brac

TANZANIA

ANNUAL REPORT 2014

VISION

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

MISSION

Our mission is to **empower people and communities** in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to **achieve large-scale, positive changes** through economic and social programmes that enable women and men to **realise their potential**.

VALUES

Integrity

Innovation

Inclusiveness

Effectiveness

integrity innovation inclusiveness effectiveness

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CHAIRPERSON'S STATEMENT

It gives me great pleasure to present the annual report and the audited financial statements for the year ending 31 December 2014.

Although inflation has stabilised over the years in Tanzania, the urban-rural divide remains high. Per capita income remains low in rural areas. Agriculture which is the major source of income in these areas has low productivity and generates low income. The major assistance which can be provided to the nation is building a channel for generating employment and developing rural infrastructure as well as increasing agricultural productivity.

BRAC's microfinance programme disbursed USD 46 million among 104,084 borrowers. Our credit-plus approach addressed the special needs of rural women, youth, adolescents, and small entrepreneurs. Since 2008, BRAC has given small enterprise loans to empower young entrepreneurs to run their businesses. To provide a smooth and cheaper mode of repayment of loans, we started using mobile money for loan repayment in 2014.

The country has taken giant leaps in increasing enrolment in primary and secondary education. However, the quality of education suffers because of the large number of students in each class and high dropout rate. To complement the Government in this direction, BRAC's girls education challenge (GEC) project funded by UKaid. Supports 8,000 marginalised adolescent girls to stay in school and improve their learning. Through this project another 1,950 marginalised out-of-school girls were enrolled in150 study clubs to help them complete secondary education under the Institute of Adult Education in Tanzania.

The agricultural sector faces major challenges due to improper use of resources, unfavourable agricultural policies and lack of modern techniques being employed by farmers. BRAC's agricultural programme is designed to build farmers' capacity and create opportunities for rural employment. Our community agriculture promoters receive intensive training and disseminate agricultural knowledge to the programme's clients and community members. This year under the livelihood enhancement through agricultural development (LEAD) project we trained 18,352 maize farmers and 19,248 poultry farmers about new techniques and technologies.

I take this opportunity to thank our team in Tanzania who diligently performed their duties. I extend my thanks to the members of the governing body, whose leadership and foresight has been of great value. I would also like to thank the government of Tanzania and our development partners for their continued support and acknowledgement of our contribution to aid with the country's growth and development.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

BRAC INTERNATIONAL
GOVERNANCE AND MANAGEMENT

1. GOVERNANCE

1.1 THE LEGAL STATUS OF BRAC INTERNATIONAL

BRAC International is registered as Stichting BRAC International under the laws of the Netherlands, with its seat in The Hague. All of BRAC International's development entities operate under this umbrella. Development programmes include health, education, agriculture, livelihoods, targeting the ultra poor, human rights and legal services. BRAC International Holdings BV is a wholly owned subsidiary of Stichting BRAC International and was incorporated in 2010. BRAC International's microfinance programmes, social enterprises and investment companies are consolidated under this wing. The social programmes supporting the enterprises currently include seed production, feed mills, training centres and tissue culture lab. BRAC International has introduced programmes in Afghanistan, Haiti, Sri Lanka, Pakistan, Uganda, Tanzania, South Sudan, Sierra Leone, Liberia, the Philippines and Myanmar In each of these countries, it is legally registered with the relevant authorities.

1.2 GOVERNING BODY

BRAC International is governed by a governing body. The governing body is elected from amongst distinguished individuals with sound reputation in the sector of social development, businesses or professions who have demonstrated their personal commitment to pro-poor causes. These individuals are elected in the governing body to bring their diverse skills, knowledge and experiences to the governance of BRAC International. At present, there are 10 members in the governing body. The governing body usually meets four times a year, in accordance with the rules of Stichting BRAC International. The composition of the present governing body of Stichting BRAC International is as follows:

Members of the governing body

Chairperson:
Sir Fazle Hasan Abed, KCMG

Members:
Dr Mahabub Hossain
Muhammad A (Rumee) Ali
Ms Susan Davis
Ms Sylvia Borren
Dr Debapriya Bhattacharya
Ms Shabana Azmi
Mr Shafiq ul Hassan (Quais)
Ms Parveen Mahmud
Ms Irene Zubaida Khan

The composition of the present governing body of BRAC International Holdings BV is as follows:

Chairperson:
Sir Fazle Hasan Abed, KCMG

Members:
Dr Mahabub Hossain
Muhammad A (Rumee) Ali
Ms Susan Davis
Ms Sylvia Borren
Orangefield (Netherlands) BV

Details about the roles of the governing body are available in the Deed of Incorporation of Stichting BRAC International and BRAC International Holdings BV.

1.3 FINANCE AND AUDIT COMMITTEE

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

1. Dr Mahabub Hossain, Chair
2. Ms Susan Davis, Member
3. Ms Sylvia Borren, Member
4. Ms Parveen Mahmud, Vice-Chair
5. Mr Faruque Ahmed, Member
6. Mr SN Kairy, Secretary of the Committee

The primary function of the finance and audit committee is to assist the governing board in fulfilling its responsibilities on:

- The financial reporting and budgeting processes
- The system of internal controls and risk assessment
- The compliance with legal and regulatory requirements
- The qualifications, independence, and performance of the external auditors
- The qualifications, independence, and performance of the internal audit function

1.4 LOCAL BOARDS

Each country entities have a local board. We have aimed to pursue microfinance and development activities through separate entities in most of our countries. The local board members are appointed by Stichting BRAC International board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

1.5 ACCOUNTABILITY AND TRANSPARENCY

The internal audit department normally conducts audits at all our cost centres on a sample basis. All departments or units in which irregularities are detected through the course of regular internal audit are then audited. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

External audit of Stichting BRAC International, BRAC International Holdings BV and all of our legal entities are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements following the International Financial Reporting Standards (IFRS) and the laws of relevant countries.

BRAC International strives for excellence and transparency in financial reporting. In Uganda, BRAC has been recognised as the best NGO in the Financial Reporting Awards in both 2011 and 2012. It received the first runner-up award in the same category in 2013 and 2014, for its preparation, disclosure and maintenance of a commendable financial reporting platform.

2. MANAGEMENT

At all levels of BRAC International's management, there is a clear-cut policy regarding the authority of each level of staff. Staff members are equipped and empowered to act as effective managers. This is clearly set out in BRAC International's Human Resources Policies and Procedures (HRPP) and the Table of Authority. The staff is empowered to take decisions at the relevant levels and areas of management, including recruitment, deployment, capacity building, transfer, leave, financial transactions, purchase and procurement. These are described in detail to staff at the area, regional and country office levels.

The HRPP also contains all policies relating to staff salary, benefits, recruitment and promotion procedures, and payments. Every staff member receives orientation on HRPP. The Stichting board appoints officers, namely the executive director, senior directors, group chief financial officer (CFO), chief people officer (CPO) and finance director to manage affairs from the secretariat in Dhaka. BRAC International's management policies clearly define the authority of each level of staff. The appropriate staff are empowered to take decisions at the area, regional, country levels and the head office. Procedural manuals and policy documents are available to the staff. Day-to-day decisions are taken by area managers, regional coordinators and programme heads as appropriate, while larger policy decisions involve country representatives, executive director, senior directors, group CFO, finance director and CPO, in particular cases, the executive director, the chairperson and the governing body.

2.1 FINANCIAL MANAGEMENT

Matters relating to finance and accounts from branch offices to the country head offices are supervised and controlled by the country finance and accounts department. The branch offices prepare project-wise monthly cash requisitions, which are sent to the area/regional offices. The area/ regional offices check and monitor the accuracy of the requisition and transmit them to the country office. After checking, the country office disburses funds as per the requisitions. The area and branch offices send monthly expenditure statements along with bank statements to the country office's finance and accounts department. The country office then consolidates all the expenditure statements and prepares monthly financial statements and reports to BRAC International's head office (herein after secretariat) and donors, as required. A comprehensive accounting manual and statement of standard operating procedure guides the finance and accounts personnel to prepare the financial statements and reports in accordance with the accounting standards. It also guides them to run the financial activities in a systematic and efficient way.
In consultation with different level of stakeholders, the country office prepares project-wise budgets, which are then sent to the secretariat. The secretariat reviews and performs analytical procedures on the project budgets of its country offices, which are recommended by the finance director and finally approved by the group CFO. The secretariat consolidates all BRAC International country financials and produces the BRAC International budget and consolidated audited financials.
The budget and the consolidations are submitted to the BRAC International governing body for approval.

2.2 INFORMATION TECHNOLOGY

The country IT department provides data to the country MIS and finance teams by managing financial and programme-related information. This data is used by country and head office personnel to prepare various financial and managerial reports and to monitor project progress. The IT team based in the secretariat also provides support relating to software update, troubleshooting and Enterprise Resource Planning (ERP) development. Country IT team is reportable to the respective country management and the worldwide operations are centrally administered by the secretariat.

2.3 HUMAN RESOURCE MANAGEMENT

In 2014, the human resources management team continued to improve BRAC International's human resources capacity, visibility, and practices through strategic interventions. The focus was a consolidation of systems and processes and embedding of new initiatives. Based on the human resources value proposition, a number of new initiatives were put in motion to drive organisational change through the following:

Human Resources Policies and Procedures (HRPP) Manuals and Orientation Programme: In 2013, country-specific human resources policies and procedures (HRPP) manuals were developed. To provide all staff with a clear understanding of the new HRPP, virtual training-of-trainers workshops were conducted. An expanded country-wide rollout of these workshops, driven by the BRAC International HR team, was completed in 2014.

Performance Management System (PMS): The new performance management system received significant focus in 2014. From country management to root level, a PMS orientation workshop was given to all staff. Clear guidelines were provided for more focused performance management, to discuss performance-related rewards and help develop low performers through a new performance improvement process.

Human Resources Management Capacity: In 2014, country-level HR departments were strengthened and reorganised. BRAC South Sudan, BRAC Uganda, BRAC Tanzania, BRAC Myanmar and BRAC Afghanistan have newly recruited senior HR professionals, under which training has been centralised to provide impetus to staff learning and development. BRAC Uganda and BRAC Tanzania have new microfinance dedicated HR personnels to address the unique needs of those programmes.

Job Grading and Salary Scale Review: A database of job descriptions was developed to allow structured evaluation of each position and salary surveys were conducted in each country with a view to compensation redesign.

Enterprise Resource Planning (ERP): To streamline HR processes, enhance staff data management and provide analytic capacity, an HR module in the new ERP system has been designed and piloted in-house.

Gender Audit: The HR management team at BRAC International embarked on an analysis of gender disaggregated data across countries to assess whether any sort of discrimination existed in recruitment, performance management, or rewards.

Training and Development: A number of new plans have been devised for strategic in-country capacity development with individual development plans set in line with performance appraisals. The first diversity management workshop was rolled out in December 2014 in Dhaka to cover staff transferred overseas as a precursor to a global diversity campaign. To build local capacity, the young professionals (YP) programme was launched in 2013 to fast-track high calibre fresh graduates into management positions across BRAC International. After completion of a six-month managerial and development competency training, 17 YPs were placed in specific roles in their respective countries in June 2014. They are regularly monitored through a three-way feedback process that includes mentor, mentee, and supervisor forms, including discussions with the YP point person at BRAC International.

BRAC International places high priority on training and developing the capacity of its staff. To date, BRAC has training centres in Liberia, Uganda and Afghanistan. In other countries, BRAC hires training facilitation centres near the area offices.

With enhanced recruitment and retention practices, this year saw an overall increase in hiring national staff and reduced staff turnover in the respective countries.

MICROFINANCE

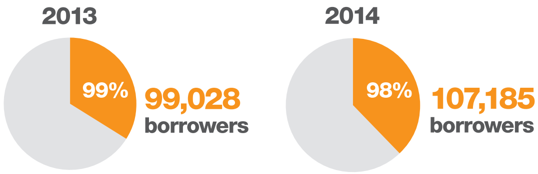
HIGHLIGHTS 2014

Over the last four decades, **BRAC microfinance** has grown to become one of the world's largest providers of financial services to the poor, providing tools that enable the financial inclusion of millions of people, across seven countries. Through its innovative, client-focused and sustainable approach, BRAC continues to show that microfinance can have a powerful impact on the lives of the poor. The BRAC microfinance programme is a critical component of our holistic approach to supporting livelihoods.

In 2014, we served **104,084** borrowers by disbursing USD **46** million in loans. The average loan size was USD **309**. The programme has achieved self-sustainability by reaching **18** regions. Among our borrowers, **67** per cent are from rural areas and **33** per cent from urban and suburban areas.

In 2014, SEP disbursed loans of USD **6.7** million to **3,101** borrowers through **59** branch offices. The average loan size was USD **2,095** and the total number of branches has increased from **56** to **59**.

Total number of borrowers and per cent of women



Empowering Tanzanians financially

Microloan

Currently the microfinance programme has been operating successfully in 18 regions with 120 branch offices across Tanzania. The credit-plus approach addresses the special needs of rural women, youth, adolescents, and small entrepreneurs. We provide social education and financial literacy through weekly group meetings. Participants are advised on the best ways to manage their businesses in order to pay back loans efficiently.

We have established strong internal control and corporate governance by following the international standards of our internal audit manual. Our monitoring department ensures that the programme runs as planned and identifies consumer exploitation if any. Senior staff visits groups to assess situations on the ground. Proper financial reporting is ensured with advanced information technology, and through monitors, auditors and an accounts team. We provide door-to-door services and collateral free loans with group guarantee as well as death benefits for our members.

This year, the microfinance programme in collaboration with LEAD project, has introduced a new product named agri-finance, targeting rural farmers. It operates at 40 branch offices in 30 districts of Tanzania. Under agri-finance, we disbursed USD 732,997 to 4,301 borrowers in both urban and rural areas.

Small Enterprise loan

BRAC established the small enterprise programme (SEP) in 2008, to financially empower young entrepreneurs who do not have access to formal financial services. SEP offers small individual loans to men and women who are less vulnerable than microfinance group members. Most clients are now successfully running their businesses and generating employment opportunities for others. Higher economic benefits are indicated through single loans, placing less credit burden on other community members. Members who have successfully repaid their loans are able to expand their businesses by taking further loans. SEP also provides financial support and capacity building to help expand their businesses.

This year, we started using mobile money for loan repayment in all 59 SEP branches in both mainland Tanzania and Zanzibar. Our borrowers find that using mobile money is cheaper, quicker, safer and convenient. Currently, about 75 per cent of our current borrowers are using mobile money.

BRAC provides credit support to small-scale enterprises such as trading businesses, small manufacturing businesses of wood and wooden products, handicrafts, hotels and restaurants as well as to agro-based sectors like agriculture, poultry and livestock.

Case Story

Innocencia: an entrepreneur's journey

I am Innocencia Yabato, and I am a single mother. My children and I live in Mwanza city. I am an entrepreneur and a member of BRAC's microfinance group.

I started my own tailoring shop. But after paying the rent, I barely had enough to support my family. I decided to sell clothes door-to-door for local women. I struggled to cover the entire neighbourhood, and profits were low.

Before joining BRAC, I tried to take a loan from other financial institutions. I was repeatedly denied as I did not have any collateral to support my loan application. I first heard about BRAC from a friend and enlisted my name immediately. I started attending meetings regularly and applied for a loan.

I began to learn how to invest and maintain finances. After several meetings, I received a loan of TZS 269,814 (USD 150). I stopped my previous business and invested the money to open a small garments shop. My business gradually began to generate profit. I expanded my shop and very soon, paid back my first loan. Later, with more loans, I opened a second shop and bought inventory. I now own a big tailoring shop in Mwanza, and have employed five tailors. I have opened a bank account where I have started saving for my children's education.

My community considers me a successful entrepreneur. Not only can I support my family, but I can also provide employment opportunities for other women. I am proud of what I have achieved so far.

AGRUCULTURE AND FOOD SECURITY

HIGHLIGHTS 2014

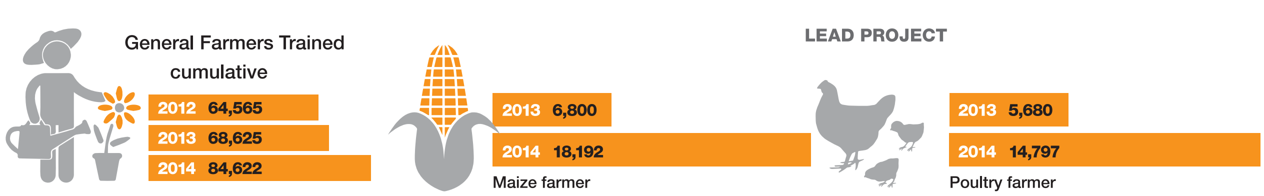
Operating in six countries, **BRAC's agriculture** programme builds capacity of farmers. It promotes the use of efficient farming techniques and proven technologies, linking them with market actors. BRAC produces and markets quality seeds at fair prices. Research is conducted to develop better varieties and practices for the agricultural sector. Credit is offered to support poor farmers.

This year, under GPAF project, we trained **300** community agriculture promoters (CAPs), **5,060** crop farmers, **4,800** kitchen gardeners, **40** horticulture nurserer, **60** fruit farmers, **40** entrepreneur, and **50** traders. We have also distributed **49,202** kg of seed, **164,289** kg of fertiliser, established **330** crop demonstration plots, and provided **548** agricultural tools .

We provided **44** irrigation pumps to farmers for better water supply in their fields. Pumps are easy to transport, install and operate. This has helped farmers irrigate their land properly and grow crops such as maize and vegetables all year-round with higher yields. We have disbursed USD **4.5** million in loans to farmers for irrigation support.

This year, Under LEAD project , we trained **18,192** maize farmers and **14,797** poultry farmers about new techniques and technologies. We also formed **1,313** poultry produces and **2,457** maize produces.

Under LEAD project, we introduced an agri-finance component and disbursed USD **784,093** in loans to **4,370** borrowers.



Helping farmers build a better future

The agriculture programme aims to increase the productivity and income of farmers through capacity building initiatives and quality inputs. The goal is to increase production. The programme plans to expand in areas such as irrigation of fields, and ensure an adequate supply of agricultural inputs (ie, quality seeds, fertiliser and pesticides) to rural farmers. Maize is the most important food crop in Tanzania, accounting for 60 per cent of the total food crop production. However, poor quality seeds, out-of-date agricultural inputs and the use of traditional rain-fed agricultural crop cultivation systems have led to poor yields.

Alleviating poverty through agriculture

The DFID-funded Global Poverty Action Fund (GPAF) provides training and agricultural inputs to communities through 20 branch offices. It focuses on helping poverty-stricken farmers in Tanzania. Farmers are trained to practice modern cultivation, agricultural land management, sowing, and harvesting crops with improved seeds. More than 10,350 farmers have been reached.

CAPs have been trained as extension agents to support farmers through the application of improved agricultural technologies and demonstrations. Traders and entrepreneurs are also working at the community-level and receive an income from their services.

Developing maize and poultry sector through LEAD

In 2013, BRAC began the livelihood enhancement through agricultural development (LEAD) project, which is funded by DFID. The project promotes rural development and transformation of the poultry and maize market systems that are highly relevant to Tanzania's rural poor. It provides an integrated package support to more than 105,000 smallholder farmers. The aim is to increase their income and productivity by improving their skills, access to inputs and market linkages. The project follows the Making Markets Work for the Poor approach to carry out a systemic change in market systems.

The goal is to improve the household income of rural poor, small and marginal farmers and livestock keepers (65 per cent women) in selected areas. The output is to improve agronomic practices, access to finance and markets, and application of agricultural technologies, and stimulate private investment in value chains.

Greater awareness through training and facilitated linkages with traders has given farmers better access to non-local markets. Most significant is the large increase in the incidences of farmers finding buyers and transporting their own poultry products. The percentage of farmers reporting these methods has more than doubled since training was provided by LEAD. Access to non-local markets has also increased by a significant amount, from six per cent to over 11 per cent. For maize, all sales methods have significantly increased amongst farmers from 1.2 percent to 8.4 percent.

Case Story

Grace: hoping for a better future

My name is Grace Anton and I am a kitchen gardener. I am a mother of two and I live in Morogoro. I own half an acre of land in which I used to cultivate sweet potatoes, and other vegetables using traditional agricultural methods. I would sell the vegetables and sweet potatoes to the nearby local market. However, I could only yield just enough for my family's consumption, and could never generate an income by selling my crops.

I did not have enough technical skills or knowledge on modern farming, which is why I did not have a good crop production. I first heard about BRAC GPAF from a neighbour. In April 2012, I went to their regional office and enlisted my name. After joining, I received three days' training on kitchen gardening that helped me improve my technical skills.

Later BRAC provided me with quality seeds and fertilisers to use in my new vegetable farm. I started with a vegetable plantation on my half-acre land, and for the first time, I saw better vegetable production. Then I rented another half-acre to expand my farm and grow Chinese cabbage, figiri and amaranths. I have learned that amaranths are high priced and have short durability, which is why producing them is more profitable. Now, 70 per cent of my garden is comprised of amaranths.

My profits have increased greatly. I produce crops worth TZS 417,312 to 521,640 (USD 232 to 290) every crop cycle. I earn a profit between TZS 260,820 to 365,148 per cycle (USD 145 to 203). I can now afford to hire a bike to take my vegetables to the market. I have now renovated my house with my savings. Now I can provide the basic requirements for my family, and can also afford my children's school fees.

