

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

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

TABLE OF CONTENTS	PAGE NO
General Information	1
Report of the Board of Directors	2 -11
Statement of the Board of Directors' Responsibilities	12
Declaration of Head of Finance	13
Independent Auditor's Report	14- 15
Statement of Profit or Loss and Other Comprehensive Income	16
Statement of Financial Position	17
Statement of changes in equity	18
Statement of Cash Flows	19
Notes to the Financial Statements	20 – 46

BRAC ZANZIBAR FINANCE LIMITED**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****GENERAL INFORMATION**

Name	Position	Gender	Nationality	Age	Date of Appointment/ Resignation	Qualification	Status
Mr. Shameran Abed	Chairperson	Male	Bangladeshi	41	20 June 2018	Degree	Active
Mr. Johannes Maria Antonius Eskes	Member	Male	Dutch	68	20 June 2018	Masters	Active
Ms Bridget Dougherty	Member	Female	American	38	16 February 2022	BA. Economics	Active
Mr. Syed Abdul Muntakim*	Member	Male	Bangladeshi	46	6 November 2019	Degree	Inactive

*Resigned on 14 September 2022

Senior Management Team

Name	Position
Marie-Marcelle Saint Gilles Gerard	Chief Executive Officer (Joined January 2023)
Shafkat Shahriyar Bin Reza	Chief Operation Officer
Syed Humayun Kabir	Programme Manager-Microfinance Programme
Thabit Ndilahomba	Head of Finance
Hamoud Rashid	Ag Head of Administration, Procurement and Logistics
Julieth Abia	Head of Internal Audit
Violeth Temba	Ag Head of Human Resources and Training
Emma Mbaga	Head of Communication
Amedeus Mushi	Company Secretary
Godwin Mbekelu	Head of Information Technology

Principal place of business

Plot No. ZA-57
Mchinamwanzo, Sokoni
P. O. Box 2635
Zanzibar

Registered office

Plot No. ZA-57
Mchina mwanzo, Sokoni
P. O. Box 2635
Zanzibar

Auditor

KPMG
Certified Public Accountant
2nd Floor, 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

Bankers

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

BRAC ZANZIBAR FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

REPORT OF THE BOARD OF DIRECTORS

The directors of BRAC Zanzibar Finance Limited have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of BRAC Zanzibar Finance Limited ("the Company" or BZFL) as of that date, from the date of incorporation, in accordance with the Companies Act, 2002.

1 REGISTRATION

BRAC Zanzibar Finance Limited was incorporated as a company limited by shares on 25 September 2019 under the Companies Act, No. 15 of 2013. BRAC Zanzibar Finance Limited has two main shareholders, refer to capital structure Note 21. The Company began operations effectively on 1 January 2020. The shareholders are in final stage to transfer the shares from BRAC International Holding BV to BRAC Tanzania Finance Limited.

2 PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of microfinance service to micro and small-scale entrepreneurs in the informal sector of the Zanzibar economy, through 7 branch offices in Zanzibar. The Company has also been involved in partnership with people fighting poverty to improve their welfare in the various parts of Zanzibar.

3 VISION

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realize 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 programs 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 program design and strive to display global leadership in groundbreaking 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 recognizing the value of all members of society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socioeconomic status, and geography.

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

BRAC ZANZIBAR FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

5 OUR VALUES (CONTINUED)

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

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 1.5 billion equity capital TZS 257 million debt capital Shareholder funds: TZS 4.58 billion (including equity capital TZS 1.5 billion) 	<ul style="list-style-type: none"> Revenue: TZS 3.235 billion. Operating profit: TZS 1.938 billion Operational expenditure's 1.2 billion Finance costs TZS 0.19 billion Taxes paid TZS 586 million 	<p>Increase the number of Zanzibaris Women participating in microfinance program.</p> <p>Extend the outreach of microfinance program participants to Pemba in future</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"> 45 Skilled customers-centric staff. Experienced and ethical leadership team Performance management system Various training and development courses 	<ul style="list-style-type: none"> Excellent customer service TZS 761 million paid in salaries and benefits and TZS 11.3 million staff trained during the 2022 Talent development programme. 1% turnover rate Increased diversity through hiring people locally Recruited new female CEO More than 72% are female staff, serving more than 99% Female Members(customers) 	<p>BRAC empowerment in women as 72 % of all staff are 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>Our appeal as an employer of choice and our brand value, in turn, increases our intellectual capital.</p> <p>BZFL follows safeguard policies and guidelines</p>

BRAC ZANZIBAR FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

5 OUR VALUES (CONTINUED)

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. Truth worthy BRAC brand that resonates with Microfinance 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. 	Ongoing investment in business processes and new systems is growing our intellectual capital and indirectly benefiting our human, and social and relationship capitals.
Social and Relationship Resources	The relationships and collaborations we create with our customers, stakeholders, regulators, and communities.	<ul style="list-style-type: none"> • Brand reinforcement and market communication • Understanding our customers • Networking and partnerships Focused and committed corporate social investment. 	Stakeholder-related investments enables us to have the community of stakeholders that are loyal and supportive to our brand and provide our social license to operate.

6 FINANCIAL PERFORMANCE

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

	Definition	2022	2021
Number of Branches		7	7
Total Number of staffs		72	73
Number of Active Borrowers		9,738	8,633
Outstanding loan (TZS'000)	Total loan outstanding	6,084,360	5,072,690
Total Assets (TZS'000)	Total assets of the company	7,090,550	5,530,723
Portfolio At Risk over 30 Days (PAR 30)	Principle outstanding>30 days/Total Principal Loan Outstanding	1.50%	2.90%
Debt/Equity ratio	Debt/Equity	0.13	0.83
Operating self sufficiency	Total income/Total cost	171.76%	135.5%

The Company managed to record significant achievements as highlighted below:

- Total Interest income increased by 24% from TZS 2,604 million in 2021 to TZS 3,235 million in 2022 due to improvement of business environment post Covid -19.
- Loans to customers (Gross) increased by 19% from TZS 5,384 million in 2021 to TZS 6,423 million in 2022.

