This is risk that BTFL will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial asset. BTFL has robust controls and monitoring mechanisms in place to limit its exposure to liquidity risk including cash flow forecasts, monitor and identify the need of cash.

Market Risk

Market risk refers to the risk to an institution resulting from movements in market prices, in particular, changes in interest rates, foreign exchange rates, shares, and commodity prices. As BTFL currently does not have any holdings in shares or commodities, this category consists of the following risks:

- i Foreign Exchange Risk
- ii Interest rate risk

The Company has got stringent controls and monitoring mechanism in place to limit its exposure to market risk. Key control on the market risk includes hedging of dollarized loan through back-to-back arrangement and using the synthetic loans from international investors. Also, the Company locked the interest rate from international borrowings to match with the fixed rates on borrowings.

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

- Micro finance program;
- Social Enterprise Program (SEP);
- Agri finance
- Accounts & finance;
- Internal audit;
- Monitoring;
- Information Technology (IT) and Management Information System (MIS);
- Human resources (Equal gender Recruitment, Staff benefits, Training and Development);
- Procurement, logistics and transportation.

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

14. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 27 to the financial statements.

15. KEY HIGHLIGHTS IN 2022

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

- BTFL successfully opened 10 new branches to serve more clientele. The achievements for borrowers, loan disbursements and principal outstanding is more than 100% against the target and managed to reduce the Portfolio at Risk (PAR) from 2.82 in 2021 to 1.21 in 2022. The Company reached the milestone of 309,073 borrowers in December 2022.
- Financial Literacy Module has been developed and will be piloted in 2023. 100% of our staff and program participants have received multiple online and physical trainings on Reducing Balance Method (RBM) and the new Information Technology (IT) System implementation. There has been a satisfactory level of improvement in resolving client complains on time.
- As of 31 December 2022, the total amount disbursed was TZS 360 billion being loan advances issued to members while in 2021 was TZS 272 billion.

16. FUTURE DEVELOPMENT PLANS

In 2023 the Company has the following plans;

- Growing with impact where the company will open 10 new branches and improve branch and Credit officers' efficiency.
- Finalize the shareholding acquisition from BRAC International Holdings BV of 99.9% of BRAC Zanzibar Finance Limited.
- Develop and implement Financial Literacy Module to all program participants.
- Implementing digital platform by piloting mobile repayment processes and implementing a new Information Technology (IT) System.
- Improving talent management by putting in place measures to attract, develop and retain talent pool including the enhancement of the use of the BRAC training centre.
- Being responsive to program participants. and strengthening customer complaints handling mechanism.

17. SOLVENCY

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company met all the Bank of Tanzania liquidity ratios and complied to all lenders key covenant ratios.

18. STAKEHOLDERS RELATIONSHIP

a) Program Participants

Improved access to financial services having network of 157 branches offices that meet their needs including access to information and financial advice. A safe and trustworthy financial services provider. Excellence in customers services.

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

18. STAKEHOLDERS RELATIONSHIP (CONTINUED)

b) Employees

BRAC Tanzania ensure an employees have access to;

- An empowering and enabling environment that embraces diversity and inclusivity
- Fair remuneration, effective performance management, and recognition. A workplace where employees can be productive and achieve their potential.
- Self-led development and an opportunity for career progression.
- Ethical behavior and employment at a company with a strong brand.
- A safe and healthy work environment.

c) Creditors and lenders

BRAC Tanzania maintains strong creditworthiness through ensuring meetings of lenders demands time to time. On time Loan repayment and compliance with all loan terms and requirements.

d) Regulators and Policy makers

BRAC Tanzania maintains strong engagement with the Business Registration and Licensing Agency (BRELA), Bank of Tanzania (BOT), Tanzania Revenue Authority (TRA), Government and other regulators and Policy makers by ensuring the following;

- Fair and ethical engagement when dealing with the Group.
- Active participation and contribution to industry and regulatory working groups
- Compliance with all legal and regulatory requirements
- Being a responsible taxpayer in all jurisdictions where we conduct business.

e) Society

BRAC Tanzania Finance Limited serve the community in Tanzania including business partners, local community including microfinance program participants and suppliers.

The Company provides access to relevant financial solutions that help to achieve desired outcomes for individuals, their families, their businesses, and their communities. The Company influence its stakeholders to act responsibly in environmental, social and governance matters.

The Company partners with the community to address common social and environmental issues to build a thriving society.

f) Investors and Shareholders

Shareholder value creation focus on poverty alleviation through microfinance program offered to participants. Also, growing, sustainable return on their investment, through attractive dividends and growth in share price Continuous engagement to inform their investment decisions.

19. EMPLOYEE WELFARE

BRAC Tanzania Finance Limited through its learning and development unit under Human Resources Department, coordinated, facilitated, organized and supported its staff to attend capacity build programmes to strengthen their skills and capabilities in delivering quality services and enhance productivity. During the year, more than twenty (25) key transformative related training sessions were conducted at BRAC Learning Centre-

Dodoma and out-of-the centre Some of them include Microfinance Management Courses, BRAC Leadership Masterclass, Mobile Repayment, Anti-fraud risk management, customer care, and more. Reaching all 1,847 staff.

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

19. EMPLOYEE WELFARE (CONTINUED)

Not only that but also, we kept on supporting professional certifications and encourages staff by paying for their membership related costs in ACCA, CPA and Law school.

During the year 2022 the Company spent a sum of TZS 446 million for staff training in order to improve employees' technical skills and hence effectiveness (2021: TZS 508 million). BRAC kept on utilizing the existing digital platforms in delivering its trainings; via google meet, skype, and Microsoft teams.

Medical assistance

The Company provides health Insurance where it contributes 3% of basic salary and staff contributes 3% as insurance premium. Insurance services are provided by National Health Insurance Fund (NHIF), a government entity covering the whole country with many hospitals, clinics and pharmacy everywhere.

Persons with disabilities

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

Workmen's Compensation

BRAC Tanzania Finance Limited contributes 0.5% (0.6% from January to June 2022) of gross salaries of all employees to Worker's Compensation Fund regulated by the Government to cover all employees' injury or permanent disability which might occur in the working environment. During the year the Company contributed TZS 109 million (2021 TZS 129 million).

Retirement benefits

All eligible employees are members of the National Social Security Fund (NSSF) which are approved pension funds. The Company's contribution to the Pension Funds is limited to 10% of the employee's gross salary. NSSF is defined contribution schemes with BRAC Tanzania Finance Limited having no legal or constructive obligation to pay further top-up contributions.

20. GENDER PARITY

The Company had 1,847 employees in 2022 out of them had 1,670 females and 177 males. In 2021 total employees were 1,642 with 140 males and 1,502 females.

21. SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious unfavorable matters that can affect the Company (2021: None).

22. STATEMENT OF COMPLIANCE

As required by TFRS 1, Directors of the Company confirm compliance with the provisions of this Standard and all other statutory legislations relevant to the entity.

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

23. AUDITOR

The Company's auditor, KPMG, have expressed their willingness to continue in office subject to regulatory confirmation. Upon confirmation a resolution to reappoint KPMG as the auditor will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

.....
Mr. Johannes Maria Antonius Eskes
Director

Date: 28/4/2023

.....
Marie Marcelle Saint Gilles Gerard
Chief Executive Officer

Date: 28/04/2023

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

The Company's directors are responsible for the preparation of the financial statements that give a true and fair view of BRAC Tanzania Finance Limited comprising the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies, in accordance with the IFRS Standards as issued by the International Accounting Standards Board (IFRS standards) and in the manner required by the Companies Act, 2002.

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

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

The directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements.

Approval of financial statements

The financial statements of BRAC Tanzania Finance Limited, as identified in the first paragraph, were approved and authorized for issue by the board of directors on 28.10.2023 and signed by:


Mr. Johannes Maria Augustus Eskes
Director

BRAC TANZANIA FINANCE LIMITED

**DECLARATION OF HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

I TABIT NDILAHOMBA being the Head of Finance of BRAC Tanzania Finance Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2022, have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by:



Position: Head of Finance

NBAA Membership No.: ACPA 02477

Date: 28/04/2023



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

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

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BRAC Tanzania Finance Limited ("the Company") set out on pages 18 to 58, which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Companies Act, 2002.

Basis for Opinion

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

Other Matter relating to supplementary information

We draw attention to the fact that the supplementary information presented in United States Dollar (USD) do not form part of the audited financial statements. We have not audited this supplementary information and, accordingly, we do not express an opinion on this supplementary information.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements for the year ended 31 December 2022, 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the financial Statements

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

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



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BRAC TANZANIA FINANCE LIMITED (CONTINUED)**

Report on the audit of the financial statements (Continued)

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control purpose of expressing an opinion relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report to you, solely based on our audit of financial statements that:

- in our opinion, proper accounting records have been kept by BRAC Tanzania Finance Limited;
- the individual accounts are in agreement with the accounting records of the company;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- Directors' report is consistent with the financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Company is disclosed.