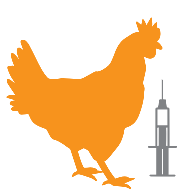
I am now a more confident person. I plan to buy new land near a water source and apply for an irrigation system to further increase my crop production.

POULTRY AND LIVESTOCK

HIGHLIGHTS 2014

BRAC's poultry and livestock programme aims to promote improved practices and modern technologies amongst poultry and livestock farmers. Through capacity development, boosting livestock productivity and reducing mortality to provide them with a supply of high quality inputs, management of small and medium farm enterprises result in more efficiency. BRAC also produces and markets day-old chicks, poultry feed and bull semen at fair prices to ensure the market of milk and meat where needed. Poor farmers are given credit in the form of loans as support.

In 2014 under GPAF project, we trained **1,650** poultry rearers. We provided **100** demonstration for broiler rearers, and **50** demonstrations for layer rearers. We trained **1,500** livestock farmers, and **100** local traders. **100** artificial insemination service providers were trained and, **9,831** cows were inseminated. **3.5** million doses of poultry vaccination were provided.



Number of doses used for Poultry vaccination cumulative

2012	2,46,73,987
2013	2,69,92,532
2014	3,05,73,803

Livestock & Poultry Rearers trained cumulative

2012	16,181
2013	18,354
2014	26,975

Assisting livestock farmers in Tanzania

In Tanzania, livestock contributes to around 13 per cent of the GDP. 40 per cent comes from beef production, 30 per cent from milk and the remaining 30 per cent from poultry and other small livestock. BRAC started its poultry and livestock programme in 2007. The objectives are to increase farmers'income, create employment opportunities and improve poultry and livestock productivity. Currently, BRAC Maendeleo Tanzania has been implementing the Global Poverty Action Fund (GPAF) project funded by DFID in 20 branch offices. It provides quality affordable livestock inputs and training at the community-level, with a special focus on women.

The programme operates through its cadre of self-employed volunteers. These are women who have experience in rearing livestock and poultry and have been selected by BRAC's microfinance groups as community livestock promoters. In Tanzania, Newcastle disease is the most devastating disease affecting poultry. More than 50 per cent of unvaccinated birds die every year. To reduce the poultry mortality rate, we trained 400 community livestock promoters on rearing and management, vaccination, and first aid, and provided them with start-up kits. These promoters now offer vaccination services, sell veterinary medicines, feeders and drinkers. They also provide technical assistance to other farmers in the community.

Community livestock promoters (CLP) are BRAC-trained farmers who act as specialists in a diverse set of activities. They provide training to livestock farmers, key poultry rearers, layer rearers, broiler rearers, artificial insemination service providers and traders. After receiving training, the clients receive resources to start and sustain their own farms.

Case Story

Kajungu: a successful poultry rearer

I am Praxeda Kajungu and I am a poultry rearer. I live at Kiburugwa, Mbagala in Dar es Salaam with my husband and children. Before joining BRAC's poultry and livestock programme I already used to rear poultry. But the income I made was very low and I could not provide nutritional food for my family. I did not have many poultry rearing skills and used traditional methods. I only had 20 chicks, and I was afraid that they would contract diseases and die.

A BRAC programme organiser visited my home and advised me on how to manage my poultry better. I realised that this could help me and decided to join the programme. I was selected for a three-day training on rearing, housing, feeding and bio-security of poultry. BRAC then provided me with inputs to help start my poultry business. After the training, I began looking after my birds and vaccinating them properly. I earned a good profit from selling the eggs.

A year ago, I started to sell my poultry to other farmers and in the local market. I purchased a locally made kerosene incubator, which could hatch 100 eggs at a time.

Now I sell eggs, day-old chicks of local breed along with poultry. I keep better quality breeds, which are very high in demand and can be sold for a high price. Today, my poultry shed has about 120 hens, 47 cocks, 75 hens and 250 chicks for sale.

My income has increased from TZS 107,926 to TZS 431,702 (USD 60 to USD 240) per month. Before, I used to rear poultry for my family's consumption, and now I am a very successful poultry rearer. I can now support my husband financially and pay for my children's education.

EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS

HIGHLIGHTS 2014

BRAC's empowerment and livelihood for adolescents (ELA) programme is designed to empower teenage girls. The ELA clubs provide safe spaces for them to socialise, and receive mentoring and life skills training. Networks of clubs are active in five countries. We combine this approach with financial literacy training and customised micro-loans, which socially and financially empowers adolescent girls.

The ELA programme is operating through **180** clubs supporting **7,656** girls. We have trained **180** mentors on life skills education, **2,064** girls with livelihood training in different trades and **6,087** girls on life skills. We provided USD **483,794** in microloans to **3,087** borrowers in **202** ELA microfinance groups to help expand their existing businesses.

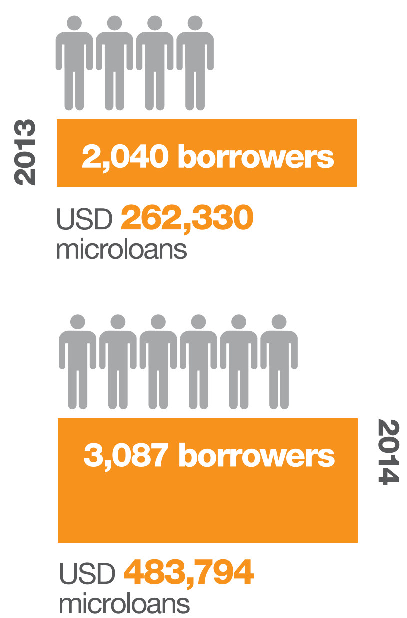
ELA provides a life skills based education course for adolescent girls during peer-to-peer sessions. As part of a participatory approach, we have provided booklets based on **10** themes and a guidebook for mentors on life skills-based education.

Empowering Tanzanian youth

ELA is committed to making a difference in the lives of vulnerable teenage girls in Tanzania. The objective is to build confidence, encourage positive behavioural changes, and improve the quality of life of these young girls. The programme consists of six components including providing a safe space, life skills education, livelihood training, financial literacy, credit support, and community participation. ELA clubs allow girls to socialise, interact and share experiences.

The programme combines innovative life skills and livelihood training with a customised microfinance programme. In life skills-based education, the girls discuss various problems related to early pregnancy, early marriage, HIV/AIDS, gender-based discrimination, reproductive health, family planning services, child rights, violence, rape and drug abuse. For girls who have dropped out of school, ELA provides credit support for financial empowerment. It also combines different types of trade-based training such as tailoring, IT, photography, hairdressing, food processing, poultry and livestock, horticulture nursery, and agriculture. This helps the girls to develop their own successful businesses and become self-reliant micro-entrepreneurs.

ELA is funded by the Whole Planet Foundation,



Case Story

Happy is: a proud young micro-entrepreneur

My name is Happy Philipo and I am 20 years old. I live in Mufindi, Iringa with my daughter. I run my own beauty salon and I am also a member of an ELA club.

When I started my salon I did not have proper equipment, and as a result, I lost many clients. I did not earn enough, and I wanted to improve the standard of my salon. But I did not have enough money.

One day a BRAC's community organiser came to my home and informed me about the BRAC ELA club in my community. She came to know from other community members about my failing salon business. She told me about ELA microfinance activities and loan facilities, and I immediately decided to join.

I got involved in various club activities and received my first loan of TZS 269,814 (USD 150) for my business. After receiving training on life skills, financial literacy and business operation I bought the right equipment I needed for my salon. Afterwards I could finally provide different types of services to my clients. More and more clients began coming to my salon and I started making a better profit.

My average income per month is TZS 341, 7 (USD 190) and I can now take care of my family members. We lead a good life now and dream of a better future. I continue to be an active ELA club member and help motivate others; this is my way of giving back to the place that helped me become who I am today.

EDUCATION

HIGHLIGHTS 2014

BRAC's education programme has become the largest secular and private education system in the world, reaching seven countries in total. At the pre-primary level, we target underprivileged children to prepare them for mainstream primary school entry. BRAC primary schools are designed to give a second chance at learning to disadvantaged children who have been left out of the formal education system due to extreme poverty, violence, displacement or discrimination. Our non-formal primary schools complement the mainstream school system with innovative teaching methods and materials. At the secondary level, we provide need-based training and student mentoring to improve mainstream education.

This year GEC reached **1,904** marginalised out-of-school girls through **150** study clubs. It will help these girls complete secondary education under the Institute of Adult Education in Tanzania. **150** community tutors have been trained to facilitate learning in the clubs.

In 2014, **50** community-based pre-primary schools completed a one-year course with **1,371** children. Among these children, **55** per cent were girls and **45** per cent were boys. A total of **79** per cent of these children have mainstreamed into government primary schools.

Eradicating educational inequality

Girls education challenge

The Girls Education Challenge (GEC) project started in 2013 to support marginalised adolescent girls to stay in school and improve their learning. The project is funded by the Department for International Development (DFID).

The project is currently implemented in 20 branches in Dar es Salaam, Mwanza, Shinyanga, Tabora and Singida. The aim is to improve the lives of girls, both in schools, at risk of dropping out and out of school girls.

The project includes subject-based tutoring (maths and English) and peer mentoring for girls in government schools who are at risk of dropping out. Study clubs give girls who are out-of-school a second chance at secondary education. Life skills education is provided and community members are sensitised to understand the importance of girls' education.

Pre-primary Education

In Tanzania, It is reported that the net enrolment rate of pre-primary school children (5-6 years) was 33 per cent, which is lower than the average in most developing countries. Approximately 30 per cent of children from poor families transitioned from pre-primary school, but failed to complete primary school. In this context, when BRAC started receiving requests from communities to provide education for their children, we responded by opening 50 pre-primary schools. The schools are housed within the empowerment and livelihood for adolescents (ELA) clubs in the morning. This maximises usage of space and reduces overhead costs. The mentors of ELA clubs are trained as pre-primary teachers. They organise the community and motivate community members to send their children to school.

The programme aims to develop para-professional early childhood teachers, trainers, training materials and child-centric learning materials. It is crucial to provide children with safe, and friendly learning environments to develop their cognitive, emotional, linguistic and numerical abilities. This will also enhance their socialisation and learning skills.

Case Story

Rahma: a pre-primary school teacher

I am Rahma and I am 20 years old. I live with my mother and four siblings in Temeke, Dar es Salaam. I am a mentor and pre-primary school teacher in one of BRAC's pre-primary schools. Life was difficult for me and my family. My mother had to work hard to get me into secondary school. It was clear that she needed more support to provide education and other basic requirements for me and my siblings. My dream was to be an English teacher, but with my family's economic status, that dream seemed out of reach.

In 2011, I joined the BRAC ELA club in my community. For me the ELA club was just a place to have fun and make new friends. But I had no idea it would help change my life for the better.

At the club we received life skills training and learned about early pregnancy, early marriage, and sexual reproductive health. I also received training on being a pre-primary school teacher. Later I was selected to work as a BRAC pre-primary school teacher at one of its centres.

Now, not only do I have my dream job, but I am also earning a stable income. I support my mother financially and help take care of my siblings. I share with them what I learned at the ELA club and encourage them to pursue their dreams as well.

SUPPORT PROGRAMMES

Finance and Accounts Unit

The finance and accounts unit is the backbone of BRAC's operations and processes in Tanzania. The department records and analyses operating transactions and prepares financial statements, which inform the top management, regulators and investors about BRAC's financial status. It also manages budgets, donor reporting, tax management payrolls, payable accounts, overall cash management, and internal and external audits. The finance and accounts department ensures the implementation of internal mechanisms and prepares scheduled donor reports for all BRAC projects in Tanzania, including business cases, budgets and proposals of subsidised projects.

We have been working on the successful implementation of new integrated system. For this we have built a team of 10 nationals as power users of our upcoming enterprise resource planning (ERP) system– SBI Cloud. They will be the focal point for solving technical problems.

Internal Audit Department

Internal Audit Department (IAD) is an independent support programme designed for objective assurance and consulting services to add value and improve BRAC International's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of control and governance processes. Internal audit is a catalyst for improving the effectiveness and efficiency of our programmes by providing insight and recommendations based on data analysis. With a commitment to integrity and accountability, the internal audit department provides value to governing bodies and executive management as an objective source of independent advice. The department also assists management by providing risk-based audit reports for efficiency and effectiveness based on internal audit charter, terms of reference for the audit review committee, and the internal audit manual approved by the finance and audit committee.

This year the internal audit manual has been implemented in BRAC Tanzania.

In 2015, internal assessment will be done through ongoing monitoring of the performance of internal audit activity from head office and periodic assessments by peer review conformance with definition of internal auditing, the code of ethics and standards. Additionally, implementation of BRAC Internal Audit Management System (BIAMS) software will be done in BRAC Tanzania for data management, report writing and archiving.

Monitoring Department

BRAC's monitoring department in Tanzania is an internal mechanism, to ensure quality, accountability and transparency of the programmes. It ensures regular collection and analysis of information to assist timely decision-making and provide the basis for evaluation and learning.

BRAC uses its monitoring activities as a programme management tool. The monitoring department undertakes monitoring activities on key inputs and outputs. The monitoring department is also responsible to report on the progress of projects and deliver quality of inputs. The objective is to facilitate better project implementation and achieve greater impact.
The monitoring team also investigates different kinds of grievances regarding administrative issues, abuse of discretion, corruption, financial misappropriation and discrimination to BRAC's stakeholders including donor, staff and others as per the requirement of the programme and management. A separate microfinance monitoring in Tanzania plays a fundamental role in the flow of fair and authentic information.

Currently, 28 staff are working in monitoring department. Internal audit activity from head office and periodic assessments by peer review are working in monitoring department.

Human Resource Department

The human resource department (HRD) in BRAC Tanzania caters to 1,444 local and expatriate staff dispersed across the country. With the goal to maximise job satisfaction, enhance transparency and ensure procedural justice for all employees, a country-specific human resource policies and procedures (HRPP) manual was developed in 2013. Under the leadership of a new country head of HR and Training, a country-wide rollout of workshops was completed to operationalise the HRPP and provide all field-level employees with an understanding of new policies, due benefits and the processes required to fulfill them.

Orientation sessions on a new performance management system were also conducted for all staff from country management to root level. Clear guidelines were provided for a more focused performance management, discuss performance related-rewards and help develop low performers through a new performance improvement process while consistently upholding BRAC's values. The HR team further ensures employee commitment to BRAC International's 15 policies under the code of conduct, particularly in regard to child protection and gender equality.

To streamline operations, a database is maintained with up-to-date records of local and expatriate staff, ensuring smoother local and international transfers, contract renewals and leave management. Measures have been taken to bring more structure to existing processes like discipline and exit management and staff motivation schemes like higher study nominations.

Risk Management services

This year had shown a significant progress in advancing the maturity of our organisation's risk management processes. There has been a continuous strengthening of the risk management framework at both operational and at strategic level to identify risks and to implement control measures to mitigate the negative impact.

At the operational level, the country risk management committee monitors and improves the embedding and strengthening of risk management culture at the branch level, oversee the management of handling/ commissioning of key risks and the overall management of closure of incidents impacting the programmes activities.

At strategic level, the finance and audit committee receives bi-annual risk management reports on progress against the framework, emerging risk, performance against the key risk and reporting of the risk register review. Next year, risk management service will continue refinement of the organisational metrics and top risks with dashboards to ease monitoring with primary effort focused on analysis and mitigation of key areas of concern. We will also help to support efforts towards achieving BRAC Tanzania's strategies and objectives using data to measure progress.

Information technology

The information technology (IT) department provides the necessary support to meet the current and future needs of BRAC Tanzania. We have developed the radical and automatic re-processor system (RADAR) to reduce field-level corruption and it is currently functioning in branch and area offices. The department also provides necessary support for the smooth operation of the software. The report generated by the system helps the management to take decisions accordingly. The IT department purchases computer hardware, while maintaining the existing ones; ensures smooth network operation in the country office, and takes care of data security for better communication and data transfer. It also prepares consolidated, region, area and branchwise trial balance for accounts along with the MIS reports for respective programme managements.

Research and Evaluation Department

The research and evaluation department aims to generate knowledge on the relevance and effectiveness of BRAC's operations, as well as those of other development partners, using both quantitative and qualitative methods. The goal is to ensure that the programmes meet BRAC's mission of empowering people and communities. The department also brings positive changes by generating knowledge on critical issues of development by studying BRAC's programmes in Tanzania. The research team focuses on building local capacity so that more research on community development in Tanzania can be conducted, independent from the main research unit in Uganda.

Logistics and procurement department

BRAC has a separate procurement department in Tanzania which is monitored by the country office. All the printing of stationeries, annual diaries, passbooks, loan agreement copies and guarantor agreements have been procured and distributed centrally to 120 branch offices.

Communications Department

BRAC's public relations and communications department is working with different networks, including multiple NGOs and donors. The communications department assists BRAC in maintaining good relations with the government of Tanzania. The department liaises with electronic and print media to broadcast or publish BRAC's development efforts and new initiatives. The department ensures timely dissemination of information, and keeps the government and non-government institutions updated. The work also includes dealing with the immigration of staff and visitors.

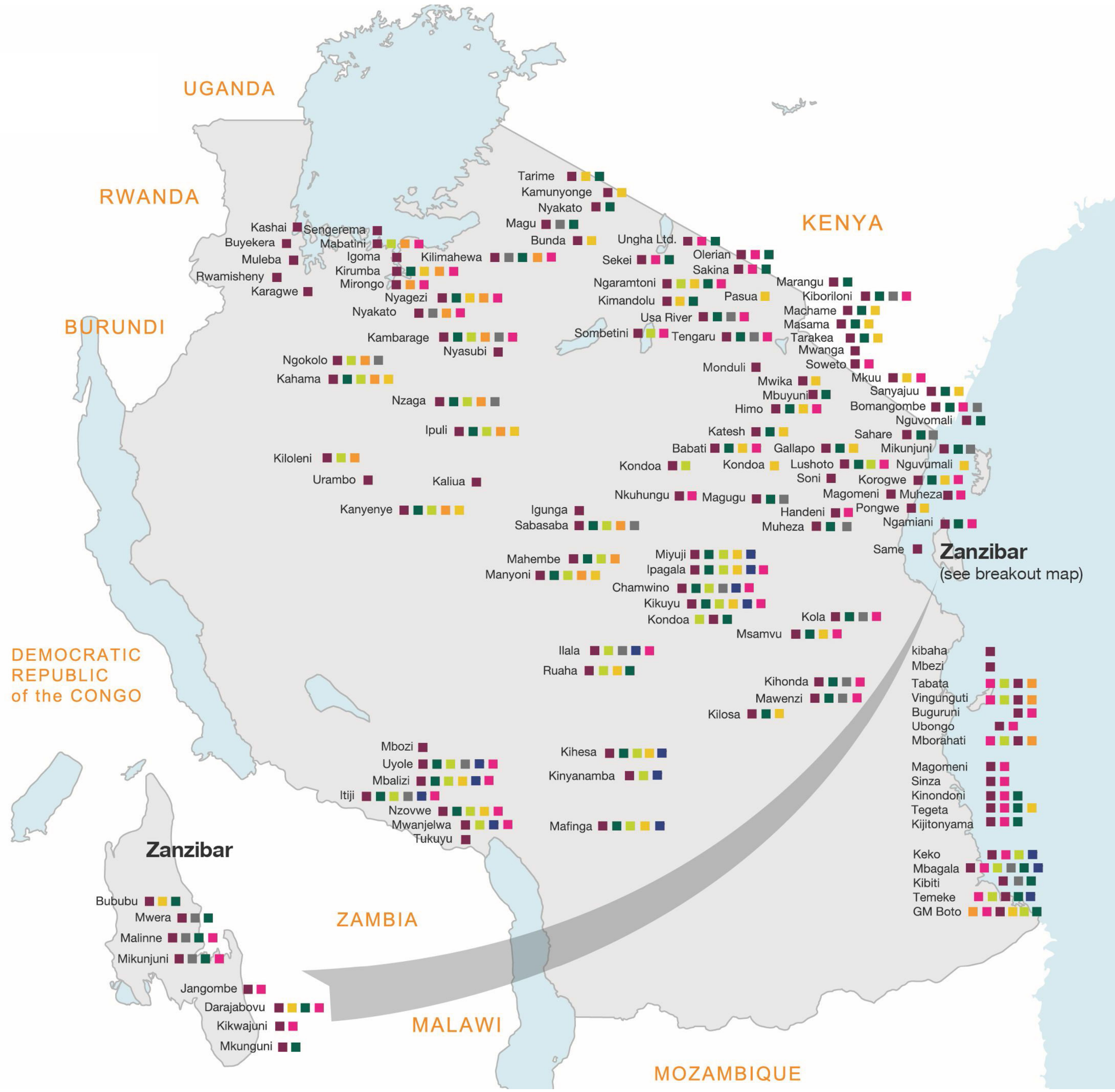
Compliance services

Our integrated compliance services are focused on internal, regulatory and donor's compliance, which continues to evolve with the commitment of excellence, develop compliance culture, and instill a sense of compliance with individuals' job responsibility. This year compliance has been strengthened in two key areas (i) frontline managers of all branches of all programme components have been brought under the umbrella of internal control questionnaire (ICQ) and (ii) all the project proposals made and approved this year were reviewed and verified for compliance with the specific project requirements. Compliance related to regulatory affairs were also reviewed and reported bi-annually.