BRAC ZANZIBAR FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

6 FINANCIAL PERFORMANCE (CONTINUED)

- During the year, the Company had a profit after tax of TZS 1,352 million (2021: TZS 676 million) an increase of 100% from the prior year mainly attributed by increased loan book and a good business environment after the Covid-19 outbreak.

7 RESULTS FROM OPERATIONS

The results for the Company for the year ended 31 December 2022 are set out on page 16.

8 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.

9 CORPORATE GOVERNANCE

The Board of the Company consists of 3 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.

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 is Mr Amedeus Mushi, and he provides support and guidance to the Board in 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.

Board of Directors

Name	Position	Country of Residences
Shameran Abed	Chairperson	Bangladesh
Ms Bridget Dougherty	Member	The Netherlands
Johannes Maria Antonius Eskes	Member	The Netherlands

BRAC ZANZIBAR FINANCE LIMITED**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****REPORT OF THE BOARD OF DIRECTORS (CONTINUED)****10 CAPITAL STRUCTURE**

The company capital structure and the total number of shareholder's 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 Holding BV	749,999	1,499,998	649,912	749,999	1,499,998	649,912
Shameran Abed	1	2	1	1	2	1
	750,000	1,500,000	649,913	750,000	1,500,000	649,913

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.

In Early 2023, BRAC Tanzania Finance Limited finalized the approved share acquisition plan from BRAC International Holdings BV totalled to 99.9% for BRAC Zanzibar Finance Limited.

11 RISK MANAGEMENT

The Board accepts final responsibility for the risk management and internal control systems of BRAC Zanzibar Finance Limited (BZFL). 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 BZFL '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, BZFL's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

Principal Risks and Uncertainties

The key that may significantly impact BZFL's short to medium term strategy are mainly Credit, Operational which includes Legal & 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.

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

BRAC ZANZIBAR FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

11 RISK MANAGEMENT (CONTINUED)

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 BZFL is quite low when compared against the transaction volumes /loans disbursed. This is due to the organisation being able to implement a number of stringent controls including preventive and detective measures.

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 Management continually ensures that BZFL complies with relevant laws, rule, regulatory requirements and internal policies via a number of stringent controls.

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. BZFL has strong controls in place to mitigate strategic risk, including regular strategic risk reviews at Management and Board Levels.

Liquidity Risk

This is a risk that BZFL will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. BZFL has robust controls and monitoring mechanisms in place to limit its exposure to liquidity risk.

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 BZFL 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

BZFL has got stringent controls and monitoring mechanism in place to limit its exposure to market risk.

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);
- Agrifinance
- Accounts & finance;
- Internal audit;
- Monitoring;

BRAC ZANZIBAR FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

11 RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

- Information Technology (IT) and Management Information System (MIS);
- Human resources (Recruitment, Staff benefits, Training and Development);
- Procurement, logistics and transportation.

The Directors believe that high standards of corporate governance directly influence the Company stakeholder and investor confidence. The Directors also recognise the importance of integrity, transparency and accountability.

12 RELATED PARTY TRANSACTIONS

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

13 FUTURE DEVELOPMENT PLANS

In 2023 the Company has the following plans

- Finalise the shareholding acquisition from BRAC International Holdings BV of BRAC Zanzibar Finance Limited.
- Develop and implement Financial Literacy Module to all clients.
- Implementing digital platform by piloting mobile repayment processes and implementing a new Core Banking 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 center
- Being responsive to clients and strengthening customer complaints handling mechanism

14 KEY ACHIEVEMENTS

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

- Exceeded all Key Performance Indicators (disbursement, loan portfolio, sustainability and PAR targets) for 2022. Promotion of financial inclusion by expansion to hard-to-reach areas.
- As of 31 December 2022, the amount disbursed was TZS 14.2 billion being loan advances issued to 9,738 clients.
- Strengthening of supporting services such as audit, compliance and finance which has brought positive impact in the financial performance during the year.
- Development of business relationship with other stakeholders have strengthened hence brand awareness has increased in Zanzibar.

15 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.

16 STAKEHOLDER RELATIONSHIP

a) Customers

Improved access to financial services having network of 7 branches offices that meet their needs including access to information and financial advice. A safe and trustworthy financial services provider as well as excellence in customers services.

BRAC ZANZIBAR FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

16 STAKEHOLDER RELATIONSHIP (CONTINUED)

b) Employees

BRAC 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

The Company maintain strong creditworthiness through ensuring meeting of lenders/creditors demands from time to time. On time loan repayments and compliance with all loan terms and requirements.

d) Regulators and Policy makers

The Company maintain strong engagement with the regulatory bodies such as Zanzibar Business and Property registration Agency (BPRA), Bank of Tanzania (BOT), Tanzania Revenue Authority (TRA), Zanzibar Revenue Board (ZRB), Government and other regulators and Policy makers by ensuring;

- 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 Zanzibar Finance Limited serve the community in Zanzibar 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

g) Training

The Company coordinated, facilitated, organized and supported its staff to attend capacity building programmes to strengthen their skills and capabilities in delivering quality services and enhance productivity. For the year 2022, more than twenty (20) 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 72 staff.

BRAC ZANZIBAR FINANCE LIMITED

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

16 STAKEHOLDER RELATIONSHIP (CONTINUED)

g) Training (Continued)

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

During the year 2022 the Company spent a sum of TZS 11.3 million for staff training in order to improve employees' technical skills and hence effectiveness (2021: TZS 27.2 million).