KPMG
Certified Public Accountants (T)


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

Date: 28/4/2023

BRAC TANZANIA FINANCE LIMITED
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

		2022	Memo*	2021	Memo*
	Notes	TZS '000	2022 USD	TZS '000	2021 USD
Income					
Interest income	6	76,888,115	32,966,767	58,191,982	25,101,252
Interest expense	7	(12,565,488)	(5,387,614)	(5,895,691)	(2,543,121)
Net interest income		64,322,627	27,579,153	52,296,291	22,558,131
Fee and commission income	8	3,406,556	1,460,605	2,533,098	1,092,658
Other income	9	2,072,217	888,490	992,006	427,903
Grant income utilized	26(a)&(b)	288,140	123,544	105,772	45,625
Total operating income		70,089,540	30,051,792	55,927,167	24,124,317
Impairment charge on loans to customers	16(b)	(1,943,330)	(833,228)	(4,523,250)	(1,951,113)
Operating Income after Impairment Charges		68,146,210	29,218,564	51,403,917	22,173,204
Staff costs and other benefits	10	(20,939,185)	(8,977,945)	(18,728,370)	(8,078,528)
Occupancy expenses	11	(361,526)	(155,009)	(191,845)	(82,753)
Operating expenses	12	(20,116,048)	(8,625,013)	(16,732,063)	(7,217,416)
Depreciation of property and equipment	18	(1,386,730)	(594,579)	(1,339,934)	(577,983)
Amortisation of intangible assets	19	-	-	(22,110)	(9,537)
Total operating expenses		(42,803,489)	(18,352,546)	(37,014,322)	(15,966,217)
Profit before taxation		25,342,721	10,866,018	14,389,595	6,206,987
Tax expense	13(a)	(7,736,798)	(3,317,252)	(4,856,905)	(2,095,038)
Profit for the year		17,605,923	7,548,766	9,532,690	4,111,949
Other comprehensive income					
Foreign currency translation gain		-	-	(597,693)	173,387
Total comprehensive income for the year		17,605,923	7,548,766	8,934,997	4,285,336

Notes and related statements forming part of the financial statements appear on pages 22 to 58.

Report of the auditor is on page 16 to 17.


*Supplementary information presented in United States Dollar.

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 TZS '000	Memo* 2022 USD	2021 TZS '000	Memo* 2021 USD
ASSETS					
Cash and bank balances	14	57,785,364	24,568,607	23,901,076	10,355,752
Fixed deposits	15	21,397,945	9,097,767	12,119,427	5,251,052
Loans to customers	16 (a)	160,910,389	68,414,281	120,185,560	52,073,466
Related party receivables	17 (b)	1,112,953	473,195	642,835	278,525
Other assets	17 (a)	1,396,798	593,876	1,296,194	561,609
Property and equipment	18	4,663,346	1,982,715	2,129,591	922,701
Intangible assets	19	3,116,552	1,325,064	1,949,197	844,539
Deferred tax asset	20	3,203,335	1,361,962	2,711,469	1,174,813
Total assets		253,586,682	107,817,467	164,935,349	71,462,457
LIABILITIES AND EQUITY					
Long term liabilities					
Lease liability	28(b)	1,211,997	515,305	-	-
Long term portion of term loans	25	93,075,378	39,572,864	28,735,650	12,450,455
Total long-term liabilities		94,287,375	40,088,169	28,735,650	12,450,455
Current liabilities					
Other liabilities	21	3,822,059	1,625,025	1,039,717	450,484
Lease liabilities	28(b)	801,815	340,908	966,214	418,637
Related party payables	22	36,845	15,665	2,593,645	1,123,763
Corporate tax payable	13(b)	314,687	133,796	1,018,384	441,240
Loan security fund	24	30,218,877	12,848,162	24,119,432	10,450,361
Current portion of term loans	25	41,821,293	17,781,163	28,859,433	12,504,087
Dividend payable	29	-	-	9,356,409	4,053,904
Deferred revenue grants	26	1,505,168	639,952	111,626	48,364
Total current liabilities		78,520,744	33,384,671	68,064,860	29,490,840
Total liabilities		172,808,119	73,472,840	96,800,510	41,941,295
Equity					
Ordinary share capital	23	15,000,000	6,535,948	15,000,000	6,535,958
Retained earnings		65,778,563	28,406,372	53,134,839	22,811,817
Translation reserve		-	(597,693)	-	173,387
Total equity		80,778,563	34,344,627	68,134,839	29,521,162
Total equity and liabilities		253,586,682	107,817,467	164,935,349	71,462,457

The financial statements on pages 18 to 58 were approved for issue by the Board of Directors on 28/04/2023 and signed on its behalf by:


Mr. Johannes Maria Antonius Eskes
Director


Marie Marcelle Saint Gilles Gerard
Chief Executive Officer

Notes and related statements forming part of the financial statements appear on pages 22 to 58.
Report of the auditor's is on page 16 to 17.

*Supplementary information presented in United States Dollar.

BRAC TANZANIA FINANCE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Ordinary Share Capital TZS'000	Retained Earnings TZS'000	Total Capital Fund TZS'000	Total Capital Fund USD*
Balance at 1 January 2022	15,000,000	53,134,840	68,134,840	29,521,162
Profit for the year	-	17,605,923	17,605,923	7,548,766
Transactions with owners of the company				
Dividends declared and paid	-	(4,962,200)	(4,962,200)	(2,127,608)
Foreign currency translation gain	-	-	-	(597,693)
Balance as at 31 December 2022	15,000,000	65,778,563	80,778,563	34,344,627
Balance at 1 January 2021	15,000,000	43,602,150	58,602,150	25,235,826
Profit for the year	-	9,532,690	9,532,690	4,111,949
Transactions with owners of the company				
Dividends declared	-	-	-	-
Foreign currency translation loss	-	-	-	173,387
Balance as at 31 December 2021	15,000,000	53,134,840	68,134,840	29,521,162

Notes and related statements forming part of the financial statements appear on pages 22 to 58.

* Supplementary information presented in United States Dollar.

BRAC TANZANIA FINANCE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 TZS '000	Memo* 2022 USD	2021 TZS '000	Memo* 2021 USD
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		25,342,721	10,866,018	14,389,595	6,206,988
Adjustment for non-cash items					
Depreciation charge and amortisation	18&19	1,386,730	594,579	1,362,044	587,520
Amortisation of deferred grants	26 (a) &(b)	(288,140)	(123,544)	(105,772)	(45,625)
Loss on disposal of assets		(18,952)	(8,126)	75,260	32,463
Write off of cash balances and irrecoverable taxes		7,092	3,042	242,983	104,810
Interest expense on term loans	7&25	11,659,366	4,999,728	5,652,146	2,438,064
Interest on lease liability	7&28(b)	282,290	121,035	132,838	57,302
Impairment charge on loans to customers	16(b)	1,943,330	833,228	4,523,250	1,951,113
Valuation loss on borrowings		492,100	210,994	-	-
		40,806,537	17,496,954	26,272,344	11,332,635
Changes in:					
- Other assets		(570,722)	(245,325)	(764,192)	(329,634)
- Fixed Deposits		(9,278,518)	(3,846,715)	(2,981,125)	(1,285,915)
- Other liabilities and related party payable		225,543	66,443	1,736,832	749,186
- Loans to customers		(42,670,506)	(18,295,529)	(25,541,124)	(10,968,733)
Cash flow from operating activities		(11,487,666)	(4,824,172)	(1,277,265)	(502,461)
Tax paid	13(b)	(8,932,361)	(3,797,773)	(4,681,676)	(2,019,452)
Interest paid on borrowings	25	(10,417,267)	(4,467,096)	(4,867,536)	(2,099,621)
Net cash (used in)/generated from operating activities		(30,837,294)	(13,089,041)	(10,826,477)	(4,621,534)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, equipment, and Intangible assets**	18&19	(3,259,539)	(1,397,569)	(2,670,808)	(1,152,058)
Proceeds from disposal of assets		35,318	15,143	6,819	2,941
Net cash used in investing activities		(3,224,221)	(1,382,426)	(2,663,989)	(1,149,117)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid during the year	29	(14,318,609)	(6,140,116)	(7,221,555)	(3,128,923)
Term loans acquired during the year	25	106,456,729	45,861,419	47,286,507	20,397,128
Repayment of the term loans - principal	25	(30,889,340)	(13,245,858)	(14,471,768)	(6,242,426)
Payment of lease liability – principal and interest	28	(1,084,104)	(464,824)	(1,076,762)	(464,463)
Loan security funds received during the year	24	13,794,835	5,914,713	10,031,292	4,327,022
Loan security funds paid during the year	24	(7,695,390)	(3,299,498)	(6,474,069)	(2,792,605)
Grant received during the year	26	1,681,682	715,002	107,827	46,718
Net cash (used)/ generated from financing activities		67,945,803	29,340,838	28,181,472	12,142,451
Net increase/(Decrease) in cash and cash equivalents		33,884,288	14,869,371	14,691,006	6,371,800
Cash and cash equivalents at the beginning of the year		23,901,076	10,355,752	9,210,070	3,967,293
Foreign exchange translation reserve		-	(656,516)	-	16,659
Cash and cash equivalents at the end of the year	14	57,785,364	24,568,607	23,901,076	10,355,752

Notes and related statements forming part of the financial statements appear on pages 22 to 58.
Report of the auditor's is on page 16 to 17.