BRAC IN TANZANIA

Branch Programmes

- Microfinance
- Agriculture, Livestock and Poultry
- Girls Education Challenge (GEC)
- ELA
- Small Enterprise Programme
- LEAD Agriculture, Livestock
- GPAF Agriculture, Livestock
- Pre-Primary School



BRAC ACROSS THE WORLD

USA
Initiated: 2007

An independent charity to raise profile and funds for BRAC globally

UK
Initiated: 2006

An independent charity to raise profile and funds for BRAC globally

SIERRA LEONE
Initiated: 2008

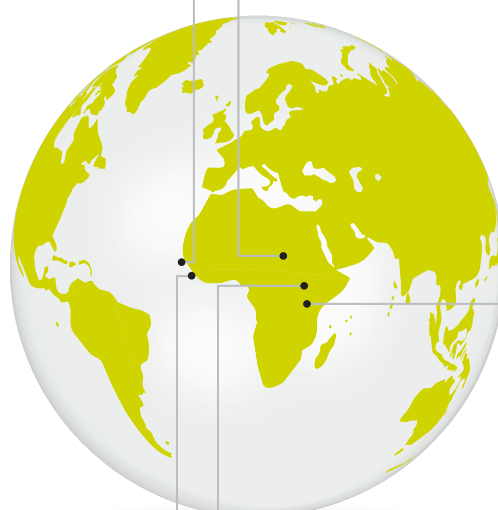
Programme Focus:
MF, EHC, Ag, P&L, HRLE, ELA and FSN

Population reached:
1.1 million

SOUTH SUDAN
Initiated: 2007

Programme Focus:
MF, Ag, BEP, AGI, EHC, MLP, NP, YLP and TUP

Population reached:
1.3 million



HAITI
Initiated: 2010

Programme Focus:
BLBC

NETHERLANDS
Initiated: 2009

BRAC International registered as a charity (Stichting)

LIBERIA
Initiated: 2008

Programme Focus:
MF, SEP, Ag, P&L and EHC

Population reached:
0.56 million

UGANDA
Initiated: 2006

Programme Focus:
MF, SEP, BEP, SP, EHC, Ag, P&L, ELA and KI

Population reached:
4 million

TANZANIA
Initiated: 2006

Programme Focus:
MF, SEP, Ag, P&L, BEP and ELA

Population reached:
2.64 million

AFSP - Agriculture and Food Security Programme **Ag** - Agriculture Programme **AGI** - Adolescent Girls Initiative **ARCs** - Adolescent Reading Centres **DECC** - Disaster, Environment and Climate Change **EHC** - Essential Health Care **ELA** - Empowerment and Livelihood for Adolescents **FSN** - Food Security and Nutrition **HRLS** - Human Rights and Legal Aid Services **IDP** - Integrated Development Programme **KI** - Karamoja Initiative **P&L** - Poultry and Livestock **RS** - Road Safety **SEP** - Small Enterprise Programme **SP** - Scholarship Programme

AFGHANISTAN

Initiated: 2002

Programme Focus:
MF, SEP, BEP, ARCs, EHC, NSP and TUP

Population reached:
4.72 million

PAKISTAN

Initiated: 2007

Programme Focus:
MF, SEP, BEP, TUP, EHC and Ag

Population reached:
2.77 million

MYANMAR

Initiated: 2013

Programme Focus:
MF

Population reached
2,483 borrowers

PHILIPPINES

Initiated: 2012

Programme Focus:
BEP

Population reached:
38,084 learners

BANGLADESH

Initiated: 1972

Programme Focus:
MF, BEP, HNPP, TUP, IDP, WASH, HRLS, CEP, AFSP, DECC, GJD, RS, MGP and Enterprises

Population reached:
120 million

BEP - BRAC Education Programme **BLBC** - BRAC Limb and Brace Centre **CEP** - Community Empowerment Programme
GJD - Gender Justice and Diversity **HNPP** - Health, Nutrition and Population Programme **HRLE** - Human Rights and Legal Empowerment
MF - Microfinance **MGP** - Migration Programme **MLP** - Malaria Programme **NP** - Nutrition Programme **NSP** - National Solidarity Programme
TUP - Targeting the Ultra Poor **WASH** - Water, Sanitation and Hygiene **YLP** - Youth Lead Programme

GOVERNANCE

BRAC Tanzania

BRAC TANZANIA FINANCE LTD

Local Board members
Dr A M R Chowdhury
Mr Faruque Ahmed
Mr Tanwir Rahman
Mr Shameran Bahar Abed

BRAC Maendeleo Ltd (Tanzania)

Local Board members
Directors
Dr A M R Chowdhury
Mr Faruque Ahmed
Dr Harun Kasale
Dr Hasan Mshinda
Mr Tanwir Rahman, Secretary

BRAC ZANZIBAR (NGO)

Local Board members
Dr A M R Chowdhury
Mr Faruque Ahmed
Mr Tanwir Rahman
Ms Rahma Ali Khamis Abdallah (local member)

BRAC SOCIAL BUSINESS ENTERPRISE LIMITED

Local Board members
Director
Mr Muhamman A. (Rumee) Ali
Mr Faruque Ahmed
Mr Tanwir Rahman

MANAGEMENT

Rakibul Bari Khan	Country Representative, BRAC in Tanzania
Md Abdus Salam	Senior Programme Manager, Agriculture
Md Abdullah-Al-Mahtab Khan	Programme Manager, Education
Amina Mbaroouk Shaaban	Deputy Manager, Girls Education Challenge project
Hem Chandro Roy	Project Manager, Livelihood Enhancement through Agricultural Development (LEAD)
Michael Hebron Mwakibete	Administration and Public Relation Manager
AKM Sazzad Hossain	Programme Manager, Microfinance s Programme
Md Hafizur Rahman	Programme Manager, SEP
Andrea Mwinuka	Development Professional, SEP
Josephine A Ndao	AgriFinance and Investment Fund Manager
Irene Kataliyeba	Financial Analyst
Getruda John Nyaki	Assistant Manager, Finance
Lilian Josephat Msoffe	Monitoring Team Leader
Stephanie Zighe	Grants Manager
Dotto Mnyadi	Communications Manager
Patrick O Okello	Research Associate
Md Rabiul Islam	Country Head of Internal Audit
Md Ariful Islam	Lead HR and Training
Selly Joseph Bagabuje	Staff Development professional

DEVELOPMENT PARTNERS

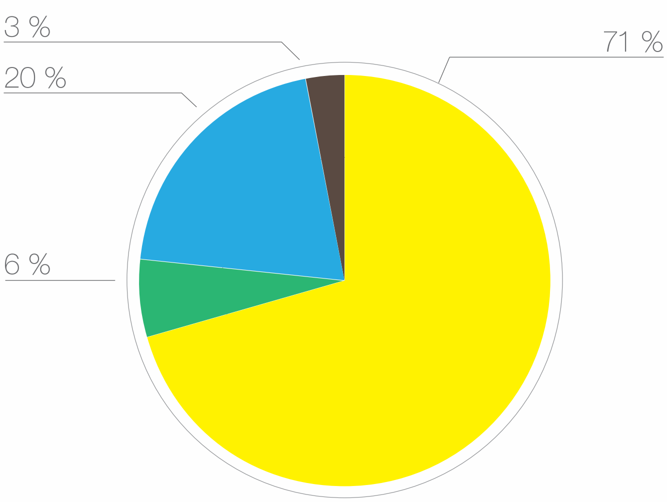
FINANCIALS - NGO

BRAC in Tanzania received grants amounting to USD 5,987,445 in 2014 as against USD 2,916,548 in 2013. Total Project expenses for the year were USD 3,818,911 (USD 2,293,866 in 2013). Out of the total expenses majority is expensed in Agriculture and Livestock sector supported by DFID. All most 89.08% of total expenditure is being used for programme service with only 10.92% as admin expenses.

Programme Cost by Nature of Programme

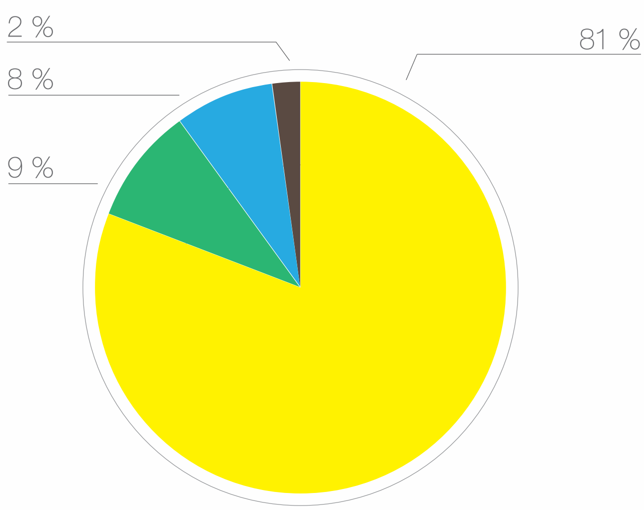
Programme	Year 2014		Year 2013	
	USD	%	USD	%
Agriculture and Livestock	2,704,855	71%	1,858,002	81%
Empowerment and Livelihood for Adolescents (ELA)	211,331	6%	204,918	9%
Education	777,962	20%	177,164	8%
Training	124,763	3%	53,782	2%
Total	**3,818,911**	**100%**	**2,293,866**	**100%**

Year 2014



Agriculture and Livestock 71% Education 20%
ELA 6% Training 3%

Year 2013



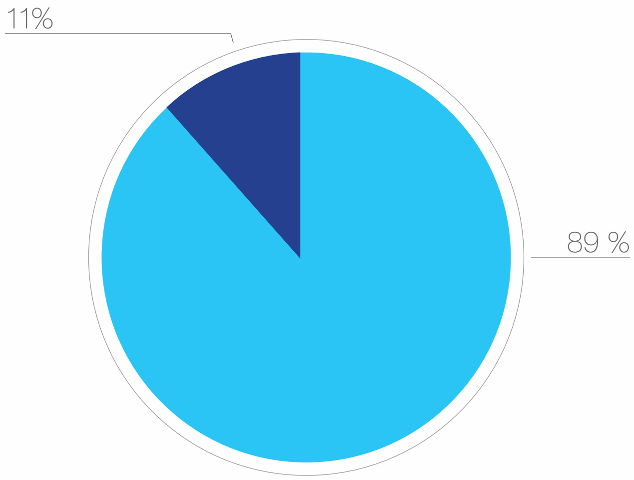
Agriculture and Livestock 81% Education 8%
ELA 9% Training 2%

FINANCIALS - NGO

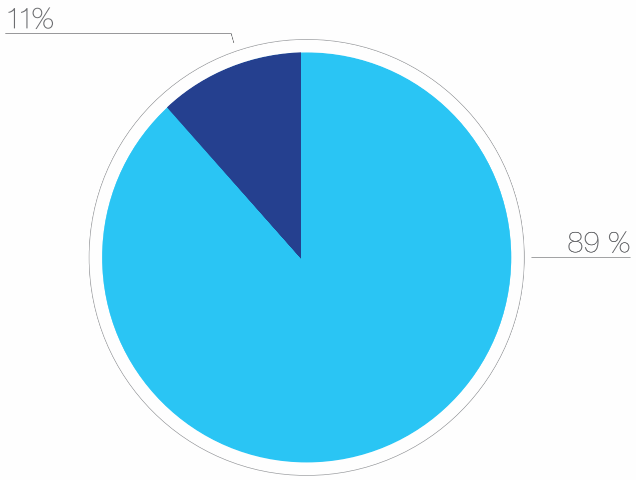
Programme Cost by Nature of Expenses

Expenses	Year 2014		Year 2013	
	USD	%	USD	%
Programme expenses	3,401,750	89%	2,036,786	89%
Admin expenses	417,161	11%	257,080	11%
Total	**3,818,911**	**100%**	**2,293,866**	**100%**

Year 2014



Year 2013



Programme expenses   Admin expenses

Performance Review

Income Statement	Year 2014	Year 2013	Year 2012	Year 2011	Year 2000
	USD	USD	USD	USD	USD
Grant income	3,575,001	1,981,881	680,849	680,849	2,035,752
BRAC contribution	142,720	112,080	202,342	202,342	-
Other income	101,190	150,836	132,513	132,513	99,996
Programme expenses	(3,401,750)	(2,036,786)	(921,715)	(921,715)	(1,943,938)
Admin expenses	(417,161)	(257,080)	(100,822)	(100,822)	(221,868)

FINANCIALS - NGO

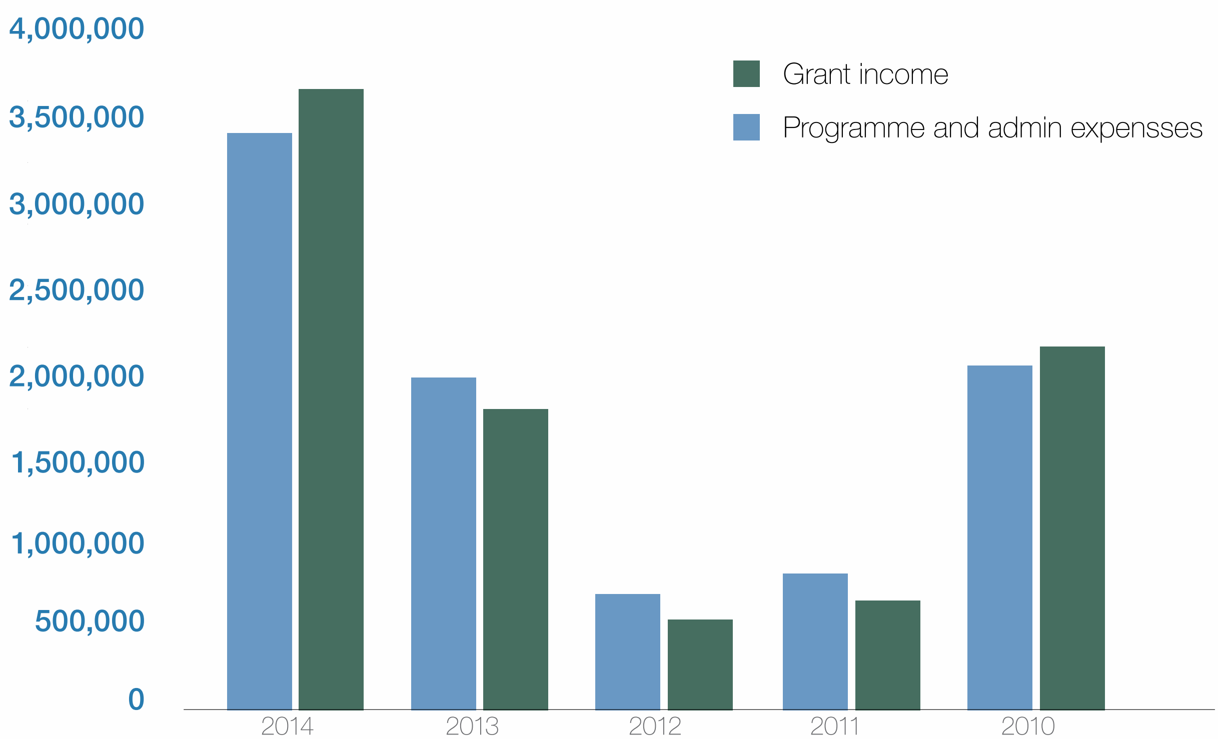
Performance Review

Financial Position	Year 2014	Year 2013	Year 2012	Year 2011	Year 2010
	USD	USD	USD	USD	USD
Cash at bank	1,871,110	-	61,016	60,286	-

Operational Statistics	Year 2014	Year 2013	Year 2012	Year 2011	Year 2010
No. of projects	5	5	5	5	6

Annual Income and Expeses

in Thousand USD



Last five years Grant income vs. Programme and admin expenses

FINANCIALS - MICROFINANCE

Net income

BRAC in Tanzania completed a profitable year in 2014 by registering pretax profit of USD 2,805,320 in 2014 compared to 1,850,227 in 2013.

Operating expenses

Total operating expenses for the year were USD 8,255,975 as against USD 7,504,139 in 2013 showing an increase of 10.02%. The Major factors of such increments are fiscal expenses and country Inflation.

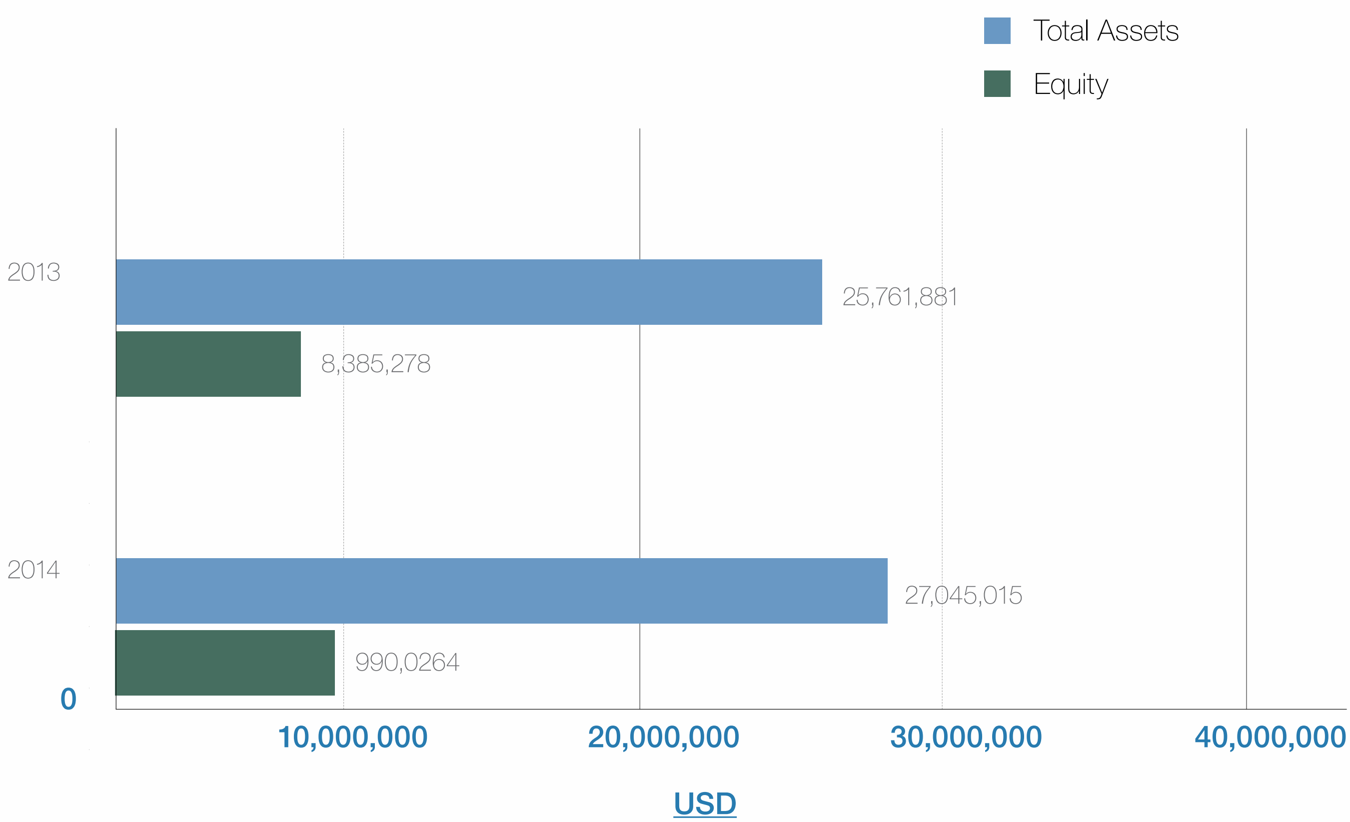
Provisions for impairment losses

Total reserve as against impairment in 2014 was USD 844,572 as against USD 837,338 in 2013, an increment 0.86% and representing 3.45% of Gross portfolio. This year amount charged for impairment on loans was USD 503,567 as against USD 677,308 in 2013. Portfolio at Risk (PAR>30 days) gone down to 1.70% in 2014 as against 2.30% in 2013.

Financial position

In 2014, total assets grew up by 4.98% to USD 27,045,015 further consolidating its position in the market. Loans Outstanding to customers increased by 16.2% and is now 87.31% of total assets. Security deposits increased by 14.1% and Net Equity increased by 18.1% to USD 9,900,264 from USD 8,385,278 in 2013. The growth of net equity is a direct result of earnings.