BRAC kept on utilizing the existing digital platforms in delivering its trainings; via Google Meet, Skype, and Microsoft Teams.

h) Medical facilities

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.

i) 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.

j) Retirement benefits

All eligible employees are members of Zanzibar Social Security Fund (ZSSF) or the National Social Security Fund (NSSF) which are approved pension funds. The Company contributes 14% (ZSSF) and 10% (NSSF) of the employees' gross monthly salary.

The ZSSF and NSSF are defined contribution schemes with the Company having no legal or constructive obligation to pay further top up contributions.

17 GENDER PARITY

The Company had 73 employees in 2021 with 61 being female and 12 males. In 2022 total employees were 72 with 13 males and 59 females.

18 SERIOUS PREJUDICIAL MATTERS

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

19 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 ZANZIBAR FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

20 AUDITOR

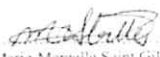
The Company's auditor, KPMG, have expressed their willingness to continue in office and is eligible for re-appointment. A resolution to reappoint KPMG the auditor will be put to the Annual General Meeting.

BY ORDER OF THE BOARD OF DIRECTORS



Mr. Johannes Maria Antonias Eskes
Director

Date: 28/4/2023



Marie-Macelle Saint Gilles Gerard
Chief Executive Officer

Date: 28/04/2023

BRAC ZANZIBAR FINANCE LIMITED**STATEMENT OF DIRECTOR'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Board of Directors are responsible for the preparation of financial statements that give a true and fair view of the company comprising the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the information to the financial statements, which include a summary of significant accounting policies 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, 2013 of Zanzibar.


The Board of Directors are also responsible for such internal control as the board of 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 Board of Directors have made an assessment of the ability of the Company to continue as a going concern and have disclosed the facts in Note 2 (d) of the financial statements. These financial statements have therefore been prepared on a basis applicable to a going concern.

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

Approval of financial statements

The financial statements of BRAC Zanzibar Finance Limited, as identified in the first paragraph, were approved and authorized for issue by the board of directors on **28/04/2023** and signed by:


Mr. Johannes Marin Antonius Eskes
Director

BRAC ZANZIBAR 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 responsible for the preparation of financial statements of the entity concerned.

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

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

I thus confirm that the financial statements of BRAC Zanzibar Finance Limited comply with applicable accounting standards and statutory requirements as 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



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRAC ZANZIBAR FINANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BRAC Zanzibar Finance Limited ("the Company") set out on pages 16 to 46, 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, 2013 of Zanzibar.

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 SHAREHOLDERS OF BRAC ZANZIBAR 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, 2013 of Zanzibar we report to you, solely based on our audit of financial statements, that:

- in our opinion, proper accounting records have been kept by BRAC Zanzibar 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)


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

Date:

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

	Note	2022 TZS '000	Memo 2022 USD	2021 TZS '000	Memo 2021 USD
Income					
Interest income	6	3,234,711	1,386,924	2,604,913	1,123,636
Interest expense	8	(198,986)	(85,318)	(233,863)	(100,877)
		<u>3,035,725</u>	<u>1,301,606</u>	<u>2,371,050</u>	<u>1,022,759</u>
Other income	7	136,611	58,574	129,219	55,739
Total operating income		<u>3,172,336</u>	<u>1,360,180</u>	<u>2,500,269</u>	<u>1,078,498</u>
Impairment on loans to customers	14(b)	(67,582)	(28,977)	(155,082)	(66,895)
Operating income after impairment charge		<u>3,104,754</u>	<u>1,331,203</u>	<u>2,345,187</u>	<u>1,011,603</u>
Operating expenses					
Staff costs	9	(761,564)	(326,530)	(740,518)	(319,424)
Traveling and transportation		(194,179)	(83,257)	(154,225)	(66,525)
Training workshops and seminars		(11,251)	(4,824)	(27,194)	(11,730)
Occupancy expenses	10	(5,807)	(2,490)	(3,718)	(1,604)
Other operating expenses	11	(146,652)	(62,878)	(396,370)	(170,975)
Depreciation on ROU of assets	24(a)	(28,361)	(12,160)	(33,163)	(14,305)
Depreciation charge	16(a)	(16,861)	(7,229)	(12,238)	(5,279)
Amortization charge	16(b)	(1,775)	(761)	(1,177)	(508)
		<u>(1,166,450)</u>	<u>(500,129)</u>	<u>(1,368,603)</u>	<u>(590,350)</u>
Profit before taxation		<u>1,938,304</u>	<u>831,074</u>	<u>976,584</u>	<u>421,253</u>
Tax expense	12(a)	(586,081)	(251,257)	(300,203)	(129,493)
Profit for the year		<u>1,352,223</u>	<u>579,817</u>	<u>676,381</u>	<u>291,760</u>
Other comprehensive income					
Foreign currency translation loss/(gain)		-	(31,041)	-	7,723
Total comprehensive Income for the year		<u>1,352,223</u>	<u>548,776</u>	<u>676,381</u>	<u>299,483</u>

Notes and related statements forming part of the financial statements appear on pages 20 to 46.

Report of the auditor is on page 14 - 15.

The memos represent supplementary information presented in United States Dollars.