*Supplementary information presented in United States Dollar.

** Amount does not include additions to right of use asset presented under property and equipment.

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. REPORTING ENTITY

BRAC Tanzania Finance Limited was incorporated as a company limited by guarantee on 9 September 2008 and subsequently converted to a company limited by shares on 2 October 2019 and assigned registration number 67364. The Company is situated at Plot 17, Natai Plaza, and Coca cola Road, Dar es Salaam, Tanzania. Refer note 23 for more details on number of shares and shareholders.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2002.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

Memorandum figures

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

- Assets and liabilities were translated at the closing rate at 31 December 2022 of TZS 2,352.00 (2021: TZS 2,308.00) to USD 1 except for additions to property and equipment which were translated at an average rate for the period of TZS 2,332.29 (2021: TZS 2,318.29) to USD 1;
- Income and expenses were translated using an average exchange rate for the period of TZS 2,332.29 (2021: TZS 2,318.29) to USD 1;
- Equity is not translated; and
- All resulting exchange differences are being recognised in other comprehensive income.

(d) Use of estimates and judgements

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

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

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

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency transactions

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

(b) Interest income and expense

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

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

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

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

(c) Fee and commission income

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

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

(d) Grants

i. Deferred grants

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

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

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

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

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

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Grants (Continued)

i. Deferred grants (Continued)

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

ii. Grant income

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

(e) Interest from deposits with banks

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

(f) Income tax expense

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

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

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

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

(g) Financial assets and liabilities

(i) Recognition

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

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

(ii) Classification

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

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and liabilities (Continued)

(ii) Classification (Continued)

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

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

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.

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

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

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and liabilities (Continued)

(iii) De-recognition

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

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

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

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

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

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

(iv) Off setting

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

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

(v) Amortised cost measurement

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

(vi) Fair value measurement

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

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

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and liabilities (Continued)

(vi) Fair value measurement (continued)

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

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

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

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

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

(vii) Identification and measurement of impairment

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

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

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

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

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and liabilities (Continued)

(vii) Identification and measurement of impairment (Continued)

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

(viii) Cash and cash equivalents

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

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

(ix) Loans and advances

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

(h) Property and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property and equipment (Continued)

(iii) Depreciation (Continued)

The estimated useful lives are as stated:

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

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

(i) Impairment of non-financial assets

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

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

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

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

(j) Intangible assets

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

Subsequent expenditure on software asset is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on straight-line basis over the estimated useful life of the software, from the date that is available for use. The estimated useful life of software is five years (20% per year).

(k) Security deposits from customers and term loans

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

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

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

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

(n) Classes of financial instruments

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

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

(o) 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. This policy is applied to contracts entered into, on or after 1 January 2019.

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.

The Company recognises 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.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases (Continued)

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 amortised 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 recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases for some office premises. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(p) Write offs

When a loan is deemed uncollectible, it is written off against the related provision for impairment losses. Subsequent recoveries are credited to the profit or loss for the year. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to profit or loss for the year.

(q) Share Capital

Ordinary shares are classified as 'share capital' in equity. New shares are recorded at nominal value and any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

(r) New standards, amendments and interpretations

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

The Company has adopted the following new standards and amendments during the year ended 31 December 2022, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2022. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Company's accounting policies.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards, amendments and interpretations (Continued)

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

The Company adopted the following standards, interpretations and amended standards during the year:

New standards or amendments	<i>Effective for annual period beginning or after</i>
IFRS 1 - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.	1 January 2022
IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.	1 January 2022
IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.	1 January 2022
IAS 16 <i>Property, Plant and Equipment</i> - Amendment prohibiting entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.	1 January 2022

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2022

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

New standards or amendments	<i>Effective for annual period beginning or after</i>
IAS 1 <i>Classification of liabilities as current or non-current</i> - Amendments which aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	1 January 2023

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards, amendments and interpretations (Continued)

- ii) *New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2022 (Continued)*

IAS 1 and IFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i> - The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the four-step materiality process' described in IFRS Practice Statement 2.	1 January 2023
IAS 8 <i>Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i> - The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.	1 January 2023
IAS 12 <i>Income taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> : Amendments aim at clarifying how companies account for deferred tax on leases; when a lessee recognizes an asset and a liability at the lease commencement.	1 January 2023
IFRS 17 <i>Insurance Contracts</i> . The standard requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. This requirement will provide transparent reporting about a company's financial position and risk.	1 January 2023
Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2). Amendments aim at refining definition of material and issued non non-mandatory practical guidance on applying the concept of materiality. Key amendments includes: <ul style="list-style-type: none"> • requiring companies to disclose their material accounting policies rather than their significant accounting policies; • clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. 	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8). Amendment aims at solving the diversity in distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively. Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 <i>Income Taxes</i> . Amendment aims at solving Diversity in recognising deferred taxes on leases and decommissioning obligations where all companies will now need to reflect the future tax impacts of these transactions and recognise deferred tax.	1 January 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17). Classification overlay approach would apply for all financial assets. Insurers that have already adopted IFRS 9 are eligible for the new transition option.	1 January 2023

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards, amendments and interpretations (Continued)

Classification of liabilities as current or non-current (Amendments to IAS 1). Right to defer settlement must exist at reporting date and have substance. Liabilities with covenants – Classification criteria clarified and new disclosures. Convertible debt may become current. The amendment applies retrospectively.	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). Amendment aims at plugging gap in IFRS 6 including recognizing variable lease payments as liabilities,	1 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1). Right to defer settlement must exist at reporting date and have substance. Liabilities with covenants – Classification criteria clarified and new disclosures. Convertible debt may become current.	1 January 2024

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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

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

(a) Credit risk

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

Management of credit risk

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

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

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

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

Impaired loans

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

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(a) Credit risk (Continued)

Past due but not impaired loans

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

Allowances for impairment

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

The table below provides details of exposure to credit risk

Loans to customers

	2022 TZS'000	2021 TZS'000
Standard (zero days overdue)	165,974,168	123,804,403
Watch list (1 to 30 days overdue)	624,251	862,789
Substandard (31 to 90 days overdue)	365,538	374,315
Doubtful (91 to 365 days overdue)	408,071	444,256
Loss (above 365 days overdue)	<u>1,598,028</u>	<u>3,497,047</u>
Gross loans to customers	168,970,056	128,982,810
Allowance for impairment	<u>(8,059,667)</u>	<u>(8,797,250)</u>
Net loans	<u>160,910,389</u>	<u>120,185,560</u>

Movement in allowance for impairment

	2022 TZS'000	2021 TZS'000
At 1 January	8,797,250	6,068,032
Charge for the year	1,943,330	4,523,250
Loan write-off	<u>(2,680,913)</u>	<u>(1,794,032)</u>
Gross loans to customers	<u>8,059,667</u>	<u>8,797,250</u>

Write-off policy

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

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(b) Liquidity risk

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

Management of liquidity risk

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

Residual contractual maturities of financial liabilities.

	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000	1 to 2 years TZS'000	2 to 5 years TZS'000
31 December 2022					
Loan security fund	30,218,877	30,218,877	30,218,877	-	-
Term loans	134,896,671	156,329,392	52,400,631	55,893,689	48,035,072
Lease liabilities*	2,013,812	2,194,208	1,102,104	1,092,104	-
Other liabilities	3,822,059	3,822,059	3,822,059	-	-
Related Party Payables	36,845	36,845	36,845	-	-
Total	170,988,264	192,601,381	87,580,516	56,985,793	48,035,072

	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000	1 to 2 years TZS'000	2 to 5 Years TZS'000
31 December 2021					
Loan security fund	24,119,432	24,119,432	24,119,432	-	-
Term loans	57,595,082	65,096,440	35,862,795	15,677,650	13,555,995
Lease liabilities	996,213	1,076,762	1,076,762	-	-
Other liabilities	1,039,716	1,039,716	1,039,716	-	-
Dividend payable	9,356,409	9,356,409	9,356,409	-	-
Related Party Payables	2,593,645	2,593,645	2,593,645	-	-
Total	95,700,497	103,282,404	74,048,759	15,677,650	13,555,995

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

(c) Market risk

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

(i) Currency risk

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

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(c) Market risk (continued)

(i) Currency risk (Continued)

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

The table below summarises the exposure to foreign currency exchange rate risk at 31 December 2022. Assets and liabilities are categorised by currency. (Equivalent Amounts in TZS'000)

31 December	2022 TZS (000)	2021 TZS (000)
Financial Assets		
Cash and bank balance	54,466,345	11,941,112
Total assets	54,466,345	11,941,112
Financial liabilities		
Related party payables	36,845	11,615,000
Borrowings	43,658,250	-
Total liabilities	43,695,095	11,615,000
Net on balance sheet position	10,771,250	326,112

The Company uses cross currency swap to hedge its currency risk exposure of its third Loan Tranche from International Finance B.V denominated in USD amounting to TZS 11.6 billion not included in the table above. BTFL has not opted to apply hedge accounting with respect to this arrangement. At each reporting date, a fair valuation of the swap is done using a mark to market approach where gains or losses are recognized under the statement of profit or loss.