Total Assets vs. Equity
Figures in USD



FINANCIALS - MICROFINANCE

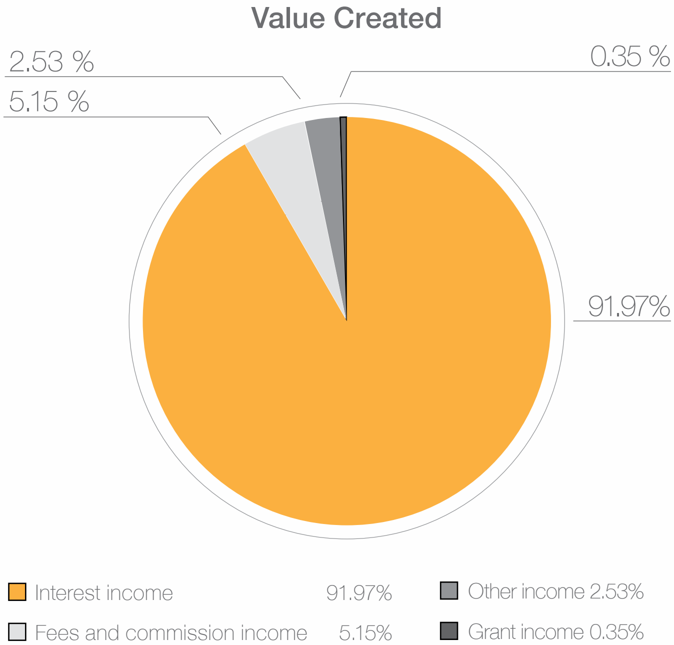
Value added statements

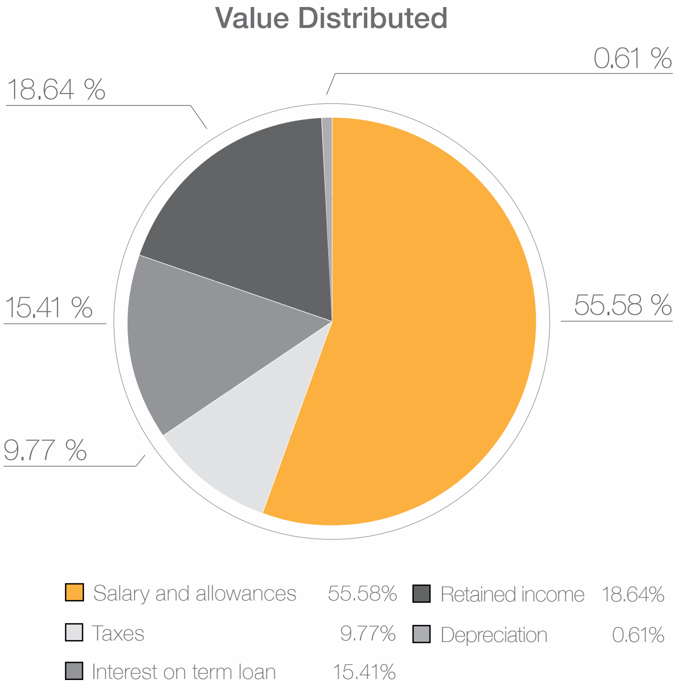
A value added statement provides a detail account of total value addition and the distribution of value created by the organisation. BRAC in Tanzania contributes positively to overall economic development by empowering the poor people (especially females) through micro-credit, employees through the payment of salaries and allowances and by assisting the local regulatory authorities through paying taxes and of course keeping in mind of organisation's growth.

Value added	Year 2014		Year 2013	
	USD	%	USD	%
Interest income	11,732,709	134.37	10,533,305	120.63
Fees and commission income	657,612	7.53	563,512	6.45
Other income	322,615	3.69	337,133	3.86
Grant income	44,651	0.51	49,612	0.57
Foreign exchange (losses)/gains	83,355	0.95	(22,289)	(0.26)
Operating expenses	(3,021,801)	(34.61)	(3,167,723)	(36.28)
Loan loss provision	(503,567)	(5.77)	(677,308)	(7.76)
Total value added	**9,315,575**	**100.00**	**7,616,242**	**100.00**

Distribution of Value Addition	Year 2014		Year 2013	
	USD	%	USD	%
Employees				
Salary and allowances	5,177,232	59.29	4,251,955	48.69
Local Authorities				
Taxes	909,726	10.42	674,892	7.73
Creditors				
Interest on term loan	1,435,455	16.44	1,429,597	16.37
Growth				
Retained income	1,736,220	19.88	1,175,335	13.46
Depreciation	56,942	0.65	84,463	0.97
Total Value Added	**9,315,575**	**100.00**	**7,616,242**	**100.00**

FINANCIALS - MICROFINANCE





Five Year Performance Review

In USD	Year 2014	Year 2013	Year 2012	Year 2011	Year 2010
Income Statement					
Operating income	12,796,291	11,441,661	11,770,892	9,566,358	7,800,232
Profit before tax	2,805,320	1,850,226	3,409,810	2,470,256	131,700
Financial Position					
Total asset	27,045,015	25,805,856	25,539,716	22,166,529	23,347,972
Net equity	9,900,264	8,385,278	7,209,371	4,942,453	855,009
Loans to customers (net)	23,612,446	20,313,504	19,499,229	19,838,459	15,582,610
Cash at bank	1,308,832	3,914,745	4,772,563	1,371,311	6,457,452
Returns and Ratio					
Return on asset	48%	44%	49%	42%	32%
Operational self sufficiency (OSS)	115%	111%	124%	117%	90%
Operational Statistics					
Total borrowers	113,959	101,068	104,225	116,749	115,695
Cost per loan	77	73	57	56	79
PAR>30 days (%)	1.70	2.30	3.55	3.00	2.92

BRAC MAENDELEO TANZANIA

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

BRAC MAENDELEO TANZANIA

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

GENERAL INFORMATION

Members of Governing Council

Name	Position	Nationality
Dr. A. M. R. Chowdhury	Chairperson	Bangladeshi
Mr. Faruque Ahmed	Member	Bangladeshi
Mr. Tanwir Rahman	Member	Bangladeshi
Dr. Harun Kasale	Member	Tanzanian
Dr. Hassan Mshinda	Member	Tanzanian

Administrator

Mr. Rakibul Bari Khan — Country Representative

Principal place of business

Plot 2329, Block H, Mbezi Beach
P. O. Box 105213
Dar es Salaam, Tanzania

Registered office

Plot 2329, Block H, Mbezi Beach
P. O. Box 105213
Dar es Salaam, Tanzania

Auditors

KPMG
Certified Public Accountants
11th Floor, PPF Tower
Ohio Street/ Garden Avenue
P. O. Box 1160
Dar es Salaam, Tanzania

Bankers

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

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

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

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

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

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

BRAC MAENDELEO TANZANIA

REPORT OF THE GOVERNING COUNCIL
FOR THE YEAR ENDED 31 DECEMBER 2014

1 The members of Governing Council have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2014, which disclose the state of affairs of BRAC Maendeleo Tanzania ("the Organisation"), as at that date in accordance with Non-Governmental Organization Act, 2002.

2 REGISTRATION

BRAC Maendeleo Tanzania was incorporated as a Company limited by guarantee on 13 December 2011. The Company remained dormant since incorporation until 1 January 2012 when it took over the social development division of BRAC Tanzania.

BRAC Tanzania which is a related entity, was wound up on 3 December 2013 by its members who are also the members of this Organisation.

BRAC Maendeleo Tanzania obtained the status of Non-Governmental Organisation (NGO) on 13 November 2013.

3 VISION

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

]4 MISSION

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

5 OUR VALUES

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

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

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

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

6 PRINCIPAL ACTIVITIES

The Organisation provides charitable and welfare activities on a non-profit basis, engages in poverty eradication, promotes women empowerment in rural areas and provides basic education for school dropouts in rural areas in over 18 districts in Tanzania.

7 RESULTS FROM OPERATIONS

The results for the Organisation for the year ended 31 December 2014 are set out on page 40.

8 COMPOSITION OF MEMBERS OF THE GOVERNING COUNCIL

The members of the Governing Council who served during the year and up to the date of this report are set out on page 32.

9 CORPORATE GOVERNANCE

The members of the Governing Council are committed to the principles of good corporate governance and recognise the need to conduct operations in accordance with generally accepted best practice. In so doing the members of the Governing Council therefore confirm that:

- The members of the Governing Council met regularly throughout the year;
- They retain full and effective control over the Organisation;
- The members of the Governing Council accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of expertise to complement the professional experience and skills of the management team

The members of the Governing Council continued to carry out its role of formulating policies and strategies of the Organisation, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the Organisation are kept properly, and that accounts are checked by authorised auditors, as well as recruitment and development of key personnel.

10 RISK MANAGEMENT

The members of the Governing Council accept final responsibility for the risk management and internal control system of the Organisation. The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Organisation's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

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

11 MANAGEMENT STRUCTURE

The Organisation is under the supervision of the members of the Governing Council and the day to day management is entrusted to the Country Representative who is assisted by the heads of divisions, departments and units. The organisation structure of the Organisation comprises of the following divisions:

- Education and Empowerment and Livelihood for Adolescents (ELA)
- Adolescents Development Program (ADP)
- Agriculture and Livestock Program
- Accounts and Finance
- Internal Audit
- Monitoring
- Branch Review
- IT and MIS
- Human Resources
- Training; and
- Procurement, Logistics and Transportation

12. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 16 to the financial statements.

13. CORPORATE SOCIAL RESPONSIBILITY

BRAC is a development Organisation dedicated to alleviating poverty by empowering the poor to bring about change in their own lives.

14. FUTURE DEVELOPMENT AND OUTLOOK

TThe Organisation will promote the expansion of business for Global Poverty Action Fund (GPAF) farmers by providing financial support and linking the farmers with the urban market through various traders and other service providers such as Community Agriculture Promoter, Community Livestock Promoter and Artificial Insemination Worker.

The Organisation is looking donors to establish pre-primary schools in Tanzania and reproductive health centre under Empowerment and Livelihood for Adolescents (ELA) program.

The Organisation will conduct training to 100 local resource individuals and 600 girls for the purpose of peer mentoring in 100 Government Primary Schools.

The Organisation also plans to work on Disaster, Environment and Climate Change project in Tanzania with the help of donor funds.

Implementation of training and tutoring of 400 Government Primary teachers and 8,000 in school- girls of 100 Government Primary Schools.

The Organisation will encourage mothers to join the existing micro finance program.

15. KEY ACHIEVEMENTS IN 2014

The following are the key achievements for the year:

- Successful launch of Enterprise Resource Plan (ERP) system (sbiCloud) for the purpose of financial and data management;
- Adoption of a reassessed and comprehensive Human Resource (HR) manual;
- Establishment of 150 study clubs for the out of school girls and registered under Institute of Adult Education;
- Development of Mathematics and English modules in collaboration with the Ministry of Education and Vocational Training (MoEVT), Teachers Training College (TTC), Tanzania Institute of Education (TIE) and BRAC Bangladesh Material Development team;
- Under Global Poverty Action Fund (GPAF) program:
  - Increase of farmers productivity by 11%;
  - Access to quality input and improved technology to 97% of the farmers;
- Livelihood Enhancement through Agricultural Development (LEAD) project in collaboration with the UK government was commenced on April 2013. Total budget amounted to GBP 8.214 million. Key achievements were:
  - Six month inception phase has been successfully completed;
  - Above 3770 producer groups formed; group size is 12-15 farmers of which at least 65% are women;
  - Directly trained over 37,600 new farmers (18,352 agricultural and 19,248 livestock) for adopting specific management techniques and technologies (90% is small holder farmer);
  - Developed and strengthened 600 community poultry promoter through training and inputs support;
  - Strengthened 72 Agro vet / Agro dealer service provider for supplying quality inputs and services;
  - Trained 66 poultry traders and 65 maize traders for linking small holders farmers;
  - Established 170 agriculture plot and 200 livestock farm as demonstration for disseminating modern farming technology and practices;
  - Organised 33 value chain facilitation workshops in LEAD working branches and regions with input companies, technology providers and other stakeholders for promoting access to quality inputs and technologies;
  - 40 local maize and 40 poultry market assessments were conducted and findings analysed;
  - Conducted study on investment fund operations and developed operational guidelines and launched the investment fund products for supporting at least 70 potential entrepreneurs in expanding their products and services in favour of smallholder farmers. The investment fund support will range from USD 5,000- 30,000 per entrepreneurs;
  - Introduce agri-finance products for maize and poultry value chain actors and disbursed USD 784,093 as agri-finance loans among 4,370 borrowers for working capital and business expansion requirements.

16. SOLVENCY

The members of Governing Council confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The member of Governing Council has reasonable expectation that the Organisation has adequate resources to continue in operational existence for the foreseeable future.

17. EMPLOYEES' WELFARE

Management/employee relationship

There were continuous good relation between employees and management for the year. There were no unresolved complaints received by management from the employees during the year.

The Organisation is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

Training

Training and development of staff capacity is one of the key priorities of the Organisation. During the year, all the Branch Accountants received hands on training for Micro Finance and Small Enterprise programs. The Organisation will continue to train, re-train and develop its staff in order to improve service delivery and innovation.

Medical assistance

The Organisation reimburses medical expenses incurred by employees for medical treatment.

Retirement benefits

All eligible employees are members of the National Social Security Fund (NSSF) which is an approved pension fund. The Organisation contributes 10% of the employees' monthly gross salary.

The NSSF is a defined contribution scheme with BRAC Maendeleo Tanzania having no legal or constructive obligation to pay further top-up contributions.

REPORT OF THE GOVERNING COUNCIL (Continued)

18. GENDER PARITY

The Organisation had 265 employees in 2014 out of them 120 males and 145 females. In 2013 there were 206 employees with 91 being females and 115 males.

19. AUDITORS

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

BY ORDER OF THE COUNCIL

…………………………………… 31 March 2015

Tanwir Rahman
Member

BRAC MAENDELEO TANZANIA

STATEMENT OF THE GOVERNING COUNCIL'S RESPONSIBILITIES

The members of the Governing Council are responsible for the preparation of financial statements that give a true and fair view of BRAC Maendeleo Tanzania comprising the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

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

The members of the Governing Council have made an assessment of the ability of the Organisation to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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

Approval of financial statements

The financial statements of BRAC Maendeleo Tanzania, as identified in the first paragraph, were approved by the members of the Governing Council on 31 March 2015 and signed by:

………………………………

Tanwir Rahman
Member

KPMG
Certified Public Accountants
11th Floor, PPF Tower
Ohio Street/Garden Avenue
PO Box 1160
Dar es Salaam

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

Report on the financial statements

We have audited the accompanying financial statements of BRAC Maendeleo Tanzania ("the Organisation"), which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 44-59. The memorandum ("Memo") columns representing amounts in United States Dollars (USD) do not form part of the audited financial statements and accordingly, we do not express an opinion on them.

Members of the Governing Council's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Maendeleo Tanzania as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

Report on other legal and regulatory requirements

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

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

KPMG
Certified Public Accountants (T)

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

31 March 2015

BRAC MAENDELEO TANZANIA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
Income					
Grant income utilised	6(b)	5,855,822	3,531,582	3,099,764	1,940,591
BRAC contribution	7	236,648	142,720	179,028	112,080
Other income	8	167,784	101,190	240,935	150,836
Total operating income		**6,260,254**	**3,775,492**	**3,519,727**	**2,203,507**
Staff costs	9	(2,253,248)	(1,358,909)	(1,227,198)	(768,281)
Travelling and transportation expenses		(504,119)	(304,029)	(212,894)	(133,281)
Training, workshop and seminar expenses		(1,610,904)	(971,519)	(486,881)	(304,809)
Occupancy expenses	10	(296,037)	(178,537)	(202,503)	(126,776)
Other operating expenses	11	(1,566,762)	(944,897)	(1,425,755)	(892,586)
Depreciation charge	15	(141,771)	(85,501)	(189,465)	(118,614)
Amortisation of capital grants	6(d)	112,587	67,900	146,588	91,771
Total expenditure		**(6,260,254)**	**(3,775,492)**	**(3,598,108)**	**(2,252,576)**
Deficit before taxation		**-**	**-**	**(78,381)**	**(49,069)**
Tax credit/(charge)	12	1,493	900	(42,155)	(26,391)
Deficit for the year		**1,493**	**900**	**(120,536)**	**(75,460)**
Other comprehensive income					
Foreign currency translation reserve		**-**	**6,891**	**-**	**(732)**
Total comprehensive loss for the year		**1,493**	**7,791**	**(120,536)**	**(76,192)**

Notes and related statements forming part of the financial statements.

Report of the auditors is on page 39.

BRAC MAENDELEO TANZANIA

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
ASSETS					
Cash and bank balances	13	3,199,598	1,871,110	-	-
Other assets	14	857,053	501,201	1,575,786	996,172
Due from related Party	18(a)	673,438	393,823	(26,312)	(16,634)
Property and equipment	15	495,931	290,018	580,651	367,073
Total assets		**5,226,020**	**3,056,152**	**2,130,125**	**1,346,611**
LIABILITIES AND CAPITAL FUND					
Liabilities					
Deferred tax liability	16	486	284	4,213	2,663
Other liabilities	17	149,023	87,147	415,988	262,977
Due to related parties	18(b)	727,667	425,537	274,343	173,433
Deferred grants	6 (a)	4,473,617	2,616,151	1,528,915	966,542
Corporate tax payable		5,010	2,929	37,942	23,986
Total liabilities		**5,355,803**	**3,132,048**	**2,261,401**	**1,429,601**
Capital fund/(deficit)					
Accumulated losses		(129,783)	(82,090)	(131,276)	(82,293)
Foreign currency translation reserve		-	6,194	-	(697)
Total capital fund/(deficit)		**(129,783)**	**(75,896)**	**(131,276)**	**(82,990)**
Total liabilities and capital fund		**5,226,020**	**3,056,152**	**2,130,125**	**1,346,611**

The financial statements were approved for issue by the members of Governing Council on 31 March 2015 and signed on its behalf by:

……………………..
Tanwir Rahman
Member

Notes and related statements forming part of the financial statements.

Report of the auditors is on page 39.

BRAC MAENDELEO TANZANIA

STATEMENT OF CAPITAL DEFICIT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Accumulated losses TZS '000	Memo Total USD
Balance at 1 January 2013	**(10,740)**	**(6,798)**
Deficit for the year	(120,536)	(75,460)
Foreign exchange translation reserve	-	(732)
Balance as at 31 December 2013	**(131,276)**	**(82,990)**
Balance at 1 January 2014	**(131,276)**	**(82,990)**
Deficit for the year	1,493	900
Foreign exchange translation reserve	-	6,194
Balance as at 31 December 2014	**(129,783)**	**(75,896)**

Notes and related statements forming part of the financial statements.

Report of the auditors is on page 39.

BRAC MAENDELEO TANZANIA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
CASH FLOWS FROM OPERATING ACTIVITIES					
Deficit for the year		-	-	(78,381)	(49,069)
Adjustment for non-cash items:					
Depreciation charge		141,771	85,501	189,465	118,614
Amortisation of capital grants		(112,587)	(67,900)	(146,588)	(91,771)
Gain on disposal		(6,261)	(3,776)	-	-
		22,923	**13,825**	**(35,504)**	**(22,226)**
Changes in:					
- Other assets		718,733	494,971	(1,390,883)	(879,103)
- Other liabilities		(266,963)	(175,830)	260,738	164,683
- Related parties payables		(246,428)	(158,353)	271,273	171,465
		228,265	**174,613**	**(894,376)**	**(565,181)**
Tax paid for the year		(35,166)	(21,208)	-	-
Cash generated/(used in) from operating activities		**193,099**	**153,405**	**(894,376)**	**(565,181)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property and equipment		51,669	31,161	-	-
Acquisition of fixed assets		(102,459)	(61,792)	(694,710)	(434,920)
		(50,790)	**(30,631)**	**(694,710)**	**(434,920)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Movement in deferred grants		3,057,289	1,717,508	1,492,971	939,459
		3,057,289	**1,717,508**	**1,492,971**	**939,459**
Net increase/(decrease) in cash and cash equivalents		**3,199,598**	**1,840,282**	**(96,115)**	**(60,642)**
Cash and cash equivalents at the beginning of the year		-	-	96,115	60,853
Foreign exchange translation reserve		-	30,828	-	(211)
Cash and cash equivalents at the end of the year		**3,199,598**	**1,871,110**	**-**	**-**

Notes and related statements forming part of the financial statements.

Report of the auditors is on page 39.

BRAC MAENDELEO TANZANIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. REPORTING ENTITY

BRAC Maendeleo Tanzania ("the Organisation") was incorporated as a Company limited by guarantee on 13 December 2011. The Organisation obtained the status of Non-Governmental Organisation (NGO) on 13 November 2013.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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 2014 which of TZS 1,710 (2013: 1,581.84) to USD 1 except for additions to property, plant and equipment were translated at an average rate for the period of TZS 1,658.13 (2013: 1,597.33);
- Income and expenses were translated using an average exchange rate for the period of TZS 1,658.13 (2013: 1,597.33);
- Equity is not translated; and
- All resulting exchange differences are being recognised in ot

(d) Use of estimates and judgements

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency transactions

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(b) Grants

(i) Deferred grants

All grants received are initially recognised as deferred revenue grants at fair value and recorded as liabilities in the Grant Received in Advance for the period.

The portion of the grants that are utilized to purchase property and fixed assets are transferred as deferred income in liabilities and subsequently release to income to match the depreciation for the period and amortisation of the fixed assets as charged to statement of profit or loss and other comprehensive income.

Grants utilised to reimburse program related expenditure are recognised as grant income for the year.

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

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

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

For expenditure incurred on projects yet to be funded and no funding has been agreed are reported as Brac contribution from Brac International.

(ii) Grant income

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

(c) Lease payments made

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

(d) Income tax expense

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates exacted or subsatantiatively eanacted at the statement of financial porition date, and any adjustment to tax payable in respect of previsou years.

Deffered tax is provided using the balance sheet method, providing for temporary diifferences between the carrying amounts of assets and liabilities for financials reporting purposes and the amounts used for taxtion purpose. Derferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted by the reporting date.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend in recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(e) Financial assets and liabilities

(i) Recognition

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

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

(ii) Classification

The organisation classides its financial assets and liabilities into the following categories: loans and receivable; cash and cash equivalent and accounts payables. Management determine the classification of its investments at initial recognition.