BRAC ZANZIBAR FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 TZS '000	Memo 2022 USD	2021 TZS '000	Memo 2021 USD
ASSETS					
Cash and cash equivalents	13	370,268	157,427	177,890	77,075
Loans to customers	14(a)	6,084,360	2,586,888	5,072,691	2,197,873
Other assets	15	368,610	156,722	13,207	5,722
Right of Use asset	24 (a)	36,723	24,117	27,605	11,961
Tax receivable	12	49,194	20,916	70,131	30,386
Prepaid tax asset	1	115,178	48,970	124,441	53,917
Property and equipment	16 (a)	16,217	19,650	41,983	18,623
Intangible assets	16 (b)	-	-	1,775	769
Total assets		7,090,550	3,014,690	5,530,723	2,396,326
Long term liabilities					
Lease liability	24	29,966	12,741	-	-
Current liabilities					
Loan security fund	18	1,250,291	531,587	1,065,053	461,461
Lease liability	24	35,294	15,006	33,399	14,471
Other liabilities	19	257,308	109,400	595,568	258,019
Due to related party	20 (a)	939,414	399,410	610,709	264,605
Total current liabilities		2,482,307	1,055,403	2,304,669	998,556
Total liabilities		2,512,273	1,068,144	2,304,669	998,556
Capital fund					
Ordinary share capital	21	1,500,000	655,081	1,500,000	655,081
Retained earnings		2,305,759	985,132	953,536	397,592
Capital reserves	21	772,518	337,374	772,518	337,374
Share option agreement reserves		-	(31,041)	-	(7,223)
Total capital fund		4,578,277	1,946,546	3,226,054	1,397,770
Total liabilities and capital fund		7,090,550	3,014,690	5,530,723	2,396,326

The financial statements on pages 16 to 46 were approved and authorized for issue by the board of directors on 28/04/2023 and signed on its behalf by

Mr. Johannes Maria Antonius Eskes
Director

Marie-Macelle Saint Colles Gerard
Chief Executive Officer

Notes and related statements forming part of the financial statements appear on pages 20 to 46.

Report of the auditor is on page 14 to 15

The figures represent supplementary information presented in United States Dollar

BRAC ZANZIBAR FINANCE LIMITED

**STATEMENT OF CHANGE OF EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Ordinary Share capital TZS'000	Capital Reserve TZS'000	Retained Earnings TZS'000	Total TZS'000	Memo USD
Balance as at 1 January 2022	1,500,000	772,518	953,536	3,226,054	1,397,770
Profit for the year	-	-	1,352,223	1,352,223	579,817
Translation adjustment reserve	-	-	-	-	(31,041)
Balance as at 31 December 2022	<u>1,500,000</u>	<u>772,518</u>	<u>2,305,759</u>	<u>4,578,277</u>	<u>1,946,546</u>

	Ordinary Share capital TZS'000	Capital Reserve TZS'000	Retained Earnings TZS'000	Total TZS'000	Memo USD
Balance as at 1 January 2021	1,500,000	772,518	277,155	2,549,673	1,098,287
Allotted share capital	-	-	676,381	676,381	291,760
Translation adjustment reserve	-	-	-	-	7,723
Balance as at 31 December 2021	<u>1,500,000</u>	<u>772,518</u>	<u>953,536</u>	<u>3,226,054</u>	<u>1,397,770</u>

Notes and related statements forming part of the financial statements appear on pages 20 to 46.

Report of the auditor is on page 14 - 15.

The memos represent supplementary information presented in United States Dollars.

BRAC ZANZIBAR FINANCE LIMITED
**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 TZS '000	Memo 2022 USD	2021 TZS '000	Memo 2021 USD
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year before tax		1,938,304	831,074	976,584	421,253
Adjustment for non-cash items:					
Provision for impairment on loans and advances	14(b)	67,582	28,977	155,082	66,895
Depreciation of plant and equipment	16(a)	16,861	7,229	12,238	5,279
Depreciation of right of use asset	24(a)	28,361	12,160	33,163	14,305
Amortization of intangible assets	16(b)	1,775	761	1,177	508
Write off of cash balances		3,420	1,466	-	-
Gain/(loss) on disposal of assets		(5,758)	(2,448)	2,830	1,221
Cash from operating activities before working capital changes		2,050,545	879,219	1,181,074	509,461
Changes in:					
Loans to customers		(1,076,036)	(461,363)	(736,437)	(317,664)
Other assets		(355,403)	(151,000)	3,570	1,540
Loan security fund		185,238	70,126	116,996	50,467
Other liabilities		(338,201)	(148,619)	(75,067)	(32,380)
Balance due to related parties		328,705	134,805	(173,639)	(74,900)
Cash from operating activities after working capital changes		794,848	323,168	316,497	136,524
Tax paid	12(b)	(555,881)	(238,341)	(334,617)	(144,338)
Cash generated in operating activities		238,967	84,827	(18,120)	(7,814)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property and equipment	16(a)	(18,263)	(7,831)	(18,410)	(7,940)
Proceeds from disposal of assets		7,590	3,254	152	66
Cash from investing activities		(10,673)	(4,577)	(18,258)	(7,874)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid on lease liability.	24(d)	(10,299)	(4,416)	(4,304)	(1,857)
Payment of principal lease liability	24(d)	(25,617)	(10,983)	(29,840)	(12,872)
Net cashflow (used in)/ from financing activities		(35,916)	(15,399)	(34,144)	(14,729)
Net Increase/(decrease) in cash and cash equivalents		192,378	64,851	(70,522)	(30,417)
Cash and Cash equivalent at start of the year		177,890	77,075	248,412	107,005
Translation adjustment reserve		-	15,501	-	487
Cash and cash equivalents at the end of the year	13	370,268	157,427	177,890	77,075

Notes and related financial statements forming part of the financial statements appear on pages 20 to 46.
Report of the auditor is on page 14 - 15.

The memos represent supplementary information presented in United States Dollars.

BRAC ZANZIBAR FINANCE LIMITED

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

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION

(a) Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002. They were authorised for issue by the board of directors on Details of the Company accounting policies are included in Note 3.