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

Sensitivity analysis

The rate of exchange as at 31 December 2022 is USD 1 = 2,352 (2021: TZS 2,308 strengthening of USD against TZS by 5% means that the rate of exchange will move to USD 1 = TZS 2,469.90 (2021: TZS 2,434.47)

If the exchange rate changes unfavourably by 5% the Company is likely to experience foreign exchange loss of TZS 531 million (2021: TZS 16 million).

(ii) Interest rate risk

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

The table below shows interest exposure on assets and liabilities as at 31 December 2022. Amounts in TZS ('000).

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (Continued)

31 December 2022	Up to 1 month	From 1 to 12 months	From 1 years to 2 years	From 2 years and above	Total	Non- interest bearing
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS						
Cash and bank balances	57,785,364	-	-	-	57,785,364	57,785,364
Fixed deposits	-	-	21,397,945	-	21,397,945	-
Loans to customers	-	160,910,389	-	-	160,910,389	-
Other assets	-	1,396,798	-	-	1,396,798	1,396,798
Total assets	57,785,364	162,307,187	21,397,945	-	241,490,496	59,182,162
LIABILITIES						
Other liabilities	3,822,059	-	-	-	3,822,059	3,822,059
Lease liabilities	-	1,211,997	801,815	-	2,013,812	-
Loan security fund	2,697,146	27,144,232	377,500	-	30,218,878	30,218,878
Term loans	-	39,715,482	28,672,124	66,509,065	134,896,671	-
Related party liabilities	-	36,845	-	-	36,845	36,845
Total liabilities	6,519,205	68,108,556	29,851,439	66,509,065	170,988,265	34,077,782
Net assets/(liabilities)	51,266,159	94,198,631	(8,453,494)	(66,509,065)	70,502,231	25,104,380

31 December 2021	Up to 1 month	From 1 to 12 months	From 1 years to 2 years	From 2 years and above	Total	Non-interest bearing
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS						
Cash and bank balances	23,901,076	-	-	-	23,901,076	23,901,076
Fixed deposits	-	12,119,427	-	-	12,119,427	-
Loans to customers	-	120,185,560	-	-	120,185,560	-
Other assets	-	3,245,390	-	-	3,245,390	3,245,390
Total assets	23,901,076	135,550,377	-	-	159,451,453	27,146,466
LIABILITIES						
Other liabilities	1,039,716	-	-	-	1,039,716	1,039,716
Lease liabilities	-	966,213	-	-	966,213	-
Loan security fund	-	24,119,432	-	-	24,119,432	24,119,432
Dividend payable	-	9,356,409	-	-	9,356,409	9,356,409
Term loans	-	28,859,433	15,813,476	12,922,174	57,595,083	-
Related party liabilities	-	2,593,645	-	-	2,593,645	2,593,645
Total liabilities	1,039,716	65,895,132	15,813,476	12,922,174	95,670,498	37,109,202
Net assets/(liabilities)	22,861,360	69,655,245	(15,813,476)	(12,922,174)	63,780,955	(9,962,736)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The average market lending rate for the year ended 31 December 2022 is 17% (2021: 15.39%). If the interest rate rises by 5% the Company performance would be impacted by TZS 574million (2020: TZS 436m).

(d) Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- 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;
- 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 Chief Executive Officer (CEO).

5. USE OF ESTIMATES AND JUDGEMENTS

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

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

Key sources of estimation uncertainty

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3 (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 financials where each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (Continued)

(i) *Allowances for credit losses (Continued)*

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

In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions as well as forward looking information.

In arriving at the credit losses for the year ended 31 December 2022, the following assumptions were used;

- The PD model covered exposures for obligors with common drivers of risk, fundamentally comparable available to form a reasonable and effective basis for results predictions in terms of risk management, decision making and credit approval process.
- LGD estimation considered loans outstanding for over 90 days. And on monthly basis for the period of 36 months and above the outstanding balance of the loans over 90 days against the loan's disbursement of the same category are considered to establish the percentage of the loans that migrated into a loss category.
- EAD was estimated as the outstanding balances of the loans as at the reporting date.

Impact of COVID- 19

The coronavirus pandemic has had a devastating impact on the global economy and has resulted in significant changes to government actions, economic and market drivers as well as consumer behaviour.

Impact on the use of estimates, judgements and assumptions

The pandemic has had a significant impact on the risks that the Company is exposed to, in particular credit risk, and has forced the Company to reassess assumptions, and existing methods of estimation and judgements, used in the preparation of these financial statements. There remains a risk that future performance and actual results may differ from the judgements and assumptions used.

As the outbreak continues to progress and evolve, it is challenging to predict the full extent and duration of its business and economic impact. Management considered the model outputs following appropriate assessment of credit risk.

Further detail on the application of judgements and estimates is included in the note below.

(ii) *Fair values of financial instruments*

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

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

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

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

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (Continued)

(ii) Fair values of financial instruments (continued)

Level 3: Inputs that are unobservable this category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

	Carrying value TZS'000	Fair values TZS'000
31 December 2022		
ASSETS		
Cash and bank balances	57,785,364	57,785,364
Fixed deposits	21,397,945	21,397,945
Loans to customers	160,910,389	160,910,389
Other assets	1,396,798	1,396,798
Total assets	241,490,496	241,490,496
LIABILITIES		
Other liabilities	3,822,059	3,822,059
Lease liabilities	2,013,812	2,013,812
Loan security fund	30,218,877	30,218,877
Related party payables	36,845	36,845
Term loans	134,896,671	133,618,727
Total liabilities	170,988,264	169,710,320
31 December 2021		
ASSETS		
Cash and bank balances	23,901,076	23,901,076
Fixed deposits	12,119,427	12,119,427
Loans to customers	120,185,560	120,185,560
Other assets	1,296,194	1,296,194
Total assets	157,502,257	157,502,257
LIABILITIES		
Other liabilities	1,039,715	1,039,716
Lease liabilities	966,213	966,213
Loan security fund	24,119,433	24,119,432
Related party payables	2,593,645	2,593,645
Term loans	57,595,083	49,477,158
Total liabilities	86,314,089	78,196,164

The financial assets and liabilities are measured at amortized cost except for the loan balance with BRAC International Finance B.V amounting to TZS 11.6 billion hedged through cross currency swap in which fair valuation is done through mark to market approach with gains or losses recorded in statement of profit or loss.

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

BRAC TANZANIA FINANCE LIMITED
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**
5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)
Key sources of estimation uncertainty (Continued)
(iii) Taxes

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

6. INTEREST INCOME

	2022	Memo	2021	Memo
	TZS'000	2022 USD	TZS'000	2021 USD
Micro finance	65,846,553	28,232,555	48,389,731	20,873,028
Small enterprise program	6,356,052	2,725,239	6,443,103	2,779,248
Adolescent development program	-	-	54,227	23,391
Empowerment and livelihood for adolescent program	-	-	13,536	5,839
Agriculture	4,549,962	1,950,855	3,256,878	1,404,862
We Solve	135,548	58,118	34,507	14,884
	76,888,115	32,966,767	58,191,982	25,101,252

7. INTEREST EXPENSE

Interest expense on loans from				
- Bank of Africa (BOA)	1,983,321	850,380	752,161	324,446
- Responsibility	2,922,518	1,253,067	1,608,059	693,640
- Global Partnership Social Investment Fund	127,378	54,615	713,503	307,771
- Stromme Microfinance (E.A) Ltd	53,6351	229,967	654,831	282,463
- Triodos Investment Management	80,709	34,605	464,808	200,496
- FMO	89,171	38,233	479,446	206,810
- CRDB Bank Plc.	516,329	221,383	540,000	232,930
- Standard Chartered Bank	437,644	187,645	247,513	106,764
- Agent for Impact (AFI)	696,896	298,803	191,825	82,744
- BlueOrchard Microfinance Fund	3,033,547	1,300,672	-	-
- BRAC International Finance B.V (BIFBV)	1,235,502	530,358	-	-
Sub total – interest on term loans	11,659,366	4,999,728	5,652,146	2,438,064
-	-	-	-	-
- Fund management fees	502,992	215,043	110,707	47,755
- Interest expense on lease liabilities	282,290	121,035	132,838	57,302
- Expense on overdraft facility with BOA	120,840	51,808	-	-
Total interest expense	12,565,488	5,387,614	5,895,691	2,543,121