Cash and equivalent

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

Load and receivables

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

T***rade and other payables***

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

(iii) De-recognition

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(e) **Financial assets and liabilities (Continued)**

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, Organisation measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Organisation establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Organisation where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the BRAC Tanzania Finance Limited believes a third-party market participant would take them into account in pricing a transaction.

(vii) Identification and measurement of impairment

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

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

The Organisation considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances securities are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(e) Financial assets and liabilities (Continued)

In assessing collective impairment the Organisation uses statistical modelling of 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.

(f) Property and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

The estimated useful lives are as stated:

Furniture & fixtures	10%
Equipment	25%
Vehicles	20%
Bicycles	20%
Motor cycles	20%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.
For assets purchased using grants, depreciation is amortised from deferred income to statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(g) Impairment of non-financial assets

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

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

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

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

(h) Provisions

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

(i) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(j) Standards adopted during the year

The accounting policies adopted are consistent with those of the previous financial year, except for the following relevant amended standards and interpretations effective as of 1 January 2014:

Amendments to standards and interpretations effective and adopted during the year

New standard or amendments	Effective for annual periods beginning on or after
• Amendments to IAS 32 - Offsetting financial assets and financial liabilities (2011)	1 January 2014
• IFRIC 21 Levies (2013)	1 January 2014

Amendments to IAS 32: Offsetting financial assets and financial liabilities *(effective for annual periods beginning on or after 1 January 2014).*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The adoption of the amendments did not have any significant impact on the financial statements of the Organisation.

IFRIC 21: Levies *(effective for annual periods beginning on or after 1 January 2014).*

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs. The adoption of the amendments did not have any significant impact on the financial statements of the Organisation.

(k) Relevant new and amended standards in issue but not yet effective for the year ended 31 December 2014

New standard or amendments	Effective for annual periods beginning on or after
• Defined benefit plans: Employee contributions (amendments to IAS 19)	1 July 2014
• Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciations and amortisation	1 January 2016
• Disclosure initiative (amendments to IAS 1)	1 January 2016
• IFRS 15 Revenue from contracts with customers	1 January 2017
• IFRS 9 Financial instruments (2014)	1 January 2018

All Standards and Interpretations will be adopted at their effective date.

Defined benefit plans – Employee contributions (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:
set out in the formal terms of the plan;
linked to service; and
independent of the number of years of service.

When contributions are eligible for the practical expedient, an entity is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

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

(k) Relevant new and amended standards in issue but not yet effective for the year ended 31 December 2014 (Continued)

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted. The adoption of these changes will not affect the amounts and disclosures of the Organisation's defined benefits obligations.

Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The adoption of these changes will not affect the amounts and disclosures of the Organisation's property and equipment and intangible assets.

Disclosure initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The adoption of these changes will not bring any major change in the disclosure of the Organisation's financial statements.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 Revenue, IFRIC 13 *Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenueL at a point in time or over time. The standard specifics how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide uses of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applised to all contracts with customers in recognising revenue being: Identify the contract(s) with customer, Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contacts, and recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods begining on or after 1 January 2017, with early adoption is permitted. The Organisation is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 9: Financial Intruements (2014)

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

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through progit or loss. Even through these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly difference. In addition, the IFRS 9 impaitment model has been changed from an "incurred loss" model from IAS 39 to an "expected cridit loss" model.

The standard is effective for annual reriods begining on or after 1 January 2018 with reteospective application, early adoption is permitted. The adoption of this standard is expected to have a significant impact in the financial statements of the Organisation. The Organisation is currently assessing the potential impact on its financial statements resulting from the application of IFRS 9.

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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

This Note presents information about the Organisation's exposure to each of the above risks, its objectives, policies and processes for measuring and managing the risks.

(a) Credit risk

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

During the year the Organisation did not issue loans to customers hence no credit risks that affect the Organisation's operations.

(b) Liquidity risk

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

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

Residual contractual maturities of financial liabilities.

31 December 2014	Carrying amount TZS '000	Contractual cash flows TZS '000	Within 1 year TZS '000
Other current liabilities	149,023	149,023	149,023
Due to related parties	727,667	727,667	727,667
Deferred grants	4,473,617	4,473,617	4,473,617
Total Liabilities	**5,350,307**	**5,350,307**	**5,350,307**
31 December 2013	**TZS'000**	**TZS'000**	**TZS'000**
Other current liabilities	415,988	415,988	415,988
Due to related parties	274,343	274,343	274,343
Deferred grants	1,528,915	1,528,915	1,528,915
Total Liabilities	**2,219,246**	**2,219,246**	**2,219,246**

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

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc. will affect Organisation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. During the year the Organisation did not incur transactions in other foreign currencies and deal with interest bearing instruments.

(i) Currency risk

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

The Organisation's strategy for managing its foreign currency exposure is through transacting mainly using its functional currency.

The table below summarises the exposure of foreign currency exchange rate risk at 31 December 2014. Assets and liabilities are categorised by currency. (Amounts in TZS'000).

31 December 2014	TZS	USD	Total
Financial assets			
Cash and bank balance	40,205	3,159,393	3,199,598
Due from related party	673,438	-	673,438
Other assets	857,053	-	857,053
Total assets	**1,570,696**	**3,159,393**	**4,730,089**
Financial liabilities			
Other liabilities	149,023	-	149,023
Due to related parties	727,667	-	727,667
Deferred grants	-	4,473,617	4,473,617
Total liabilities	**876,690**	**4,473,617**	**5,350,307**
Net on balance sheet position	**694,006**	**(1,314,224)**	**(620,218)**

31 December 2013	TZS	USD	Total
Financial assets			
Cash and bank balance	-	-	-
Due from related party	(26,312)	-	(26,312)
Other assets	1,575,786	-	1,575,786
Total assets	**1,549,474**	**-**	**1,549,474**
Financial liabilities			
Other liabilities	415,988	-	149,023
Due to related parties	274,343	-	727,667
Deferred grants	-	1,528,915	1,528,915
Total liabilities	**690,331**	**1,528,915**	**2,219,246**
Net balance sheet position	**859,143**	**(1,528,915)**	**(669,772)**

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes eassociated with the Organisation's process, personnel, technology and infrastructure, and from external factors other than crefit, 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 the Organisation's operations and are faced by all business entities.

The Organisation's objective is to manage operational risk so as to balance the aviodance of financial losses and damage to the Organisation's reputation with overall cost effectiveness and to avoid control procedurs that restrict initiative creativity. The primary responsibility for the development and implementation of controls to address operational risks is assigned to senior management within each business unit. This responsibility is supported by the development of overall Organisation standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transaction;
- reuirements for reconciliation and monitoring of transactions;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risjs faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remidal actionl
- training and professional development;
- risk mitigation, including insurance where this is effective;
- development of contigency plans and
- compliance with regulatory and other legal requirements;

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

5. USE OF ESTIMATES AND JUDGEMENTS

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

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

Key sources of estimation uncertainty

(a) Fair values of financial instruments

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

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

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

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

5. USE OF ESTIMATES AND JUDGEMENTS

(a) Fair values of financial instruments (Continued)

Microfinance

31 December 2014	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Carrying Value TZS'000	Fair Values TZS'000
ASSETS					
Cash and bank balances	-	3,199,598	-	3,199,598	3,199,598
Due from related Party	-	-	673,438	673,438	673,438
Other assets	-	-	857,053	857,053	857,053
Total assets	**-**	**3,199,598**	**1,530,491**	**4,730,089**	**4,730,089**
LIABILITIES					
Other liabilities	-	-	149,023	149,023	149,023
Due to related parties	-	-	727,667	727,667	727,667
Deferred revenue grants	-	-	4,473,617	4,473,617	4,473,617
Total liabilities	**-**	**-**	**5,350,307**	**5,350,307**	**5,350,307**

31 December 2013	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Carrying Value TZS'000	Fair Values TZS'000
ASSETS					
Cash and bank balances	-	-	-	-	-
Loans to customers	-	-	-	-	-
Other assets	-	-	1,549,474	1,549,474	1,549,474
Total assets	**-**	**-**	**1,549,474**	**1,549,474**	**1,549,474**
LIABILITIES					
Other liabilities	-	-	415,988	415,988	415,988
Due to related parties	-	-	274,343	274,343	274,343
Deferred revenue grants	-	-	1,528,915	1,528,915	1,528,915
Total liabilities	**-**	**-**	**2,219,246**	**2,219,246**	**2,219,246**

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

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

(c) Taxes

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

6. DEFERRED GRANTS

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
(a) Composition of deferred grants is as follows:				
Deferred revenue grants [Note 6(b)]	4,039,434	2,362,243	987,847	624,492
Deferred capital grants [Note 6(d)]	434,183	253,908	541,068	342,050
	4,473,617	**2,616,151**	**1,528,915**	**966,542**
(b) Deferred revenue grants				
Balance as at 1 January 2014	987,847	624,492	178,123	112,776
Grant received during the year [Note 6(c)]	10,238,531	5,987,445	4,658,689	2,916,548
Transfer to BRAC Tanzania Finance limited	(1,216,775)	(733,824)	-	-
Transfer to BRAC (formerly BRAC Zanzibar)	(108,645)	(65,522)	(65,954)	(41,290)
Transfer to deferred capital grants	(5,702)	(3,439)	(683,247)	(427,743)
Grant income utilised during the year	(5,855,822)	(3,531,582)	(3,099,764)	(1,940,591)
Foreign exchange translation reserve	-	84,673	-	4,792
Balance as at 31 December	**4,039,434**	**2,362,243**	**987,847**	**624,492**
(c) Grant received during the year				
Name of the donor				
Nike Foundation	-	-	230,240	144,141
UNICEF	-	-	80,782	50,573
Stichting BRAC International	131,583	76,950	-	-
BRAC USA – NOVO Foundation	265,695	155,377	-	-
Department for International Development (DFID)	9,841,253	5,755,118	4,347,667	2,721,834
	10,238,531	**5,987,445**	**4,658,689**	**2,916,548**
(d) Deferred capital grants				
Balance as at 1 January 2014	541,068	342,050	4,409	2,791
Amortisation during the year	(112,587)	(67,900)	(146,588)	(91,771)
Receipts from revenue grants	5,702	3,439	683,247	427,743
Foreign exchange translation reserve	-	(23,681)	-	3,287
Balance as at 31 December	**434,183**	**253,908**	**541,068**	**342,050**

7. BRAC CONTRIBUTION

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
BRAC Contribution (Bangladesh)	236,648	142,720	179,028	112,080

For further details about amounts in the above Notes see Appendices I and II.

		2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
8.	**OTHER INCOME**				
	Gain on disposal of assets	6,261	3,778	700	438
	Bank Interest on fixed deposit	127	77	-	-
	Cost reimbursement by BRAC Tanzania Finance Ltd	-	-	120,606	75,505
	Training	161,396	97,335	119,629	74,893
		167,784	**101,190**	**240,935**	**150,836**
9.	**STAFF COSTS**				
	Staff costs	**2,253,248**	**1,358,909**	**1,227,198**	**768,281**

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

		2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
10.	**OCCUPANCY EXPENSES**				
	Rent	296,037	178,537	197,956	123,929
	Utilities	-	-	4,547	2,847
		296,037	**178,537**	**202,503**	**126,776**
11.	**OTHER OPERATING EXPENSES**				
	Maintenance and general expenses	322,481	194,484	573,070	358,767
	Program supplies	751,549	453,252	647,364	405,279
	HO logistics and management expenses	492,732	297,161	205,321	128,540
		1,566,762	**944,897**	**1,425,755**	**892,586**
12.	**TAX EXPENSE**				
	Current income tax charge	2,234	1,347	37,942	23,753
	Deferred tax charge relating to prior year	-	-	19,921	12,471
	Deferred tax credit	(3,727)	(2,247)	(15,708)	(9,834)
		(1,493)	**(900)**	**42,155**	**26,391**
13.	**CASH AND BANK BALANCES**				
	Cash in hand	504	295	-	-
	Cash at bank	3,199,094	1,870,815	-	-
		3,199,598	**1,871,110**	**-**	**-**

For further details about amounts in the above Notes see appendices I and II.

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
14. OTHER ASSETS				
Advances and prepayments	7,606	4,448	488,216	308,638
Current account in transit	849,447	496,753	1,087,570	687,534
	857,053	**501,201**	**1,575,786**	**996,172**

For further details about amounts in the above Notes see appendices I and II.

15. PROPERTY AND EQUIPMENT

	Furniture & fixtures TZS '000	Equipment TZS '000	Motor vehicle TZS '000	Bicycle TZS '000	Motor Cycle TZS '000	Total TZS '000	Total USD
Cost							
As at 1 January 2013	108,908	10,888	13,994	3,244	18,744	155,778	98,629
Additions	304,487	110,702	240,988	11,141	27,392	694,710	434,920
Transfers	-	-	-	-	-	-	-
Translation reserve	-	-	-	-	-	-	4,108
At December 2013	413,395	121,590	254,982	14,385	46,136	850,488	537,657
At 1 January 2014	413,395	121,590	254,982	14,385	46,136	850,488	537,657
Additions	46,632	50,128	-	-	5,699	102,459	61,792
Disposal	-	-	(59,228)	-	-	(59,228)	(35,720)
Translation reserve	-	-	-	-	-	-	(41,086)
At 31 December 2014	460,027	171,718	195,754	14,385	51,835	893,719	522,643
Accumulated depreciation							
As at 1 January 2013	54,396	10,048	7,096	1,543	7,289	80,372	50,886
Charge for the year	88,073	29,561	55,294	3,773	12,766	189,465	118,614
Disposal	-	-	-	-	-	-	-
Translation reserve	-	-	-	-	-	-	1,084
At December 2013	142,469	39,609	62,390	5,316	20,055	269,837	170,584
At 1 January 2014	142,469	39,609	62,390	5,316	20,055	269,837	170,584
Charge for the year	54,037	40,564	36,350	2,430	8,390	141,771	85,501
Disposal	-	-	-	-	-	(13,820)	(8,335)
Translation reserve	-	-	-	-	-	-	(15,125)
At 31 December 2014	196,506	80,173	84,920	7,746	28,445	397,788	232,625
Net book value							
At 31 December 2014	**263,521**	**91,545**	**110,834**	**6,639**	**23,390**	**495,931**	**290,018**
At 31 December 2013	**270,926**	**81,981**	**192,592**	**9,071**	**26,081**	**580,651**	**367,073**

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
16. DEFERRED TAX LIABILITY				
The movement in the deferred tax asset during the year as follows:				
At 1 January	4,213	2,464	-	-
Charge in respect of prior year	-	-	19,921	12,472
Credit for the year	(3,727)	(2,248)	(15,708)	(9,834)
Foreign exchange translation	-	(131)	-	25
At 31 December	**486**	**284**	**4,213**	**2,663**
Deferred tax arises from temporary differences on the following items:				
Capital allowances	**486**	**284**	**4,213**	**2,663**

The members of the Governing Council belive that the Organisation provides chritable and welfare activities on a non-profit basis hence any surplus generated is not subject to corporation tax. However, the Organisation has not yet obtained the corporation tax expemtion status from the Tanzania Revenue Authority (TRA).

17. OTHER LIABILITIES

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
Accrued expenses	62,419	36,502	15,627	9,879
Current accounts in transit	-	-	252,531	159,644
Other payables	(21)	(13)	64,218	40,597
Revolving fund	86,625	50,658	83,612	52,857
	149,023	**87,147**	**415,988**	**262,977**

18. RELATED PARTY TRANSACTIONS

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
(a) Due to related parties				
BRAC Tanzania Finance Limited	673,438	393,823	26,312	16,634
	673,438	**393,823**	**26,312**	**16,634**
(b) Due to related parties				
Stichting BRAC International- HO Logistics	367,027	214,636	208,389	131,739
BRAC International – Expatriate staff cost	222,691	130,229	-	-
BRAC – GPAF funds	137,949	80,672	65,954	41,694
	727,667	**425,537**	**274,343**	**173,433**

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

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
Head office logistics and management	**492,732**	**297,161**	**205,321**	**128,540**

19. CONTINGENT LIABILITIES

The members of Governing Council are not aware of any other contingent liabilities against the Organisation as at the date of this report.

20. POST BALANCE SHEET EVENTS

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

BRAC MAENDELEO TANZANIA

APPENDICES - SEGMENTAL INFORMATION

Appendix I- Statement of profit or loss and other comprehensive income
For the year ended 31 December 2014

Social development		Agriculture, poultry & livestock			Empowerment and livelihood for adolescents (ELA)				
	BRAC TZS'000	LEAD TZS'000	GPAF TZS'000	NIKE ADP TZS'000	NOVO ELA TZS'000	GEC TZS'000	Pre - Primary School TZS'000	Training TZS'000	Total TZS'000
Income									
Grant income	-	3,629,520	585,925	163,793	186,622	1,262,621	27,341	-	5,855,822
BRAC contribution	-	-	191,171	-	-	-	-	45,477	236,648
Other income/ (expenses)	-	6,261	127	-	-	-	-	161,396	167,784
Total income	**-**	**3,635,781**	**777,223**	**163,793**	**186,622**	**1,262,621**	**27,341**	**206,873**	**6,260,254**
Expenditure									
Staff costs and other benefits	-	(1,106,102)	(420,823)	(124,046)	(112,986)	(440,344)	-	(48,947)	(2,253,248)
Travelling and transportation expenses	-	(344,829)	(40,644)	(16,028)	(5,253)	(91,127)	(125)	(6,113)	(504,119)
Training, workshop and seminar expenses	-	(1,338,813)	(73,772)	(1,471)	(36,683)	(156,222)	-	(3,943)	(1,610,904)
Occupancy expenses	-	(162,388)	(32,722)	(4,321)	(10,631)	(57,266)	-	(28,709)	(296,037)
Other general and administration expenses	-	(683,649)	(192,262)	(15,450)	(19,293)	(511,264)	(27,216)	(117,628)	(1,566,762)
Depreciation charge	-	(112,587)	(17,000)	(2,477)	(1,776)	(6,398)	-	(1,533)	(141,771)
Amortisation of Capital grants	-	112,587	-	-	-	-	-	-	112,587
Total expenditure	**-**	**(3,635,781)**	**(777,223)**	**(163,793)**	**(186,622)**	**(1,262,621)**	**(27,341)**	**(206,873)**	**(6,260,254)**
Surplus for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Tax charge	1,493	-	-	-	-	-	-	-	1,493
	1,493	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,493**

BRAC MAENDELEO TANZANIA

APPENDICES - SEGMENTAL INFORMATION

Appendix I - Statement of profit or loss and other comprehensive income for the year ended 31 December 2013

Social development		Agriculture, poultry & livestock				Empowerment and livelihood for adolescents (ELA)			
	BRAC TZS'000	LEAD TZS'000	GPAF TZS'000	NIKE ADP TZS'000	BRAC ELA TZS'000	NOVO TZS'000	GEC TZS'000	Training TZS'000	Total TZS'000
Income									
Grant income	13,241	1,357,958	1,234,454	182,221	(22,076)	49,249	284,717	-	3,099,764
BRAC contribution	-	-	179,028	-	-	-	-	-	179,028
Cost reimbursement	-	-	-	-	120,606	-	-	-	120,606
Other income/ (expenses)	700	(24)	(2)	-	-	-	-	119,655	120,329
Total income	**13,941**	**1,357,934**	**1,413,480**	**182,221**	**98,530**	**49,249**	**284,717**	**119,655**	**3,519,727**
Expenditure									
Staff costs and other benefits	(5,342)	(474,637)	(387,051)	(116,664)	(60,321)	(30,160)	(129,822)	(23,201)	(1,227,198)
Travelling and transportation expenses	(3,522)	(136,346)	(46,790)	(11,773)	(999)	(1,344)	(11,012)	(1,108)	(212,894)
Training, workshop and seminar expenses	-	(129,399)	(308,633)	(6,216)	(28,969)	(13,624)	(40)	-	(486,881)
Occupancy expenses	(65)	(118,240)	(39,233)	(8,477)	(4,495)	(2,248)	(6,733)	(23,012)	(202,503)
Other general and administration expenses	(77,911)	(503,719)	(631,773)	(36,614)	(3,022)	(1,511)	(135,382)	(35,823)	(1,425,755)
Depreciation charge	(39,228)	(142,181)	-	(2,477)	(724)	(362)	(1,728)	(2,765)	(189,465)
Amortisation of Capital grants	-	146,588	-	-	-	-	-	-	146,588
Total expenditure	**(126,068)**	**(1,357,934)**	**(1,413,480)**	**(182,221)**	**(98,530)**	**(49,249)**	**(284,717)**	**(85,909)**	**(3,598,108)**
Deficit for the year	**(112,127)**	**-**	**-**	**-**	**-**	**-**	**-**	**33,746**	**(78,381)**
Tax charge	(42,155)	-	-	-	-	-	-	-	(42,155)
	(154,282)	**-**	**-**	**-**	**-**	**-**	**-**	**33,746**	**(120,536)**