(b) Functional and presentation currency

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

Memorandum figures

The memorandum 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 to USD 1.
- Income and expenses were translated using an average exchange rate for the year of TZS 2,332.29 to USD 1.
- Equity is not translated; and
- All resulting exchange differences are being recognised in other comprehensive income.

(c) Use of estimates and judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 3.

(d) Going concern

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

BRAC ZANZIBAR FINANCE LIMITED

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

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 re-translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between 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 re-translated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognised in profit or loss, except for differences arising on the re-translation of available-for-sale equity instruments which is recognised directly in equity.

(b) Interest income and expense

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

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

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

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

(c) Fees and commission income

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

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

(d) 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.

BRAC ZANZIBAR FINANCE LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (Continued)

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.

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.

(e) Income tax

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

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax

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

Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

BRAC ZANZIBAR FINANCE LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income tax (Continued)

Deferred tax

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

(f) Cash and cash equivalent

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

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

(g) Financial instruments

(i) Recognition

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

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.

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.

BRAC ZANZIBAR FINANCE LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Classification (Continued)

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.

(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.

BRAC ZANZIBAR FINANCE LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

(iii) *De-recognition (continued)*

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.

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.

BRAC ZANZIBAR FINANCE LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

(vi) *Fair value measurement (continued)*

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

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

(vii) *Identification and measurement of impairment*

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

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

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

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

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

(h) Property and equipment

(i) *Recognition and measurement*

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

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

BRAC ZANZIBAR FINANCE LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property and equipment (Continued)

(ii) Subsequent costs

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

(iii) Depreciation and amortisation charges

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

The estimated useful lives are as stated:

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

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

(i) Impairment of non-financial assets

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

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

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

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

BRAC ZANZIBAR FINANCE LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets

i. Recognition and measurement

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

ii. Subsequent expenditure

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

iii. Amortisation

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

The estimated useful lives for computer software are 4 years.

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

(k) Loan security fund

The Company classifies capital instruments i.e., loan security fund as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Loan security fund is 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 Zanzibar Finance Limited utilise the term loan as source of funding.

(l) Provisions

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

(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.

BRAC ZANZIBAR FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(m) Employee benefits (Continued)**

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

(n) Share capital.

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

(o) Contingent assets and liabilities

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

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

(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.

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

BRAC ZANZIBAR FINANCE LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contingent assets and liabilities (Continued)

(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	Effective for annual period beginning or after
IAS 1 Classification of liabilities as current or non-current - 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
IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies - 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 Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - 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 Income taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction: 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 Insurance Contracts. 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: • 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

BRAC ZANZIBAR FINANCE LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contingent assets and liabilities (Continued)

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

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes. 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
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 AND OPERATIONAL RISK MANAGEMENT

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

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

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

(a) Credit risk

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

Management of credit risk

For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The Company does not have any significant exposure to any individual customer or counterparty.

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

BRAC ZANZIBAR FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT(CONTINUED)****(a) Credit risk (continued)****Management of credit risk (continued)**

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

Impaired loans

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

Past due but not impaired loans

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

Allowances for impairment

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 Organisations of homogeneous assets in respect of losses that have been incurred but have not been identified.

The table provides details of exposure to credit risk:

Microfinance	2022 TZS'000	2021 TZS'000
Carrying amount		
Standard (zero days overdue)	6,311,336	5,179,721
Watch list (1 to 30 days overdue)	16,921	111,338
Substandard (31 to 90 days overdue)	12,709	10,513
Doubtful (91 to 365 days overdue)	13,921	4,336
Loss (above 365 days overdue)	68,044	140,404
Gross loans to customers	6,422,931	5,446,312
Allowance for impairment	(338,571)	(373,621)
Net loans	6,084,360	5,072,691

Write-off policy

BRAC Zanzibar Finance Limited writes off a loan balance (and any related allowances for impairment losses) when The Company credit committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

(b) Liquidity risk

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

BRAC ZANZIBAR FINANCE LIMITED

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

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Management of liquidity risk

The Company 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	Contractual cash flows	Within 1 year	1 to 2 Years
31 December 2022	TZS'000	TZS'000	TZS'000	TZS'000
Loan security fund	1,250,291	1,250,291	1,250,291	-
Related party payables	941,663	941,663	941,663	-
Lease liabilities	65,260	71,832	35,916	35,916
Other liabilities*	24,016	24,016	24,016	-
Total liabilities	2,281,230	2,287,802	2,359,634	35,916
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 Years
31 December 2021	TZS'000	TZS'000	TZS'000	TZS'000
Loan security fund	1,065,053	1,065,053	1,065,053	-
Related party payables	610,709	610,709	610,709	-
Lease liabilities	33,399	34,144	34,144	-
Other liabilities*	20,110	20,110	20,110	-
Total liabilities	1,729,271	1,730,016	1,730,016	-

* Other liabilities do not include all statutory liabilities

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

(c) Market risk

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

(i) Currency risk

The Company is exposed to currency risk on payments that are denominated in a currency other than the respective functional currency of Company, the Tanzanian Shilling (TZS). The currencies in which these transactions primarily are denominated are Tanzanian Shilling (TZS) and US Dollars (USD).

The Company strategy for managing its foreign currency exposure is through transacting mainly using its functional currency.

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk – currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the period-end date.