8. FEE AND COMMISSION INCOME

Loan appraisal fee	3,371,841	1,445,720	2,496,203	1,076,743
Loan application fee	34,715	14,885	36,895	15,915
	3,406,556	1,460,605	2,533,098	1,092,658

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. OTHER INCOME

	2022	Memo 2022	2021	Memo 2021
	TZS'000	USD	TZS'000	USD
Gain due to early repayment of loans	544	233	306	132
Interest income from bank deposit	1,086,613	465,899	543,675	234,515
Sale from passbooks	94,724	40,614	77,969	33,632
Administrative fees	87,467	37,503	57,578	24,837
Interest income received from Zanzibar and other Income	186,271	79,866	312,478	134,787
Gain from disposal of assets	18,952	8,126	-	-
Foreign exchange (gain)/ loss	597,646	256,249	-	-
	<u>2,072,217</u>	<u>888,490</u>	<u>992,006</u>	<u>427,903</u>

10. STAFF COSTS AND OTHER BENEFITS

Salaries and benefits	17,982,786	7,717,993	15,995,451	6,899,676
NSSF	1,848,470	784,913	1,777,272	766,631
Bonus	1,107,929	475,039	955,647	412,221
	<u>20,939,185</u>	<u>8,977,945</u>	<u>18,728,370</u>	<u>8,078,528</u>

11. OCCUPANCY EXPENSES

Rent	35,630	15,277	539	233
Utilities	325,896	139,732	191,306	82,520
	<u>361,526</u>	<u>155,009</u>	<u>191,845</u>	<u>82,753</u>

12. OPERATING EXPENSES

Travelling and transportation costs	4,925,375	2,111,818	3,816,959	1,646,454
Training, workshop, and seminars costs	445,680	191,091	508,083	219,163
Maintenance and general expenses	422,042	180,956	253,629	109,403
Cash write off	2,346	1,006	36,394	15,699
Member's death benefit expenses	1,150	493	1,215	524
Office Vehicle running expenses	153,964	66,014	99,142	42,765
Audit and other legal fees	187,538	80,409	243,576	105,067
Head Office Logistics and management expenses	2,383,943	1,022,146	3,936,071	1,697,834
Stationery expenses	841,028	360,602	793,779	342,398
Staff medical Insurance	510,964	219,082	565,637	243,989
Software Maintenance	1,258,537	539,614	677,892	292,410
Business licence fees and other regulatory expenses	3,665,535	1,571,645	1,554,653	670,603
Bank Charges	530,863	227,614	304,795	131,474
Other expenses	4,787,083	2,052,523	3,940,238	1,699,633
	<u>20,116,048</u>	<u>8,625,013</u>	<u>16,732,063</u>	<u>7,217,416</u>

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. TAXATION

(a) Tax expense

	2022 TZS'000	Memo 2022 USD	2021 TZS'000	Memo 2021 USD
Current income tax charge	8,228,664	3,528,146	5,322,590	2,295,912
Prior period tax charge	-	-	377,470	162,823
Deferred tax credit for the year (Note 20)	(491,866)	(210,894)	(843,155)	(363,697)
	<u>7,736,798</u>	<u>3,317,252</u>	<u>4,856,905</u>	<u>2,095,038</u>
Effective rate of income tax	<u>31%</u>		<u>34%</u>	
Tax rate reconciliation	%		%	
Standard rate of income tax	30.0		30.0	
Effect of prior year corporate tax under-provisions	-		3.0	
Tax effect of non-deductible expenses	1.0		1.0	
Computed effective rate of tax	<u>31.0</u>		<u>34.0</u>	

b) Tax payable / (receivable)

Balance at 1 January	1,018,384	441,241	(206,587)	(88,989)
Charge during the year	8,228,664	3,498,582	5,322,590	2,295,912
Tax paid	(8,932,361)	(3,797,773)	(4,681,676)	(2,019,452)
Prior year advance irrecoverable taxes written off	-	-	206,587	89,112
Prior year under provision of corporate tax	-	-	377,470	162,823
Foreign exchange translation reserve	-	(8,254)	-	1,834
Balance at 31 December	<u>314,687</u>	<u>133,796</u>	<u>1,018,384</u>	<u>441,240</u>

14. CASH AND BANK BALANCES

Cash in hand	185,457	78,851	33,406	14,474
Cash at bank	57,599,907	24,489,756	23,867,670	10,341,278
	<u>57,785,364</u>	<u>24,568,607</u>	<u>23,901,076</u>	<u>10,355,752</u>

15. FIXED DEPOSITS

Principal	21,168,000	9,000,000	11,625,000	5,036,828
Interest receivable	229,945	97,767	494,427	214,224
	<u>21,397,945</u>	<u>9,097,767</u>	<u>12,119,427</u>	<u>5,251,052</u>

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. LOANS TO CUSTOMERS

(a) Net loans to customers

	2022	Memo	2021	Memo
	TZS'000	2022 USD	TZS'000	2021 USD
Loans to customers (gross)	168,970,056	71,841,010	128,982,810	55,885,099
Provision for impairment on loans to customers [Note-16(b)]	(8,059,667)	(3,426,729)	(8,797,250)	(3,811,633)
Translation reserve	-	-	-	-
Balance at 31 December	160,910,389	68,414,281	120,185,560	52,073,466

(b) Impairment charge on loans to customer

Balance as at 1 January	8,797,250	3,811,633	6,068,032	2,613,841
Charge for the year	1,943,330	833,228	4,523,250	1,951,113
Write offs	(2,680,913)	(1,139,844)	(1,794,032)	(777,310)
Foreign exchange translation difference	-	(78,288)	-	23,989
Balance at 31 December	8,059,667	3,426,729	8,797,250	3,811,633

(c) Gross loans to customers

Micro finance	140,068,665	59,553,004	101,625,905	44,032,021
Small enterprise program	12,994,875	5,525,032	16,370,184	7,092,801
We Solve (Danida)	326,069	138,635	87,220	37,790
Agriculture	13,043,118	5,545,544	9,159,574	3,968,620
Pembejeo	-	-	71	30
Interest Receivable	2,537,329	1,078,795	1,739,856	753,837
	168,970,056	71,841,010	128,982,810	55,885,099

17. OTHER RECEIVABLES BALANCES

(a) Other assets

Advances and prepayments	202,333	86,026	469,286	203,330
Stock of consumables	654,832	278,415	418,286	181,233
Employee Receivables	12,970	5,514	4,930	2,136
BRAC International Holdings B. V	8,418	3,579	-	-
Fund Management Fees	518,245	220,342	403,692	174,910
	1,396,798	593,876	1,296,194	561,609

During the year ended 31 December 2022, inventories of TZS 665 million (2021: TZS 379 million) were recognized as expenses and are included in operating expenses.

(b) Related party receivables

BRAC Maendeleo Tanzania	168,270	71,543	148,624	64,395
BRAC Enterprise	3,067	1,305	18,031	7,813
BRAC Zanzibar Finance Limited	941,616	400,347	476,180	206,317
	1,112,953	473,195	642,835	278,525

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

18. PROPERTY AND EQUIPMENT

<u>COST</u>	Furniture	Equipment	Motor Vehicles	Leasehold Improvement	Right of Use Assets (ROU)*	Total	Memo Total USD
At 1 January 2022	1,190,397	1,217,484	512,481	101,377	2,740,852	5,762,591	2,510,811
Additions	726,200	894,845	450,788	20,351	11,363	2,103,547	902,037
Impact of remeasurement of lease liability.	-	-	-	-	1,833,303	1,833,303	786,053
Disposal	(173,458)	(97,236)	(76,530)	-	-	(347,224)	(148,895)
Foreign Exchange Translation reserve	-	-	-	-	-	-	(73,659)
As at 31 December 2022	1,743,139	2,015,093	886,739	121,728	4,585,518	9,352,217	3,976,347
At 1 January 2021	1,291,093	914,687	529,637	101,377	2,709,126	5,545,920	2,416,522
Additions	148,804	572,807	-	-	31,726	753,337	324,953
Reclassification	(42,105)	37,104	6,468	-	-	1,467	633
Disposal	(207,395)	(307,114)	(23,624)	-	-	(538,133)	(232,125)
Foreign Exchange Translation reserve	-	-	-	-	-	-	828
As at 31 December 2021	1,190,397	1,217,484	512,481	101,377	2,740,852	5,762,591	2,510,811