BRAC MAENDELEO TANZANIA

APPENDICES - SEGMENTAL INFORMATION

Appendix II - Statement of Financial Position as at 31 December 2014

		Agriculture, poultry & livestock		Empowerment and livelihood for adolescents (ELA)					
	BRAC TZS'000	LEAD TZS'000	GPAF TZS'000	NIKE ADP TZS'000	NOVO ELA TZS'000	GEC TZS'000	Pre-Primary Schools TZS'000	Training TZS'000	Total TZS'000
ASSETS									
Cash and cash equivalent	3,199,356	-	-	121	-	21	-	100	3,199,598
Other assets	(3,217,518)	3,355,229	(499,789)	47,346	146,672	885,994	104,325	34,794	857,053
Due from related Party	-	-	673,438	-	-	-	-	-	673,438
Property and equipment	17,935	431,002	-	4,269	2,839	33,728	-	6,158	495,931
Total assets	**(227)**	**3,786,231**	**173,649**	**51,736**	**149,511**	**919,743**	**104,325**	**41,052**	**5,226,020**
LIABILITIES AND CAPITAL FUND									
Liabilities									
Deferred tax liability	486	-	-	-	-	-	-	-	486
Other liabilities	147,067	1,977	3,495	-	(3,134)	(320)	-	(62)	149,023
Due to related parties	-	331,820	133,008	40,835	10,256	193,641	-	18,107	727,667
Deferred grants	-	3,452,434	37,146	10,901	142,389	726,422	104,325	-	4,473,617
Corporate tax payable	5,010	-	-	-	-	-	-	-	5,010
Total liabilities	**152,563**	**3,786,231**	**173,649**	**51,736**	**149,511**	**919,743**	**104,325**	**18,045**	**5,359,922**
Capital fund/(deficit)									
Accumulated losses	(152,790)	-	-	-	-	-	-	23,007	(129,783)
Total liabilities and capital fund	**(227)**	**3,786,231**	**173,649**	**51,736**	**149,511**	**919,743**	**104,325**	**41,052**	**5,226,020**

BRAC MAENDELEO TANZANIA

APPENDICES - SEGMENTAL INFORMATION

Appendix II - Statement of Financial Position as at 31 December 2013

Social development		Agriculture, poultry & livestock		Empowerment and livelihood for adolescents (ELA)					
	BRAC TZS'000	LEAD TZS'000	GPAF TZS'000	NIKE ADP TZS'000	BRAC ELA TZS'000	NOVO TZS'000	GEC TZS'000	Training TZS'000	Total TZS'000
ASSETS									
Other assets	299	740,183	487,029	193,301	-	-	154,974	-	1,575,786
Property and equipment	17,937	541,066	-	6,746	-	1,859	6,912	6,131	580,651
Total assets	**18,236**	**1,281,249**	**487,029**	**200,047**	**-**	**1,859**	**161,886**	**6,131**	**2,156,437**
LIABILITIES AND CAPITAL FUND									
Liabilities									
Other liabilities	130,363	-	479,899	(695)	-	(67,696)	(88,671)	(37,212)	415,988
Due to related parties	-	92,724	65,954	26,049	-	6,238	89,353	20,337	300,655
Deffered grants	-	1,188,535	(58,824)	174,693	-	63,317	161,204	-	1,528,915
Deffered tax liability	4,213	-	-	-	-	-	-	-	4,213
Corporate tax payable	37,942	-	-	-	-	-	-	-	37,942
Total liabilities	**172,518**	**1,281,249**	**487,029**	**200,047**	**-**	**1,859**	**161,886**	**(16,875)**	**2,287,713**
Capital fund/(deficit)									
Accumulated losses	(154,282)	-	-	-	-	-	-	23,006	(131,276)
Total liabilities and capital fund	**18,236**	**1,281,249**	**487,029**	**200,047**	**-**	**1,859**	**161,886**	**6,131**	**2,156,437**

BRAC TANZANIA FINANCE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

BRAC TANZANIA FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

GENERAL INFORMATION

Directors

Name	Position	Nationality
Dr. A. M. R. Chowdhury	Chairperson	Bangladeshi
Mr. Faruque Ahmed	Member	Bangladeshi
Mr. Tanwir Rahman	Member	Bangladeshi
Mr. Shameran Bahar Abed	Member	Bangladeshi

Administrator

Rakibul Bari Khan — Country Representative

Principal place of business:

Plot 2329, Block H, Mbezi Beach
P O Box 105213
Dar es Salaam, Tanzania

Registered office

Plot 2329, Block H, Mbezi Beach
P. O. Box 105213
Dar es Salaam, Tanzania

Auditors

KPMG
Certified Public Accountants
11th floor, PPF Tower
Ohio Street/Garden Avenue
P. O. Box 1160
Dar es Salaam, Tanzania

Bankers

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

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

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

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

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

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

BRAC TANZANIA FINANCE LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

1 The directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2014, which disclose the state of affairs of BRAC Tanzania Finance Limited ("the Company") as at that date in accordance with Companies Act, 2002.

2 REGISTRATION

BRAC Tanzania Finance Limited was incorporated as a company limited by guarantee on 9 September 2008.

3 VISION

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

4 MISSION

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

5 OUR VALUES

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

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

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

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

6 PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of microfinance activities to improve the livelihood of poor people in over 18 districts through 120 branch offices in Tanzania including extending loan facilities.

7 FINANCIAL PERFORMANCE

The Company's performance during the year ended 31 December 2014 is as follows:

- Total revenue increased by 16% from TZS 17,699 million in 2013 to TZS 20,609 million in 2014.
- Loans to customers (Gross) increased by 25% from TZS 32,413,911 million in 2013 to TZS 40,397,532 million in 2014.
- Operating expenses increased by 12% from TZS 11,469,870 million in 2013 to TZS 12,869,999 million in 2014.

During the year, the Company had an attributable profit of TZS 2.97 billion (2013 – profit of TZS 1.85 billion). The statement of financial position as at 31 December 2014 is set out on page 73.

8 RESULTS FROM OPERATIONS

The result for the Company's operations for the year ended 31 December 2014 is set out on page 72.

9 COMPOSITION OF DIRECTORS

The directors, who served during the year and up to the date of this report unless as otherwise stated, are set out on page 65.

10 DIRECTORS BENEFITS

No director has received or become entitled to receive any benefits during the financial year.

11 CORPORATE GOVERNANCE

The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing the directors therefore confirm that:

- The Board of Directors met regularly throughout the year;
- They retain full and effective control over the Company;
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

The Board continued to carry out its role of formulating policies and strategies of the Company, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the Company are kept properly, and that accounts are checked by authorised auditors, as well as recruitment and development of key personnel.

12 RISK MANAGEMENT

The board accepts the final responsibility for the risk management and internal control system of the Company. The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

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

13 MANAGEMENT STRUCTURE

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

- Micro finance program;
- Social enterprise program;
- Agri finance
- Accounts & finance;
- Internal audit;
- Monitoring;
- Loan review;
- IT and MIS;
- Human resources;
- Training; and
- Procurement, logistics and transportation.

14 RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 25 to the financial statements.

15 FUTURE DEVELOPMENT PLANS

In 2015 the Company will extend it programs to remote rural areas in order to reach the poorer section of the population. The Company is planning to target 152,000 borrowers aiming to disburse USD 53 million as micro loans. It is expected that USD 7 million will be disbursed to 3,500 SEP borrowers.

Training is integral to improve efficiency in management and program delivery. Rigorous staff training in aspect of occupational and functional skills and techniques of community participation and development management will be organised to improve and maintain quality.

Staff drop out is being addressed through regular recruitment of qualified personnel. Capacity building of staff will continue through ongoing training. Staff morale will be raised by highlighting their contribution through appreciation and recognition.

16 KEY ACHIEVEMENTS IN 2014

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

- Successful launch of Enterprise Resource Planning (ERP) system (sbiCloud) for financial and data management;
- Adoption of a reassessed and comprehensive Human Resource (HR) manual; and
- Provide agro finance for extending crop production.

17 SOLVENCY

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

18 EMPLOYEES' WELFARE

Management/employee relationship

There were continued good relation between employees and management for the year. There were no unresolved complaints received by management from the employees during the year.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

Training

Training and development of staff capacity is one of the key priorities of the Company.During the year,all the Branch Accountants received hands-on training on their day to day responsibilities. Selected staffs from other programs received training as prescheduled. The Company will continue to train, re-train and develop its staff in order to improve service delivery and innovation.

Medical assistance

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

18 EMPLOYEES' WELFARE (Continued)

Retirement benefits

All eligible employees are members of the National Social Security Fund (NSSF)/ Parastatal Pensions Fund (PPF) which is an approved pension fund. The Company's contribution to the Fund is limited at 10% of the employee gross salary.

NSSF/PPF is a defined contribution scheme with BRAC Tanzania Finance Limited having no legal or constructive obligation to pay further top-up contributions.

19. GENDER PARITY

The Company had 1,116 employees in 2014 out of them 251 males and 865 females. In 2013 total employees were 1,254 with 904 being females and 350 males.

20. AUDITORS

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

BY ORDER OF THE BOARD

……………………………………… 31 March 2015

Tanwir Rahman
Director

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Company's directors are responsible for the preparation of the financial statements that give a true and fair view of BRAC Tanzania Finance Limited comprising the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

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

The directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of BRAC Tanzania Finance Limited, as identified in the first paragraph, were approved by the board of directors on 31 March 2015 and signed by:

....

Mr. Tanwir Rahman
Director

KPMG
Certified Public Accountants
11th Floor, PPF Tower
Ohio Street/Garden Avenue
PO Box 1160
Dar es Salaam

Telephone +255 22 2118866
Fax +255 22 2113343
Email info@kpmg.co.tz
Internet www.kpmg.com.tz

Report on the financial statements

We have audited the financial statements of BRAC Tanzania Finance Limited, which comprise the statement of financial position at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages ?? to ??. The memorandum ("memo") columns representing amounts in United States Dollars (USD) do not form part of the audited financial statements and accordingly, we do not express an opinion on them.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of BRAC Tanzania Finance Limited at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Companies Act, 2002.

Report on other legal and regulatory requirements

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

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

KPMG
Certified Public Accountants (T)

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

31 March 2015

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
Income					
Interest income	6	18,812,367	11,345,532	16,252,292	10,174,661
Interest expense	7	(2,380,172)	(1,435,455)	(2,283,538)	(1,429,597)
Net interest income		**16,432,195**	**9,910,077**	**13,968,754**	**8,745,064**
Fee and commission income	8	1,057,581	637,816	870,715	545,106
Other income	9	526,888	317,760	533,238	333,831
Grant income utilised	23	74,037	44,651	78,326	49,036
Foreign exchange gain/(loss)		138,214	83,355	(35,603)	(22,289)
Total operating income		**18,228,915**	**10,993,659**	**15,415,430**	**9,650,748**
Impairment charge on loans to customers	15(a)	(842,572)	(508,146)	(1,086,285)	(680,063)
Operating income after impairment charge on loans to customers		**17,386,343**	**10,485,513**	**14,329,145**	**8,970,685**
Staff costs and other benefits	10	(8,114,889)	(4,894,000)	(6,476,887)	(4,054,821)
Travelling and transportation costs		(1,346,478)	(812,046)	(1,028,083)	(643,626)
Training, workshop and seminars costs		(83,191)	(50,171)	(128,967)	(80,739)
Occupancy expenses	11	(528,650)	(318,823)	(650,726)	(407,384)
Other operating expenses	12	(2,707,670)	(1,632,968)	(3,057,053)	(1,913,853)
Depreciation and amortisation expense	17 & 18	(89,121)	(53,748)	(128,154)	(80,230)
Profit before taxation		**4,516,344**	**2,723,757**	**2,859,275**	**1,790,032**
Tax expense	13	(1,546,369)	(932,598)	(1,008,463)	(631,343)
Profit for the year		**2,969,975**	**1,791,159**	**1,850,812**	**1,158,689**
Other comprehensive income					
Foreign currency translation (loss)/gain		-	(667,598)	-	945
Total comprehensive income for the year		**2,969,975**	**1,123,561**	**1,850,812**	**1,159,634**

Notes and related statements forming part of the financial statements.

Report of the auditors is on page 71.

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
ASSETS					
Cash and bank balances	14	2,180,095	1,274,909	4,361,830	2,757,440
Fixed deposits		1,159,047	677,806	1,726,455	1,091,422
Loans to customers	15	38,988,127	22,800,074	31,121,595	19,674,300
Other assets	16	801,147	468,508	785,423	496,525
Property and equipment	17	225,862	132,083	57,817	36,552
Intangible assets	18	420,001	245,615	-	-
Deferred tax asset	19	591,614	345,973	1,060,813	670,620
Corporation tax recoverable		224,388	131,221	343,337	217,049
Total assets		**44,590,281**	**26,076,189**	**39,457,270**	**24,943,908**
LIABILITIES AND EQUITY					
Long term liabilities					
Long term portion of term loans	22	13,776,909	8,056,672	14,901,537	9,420,382
Loan revolving fund	24	-	-	786,396	497,140
Total long term liabilities		**13,776,909**	**8,056,672**	**15,687,933**	**9,917,522**
Current liabilities					
Other liabilities	20	3,645,704	2,131,989	3,578,778	2,262,416
Loan security fund	21	7,835,648	4,582,250	6,363,745	4,023,002
Current portion of term loans	22	1,071,002	626,317	1,061,824	671,259
Deferred revenue grants	23	1,825,352	1,067,457	85,695	54,174
Total current liabilities		**14,377,706**	**8,408,013**	**11,090,042**	**7,010,851**
Equity					
Allocated capital		8,039,570	5,059,277	7,253,174	4,583,422
Retained earnings		8,396,097	5,221,417	5,426,121	3,433,705
Translation reserve		-	(669,190)	-	(1,592)
Total equity		**16,435,667**	**9,611,504**	**12,679,295**	**8,015,535**
Total equity and liabilities		**44,590,281**	**26,076,189**	**39,457,270**	**24,943,908**

The financial statements were approved for issue by the Board of Directors on 31 March 2015 and signed on its behalf by;

Tanwir Rahman
Director

Notes and related statements forming part of the financial statements.

Report of the auditors is on page 71.

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Allocated capital TZS '000	Retained earnings USD	Total TZS '000	Memo Total USD
Balance at 1 January 2013	**7,253,174**	**3,575,309**	**10,828,483**	**6,855,901**
Profit for the year	-	1,850,812	1,850,812	1,158,689
Other comprehensive income, net of income tax:				
Foreign currency translation loss	-	-	-	945
Balance as at 31 December 2013	**7,253,174**	**5,426,121**	**12,679,295**	**8,015,535**
Balance at 1 January 2014	**7,253,174**	**5,426,121**	**12,679,295**	**8,015,535**
Profit for the year	-	2,969,975	2,969,975	1,791,159
Other comprehensive income, net of income tax:				
Transactions with others, recorded directly in equity*	786,396	-	786,396	474,000
Foreign currency translation loss	-	-	-	(669,190)
Balance as at 31 December 2014	**8,039,570**	**8,396,096**	**16,435,666**	**9,611,504**

*The Company received grant amounting to USD 496,065 in 2012 from BRAC USA to support microfinance lending. As at 31 December 2014, the funds were fully disbursed as microloans to targeted borrowers and upon confirmation from BRAC USA, the balance has been reclassified from loan revolving fund to equity.

Notes and related statements forming part of the financial statements.

Report of the auditors is on page 71.

BRAC TANZANIA FINANCE LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	4,516,344	2,723,757	2,859,275	1,790,032
Adjustment for non-cash items				
Depreciation charge and amortisation	89,121	53,748	128,154	80,230
Amortisation of capital grants	(74,037)	(44,651)	(78,326)	(49,036)
Loans written off	(725,483)	(437,531)	(962,412)	(608,413)
Impairment charge on loans to customers	842,572	508,146	1,086,285	680,063
	4,648,517	**2,803,469**	**3,032,976**	**1,892,876**
Changes in:				
- Other assets	(15,724)	28,017	(352,758)	(222,589)
- Fixed deposit maturing after 3 months	567,408	413,616	2,310,446	1,464,485
- Other liabilities	66,926	(130,427)	106,812	64,190
- Loans to customers	(7,983,621)	(3,196,389)	(1,559,106)	(969,636)
- Loan revolving funds	(786,396)	(497,140)	235,086	148,086
	(3,502,890)	**(578,854)**	**3,773,456**	**2,377,412**
Tax paid	(958,221)	(577,893)	(1,220,812)	(764,283)
Net cash (used in)/generated from operating activities	**(4,461,111)**	**(1,156,747)**	**2,552,644**	**1,613,129**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment	(192,550)	(116,125)	(52,171)	(32,662)
Acquisition of intangible asset	(484,617)	(292,267)	-	-
Net cash used in from investing activities	**(677,167)**	**(408,392)**	**(52,171)**	**(32,662)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of the term loans	(1,115,450)	(1,408,652)	(1,867,539)	(1,197,741)
Funds transferred to equity	786,396	474,000	-	-
Loan security funds received during the year	1,471,903	559,248	226,125	137,055
Grants received for investment in loans from BRAC Maendeleo Tanzania	1,216,775	711,564	-	-
Grants received during the year	596,919	359,995	48,464	30,340
Net cash generated from/(used in) financing activities	**2,956,543**	**696,155**	**(1,592,950)**	**(1,030,346)**
Net (decrease)/increase in cash and cash equivalents	**(2,181,735)**	**(868,984)**	**907,523**	**550,121**
Cash and cash equivalents at the beginning of the year	4,361,830	2,757,440	3,454,307	2,187,046
Foreign exchange translation reserve	-	(613,547)	-	20,273
Cash and cash equivalents at the end of the year	**2,180,095**	**1,274,909**	**4,361,830**	**2,757,440**

Notes and related statements forming part of the financial statements.

Report of the auditors is on page 71.

BRAC TANZANIA FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. REPORTING ENTITY

BRAC Tanzania Finance Limited was incorporated as a company limited by guarantee on 9 September 2008. The Company remained dormant since incorporation until 1 January 2012 when it took over the Micro finance division of BRAC Tanzania. The company is situated at Plot 2329, Block H, Mbezi Beach, Dar es salaam, Tanzania.

2. BASIS OF PREPARATION

a. Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

b. Basis of measurement

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

c. Functional and presentation currency

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

Memorandum figures

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

- Assets and liabilities were translated at the closing rate at 31 December 2014 which of TZS 1,710.00 (2013: 1,581.84) to USD 1 except for additions to property, plant and equipment were translated at an average rate for the period of TZS 1,658.13 (2013: 1,597.33);
- Income and expenses were translated using an average exchange rate for the period of TZS 1,658.13 (2013: 1,597.33);
- Equity is not translated; and
- All resulting exchange differences are being recognised in other comprehensive income.

d. Use of estimates and judgements

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

a. Foreign currency transactions

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

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

b. **Interest income and expense**

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

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

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

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

c. **Fee and commission income**

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

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

d. **Grants**

(i) Deferred grants

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

d. Grants (Continued)

(ii) Grant income

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

e. Interest from deposits with banks

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

f. Lease payments made

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

g. Income tax expense

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

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

h. Financial assets and liabilities

(i) Recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continutted)

h. Interest from deposits with banks (Continued)

(ii) Classification

Refer to accounting policies on Note (3i and 3j).

(iii) De-recognition

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

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

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

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

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

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

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

h. Interest from deposits with banks (Continued)

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the BRAC Tanzania Finance Limited believes a third-party market participant would take them into account in pricing a transaction.

(vi) Identification and measurement of impairment

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

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

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

In assessing collective impairment the Company uses statistical modelling of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Cash and cash equivalents

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

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

j. Loans and advances

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

k. Property and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

The estimated useful lives are as stated:

Furniture & fixtures	10%
Equipment	25%
Vehicles	20%
Bicycles	20%
Motor cycles	20%

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

l. Impairment of non-financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

m. Intangible assets

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

Subsequent expenditure on software asset is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on straight-line basis over the estimated useful life of the software, from the date that is available for use. The estimated useful life of software is 5 years.

n. Security deposits from customers and term loans

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

Security deposits from customers and term loans from lenders are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the organisation chooses to carry the liabilities at fair value through profit or loss.

BRAC Tanzania Finance Limited utilises the term loan as source of funding.

o. Provisions

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

p. Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonus if the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

q. New standards and interpretations not yet adopted

The accounting policies adopted are consistent with those of the previous financial year, except for the following relevant amended standards and interpretations effective as of 1 January 2014:

Amendments to standards and interpretations effective and adopted during the year

New standard or amendments	Effective for annual periods beginning on or after
• Amendments to IAS 32 - Offsetting financial assets and financial liabilities (2011)	1 January 2014
• IFRIC 21 Levies (2013)	1 January 2014

Amendments to IAS 32: Offsetting financial assets and financial liabilities (*effective for annual periods beginning on or after 1 January 2014).*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The adoption of the amendments did not have any significant impact on the financial statements of the Company.

The change did not have a material impact on the company's financial statements.

IFRIC 21: Levies *(effective for annual periods beginning on or after 1 January 2014).*

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs. The adoption of the amendments did not have any significant impact on the financial statements of the Company.

r. Relevant new and amended standards in issue but not yet effective for the year ended 31 December 2014

A number of new standards and amendments to standards are effective for annual periods beginning 1 January 2014; however, the Company has not applied the following new or amended standards in preparing these financial statements.

New standard or amendments	Effective for annual periods beginning on or after
• Defined benefit plans: Employee contributions (amendments to IAS 19)	1 July 2014
• Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciations and amortisation	1 January 2016
• Disclosure initiative (amendments to IAS 1)	1 January 2016
• IFRS 15 Revenue from contracts with customers	1 January 2017
• IFRS 9 Financial instruments (2014)	1 January 2018

All standards and Interpretations will be adopted at their effective date.