BRAC ZANZIBAR FINANCE LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**
4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT (CONTINUED)
(c) Market risk (continued)
(i) Currency risk (continued)

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

(ii) Interest rate risk

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

31 December 2022	Up to 1 month TZS'000	From 1 to 12 months TZS'000	From 1 years to 2 years TZS'000	From 2 years and above TZS'000	Non- interest bearing TZS'000	Total TZS'000
ASSETS						
Cash and bank balances	-	-	-	-	370,268	370,268
Loans to customers*	-	6,442,931	-	-	-	6,442,931
Other assets	-	-	-	-	16,800	16,800
Total assets	-	6,442,931	-	-	387,068	6,829,999
LIABILITIES						
Loan security fund	-	-	-	-	1,250,291	1,250,291
Related party payables	-	-	-	-	939,414	939,414
Lease liabilities	-	-	-	-	65,260	65,260
Other liabilities**	-	-	-	-	24,016	24,016
Total liabilities	-	-	-	-	2,278,981	2,278,981
Net assets/(liabilities)	-	6,442,931	-	-	(1,891,913)	4,551,018
31 December 2021	Up to 1 month TZS'000	From 1 to 12 months TZS'000	From 1 years to 2 years TZS'000	From 2 years and above TZS'000	Non- interest bearing TZS'000	Total TZS'000
ASSETS						
Cash and bank balances	-	-	-	-	177,890	177,890
Loans to customers*	-	5,446,311	-	-	-	5,446,311
Other assets	-	-	-	-	13,207	13,207
Total assets	-	5,446,311	-	-	191,097	5,637,408
LIABILITIES						
Loan security fund	-	-	-	-	1,065,053	1,065,053
Related party payables	-	-	-	-	610,709	610,709
Lease liabilities	-	-	-	-	33,399	33,399
Other liabilities**	-	-	-	-	20,110	20,110
Total liabilities	-	-	-	-	1,729,271	1,729,271
Net assets/(liabilities)	-	5,446,311	-	-	(1,538,174)	3,908,137

* Loans and advances to customers outstanding before impairment.

** Other liabilities do not include all statutory liabilities

BRAC ZANZIBAR FINANCE LIMITED

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

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- requirements for the reconciliation and monitoring of transactions.
- documentation of controls and procedures.
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- requirements for the reporting of operational losses and proposed remedial action.
- training and professional development.
- risk mitigation, including insurance where this is effective.
- development of contingency plans; and
- Compliance with regulatory and other legal requirements.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of the Internal Audit reviews are discussed with the management of the business unit to which they relate and Country Representative.

5. USE OF ESTIMATES AND JUDGEMENTS

Management discussed the development, selection and disclosure of the Company's critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial and operational risk management (see Note 4).

Key sources of estimation uncertainty

(i) Allowances for credit losses

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks.

BRAC ZANZIBAR FINANCE LIMITED

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

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (continued)

(i) Allowances for credit losses (continued)

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

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

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

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

(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 recognizes liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgement is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

(iv) Fair values of financial instruments

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

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

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

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

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

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

BRAC ZANZIBAR FINANCE LIMITED

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

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (continued)

(iv) Fair values of financial instruments (Continued)

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised. Their carrying amount are considered an approximate of their fair value on the basis that the financial instruments are short term or repriced in the short run.

31 December 2022	Carrying Value	Fair Values
	TZS'000	TZS'000
ASSETS		
Cash and bank balances	370,268	370,268
Loans to customers	6,084,360	6,084,360
Other assets	<u>16,800</u>	<u>16,800</u>
Total assets	<u>6,471,428</u>	<u>6,471,428</u>
LIABILITIES		
Other liabilities	257,308	257,308
Loan security fund	1,250,291	1,250,291
Due to related parties	<u>939,414</u>	<u>939,414</u>
Total liabilities	<u>2,447,013</u>	<u>2,447,013</u>
 31 December 2021	 Carrying Value	 Fair Values
	TZS'000	TZS'000
ASSETS		
Cash and bank balances	177,890	177,890
Loans to customers	5,072,691	5,072,691
Other assets	<u>13,207</u>	<u>13,207</u>
Total assets	<u>5,263,788</u>	<u>5,263,788</u>
LIABILITIES		
Other liabilities	595,508	595,508
Loan security fund	1,065,053	1,065,053
Due to related parties	<u>610,709</u>	<u>610,709</u>
Total liabilities	<u>2,271,270</u>	<u>2,271,270</u>

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

BRAC ZANZIBAR FINANCE LIMITED

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

	2022	Memo 2022	2021	Memo 2021
	TZS'000	USD	USD	USD
6. INTEREST INCOME				
Interest on loans to Company members:				
- Micro finance	2,719,922	1,166,202	2,090,852	901,894
- Small enterprise program	370,592	158,896	397,962	171,662
- Agri-finance	144,197	61,826	116,099	50,080
	<u>3,234,711</u>	<u>1,386,924</u>	<u>2,604,913</u>	<u>1,123,636</u>
7. OTHER INCOME				
Loan application fee	1,195	512	1,605	692
Loan appraisal fee	118,386	50,760	116,079	50,071
Passbook/Disposal	2,968	1,273	-	-
Membership fees	13,859	5,943	11,477	4,951
Administrative fee from Insurance scheme	203	86	58	25
	<u>136,611</u>	<u>58,574</u>	<u>129,219</u>	<u>55,739</u>
8. INTEREST EXPENSES				
Interest Expenses	188,687	80,902	229,559	99,020
Interest Lease liability	10,299	4,416	4,304	1,857
	<u>198,986</u>	<u>85,318</u>	<u>233,863</u>	<u>100,877</u>
9. STAFF COSTS				
Salaries	651,022	279,134	590,831	254,856
NSSF/ZSSF	72,003	30,872	115,422	49,788
Bonus	38,539	16,524	34,265	14,780
	<u>761,564</u>	<u>326,530</u>	<u>740,518</u>	<u>319,424</u>
10. OCCUPANCY EXPENSES				
<i>Recognition exemption for leases of low-value and short-term assets</i>				
Utilities	5,807	2,490	3,718	1,604
	<u>5,807</u>	<u>2,490</u>	<u>3,718</u>	<u>1,604</u>