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

18. PROPERTY AND EQUIPMENT (CONTINUED)

	Furniture	Equipment	Motor Vehicles	Leasehold Improvement	Right of Use Assets (ROU)*	Total	Memo Total USD
DEPRECIATION							
At 1 January 2022	879,727	490,538	381,133	5,710	1,875,892	3,633,000	1,592,853
Charge for the year	116,663	285,415	84,184	4,215	896,253	1,386,730	594,579
Disposal	(169,956)	(85,263)	(75,640)	-	-	(330,859)	(141,859)
Foreign Exchange Translation reserve	-	-	-	-	-	-	(51,941)
At 31 December 2022	826,434	690,690	389,677	9,925	2,772,145	4,688,871	1,993,632
At 1 January 2021	869,030	654,953	356,042	-	959,428	2,839,453	1,250,695
Charge for the year	93,152	129,761	70,812	4,810	1,041,399	1,339,934	577,983
Disposal	(168,678)	(281,638)	(23,611)	-	-	(473,927)	(204,429)
Reclassification	86,223	(12,538)	(22,110)	900	(124,935)	(72,460)	(31,256)
Foreign Exchange Translation reserve	-	-	-	-	-	-	(4,883)
At 31 December 2021	879,727	490,538	381,133	5,710	1,875,892	3,633,000	1,588,110
NET BOOK VALUE							
At 31 December 2022	916,705	1,324,403	497,062	111,803	1,813,373	4,663,346	1,982,715
At 31 December 2021	310,670	726,946	131,348	95,667	864,960	2,129,591	922,701

*The Company has presented right-of-use assets that do not meet the definition of investment property within 'property, plant and equipment'.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. INTANGIBLE ASSETS

	Software	Work In Progress*	Total	Memo Total
	TZS'000	TZS'000	TZS'000	USD
Cost				
At 1 January 2021	699,939	-	699,939	301,503
Additions	-	1,949,197	1,949,197	844,539.3432
Foreign Exchange Translation reserve	-	-	-	1,764
At 31 December 2021	<u>699,939</u>	<u>1,949,197</u>	<u>2,649,136</u>	<u>1,147,806</u>
At 1 January 2022	699,939	1,949,197	2,649,136	1,147,806
Additions	32,081	1,135,274	1,167,355	496,324
Foreign Exchange Translation reserve	-	-	-	(21,472)
At 31 December 2022	<u>732,020</u>	<u>3,084,471</u>	<u>3,816,491</u>	<u>1,622,658</u>
Accumulated amortization				
At 1 January 2021	677,829	-	677,829	298,681
Charge for the year	22,110	-	22,110	9,537
Foreign Exchange Translation reserve	-	-	-	(4,951)
At 31 December 2021	<u>699,939</u>	<u>-</u>	<u>699,939</u>	<u>303,267</u>
At 1 January 2022	699,939	-	699,939	303,267
Charge for the year	-	-	-	-
Foreign Exchange Translation reserve	-	-	-	(5,673)
At 31 December 2022	<u>699,939</u>	<u>-</u>	<u>699,939</u>	<u>297,594</u>
Net book value (NBV)				
At 31 December 2021	<u>-</u>	<u>1,949,197</u>	<u>1,949,197</u>	<u>844,539</u>
At 31 December 2022	<u>32,081</u>	<u>3,084,471</u>	<u>3,116,552</u>	<u>1,325,064</u>

*The company has started implementation of a new Core banking system from Temenos which is in progress and shown as Work in progress (WIP) in the schedule.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

20. DEFERRED TAX ASSET

	2022 TZS'000	Memo 2022 USD	2021 TZS'000	Memo 2021 USD
The movement in the deferred tax asset during the year is as follows:				
At 1 January	2,711,469	1,174,813	1,868,314	804,787
Credit for the year- Note 13 (a)	491,866	210,894	843,155	363,697
Foreign exchange translation difference	-	(23,745)	-	6,329
At 31 December	3,203,335	1,361,962	2,711,469	1,174,813
Deferred tax arises from temporary differences on the following items:				
Depreciation of right of use assets	72,644	30,886	44,312	19,199
Impairment provision – general	3,194,949	1,358,397	2,639,175	1,143,490
Capital allowances	(64,258)	(27,321)	27,982	12,124
	3,203,335	1,361,962	2,711,469	1,174,813

21. OTHER LIABILITIES

	2022 TZS'000	Memo 2022 USD	2021 TZS'000	Memo 2021 USD
Accrued expenses	3,748,691	1,593,831	961,578	416,628
Provision for audit and consultancy fees	73,221	31,131	78,139	33,856
NSSF payable	147	63	-	-
	3,822,059	1,625,025	1,039,717	450,484

22. RELATED PARTY PAYABLES

Payable to BRAC Bangladesh	18,515	7,872	33,856	14,669
Payable to BRAC IT Service (BITS)	-	-	327,702	141,985
Payable to BRAC International Holding BV	-	-	2,232,087	967,109
Payable to BRAC International Kenya	18,330	7,793	-	-
	36,845	15,665	2,593,645	1,123,763

23. ORDINARY SHARE CAPITAL

	Ownership		No	TZS'000	Memo USD
	2022	2021			
BRAC Bangladesh					
BRAC Foundation					
BRAC International Holding BV	99.99%	99.99%	4,999,999	14,999,997	6,535,947
Shameran	0.01%	0.01%	1	3	1
			5,000,000	15,000,000	6,535,948

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

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

24. LOAN SECURITY FUND

	2022	Memo 2022	2021	Memo 2021
	TZS'000	USD	TZS'000	USD
Balance as at 1 January	24,119,432	10,450,361	20,562,209	8,857,294
Collections during the year	13,794,835	5,914,713	10,031,292	4,327,022
Withdrawals during the year	(7,695,390)	(3,299,498)	(6,474,069)	(2,792,605)
Foreign exchange translation reserve	-	(217,414)	-	58,650
Balance as at 31 December	30,218,877	12,848,162	24,119,432	10,450,361

25. TERM LOANS

Long term portion of term loans	93,075,378	39,572,864	28,735,650	12,450,455
Current portion of term loans	41,821,293	17,781,163	28,859,433	12,504,087
	134,896,671	57,354,027	57,595,083	24,954,542

The movement of term loans is as follows

Balance at 1 January	57,595,083	24,954,542	23,995,734	10,350,607
New loans received during the year	106,456,729	45,861,419	47,286,507	20,397,128
Interest charge for the year	11,659,366	4,999,728	5,652,146	2,438,064
Interest paid during the year	(10,417,267)	(4,467,096)	(4,867,536)	(2,099,621)
Principal repaid during the year	(30,889,340)	(13,245,858)	(14,471,768)	(6,242,426)
Loss on valuation	492,100	210,994	-	-
Foreign exchange translation reserve	-	(959,702)	-	110,790
Balance at 31 December	134,896,671	57,354,027	57,595,083	24,954,542

Current	41,821,293	17,781,163	28,859,433	12,504,087
Non - current	93,075,378	39,572,864	28,735,650	12,450,455
	134,896,671	57,354,027	57,595,083	24,954,542

Current portion of term loans

Whole Planet Foundation	-	-	112,754	48,854
Standard Chartered Bank Tanzania	-	-	10,000,000	4,332,756
Bank of Africa (T)	9,779,000	4,157,738	3,957,542	1,714,706
CRDB Bank PLC	-	-	4,500,000	1,949,740
ResponsAbility Investments AG	9,758,542	4,149,040	4,602,498	1,994,150
Soluti Finance (E.A) Limited	1,199,999	510,204	1,200,000	519,931
Global Partnerships Social Investment Fund 6.0, LLC	-	-	1,505,931	652,483
Triodos Microfinance Fund	-	-	1,053,730	456,555
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	-	-	1,053,099	456,282
Agent for Impact (AFI)	2,903,750	1,234,588	-	-
BlueOrchard Microfinance Fund	9,103,169	3,870,395	-	-
BRAC International Finance B.V (BIFBV)	6,932,932	2,947,675	-	-
Interest accrual	2,143,901	911,523	873,879	378,630
	41,821,293	17,781,163	28,859,433	12,504,087

BRAC TANZANIA FINANCE LIMITED
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**
25. TERM LOANS (CONTINUED)
Non - current portion of term loans

	2022	Memo	2021	Memo
	TZS'000	2022 USD	TZS'000	2021 USD
Whole Planet Foundation			-	-
Bank of Africa (T)	15,467,103	6,576,149	4,446,103	1,926,388
ResponsAbility Investments AG	12,171,650	5,175,021	10,441,214	4,523,923
Soluti Microfinance (E.A) Limited	1,033,334	439,343	2,233,333	967,649
BlueOrchard Microfinance Fund	18,482,191	7,858,074	-	-
BRAC International Finance B.V (BIFBV)	40,113,600	17,055,102	-	-
HANSAINVEST Finance I GmbH & Co.	5,807,500	2,469,175	11,615,000	5,032,495
	<u>93,075,378</u>	<u>39,572,864</u>	<u>28,735,650</u>	<u>12,450,455</u>

Soluti Finance East Africa Limited (Soluti)

BRAC Tanzania Finance Limited secured a term loan amounting to TZS 3.6 billion from Soluti Finance East Africa Limited in August 2020 for a period of 4 years from the date of disbursement with grace period of 12 months on the principal facility but paying interest accruing during the grace period on a quarterly basis. The loan was disbursed in two tranches of TZS 2 billion and TZS 1.6 billion with a six-month gap between the tranches. The loan is quoted at the rate of 17% fixed with no expected increase until maturity. The loan was obtained to promote development through the micro-finance lending.