Defined benefit plans – Employee contributions (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for the practical expedient, an entity is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted. The adoption of these changes will not affect the amounts and disclosures of the Company's defined benefits obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

r. Relevant new and amended standards in issue but not yet effective for the year ended 31 December 2014 (Continued)

Disclosure initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The adoption of these changes will not bring any major change in the disclosure of the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognizing revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 9: Financial Instruments (2014)

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

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The adoption of this standard is expected to have a significant impact in the financial statements of the Company. The Company is currently assessing the potential impact on its financial statements resulting from the application of IFRS 9.

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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

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

(a) Credit risk

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

Management of credit risk

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

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

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

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

Impaired loans

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

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 stage of collection of amounts owed to the Company.

Allowances for impairment

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

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continuted)

The table below provides details of exposure to credit risk

Loans to customers

Carrying amount	**2014 TZS'000**	**2013 TZS'000**
Standard	39,268,258	31,296,235
Watch List	425,396	287,967
Substandard	153,393	36,503
Doubtful	88,797	19,680
Loss	461,686	773,526
	40,397,532	**32,413,911**
Allowance for impairment	(1,409,405)	(1,292,316)
Net loans	**38,988,127**	**31,121,595**
Balance at 1 January	**1,292,316**	**1,168,443**
Impairment charge on loans to customers during the year	842,572	1,086,285
Loans written off during the year	(725,483)	(962,412)
Balance at 31 December	**1,409,405**	**1,292,316**

Write-off policy

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

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continuted)

(b) Liquidity risk

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

Management of liquidity risk

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

Residual contractual maturities of financial liabilities.

31 December 2014	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000	1 to 2 years TZS'000	2 to 5 years TZS'000
Loan security fund	7,835,648	7,835,648	7,835,648	-	-
Term loans	14,847,911	14,847,911	1,071,002	847,374	12,929,535
Deferred revenue grants	1,825,352	1,825,352	1,825,352	-	-
Revolving fund	-	-	-	-	-
Other current liabilities	2,972,266	2,972,266	2,972,266	-	-
	27,481,177	**27,481,177**	**13,704,268**	**847,374**	**12,929,535**

31 December 2013	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000	1 to 2 years TZS'000	2 to 5 years TZS'000
Loan security fund	6,363,745	6,363,745	6,363,745	-	-
Term loans	15,963,361	15,963,361	1,061,825	1,129,832	13,771,705
Deferred revenue grants	85,695	85,695	85,695	-	-
Revolving fund	786,396	786,396	786,396	-	-
Other current liabilities	3,578,778	3,578,778	3,578,778	-	-
	26,777,975	**26,777,975**	**11,876,439**	**1,129,832**	**13,771,705**

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

(c) Market risk

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

(i) Currency risk

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

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

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Contintued)

c) Market risk (Continued)

(i) Currency risk (Continued)

The table below summarises the exposure to foreign currency exchange rate risk at 31 December 2014. Assets and liabilities are categorasied by currency.(Amounts in TZS'000)

31 December 2014	TZS	USD	Total
Financial assets			
Cash and bank balance	1,558,161	621,934	2,180,095
Fixed deposit	1,159,047	-	1,159,047
Loans to customers	38,988,127	-	38,988,127
Other assets	801,147	-	801,147
Total assets	**42,506,482**	**621,934**	**43,128,416**
Financial liabilities			
Term loans	14,847,911	-	14,847,911
Other liabilities	3,645,704	-	3,645,704
Loan security fund	7,835,648	-	7,835,648
Deferred grants	-	1,825,352	1,825,352
Total liabilities	**26,329,263**	**1,825,352**	**28,154,615**
Net on balance sheet position	**16,177,129**	**(1,203,418)**	**14,973,801**

31 December 2013	TZS	USD	Total
Financial assets			
Cash and bank balance	1,792,220	2,569,610	4,361,830
Fixed deposit	1,726,455	-	1,726,455
Loans to customers	31,121,595	-	31,121,595
Other assets	785,243	-	785,243
Total assets	**35,425,693**	**2,569,610**	**37,995,303**
Financial liabilities			
Term loans	15,963,361	-	15,963,361
Other liabilities	3,578,778	-	3,578,778
Loan security fund	6,363,745	-	6,363,745
Deferred grants	-	85,695	85,695
Total liabilities	**25,905,894**	**85,695**	**25,991,589**
Net on balance sheet position	**9,519,799**	**2,482,915**	**12,003,714**

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

c) Market risk (Continued)

(ii) Interest rate risk

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

31 December 2014	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	-	-	-	-	2,180,095	2,180,095
Fixed deposits	-	1,159,047	-	-	-	1,159,047
Loans to customers	3,898,813	35,089,314	-	-	-	38,988,127
Other assets	-	-	-	-	801,147	801,147
Total assets	**3,898,813**	**36,248,361**	**-**	**-**	**2,981,242**	**43,128,416**
LIABILITIES						
Loan revolving fund	-	-	-	-	-	-
Other liabilities	-	-	-	-	3,645,704	3,645,704
Loan security fund	-	-	-	-	7,835,648	7,835,648
Term loans	-	1,129,832	3,452,192	10,265,887	-	14,847,911
Deferred revenue grants	-	-	-	-	1,825,352	1,825,352
Total liabilities	**-**	**1,129,832**	**3,452,192**	**10,265,887**	**13,306,704**	**28,154,615**
Net assets/(liabilities)	**3,898,813**	**35,118,529**	**(3,452,192)**	**(10,265,887)**	**(10,325,462)**	**14,973,801**

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continuted)

c) Market risk (Continued)

(ii) Interest rate risk

31 December 2013	Up to 1 month TZS'000	From 1 to 12 months TZS'000	From 1 years to 2 years TZS'000	From 2 years and above TZS'000	Non interest bearing TZS'000	total TZS'000
ASSETS						
Cash and bank balances	-	-	-	-	4,361,830	4,361,830
Fixed deposits	-	1,726,455	-	-	-	1,726,455
Loans to customers	43,540	31,078,055	-	-	-	31,121,595
Other assets	-	-	-	-	785,423	785,423
Total assets	**43,540**	**32,804,510**	**-**	**-**	**5,147,253**	**37,995,303**
LIABILITIES						
Loan revolving fund	-	-	-	-	786,396	786,396
Other liabilities	-	-	-	-	3,578,778	3,578,778
Loan security fund	-	-	-	-	6,363,745	6,363,745
Term loans	-	1,061,825	1,129,832	13,498,259	273,445	15,963,361
Deferred revenue grants	-	-	-	-	85,695	85,695
Total liabilities	**-**	**1,061,825**	**1,129,832**	**13,498,259**	**11,088,059**	**26,777,975**
Net assets/(liabilities)	**43,540**	**31,742,685**	**(1,129,832)**	**(13,498,259)**	**(5,940,806)**	**11,217,328**

5. USE OF ESTIMATES AND JUDGEMENTS

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

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

Key sources of estimation uncertainty

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(h)(vii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financials where each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumption and parameters used in determining collective allowances.

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continuted)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes eassociated with the Organisation's process, personnel, technology and infrastructure, and from external factors other than crefit, 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 the Organisation's operations and are faced by all business entities.

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transaction;
- reuirements for reconciliation and monitoring of transactions;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risjs faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remidal actionl
- training and professional development;
- risk mitigation, including insurance where this is effective;
- development of contigency plans and
- compliance with regulatory and other legal requirements;

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

5. USE OF ESTIMATES AND JUDGEMENTS

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

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

Key sources of estimation uncertainty

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Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(h)(vii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financials where each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

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

In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumption and parameters used in determining collective allowances.

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

(ii) Fair values of financial instruments

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

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

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

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

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2014	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Carrying Value TZS'000	Fair Values TZS'000
ASSETS					
Cash and bank balances	-	2,180,095	-	2,180,095	2,180,095
Fixed deposits	-	1,159,047	-	1,159,047	1,159,047
Loans to customers	-	-	38,988,127	38,988,127	38,988,127
Other assets	-	-	801,147	801,147	801,147
Total assets	**-**	**3,339,142**	**38,789,274**	**43,128,416**	**43,128,416**
LIABILITIES					
Loan revolving fund	-	-	-	-	-
Other liabilities	-	-	3,645,704	3,645,704	3,645,704
Loan security fund	-	7,835,648	-	7,835,648	7,835,648
Term loans	-	14,847,911	-	14,847,911	14,847,911
Deferred revenue grants	-	-	1,825,352	1,825,352	1,825,352
Total liabilities	**-**	**22,683,559**	**5,471,056**	**28,154,615**	**28,154,615**

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

(ii) Fair values of financial instruments (continued)

31 December 2013	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Carrying Value TZS'000	Fair Values TZS'000
ASSETS					
Cash and bank balances	-	4,361,830	-	4,361,830	4,361,830
Fixed deposits	-	1,726,455	-	1,726,455	1,726,455
Loans to customers	-	-	31,121,595	31,121,595	31,121,595
Other assets	-	-	785,423	785,423	785,423
Total assets	**-**	**6,088,285**	**31,907,018**	**37,995,303**	**37,995,303**
LIABILITIES					
Loan revolving fund	-	786,396	-	786,396	786,396
Other liabilities	-	-	3,578,778	3,578,778	3,578,778
Loan security fund	-	6,363,745	-	6,363,745	6,363,745
Term loans	-	15,963,361	-	15,963,361	15,963,361
Deferred revenue grants	-	-	85,695	85,695	85,695
Total liabilities	**-**	**23,113,502**	**3,664,473**	**26,777,975**	**26,777,975**

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

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

(iv) Taxes

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

6. INTEREST INCOME

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
Interest on loans to group members:				
-Micro finance	16,254,189	9,802,723	14,417,701	9,026,125
-Small enterprise program	2,315,886	1,396,685	1,714,150	1,073,135
-Adolescent development program	111,369	67,165	79,142	49,546
-Empowerment and livelihood for adolescent program	66,056	39,838	41,299	25,855
-Agriculture	64,867	39,121	-	-
	18,812,367	**11,345,532**	**16,252,292**	**10,174,661**

		2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
7.	**INTEREST EXPENSE**				
	Interest expense on loans from:				
	-BRAC Africa Micro Finance Limited	2,114,120	1,275,002	1,904,503	1,192,304
	-Financial Sector Deepening Trust (FSDT)	266,052	160,453	379,035	237,293
		2,380,172	**1,435,455**	**2,283,538**	**1,429,597**
8.	**FEE AND COMMISSION INCOME**				
	Membership fee	160,410	96,742	146,091	91,459
	Loan appraisal fee	891,231	537,492	718,578	449,862
	Loan application fee	5,940	3,582	6,046	3,785
		1,057,581	**637,816**	**870,715**	**545,106**
9.	**OTHER INCOME**				
	Gain due to early repayment of loan	52,901	31,904	161,906	101,360
	Interest income from bank deposit	328,794	198,292	309,698	193,885
	Other income	145,193	87,564	61,634	38,586
		526,888	**317,760**	**533,238**	**333,831**
10.	**STAFF COSTS AND OTHER BENEFITS**				
	Staff costs	**8,114,889**	**4,894,000**	**6,476,887**	**4,054,821**

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

		2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
11.	**OCCUPANCY EXPENSES**				
	Rent	433,092	261,193	503,325	315,104
	Utilities	95,558	57,630	147,401	92,280
		528,650	**318,823**	**650,726**	**407,384**
12.	**OTHER OPERATING EXPENSES**				
	Maintenance and general expenses	745,861	449,821	809,966	507,075
	Write off	(3,180)	(1,918)	36,214	22,672
	Fund management fee expenses	167,642	101,103	852,980	534,004
	Members death benefit expenses	53,483	32,255	56,885	35,613
	Vehicle running expenses	41,943	25,295	47,541	29,763
	Audit and other legal fees	276,911	167,002	152,459	95,446
	Head Office logistics and management expenses	980,500	591,329	760,184	475,909
	Stationery expenses	213,132	128,538	177,178	110,921
	Other expenses	231,378	139,543	163,646	102,450
		2,707,670	**1,632,968**	**3,057,053**	**1,913,853**

13. TAX EXPENSE

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
Current income tax charge	1,077,170	649,629	1,060,415	663,867
Tax charge in respect of prior years	469,199	282,969	(65,425)	(41,209)
Deferred tax asset over provision in prior year	-	-	13,873	8,685
	1,546,368	**932,598**	**1,008,463**	**631,343**
Tax rate reconciliation	%		%	
Standard rate of income tax	30.0		30.0	
Tax effect of non-deductible expenses	0.9		4.8	
Tax effect of prior year deferred tax asset under provision (taken on)	3.3		0.5	
Effective rate of income tax	**34.2**		**35.3**	

14. CASH AND BANK BALANCES

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
Cash in hand	93,073	54,429	57,530	36,369
Cash at bank	2,087,022	1,220,480	4,304,300	2,721,071
	2,180,095	**1,274,909**	**4,361,830**	**2,757,440**

15. LOANS TO CUSTOMERS

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
Loans to customers (gross)	40,397,532	26,482,453	32,413,911	21,672,083
Provision for impairment on loans to customers [Note-15(a)]	(1,409,405)	(824,213)	(1,292,316)	(816,970)
Foreign currency translation reserve	-	(2,858,166)	-	(1,180,813)
Balance at 31 December	**38,988,127**	**22,800,074**	**31,121,595**	**19,674,300**

Loans to customers are carried at amortised cost. It is estimated that the fair values of advances to customers are approximately the same as the carrying values. All advances to customers are unsecured.

(a) Impairment charge on loans to customers:

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
Balance as at 1 January 2014	1,292,316	816,970	1,168,443	739,783
Impairment charge during the year	842,572	508,146	1,086,285	680,063
Loans written off during the year	(725,483)	(437,531)	(962,412)	(608,413)
Foreign currency translation reserve	-	(63,372)	-	5,537
Balance at 31 December	**1,409,405**	**824,213**	**1,292,316**	**816,970**

16. OTHER ASSETS

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
Advances and prepayments	343,202	200,704	253,554	160,290
Stock of consumables	30,445	17,804	1,452	918
Deposit (BRAC International Loan Facility reserve)	427,500	250,000	404,625	255,794
Receivables from BRAC Maendeleo Tanzania	-	-	26,312	16,634
Receivables from BRAC (formerly BRAC Zanzibar)	-	-	99,480	62,889
	801,147	**468,508**	**785,423**	**496,525**

BRAC MAENDELEO TANZANIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. PROPERTY AND EQUIPMENT

	Furniture & fixtures TZS '000	Equipment TZS '000	Motor vehicle TZS '000	Bicycle TZS '000	Motor Cycle TZS '000	Total TZS '000	Memo Total USD
NBV/Cost							
At 1 January 2013	99,747	147,829	28,868	3,240	19,966	299,650	189,719
Additions	28,399	19,720	4,052	-	-	52,171	32,661
Foreign exchange							
- translation difference	-	-	-	-	-	-	34
At 31 December 2013	128,146	167,549	32,920	3,240	19,966	351,821	222,414
At 1 January 2014	128,146	167,549	32,920	3,240	19,966	351,821	222,414
Additions	72,055	116,395	4,100	-	-	192,550	116,125
Foreign exchange							
- translation difference	-	-	-	-	-	-	(20,193)
At 31 December 2014	200,201	283,944	37,020	3,240	19,966	544,371	318,346
Accumulated depreciation							
At 1 January 2013	47,105	87,232	15,409	2,411	13,693	165,850	105,006
Charge during the year	26,393	80,000	17,052	436	4,237	128,154	80,230
Foreign exchange							
- translation difference	-	-	-	-	-	-	626
At 31 December 2013	73,498	167,232	32,461	2,847	17,966	294,004	185,862
At 1 January 2014	73,498	167,232	32,461	2,847	17,966	294,004	185,862
Charge during the year	20,020	1,967	458	65	1,995	24,505	14,779
Foreign exchange							
- translation difference	-	-	-	-	-	-	(14,378)
At 31 December 2014	93,518	169,199	32,919	2,912	19,961	318,509	186,263
Net book value							
At 31 December 2013	**106,683**	**114,745**	**4,101**	**328**	**5**	**225,862**	**132,083**
At 31 December 2012	**54,648**	**317**	**459**	**393**	**2,000**	**57,817**	**36,552**

18. INTANGIBLE ASSETS

	Total TZS '000	Memo Total USD
Cost		
At 1 January 2014	-	-
Additions	484,617	292,267
Foreign exchange translation difference	-	(8,865)
At 31 December 2014	484,617	283,402
Accumulated amortization		
At 1 January 2014	-	-
Charge during the year	64,616	38,969
Foreign exchange translation difference	-	(1,182)
At 31 December 2014	64,616	37,787
Net book value		
At 31 December 2014	**420,001**	**245,615**
At 31 December 2013	**-**	**-**

19. DEFERRED TAX ASSET

		Memo		Memo
	2014 TZS '000	2014 USD	2013 TZS '000	2013 USD
The movement in the deferred tax asset during the year is as follows:				
Opening balance as at 1 January 2014	1,060,813	670,620	1,008,861	638,746
Credit for the year	(469,199)	(282,969)	65,825	41,209
Overprovision in prior year	-	-	(13,873)	(8,685)
Foreign exchange translation difference	-	(41,678)	-	(650)
At 31 December	**1,127,530**	**345,973**	**1,060,813**	**670,620**
Deferred tax arises from temporary differences on the following items:				
Capital allowances	27,061	15,825	57,307	36,228
Impairment provision – general	422,821	247,264	387,695	245,092
Other provisions	141,732	82,884	615,811	389,300
	591,614	**345,973**	**1,060,813**	**670,620**

20. OTHER LIABILITIES

Accrued expenses	249,110	145,678	232,288	146,849
Payable to Stitching BRAC International – Head office Logistics	1,033,249	604,239	319,473	201,963
Payable to BRAC Bangladesh	544,281	318,293	1,011,581	639,496
Payable to BRAC Maendeleo Tanzania	673,438	393,823	-	-
Current accounts in transit	(157,725)	(92,237)	607,466	384,025
Provisions on withholding tax on transfer of capital allocated to				
- BRAC Tanzania Finance Limited	472,439	276,280	472,439	298,664
Withholding tax on term loans payable	830,912	485,913	935,531	591,419
	3,645,704	**2,131,989**	**3,578,778**	**2,262,416**

21. LOAN SECURITY FUND

Balance as at 1 January 2014	6,363,745	4,023,002	6,137,620	3,885,947
Collection during the year	7,185,493	4,333,492	7,185,493	4,498,440
Withdrawals during the year	(5,713,590)	(3,445,803)	(6,959,368)	(4,356,876)
Foreign exchange translation reserve	-	(328,441)	-	(4,509)
Balance as at 31 December 2014	**7,835,648**	**4,582,250**	**6,363,745**	**4,023,002**

This represents deposits by customers which acts as collateral for the customers' loan obligations to the Company. This is computed at 10% of the customers' approved loan. In the event of any default, the clients forfeit all or part of the deposit to the extent of the amount at risk.

22. TERM LOANS

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
Financial Sector Deepening Trust (FSDT)	1,977,206	1,156,261	3,112,089	1,967,386
BRAC Africa Microfinance Limited	12,597,260	7,366,819	12,577,827	7,951,390
BRAC (Bangladesh)	273,445	159,909	273,445	172,865
	14,847,911	**8,682,989**	**15,963,361**	**10,091,641**
Long term portion of term loans	13,776,909	8,056,672	14,901,537	9,420,382
Current portion of term loans	1,071,002	626,317	1,061,824	671,259
	14,847,911	**8,682,989**	**15,963,361**	**10,091,641**

Further details about the term loans are as follows:

Financial Sector Deepening Trust

The loan carries an interest of 10%, is repaid in equal quarterly instalment of TZS 282,458,050 and shall be fully repaid by September 2016. There was no drawdown during the year.

BRAC Africa Micro Finance Limited

The loan agreement of USD 24.25 million was entered on 27 October 2008 for period of 7 years. Up to 1 January 2013 the Company had drawn USD 10.25 million. The loan was restructured on 17 June 2013 when the interest rate was increased from 12% to 14.85%. During the year, TZS 1.305 billion was repaid. The loan was obtained to finance issue of micro finance loans and pay overhead, capital expenses and similar costs directly incurred in conducting micro finance program.

23. DEFERRED REVENUE GRANTS

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
(a) Donor funds received in advance	85,695	54,174	115,557	73,163
Grants received during the year [Note 22(b)]	1,813,694	1,093,819	48,464	30,340
Grants income utilised during the year	(74,037)	(44,651)	(78,326)	(49,036)
Foreign currency translation difference	-	(35,885)	-	(293)
Balance at 31 December	**1,825,352**	**1,067,457**	**85,695**	**54,174**
(b) Grant received during the year				
Whole Planet Foundation (WPF)	358,895	216,446	-	-
BRAC USA- Disaster, Environment and Climate Change (DECC)	80,550	48,579	-	-
Mwanza Intervention Trials Unit (MITU) Research Project	40,406	24,368	-	-
BRAC USA-Research	82,981	50,045	48,464	30,340
BRAC Maendeleo Tanzania*	1,250,862	754,381	-	-
	1,813,694	**1,093,819**	**48,464**	**30,340**

*On 1 April 2013, BRAC Maendeleo Tanzania entered into grant agreement amounting to GBP 8.2 million with Department for International Development (DFID). Part of this fund amounting to GBP 1.25 million was allocated for disbursment of loans relating to Agriculture and Livestock. During the year, the company issued loans amounting to TZS 1.2 billion.