BRAC ZANZIBAR FINANCE LIMITED

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

11. OTHER OPERATING EXPENSES

	2022	Memo 2022	2021	Memo 2021
	TZS'000	USD	TZS'000	USD
Maintenance and general expenses	52,736	22,611	103,930	44,830
Audit fees	59,873	25,671	51,795	22,342
Office stationery	34,043	14,596	14,826	6,395
Head Office logistics and management expenses	-	-	225,819	97,408
	<u>146,652</u>	<u>62,878</u>	<u>396,370</u>	<u>170,975</u>

12. TAXATION

(a) Tax expense

Tax charge for the year	576,818	247,318	330,452	142,541
Deferred tax charge /(credit) (Note 17)	9,263	3,939	(30,249)	(13,048)
	<u>586,081</u>	<u>251,257</u>	<u>300,203</u>	<u>129,493</u>

Tax rate reconciliation

	%	%
Effective tax rate	<u>30.24%</u>	<u>30.74%</u>
Standard rate of income tax	30	30
Tax effect of prior period deferred tax (over)/under provision	(0.48)	0.35
Tax effect of non-deductible expenses	0.72	0.39
Effective rate of income tax	<u>30.24</u>	<u>30.74</u>

(b) Tax payable/ (receivable)

At 1 January 2022	(70,131)	(30,386)	(65,966)	(28,415)
Charge for the year	576,818	247,318	330,452	142,541
Tax paid (current year)	(555,881)	(238,341)	(331,134)	(142,836)
Tax paid (prior year assessments)	-	-	(3,483)	(1,502)
Translation Reserve	-	493	-	(174)
At 31 December 2022	<u>(49,194)</u>	<u>(20,916)</u>	<u>(70,131)</u>	<u>(30,386)</u>

13. CASH AND CASH EQUIVALENTS

Vodacom M-PESA	-	-	10,294	4,460
Cash at bank	370,268	157,427	167,026	72,368
Cash in hand	-	-	570	247
	<u>370,268</u>	<u>157,427</u>	<u>177,890</u>	<u>77,075</u>

BRAC ZANZIBAR FINANCE LIMITED

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

14. LOANS TO CUSTOMERS

(a) Net loans to customers

	2022	Memo	2021	Memo
	TZS'000	2022 USD	TZS'000	2021 USD
Loans to customers (gross)	6,422,931	2,730,838	5,446,312	2,359,754
Provision for impairment on loans to customers [Note-14(b)]	(338,571)	(143,950)	(373,621)	(161,881)
Balance at 31 December	6,084,360	2,586,888	5,072,691	2,197,873

(b) Impairment charge on loans to customer

Balance as at 1 January	373,621	158,852	256,207	110,363
Charge for the year	67,582	28,977	155,082	66,895
Write offs	(102,632)	(43,636)	(37,668)	(16,321)
Foreign exchange translation difference	-	(243)	-	944
Balance at 31 December	338,571	143,950	373,621	161,881

(c) Gross loans to customers

Micro finance	5,341,455	2,271,027	4,105,901	1,778,987
Small enterprise program	629,899	267,814	976,427	423,062
Agriculture	360,766	153,387	302,172	130,923
Interest Receivable	90,811	38,610	61,812	26,782
	6,422,931	2,730,838	5,446,312	2,359,754

15. OTHER ASSETS

Advances and prepayments	351,810	149,579	-	-
Stock and stores	16,800	7,143	13,207	5,722
	368,610	156,722	13,207	5,722

BRAC ZANZIBAR FINANCE LIMITED

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

16. FIXED ASSETS

(a) Property and equipment

	Furniture &Fixtures TZS'000	Equipment TZS'000	Motorcycles TZS'000	Total TZS'000	Memo USD
Cost					
At 1 January 2021	67,219	39,984	461	107,664	46,377
Additions	-	18,410	-	18,410	7,940
Disposal	(17,399)	(21,434)	(154)	(38,987)	(16,817)
Foreign translation adjustment	-	-	-	-	232
Balance at 31 December 2021	49,820	36,960	307	87,087	37,732
At 1 January 2022	49,820	36,960	307	87,087	37,732
Additions	7,395	10,868	-	18,263	7,831
Disposal	(3,510)	(2,248)	-	(5,758)	(2,448)
Foreign translation adjustment	-	-	-	-	(771)
Balance at 31 December 2022	53,705	45,580	307	99,592	42,344
Accumulated depreciation					
At 1 January 2021	35,571	32,121	37	67,729	29,175
Charge for the year	6,204	5,917	117	12,238	5,279
Disposal	(14,719)	(20,990)	(154)	(35,863)	(15,470)
Foreign translation adjustment	-	-	-	-	125
Balance at 31 December 2021	27,056	17,048	-	44,104	19,109
Accumulated depreciation					
At 1 January 2022	27,056	17,048	-	44,104	19,109
Charge for the year	6,145	10,716	-	16,861	7,229
Disposal	(5,468)	(2,122)	-	(7,590)	(3,227)
Foreign translation adjustment	-	-	-	-	(417)
Balance at 31 December 2022	27,733	25,642	-	53,375	22,694
Net book value (NBV)					
At 31 December 2021	22,764	19,912	307	42,983	18,623
At 31 December 2022	25,972	19,938	307	46,217	19,650