Global Partnerships Social Investment Fund 6.0, LLC

BRAC Tanzania Finance Limited secured a loan from Global Partnerships Social Investment Fund 6.0, LLC in June 2018 for the period of 48 months. The loan amounted to USD 2.5 million as term loan. The loan is quoted at the rate of 16.07% in Tanzanian shilling for the first drawdown of USD 1.25 million and 13.75% for the second drawdown of USD 1.25 million. The loan was obtained to finance micro-finance lending. Following the outbreak of COVID-19, the loan repayment was deferred for 6 months in June 2020. The loan was full repaid in June 2022.

Triodos Microfinance Fund

BRAC Tanzania Finance Limited secured a loan from Triodos Microfinance Fund in June 2018 for the period of 48 months. The loan amounted to USD 1.75 million as term loan. The loan is quoted at the rate of 14.10% in Tanzanian shilling for the first drawdown of USD 875,000 and 14.16% for the second drawdown of USD 875,000. The loan was obtained to finance micro-finance lending. Following the outbreak of COVID-19, the loan repayment was deferred for 6 months in June 2020. The loan was fully repaid in June 2022.

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

BRAC Tanzania Finance Limited secured a loan from FMO in June 2018 for the period of 48 months. The loan amounted to USD 1.75 million as term loan. The loan is quoted at the rate of 14.10% in Tanzanian shilling for the first drawdown of USD 875,000 and 14.16% for the second drawdown of USD 875,000. The loan was obtained to finance micro-finance lending. Following the outbreak of COVID-19, the loan repayment was deferred for 6 months in June 2020. The loan was fully repaid in June 2022.

Whole Planet Foundation (WPF)

BRAC Tanzania Finance Limited secured a free interest loan from Whole Planet Foundation (WPF) in July 2018 for the period of 36 months. The loan amount is USD 150,000 payable in three equal instalments (USD 50,000 each) after grace period of 24 months. The loan is interest free as WPF used to be partner in microfinance and on 2018 she decided to issue as loan after realising that BRAC Tanzania is financially stable and self-sustaining. The loan was full repaid in January 2022.

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

25. TERM LOANS (CONTINUED)

ResponsAbility Investments AG

Through ResponsAbility Investments AG an investment manager, BRAC Tanzania Finance Limited has been able to secure multiple term loans from its portfolio. The purpose of these loans is to finance micro-finance lending.

In June 2019, BRAC Tanzania Finance Limited secured term loans amounting to USD 1 million with a loan tenure of 36 months at an interest of 17.50% per annum, however in June 2020, the loan agreement was revised to reduce the interest rate to 16.85% and defer the repayment for 6 months, with other loan terms remaining constant. The principal and interest repayments are made every six months.

In March 2021, BRAC Tanzania Finance Limited secured term loans amounting to USD 4 million from with a tenure of 36 months at an interest rate of 14.90% per annum. The principal and interest repayments are made every six months.

In October 2021, BRAC Tanzania Finance Limited entered a loan agreement via ResponsAbility Investments AG to secure loans amounting to USD 3 million which was disbursed in two tranches. The first tranche amounting to USD 1.5 million was disbursed immediately whereas the second tranche amounting to USD 1.5 million was disbursed in November 2021. The interest rate of the term loans is 15.65% per annum. Interest repayments made every six-months and principal payments made in 3 equal yearly instalments.

In August 2022, BRAC Tanzania Finance Limited entered a loan agreement via ResponsAbility Investments AG to secure loans amounting to USD 5 million which was disbursed in a single tranche. The interest rate of the term loans is 15.00% per annum. Interest repayments made every six-months and principal payments made half-yearly in equal instalments.

Bank of Africa Tanzania

In June 2021, BRAC Tanzania Finance Limited secured a term loan amounting to TZS 8,000 million from Bank of Africa Tanzania. The loan was obtained to finance micro-finance lending. The loan tenure is 36 months with equal monthly instalments at a fixed interest rate of 15% per annum. BRAC Tanzania Finance Limited has a stand-by short-term revolving facility amounting to TZS 3,000 million with a tenure of 150 days with an interest rate of 17% per annum. This short-term revolving facility was not utilised in 2022.

In May 2022, BRAC Tanzania Finance Limited secured a back-to-back loan amounting TZS 20,800 million from Bank of Africa Tanzania. The loan was obtained to finance micro-finance lending operations. The loan tenure is 40 months with quarterly interest payment and principal payment made in 3 equal yearly instalments at a fixed interest rate of 8.3% per annum.

CRDB Bank PLC

In December 2020, BRAC Tanzania Finance Limited secured a term loan of TZS 4,500 million from CRDB Bank PLC for working capital. The loan duration is for 24 months with interest payment made quarterly and one lumpsum principal repayment at the end of the loan term. The interest rate is fixed at 12% per annum. The loan was fully repaid in December 2022.

HANSAINVEST Finance I GmbH & Co.

In September 2021, BRAC Tanzania Finance Limited signed a loan agreement with HANSAINVEST Finance I GmbH worth USD 5 million. The full amount was disbursed in a single tranche. The facility is payable in four equal instalments for a period of 36 months at an interest rate of 5.75% per annum. The interest rate is fixed for the entire duration of the loan agreement.

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

25. TERM LOANS (CONTINUED)

Standard Chartered Bank Tanzania Limited

In September 2021, BRAC Tanzania Finance Limited secured a short-term loan facility amounting to TZS 10 billion from Standard Chartered Bank Tanzania Limited for the purpose of working capital. The loan duration is for 11 months with interest repayment made monthly and principal repayment made in two equal instalments. The interest rate is fixed at 9.8% per annum. The loan was fully repaid in August 2022.

BlueOrchard Fund

Under the BlueOrchard Fund, BRAC Tanzania Finance Limited has been able to secure two term loans from its portfolio from BlueOrchard Microfinance Fund and Covid-19 Emerging & Frontier Markets MSME Fund in May 2022. The purpose of these loans is to finance micro-finance lending operations.

The two secured term loans amount to USD 12 million with a loan tenure of 36 months at an interest of 14.75% per annum where principal payment is made in 3 equal instalments and interest payments made every six months.

BRAC International Finance BV (BIFB.V)

BRAC Tanzania Finance Limited secured a term loan amounting to TZS 21,168 million from BRAC International Finance BV (BIFB.V) in May 2022 for a period of 40 months from the date of disbursement with grace period of 4 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 5.85% fixed US Dollar rate with no expected increase until maturity. The loan was obtained for facilitating micro-finance lending.

In August 2022, BRAC Tanzania Finance Limited received a second tranche term loan amounting to TZS 14,112 million from BRAC International Finance BV (BIFB.V) for a period of 3 years from the date of disbursement. Principal payment is made yearly in 3 equal instalments whereas the interest payment is made on a quarterly basis. The loan is quoted at the rate of 6.85% fixed US Dollar rate with no expected increase until maturity. The loan was obtained for facilitating micro-finance lending.

In December 2022, BRAC Tanzania Finance Limited received a third tranche term loan amounting to TZS 11,760 million from BRAC International Finance BV (BIFB.V) for a period of 4 years from the date of disbursement with grace period of 12 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 7.35% fixed US Dollar rate (hedging rate of 15.08%) with no expected increase until maturity. The loan was obtained for facilitating micro-finance lending.

26. DEFERRED REVENUE GRANTS

a) Donor funds received in advance - FMO

	2022	Memo	2021	Memo
	TZS'000	2022	TZS'000	2021
		USD		USD
Balance at 1 January	111,626	48,364	109,571	47,199
Grants received during the year*	8,849	3,763	107,827	46,718
Grants income utilized during the year FMO	(120,475)	(51,655)	(105,772)	(45,625)
Foreign currency translation difference	-	(472)	-	72
Balance at 31 December	-	-	111,626	48,364

*During the year 2022, the company received donor fund from FMO to support Microfinance in digitalization.

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

26. DEFERRED REVENUE GRANTS (CONTINUED)

b) Donor funds received in advance - Mastercard

	2022	Memo	2021	Memo
	TZS'000	2022 USD	TZS'000	2021 USD
Grants received during the year*	1,672,833	711,239	-	-
Grants income utilized during the year AIM	(167,665)	(71,889)	-	-
Donor fund invested in fixed assets	(358,925)	(153,893)	-	-
Foreign currency translation difference	-	1,892	-	-
Balance at 31 December	<u>1,146,243</u>	<u>487,349</u>	<u>-</u>	<u>-</u>

*During the year 2022, the company received donor fund from Master card foundation to support Microfinance in digitalization and implementation of new core banking system.

	2022	Memo	2021	Memo
	TZS'000	2022 USD	TZS'000	2021 USD
Donor funds Invested in Fixed Assets				
Transferred from donor funds received in Advance	358,925	153,893	-	-
Foreign currency translation difference	-	(1,290)	-	-
Balance at 31 December	<u>358,925</u>	<u>152,603</u>	<u>-</u>	<u>-</u>
Total deferred grant balance	<u>1,505,168</u>	<u>639,952</u>	<u>111,626</u>	<u>48,364</u>

27. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of the related party	Nature	Nature of the transactions
BRAC International Holdings BV.	Parent Company.	Transactions related to Charges for Management fees by BRAC International and related payments made by BRAC Tanzania Finance Limited. Management service Includes MF, Finance, HR, Internal Audit, Branding, communication, and administrative Service to BTFL.
BRAC IT Services	Sister Company	Transactions relates to charges connected to technical support for the ERP system.
BRAC Bangladesh	Sister Company	This relates to payments made by BRAC Bangladesh in respect to employees of BRAC Tanzania Finance Limited. These includes statutory deductions for expatriates from Bangladesh.
BRAC Maendeleo Tanzania and BRAC Enterprises Tanzania Limited	Under common management	This includes payments made by BRAC Tanzania Finance Limited on behalf of these entities.
BRAC Zanzibar Finance Limited	Under common management	Transactions includes finance cost charge amounting to TZS and Head office logistics payments made by BRAC Tanzania Finance Limited on behalf of BZFL
BRAC International Kenya	Under common management	Transaction include Operation activities done in Kenya on behalf of BRAC Tanzania relating to photographic for communication.

BRAC TANZANIA FINANCE LIMITED
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**
27. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)
(a) Due to related parties

	2022	Memo	2021	Memo
	TZS'000	2022 USD	TZS'000	2021 USD
BRAC Bangladesh (Expatriate staff and travelling cost)	18,515	7,872	33,855	14,669
BRAC International Holdings B. V	-	-	2,232,087	967,109
BRAC International Kenya	18,330	7,793	-	-
BRAC IT services (BITS)	-	-	327,703	141,985
	36,845	15,665	2,593,645	1,123,763

As at 31 December 2022, the Company has a loan balance with BRAC International Finance BV (BIF B.V) amounting to TZS 47.04 billion reported under term loans (note 25). Interest expense accrued and paid up to 31 December 2022 amounts to TZS 1.24 billion and TZS 1.14 billion respectively.

	2022	Memo	2021	Memo
	TZS'000	2022 USD	TZS'000	2021 USD
(b) Due from related parties				
BRAC Maendeleo Tanzania	168,270	71,543	148,624	64,395
BRAC Zanzibar Finance Limited	941,616	400,347	476,180	206,317
BRAC Enterprise Tanzania Limited	3,067	1,305	18,031	7,813
	1,112,953	473,195	642,835	278,525

Head Office logistics and management expenses	2,383,943	1,022,146	3,936,071	1,697,833
BRAC International Finance BV (BIF B.V)	46,547,900	20,000,000	-	-
Transactions to BRAC IT Services (BITS) for IT costs	1,258,537	539,614	677,892	292,410
Settlements made on behalf of BRAC Maendeleo	1,436,052	615,726	1,905,899	820,978
Fund transfers to BRAC Zanzibar Finance Limited	1,286,765	547,094	106,026	45,730
Settlements made on behalf of BRA Enterprise Tanzania Limited	143,097	61,355	83,149	35,817
Settlements made on behalf of BRAC Bangladesh	88,062	37,758	89,249	38,445
Expatriate staff and travelling cost	81,755	35,053	275,829	118,967
Interest charged to BRAC Zanzibar interest on borrowed funds	188,672	80,905	229,558	99,033

(d) Directors Cost

Seating allowances	3,732	1,600	-	-
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There were no other costs incurred with respect to Directors during the year and in prior year.

(e) Key management personnel costs

Salaries	1,024,459	439,305	1,062,607	458,358
Other Benefits (including statutory)	322,234	138,179	201,542	86,936
	1,346,693	577,484	1,264,149	545,294

BRAC TANZANIA FINANCE LIMITED
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**
28. LEASES
Leases as lessee (IFRS 16)

See accounting policy in Note 4 (p).

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)

	2022 TZS'000	2022 Memo USD	2021 TZS'000	2021 Memo USD
Balance at 1 January	864,960	374,766	1,749,698	753,693
Additions	11,363	4,872	45,761	18,388
Depreciation charge for the year	(896,253)	(384,280)	(1,041,399)	(451,213)
Impact of remeasurement	1,833,303	785,917	110,900	53,898
Translation Reserve	-	(10,283)	-	-
Balance at 31 December	1,813,373	770,992	864,960	374,766

	2022 TZS'000	2022 Memo USD	2021 TZS'000	2021 Memo USD
(b) Lease liability (office premises)				
Balance at 1 January	966,214	418,637	1,739,783	749,422
Impact of remeasurement	1,838,049	788,088	137,250	59,203
Additions	11,363	4,872	33,104	14,279
Interest expense	282,290	121,035	132,838	57,302
Lease payments (principal and interest)	(1,084,104)	(464,823)	(1,076,761)	(464,463)
Translation Reserve	-	(11,596)	-	2,894
Balance at 31 December	2,013,812	856,213	966,214	418,637
Current portion of lease liability	801,815	340,908	966,214	418,637
Non current portion of lease liability	1,211,997	515,305	-	-
	2,013,812	856,213	966,214	418,637

Non-cancellable operating lease commitments

Less than one year	1,102,104	468,581	1,076,762	466,534
Between one and five years	1,092,104	464,330	-	-
Total undiscounted lease liabilities at 31 December	2,194,208	932,911	1,076,762	466,534

(c) Amounts recognised in profit or loss

Depreciation on right-of-use asset	896,253	381,060	1,041,340	451,213
Short term leases (note 11)	35,630	15,277	539	233
Interest on lease liability	282,290	120,021	132,838	57,302
	1,214,173	516,358	1,174,717	508,748

BRAC TANZANIA FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

28. LEASES (CONTINUED)

Leases as lessee (IFRS 16) (continued)

	2022	Memo 2022	2021	Memo 2021
	TZS'000	USD	TZS'000	USD
(d) Amounts recognised in statement of cash flows				
Payment of interest	282,290	121,036	132,838	57,302
Payment of principal	801,814	339,306	943,924	407,164
Total payment	1,084,104	460,342	1,076,762	464,466

The contractual maturity for lease liabilities as at 31 December 2022 are disclosed in Note 4 (b).

2022

	Within 1 year	1 to 2 years	2 to 5 years	Total contractual cash flows
	TZS'000	TZS'000	TZS'000	TZS'000
Lease liabilities	1,102,104	1,092,104	-	2,194,208

2021

	Within 1 year	1 to 2 years	2 to 5 years	Total contractual cash flows
	TZS'000	TZS'000	TZS'000	TZS'000
Lease liabilities	1,076,762	-	-	1,076,762

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

29. DIVIDEND PAYABLE

	2022	Memo 2022	2021	Memo 2021
	TZS'000	USD	TZS'000	USD
Balance at 1 January	9,356,409	4,053,904	16,577,964	7,182,827
Dividend declared in the year	4,962,200	2,135,850	-	-
Withholding tax paid to Tanzania Revenue Authority (TRA)	(496,220)	(213,585)	-	-
Paid to shareholders	(13,822,389)	(5,926,531)	(7,221,555)	(3,128,923)
Translation reserve	-	(49,638)	-	-
Balance at 31 December	-	-	9,356,409	4,053,904

30. RECLASSIFICATIONS

During the year the Company reclassified presentation of amount of work in progress with respect to T24 co-banking system from property, plant, and equipment to intangible asset. This reclassification has been made as after completing construction of the software, the resulting asset will be reported under intangible assets. Consequently, prior year balances have been reclassified. Below is the summary of the reclassification made.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

30. RECLASSIFICATIONS (CONTINUED)

As at 31 December 2021.

	As previously presented TZS '000'	Reclass TZS '000'	As reclassified TZS '000'
Statement of financial position			
Property, plant, and equipment	4,078,788	(1,949,197)	2,129,591
Intangible assets	-	1,949,197	1,949,197
Others	160,856,561	-	160,856,561
Total assets	164,935,349	-	164,935,349

There is no impact on the Company's statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cashflow.

31. CAPITAL COMMITMENTS

The Company does not have capital commitments as at 31 December 2022.

32. 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 period, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Company and results of its operations.

Early 2023, the Company finalized the acquisition of 99.9% of shares in BRAC Zanzibar Finance Limited from BRAC International Holding B.V.

33. ULTIMATE PARENT

The ultimate parent company is BRAC International Holding B.V.