BRAC ZANZIBAR FINANCE LIMITED

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

16. FIXED ASSETS (CONTINUED)

(b) Intangible asset

	ERP software TZS'000	Memo USD
Cost		
At 1 January 2021	<u>4,708</u>	<u>2,050</u>
Balance at 31 December 2021	<u>4,708</u>	<u>2,050</u>
At 1 January 2022	<u>4,708</u>	<u>2,050</u>
Balance at 31 December 2022	<u>4,708</u>	<u>2,050</u>
Accumulated depreciation		
At 1 January 2021	1,756	757
Charge for the year	1,177	508
Foreign translation adjustment	-	16
Balance at 31 December 2021	<u>2,933</u>	<u>1,281</u>
At 1 January 2022	2,933	757
Charge for the year	1,775	761
Foreign translation adjustment	-	532
Balance at 31 December 2022	<u>4,708</u>	<u>2,050</u>
Net book value		
At 31 December 2021	<u>1,775</u>	<u>769</u>
At 31 December 2022	<u>-</u>	<u>-</u>

17. 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	124,441	53,917	94,192	40,574
Credit for the year- Note 12 (a)	(9,263)	(3,939)	30,249	13,048
Translation reserve	-	(1,008)	-	295
At 31 December	<u>115,178</u>	<u>48,970</u>	<u>124,441</u>	<u>53,917</u>
Deferred tax arises from temporary-differences on the following items:				
Property and equipment	4,779	2,032	4,351	1,885
Impairment provision – general	110,399	46,938	120,090	52,032
At 31 December	<u>115,178</u>	<u>48,970</u>	<u>124,441</u>	<u>53,917</u>

BRAC ZANZIBAR FINANCE LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

	2022	Memo 2022	2021	Memo 2021
	TZS'000	USD	TZS'000	USD
18. LOAN SECURITY FUND				
Transfer balance at 1 Jan	1,065,053	461,461	948,057	408,381
Collections	406,668	172,903	406,060	175,936
Withdrawals	(221,430)	(94,145)	(289,064)	(125,245)
Foreign translation adjustment	-	(8,632)	-	2,389
	<u>1,250,291</u>	<u>531,587</u>	<u>1,065,053</u>	<u>461,461</u>
19. OTHER LIABILITIES				
Liabilities for expense	233,292	99,189	556,867	241,277
Accrued expenses	24,016	10,211	38,641	16,742
	<u>257,308</u>	<u>109,400</u>	<u>595,508</u>	<u>258,019</u>

20. RELATED PARTY TRANSACTIONS

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

(a) Due to related parties

	2022	Memo 2022	2021	Memo 2021
	TZS'000	USD	TZS'000	USD
BRAC Tanzania Finance Limited	941,616	400,350	476,180	206,317
BRAC International Holdings B. V	(2,202)	(940)	119,022	51,569
BRAC IT Services	-	-	15,507	6,719
	<u>939,414</u>	<u>399,410</u>	<u>610,709</u>	<u>264,605</u>

BRAC ZANZIBAR FINANCE LIMITED

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

20. RELATED PARTY TRANSACTIONS (CONTINUED)

	2022	Memo 2022	2021	Memo 2021
	TZS (000)	USD	TZS (000)	USD
Head Office logistics and management expenses	(99,405)	(42,621)	225,818	97,395

(b) Directors Cost

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

21. SHARE CAPITAL AND RESERVES

Ordinary share capital

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

	Ownership	No	TZS'000	Memo USD
BRAC International Holding BV	99.9%	749,999	1,499,998	655,080
Shameran Abed	0.01%	1	2	1
		<u>750,000</u>	<u>1,500,000</u>	<u>655,081</u>

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

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

22. CONTINGENT LIABILITIES

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

23. CAPITAL COMMITMENTS

There were no commitments for capital expenditure not provided for in these financial statements at 31 December 2022.

24. LEASES

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

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

BRAC ZANZIBAR FINANCE LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**
24. LEASES (CONTINUED)
(a) Right-of-Use (ROU) asset (office premises)

	2022 TZS'000	2022 Memo USD	2021 TZS'000	2021 Memo USD
Balance at 1 January	27,605	11,961	69,220	29,817
Depreciation charge for the year	(28,361)	(12,160)	(33,163)	(14,305)
Impact of modification*	57,479	24,316	(8,452)	(3,551)
Balance at 31 December	56,723	24,117	27,605	11,961

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

(b) Lease liability (office premises)

Balance at 1 January	33,399	14,471	73,825	31,801
Impact on lease Modification	57,478	24,647	(10,586)	(4,567)
Interest expense	10,299	4,416	4,304	1,857
Lease payments (principal and interest)	(35,916)	(15,399)	(34,144)	(14,729)
Translation Reserve	-	(388)	-	109
Balance at 31 December	65,260	27,747	33,399	14,471
Current portion of lease liability	35,294	15,006	33,399	14,471
Non current portion of lease liability	29,966	12,741	-	-
	65,260	27,747	33,399	14,471

Non-cancellable operating lease commitments

Less than one year	35,916	15,401	34,144	14,732
Between one and five years	35,916	15,401	-	-
Total undiscounted lease liabilities at 31 December	71,832	30,802	34,144	14,732

(c) Amounts recognised in profit or loss

Depreciation on right-of-use asset	28,361	12,160	33,163	14,305
Interest on lease liability	10,299	4,416	4,304	1,857
	38,660	16,576	37,467	16,162

Leases as lessee (IFRS 16)
(d) Amounts recognised in statement of cash flows

Payment of interest	10,299	4,416	4,304	1,857
Payment of principal	25,617	10,983	29,840	12,872
	35,916	15,399	34,144	14,729

BRAC ZANZIBAR FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****24. LEASES (CONTINUED)**

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

2021

	Within 1 year TZS'000	1 to 2 years TZS'000	Total contractual cash flows TZS'000
Lease liabilities	34,144	-	34,144

2022

	Within 1 year TZS'000	1 to 2 years TZS'000	Total contractual cash flows TZS'000
Lease liabilities	35,916	35,916	71,832

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

25. SUBSEQUENT EVENTS

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