On 4 September 2014, BRAC Maendeleo Tanzania received grant amounting USD 19,720 from University of Essex which was transferred to BRAC Tanzania Finance Ltd for research purposes.

24. LOAN REVOLVING FUND

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
(a) Revolving funds received in advance	-	-	551,310	349,054
Grants received during the year [Note 23(b)]	-	-	235,086	147,174
Foreign currency translation difference	-	-	-	912
Balance at 31 December	**-**	**-**	**786,396**	**497,140**
(b) Grant received during the year				
BRAC USA	-	-	235,086	147,174
	-	**-**	**235,086**	**147,174**

The Company received grant amounting to USD 496,065 in 2012 from BRAC USA to support microfinance lending. As at 31 December 2014, the funds were fully disbursed as microloans to targered borrowers and upon confirmation from BRAC USA, the balance has been reclassified from loan revolving fund to equity.

25. RELATED PARTY TRANSACTIONS

	2014 TZS '000	Memo 2014 USD	2013 TZS '000	Memo 2013 USD
(a) Due to related parties				
BRAC Africa Microfinance Limited (Loan payable)	12,597,260	7,366,819	12,577,827	7,951,390
BRAC Bangladesh (loan payable)	273,445	159,909	273,445	172,865
BRAC Bangladesh (Expatriate staff and travelling cost)	544,281	318,293	1,011,581	639,496
BRAC USA (Revolving fund)	-	-	786,396	497,140
BRAC USA (DECC)	80,550	48,579	-	-
BRAC USA (Deferred grant)	82,981	50,045	48,464	30,340
BRAC Maendeleo Tanzania	673,438	393,823	-	-
Stitching BRAC International (Head Office logistics and management expenses)	1,033,249	604,239	319,473	201,963
BRAC International Loan Fund (BILF)	427,500	250,000	404,625	255,794
	15,712,704	**9,191,707**	**15,421,811**	**9,748,988**
(b) Due from related parties				
BRAC Maendeleo Tanzania	-	-	26,312	16,634
BRAC (formerly BRAC Zanzibar)	-	-	99,480	62,889
	-	-	125,792	79,523
(c) Expenses incurred during the year by related parties on behalf of the Company:				
Head Office logistics and management expenses*	**980,500**	**591,329**	**760,184**	**475,909**
Expatriate staff and travelling cost*	**986,016**	**576,617**	**865,681**	**541,955**
(d) Interest expense on loans from a related party				
BRAC Africa Micro Finance Limited	**2,114,120**	**1,275,002**	**1,904,503**	**1,192,304**

* The expenses above are subsequently paid by the Company. Payable amount as at the end of the year has been included on the due to related part above.

26. CONTIGENT LIABILITIES

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

27. EVENTS AFTER BALANCE SHEET DATE

At the time of signing the financial statements, the directors are not aware of any events after the year end not otherwise dealt with in these financial statements.

BRAC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

BRAC

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

GENERAL INFORMATION

Members of Governing Council

Name	Position	Nationality
Dr. A. M. R Chowdhury	Chairperson	Bangladeshi
Ms. Rahma Ali Khamis Abdallah	Member	Tanzanian
Mr. Faruque Ahmed	Member	Bangladeshi
Mr. Tanwir Rahman	Member	Bangladeshi

Administrator

Name	Position
Mr. Rakibul Bari Khan	Country Representative

Principal place of business

Plot No 52, Mbweni
P. O. Box 2635
Zanzibar

Registered office

Plot No 52, Mbweni
P. O. Box 2635
Zanzibar

Auditors

KPMG
Certified Public Accountants
11th Floor, PPF Tower
Ohio Street/Garden Avenue
P. O. Box 1160
Dar es Salaam, Tanzania

Bankers

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

BRAC

REPORT OF THE GOVERNING COUNCIL
FOR THE YEAR ENDED 31 DECEMBER 2014

1 The members of Governing Council have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2014, which disclose the state of affairs of BRAC ("the Organisation") as at that date.

2 REGISTRATION

BRAC is a not-for-profit organisation registered under the Societies Act, 1995 of the Zanzibar Revolutionary Government.

3 VISION

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

4 MISSION

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

5 OUR VALUES

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

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

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

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

6 PRINCIPAL ACTIVITIES

The principal activity of the Organisation is the provision of micro finance service to micro and small-scale entrepreneur in the informal sector of the Zanzibar economy. BRAC has also been involved in partnership with people fighting poverty to improve their welfare in the various parts of Zanzibar.

7 FINANCIAL PERFORMANCE

The Organisation's performance during the year ended 31 December 2014 is as follows:

- Total revenue increased by 12% from TZS 674 million in 2013 to TZS 755 million in 2014.
- Loans to customers decreased by 37% from TZS 1,011 million in 2013 to TZS 1,389 million in 2014
- Operating expenses increased by 51% from TZS 582 million in 2013 to TZS 877 million in 2014.

During the year, the Organisation had a loss of TZS 91 million (2013 – profit of TZS 26 million). The statement of financial position as at 31 December 2014 is set out on page 112.

8 RESULTS FROM OPERATIONS

The results for the Organisation for the year ended 31 December 2014 are set out on page 111.

9 COMPOSITION OF MEMBERS OF THE GOVERNING COUNCIL

The members of the Governing Council, who served during the year and up to the date of this report, are set out on page 104.

10 CORPORATE GOVERNANCE

The members of the Governing Council believe that high standards of corporate governance directly influence the Organisation's stakeholder and investor confidence. The members also recognise the importance of integrity transparency and accountability.

11 RISK MANAGEMENT

The members of the Governing Council accept the final responsibility for the risk management and internal control system of the Organisation. The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the organisation's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

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

12 MANAGEMENT STRUCTURE

The Organisation is under the supervision of the members of the Governing Council and the day-to-day management is entrusted to the Country Representative who is assisted by the heads of divisions, departments and units.

The Organisation structure of the Organisation comprises of the following divisions:

- Micro Finance Program (MF);
- Social Enterprise Program (SEP);
- Agriculture and livestock;
- Accounts and finance;
- Internal audit;
- Monitor;
- Loan review;
- Information Technology (IT) and Management Information System (MIS);
- Human resources;
- Training; and
- Procurement, logistics and transportation.

13 RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 21 to the financial statements.

14 FUTURE DEVELOPMENT PLANS

In 2015 the Organisation will extend it programs to remote rural areas in order to reach the poorer section of the population. The Organisation is planning to target 9,000 borrowers aiming to disburse USD 3.0 million as micro loans. Additional 202 borrowers will be targeted for Small Enterprise Loan (SEP). It is expected that USD 0.28 million will be disbursed to the SEP borrowers.

The Organisation will promote the expansion of business for Global Poverty Action Fund (GPAF) farmers by providing financial support and linking the farmers with the urban market through various traders and other service providers such as Community Agriculture Promoter, Community Livestock Promoter and Artificial Insemination Worker.

Training is integral to improve efficiency in management and program delivery. Rigorous staff training in aspect of occupational and functional skills and techniques of community participation and development management will be organised to improve and maintain quality.

Staff drop out is being addressed through regular recruitment of qualified personnel. Capacity building of staff will continue through ongoing training. Staff morale will be raised by highlighting their contribution through appreciation and recognition.

BRAC

REPORT OF THE GOVERNING COUNCIL (Continued.)

15 KEY ACHIEVEMENTS IN 2014

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

- Successful launch of Enterprise Resource Plan (ERP) system (sbiCloud) for the purpose of financial and data management;
- Adoption of a reassessed and comprehensive Human Resources (HR) manual;
- Provide agro finance for extending crop production;
- Increased farmers productivity by 11%;
- Access to quality input and improved technology to 97% of the farmers;

16 SOLVENCY

The members of Governing Council confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The member of Governing Council has reasonable expectation that the Organisation has adequate resources to continue in operational existence for the foreseeable future.

17 EMPLOYEES' WELFARE

Management/employee relationship

There were continued good relation between employees and management for the year 2013. There were no unresolved complaints received by management from the employees during the year.

The Organisation is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

Training

Training and development of staff capacity is one of the key priorities of the Organisation. During the year, all the Branch Accountants received hands-on training for Micro Finance and Small Enterprise programs. The Organisation will continue to train, re-train and develop its staff in order to improve service delivery and innovation.

Medical facilities

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

Retirement benefits

All eligible employees are members of Zanzibar Social Security Fund (ZSSF) and Parastatal Provident Fund (PPF) which are approved pension funds. The Organisation contributes 10% of the employees' gross salary.

The ZSSF and PPF are a defined contribution schemes with BRAC having no legal or constructive obligation to pay further top up contribution.

18 GENDER PARITY

The Organisation had 63 employees in 2014 with 44 being females and 19 males, whilst in 2013 the Organisation, had 60 employees with 41 being females and 19 males.

19 AUDITORS

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

BY ORDER OF THE COUNCIL

…………………………

Tanwir Rahman
Member

31 March 2015

BRAC

STATEMENT OF THE GOVERNING COUNCIL'S RESPONSIBILITIES

The members of the Governing Council are responsible for the preparation of financial statements that give a true and fair view of BRAC comprising the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

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

The members of the Governing Council have made an assessment of the ability of the Organisation to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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

Approval of financial statements

The financial statements of BRAC, as identified in the first paragraph, were approved by the members of the Governing Council on 31 March 2015 and signed by:

…………………………………
Tanwir Rahman
Member

KPMG
Certified Public Accountants
11th Floor, PPF Tower
Ohio Street/Garden Avenue
PO Box 1160
Der es Salaam, Tanzania

Telephone +255 22 2118866
Fax +225 22 2113343
Email info@kpmg.co.tz
Internet www.kpmg.com.pk

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

Report on the financial statements

We have audited the financial statements of BRAC, which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, capital fund and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 108 to 127. The memorandum ("Memo") columns representing amounts in United States Dollars (USD) do not form part of the audited financial statements and accordingly, we do not express an opinion on them.

Members of the Governing Council's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of BRAC at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

Report on other legal and regulatory requirements

In our opinion, proper accounting records have been kept and the financial statements referred to in the preceding paragraph are in agreement with the accounting records.

KPMG
Certified Public Accountants (T)

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11th Floor, PPF Tower
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GOVERNING COUNCIL OF BRAC (Continued)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of BRAC at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Company's Act, 2002.

Report on other legal and regulatory requirements

As per the Companies Act, 2002 we report that:

- in our opinion, preper accounting records have been kept by BRAC;
- the individual accounts are in agreement with accounting records of the Organisation; and
- we ontained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

KPMG
Certified Public Accountants (T)

Signed by: M Salim Bashir
Dar es Salaam

31 March 2015

BRAC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Microfinance 2014 TZS '000	Social Development 2014 TZS '000	Total 2014 TZS '000	Total 2013 TZS '000	Memo Total 2014 USD	Memo Total 2013 USD
Income							
Interest income	6	641,990	-	641,990	572,872	387,177	358,643
Grant income utilised	20(c)	-	71,995	71,995	65,954	43,419	41,290
Other income	7	40,874	-	40,874	34,675	24,651	21,708
Total operating income		**682,864**	**71,995**	**754,859**	**673,501**	**455,247**	**421,641**
Impairment release/(charge) on loans to customers	8	(7,244)	-	(7,244)	4,400	(4,369)	2,755
Operating income after impairment release/(charge) on loans to customers		**675,620**	**71,995**	**747,615**	**677,901**	**450,878**	**424,396**
Operating expenses							
Staff costs	9	(454,797)	(38,245)	(493,042)	(339,320)	(297,348)	(212,429)
Travelling and transportation		(31,175)	(990)	(32,165)	(21,090)	(19,398)	(13,203)
Training, workshop and seminars		(1,683)	(7,886)	(9,569)	(33,274)	(5,772)	(20,831)
Occupancy expenses	10	(106,258)	(2,240)	(108,498)	(22,855)	(65,434)	(14,309)
Other operating expenses	11	(205,431)	(22,634)	(228,065)	(159,371)	(137,543)	(99,773)
Depreciation charge	16	(5,296)	-	(5,296)	(6,760)	(3,194)	(4,232)
Amortisation of capital grants	20(a)	-	-	-	920	-	576
Surplus/(deficit) before taxation		**(129,020)**	**-**	**(129,020)**	**96,151**	**(77,811)**	**60,195**
Tax (expense)/ credit	12	37,924	-	37,924	(69,562)	22,872	(43,549)
(Deficit)/surplus for the year		**(91,096)**	**-**	**(91,096)**	**26,589**	**(54,939)**	**16,646**
Other comprehensive income:							
Foreign currency translation gain/(loss)		-	-	-	-	59,613	(282)
Total comprehensive (deficit)/surplus for the year		**(91,096)**	**-**	**(91,096)**	**26,589**	**4,674**	**16,364**

Notes and related statements forming part of the financial statements.

Report of the auditors is on page 109-110.

BRAC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	Microfinance 2014 TZS '000	Social Development 2014 TZS '000	Total 2014 TZS '000	Total 2013 TZS '000	Memo Total 2014 USD	Memo Total 2013 USD
ASSETS							
Cash and bank balances	13	58,008	-	58,008	104,217	33,923	65,883
Loans to customers	14	1,389,156	-	1,389,156	1,011,118	812,372	639,204
Other assets	15	12,613	137,948	150,561	81,693	88,047	51,644
Property and equipment	16	3,555	-	3,555	7,391	2,079	4,672
Deferred tax asset	17	193,361	-	193,361	155,437	113,077	98,263
Total assets		**1,656,693**	**137,948**	**1,794,641**	**1,359,856**	**1,049,498**	**859,666**
LIABILITIES AND CAPITAL FUND							
Liabilities							
Loan security fund	18	280,998	-	280,998	218,919	164,326	138,395
Other liabilities	19	845,266	232,875	1,078,141	650,989	630,491	411,539
Grants invested in loans	20(b)	36,650	-	36,650		21,433	-
Total liabilities		**1,162,914**	**232,875**	**1,395,789**	**869,908**	**816,250**	**549,934**
Capital fund/(deficit)							
Donor funds		814,454	-	814,454	814,454	514,878	617,946
Accumulated losses		(320,675)	(94,927)	(415,602)	(324,506)	(260,085)	(227,056)
Translation reserve		-	-	-	-	(21,545)	(81,158)
Total capital fund/(deficit)		**493,779**	**(94,927)**	**398,852**	**489,948**	**233,248**	**309,732**
Total liabilities and capital fund		**1,656,693**	**137,948**	**1,794,641**	**1,359,856**	**1,049,498**	**859,666**

The financial statements were approved for issue by the members of Governing Council on 31 March 2015 and signed on its behalf by;

……………………………………..................
Tanwir Rahman
Member

Notes and related statements forming part of the financial statements.

Report of the auditors is on page 109-110.

BRAC

STATEMENT OF CAPITAL FUND
FOR THE YEAR ENDED 31 DECEMBER 2014

	Donor funds Microfinance TZS '000	Accumulated deficit Microfinance TZS '000	Social Development TZS '000	Total TZS '000	Memo Total USD
Balance as at 31 December 2013	**814,454**	**(256,168)**	**(94,927)**	**463,359**	**293,368**
Profit for the year	-	26,589	-	26,589	16,646
Foreign currency translation loss	-	-	-	-	(282)
Balance as at 31 December 2013	**814,454**	**(229,579)**	**(94,927)**	**489,948**	**309,732**
Balance as at 1 January 2014	**814,454**	**(229,579)**	**(94,927)**	**489,948**	**309,732**
Deficit for the year	-	(91,096)	-	(91,096)	(54,939)
Foreign currency translation loss	-	-	-	-	(21,545)
Balance as at 31 December 2014	**814,454**	**(320,675)**	**(94,927)**	**398,852**	**233,248**

Notes and related statements forming part of the financial statements.

Report of the auditors is on page 109-110.

BRAC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Microfinance 2014 TZS '000	Social Development 2014 TZS '000	Total 2014 TZS '000	Total 2013 TZS '000	Memo Total 2014 USD	Memo Total 2013 USD
CASH FLOWS FROM OPERATING ACTIVITIES							
(Deficit)/surplus for the year		(129,020)	-	(129,020)	96,151	(77,811)	60,195
Adjustment for non cash items:							
Depreciation charge		5,296	-	5,296	6,760	3,194	4,232
Amortisation of capital grants		-	-	-	(920)	-	(582)
Loans written off		(7,889)	-	(7,889)	(62,629)	(4,748)	(39,592)
Provision for impairment on loans - and advances		7,244	-	7,244	(4,400)	4,369	(2,755)
		(124,369)	**-**	**(124,369)**	**34,962**	**(74,996)**	**21,498**
Changes in:							
- Other assets		3,126	(71,994)	(68,868)	(72,887)	(36,403)	(46,069)
- Other liabilities		544,035	71,994	616,029	(139,316)	340,459	(88,608)
- Loans to customers		(377,393)	-	(377,393)	167,412	(171,980)	105,285
- Loan security fund		62,079	-	62,079	(27,247)	25,931	(17,462)
- Balance due to related parties		(188,877)	-	(188,877)	97,882	(121,507)	61,748
		(81,399)	**-**	**(81,399)**	**60,806**	**(2,093)**	**36,392**
Tax paid		**-**	**-**	**-**	**-**	**-**	**-**
Cash (used in)/ generated from - operating activities		**(81,399)**	**-**	**(81,399)**	**60,806**	**(2,093)**	**36,392**
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of equipment		(1,460)	-	(1,460)	(3,613)	(881)	(2,262)
CASH FLOWS FROM FINANCING ACTIVITIES							
Grants received for investment in loans - during the year		36,650	-	36,650	-	21,433	-
Net (decrease)/ increase in cash and - cash equivalents		**(46,209)**	**-**	**(46,209)**	**57,193**	**(18,459)**	**34,130**
Cash and cash equivalents at the - beginning of the year		104,217	-	104,217	47,024	65,883	29,773
Foreign exchange translation reserve		-	-	-	-	(13,501)	1,980
Cash and cash equivalents at the - end of the year	13	**58,008**	**-**	**58,008**	**104,217**	**33,923**	**65,883**

Notes and related financial statements forming part of the financial statements.

Report of the auditors is on page 109-110.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. REPORTING ENTITY

BRAC is a not-for-profit organisation registered under the Societies Act, 1995 of the Zanzibar Revolutionary Government. BRAC is situated at House No-KS/MJ/205E, Plot No-52, Mbweni, P O Box 2635, Zanzi**bar.**

2. BASIS OF PREPARATION

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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 2014 of TZS 1,710.00 (2013: 1,581.84) to USD 1 except for additions to property and equipment which were translated at an average rate for the period of TZS 1,658.13 (2013: 1,597.33) to USD 1;
- Income and expenses were translated using an average exchange rate for the period of TZS 1,658.13 (2013: 1,597.33) to USD 1;
- Equity is not translated; and
- All resulting exchange differences are being recognised in other comprehensive income.

These financial statements are presented in Tanzanian Shillings, which is the BRAC's functional currency and presentation currency. Except as indicated, financial information presented in Tanzania shillings has been rounded to the nearest thousands (TZS'000).

(d) Use of estimates and judgements

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency transactions

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(b) Interest income and expense

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

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

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

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

(c) Fees and commission income

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

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

(d) Grants

(i) Deferred grants

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

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

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

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

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

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

(ii) Grant income

Grant income is recognized on a cash basis to the extent that the Organisation fulfils the conditions of the grant. This income is transferred from the deferred grant received from donors and recognized as income in the statement of profit or loss.

A substantial portion of the Organisation's donor grants are for funding of Not-for-profit projects and programs, and for these grant, income recognized is matched to the extent of actual expenditures incurred on projects and programs for the period.

For donor grants restricted to funding procurement of fixed assets, the grant income is recognised as the amount equivalent to depreciation expenses charged on the fixed assets.

(e) Lease payments made

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(f) Income tax expense

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

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(g) Financial assets and liabilities

(i) Recognition

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

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

(ii) Classification

The Organisation classifies this financials assets and liabilities into the following caterogies: loans and receivables, cash and cash equivalent and accounts payables. Management determines the classification of its investments at initial recognition.

Cash and cash equivalent

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

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

Loan and receivables

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

Trade and other payables

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(g) Financial assets and liabilities (Continued)

(iii) De-recognition

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

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

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

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

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

The Organisation writes off certain loans when they are determined to be uncollectible [see Note49a)].

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(g) Financial assets and liabilities (Continued)

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, Organisation measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the organisation establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Organisation where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the BRAC believes a third-party market participant would take them into account in pricing a transaction.

(vii) Identification and measurement of impairment

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

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

The Organisation considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances securities are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Organisation uses statistical modelling of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(h) Property and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

The estimated useful lives for the current and comparative periods are as stated:

Furniture & fixtures	10%
Equipment	25%
Vehicles	20%
Bicycles	20%
Motor cycles	20%

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

(i) Impairment of non-financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(j) Security deposits from customers and term loans

The organisation classifies capital instruments i.e security deposits as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

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

(k) Provisions

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

(l) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

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

(m) Standards adopted during the year

The accounting policies adopted are consistent with those of the previous financial year, except for the following relevant amended standards and interpretations effective as of 1 January 2014:

Amendments to standards and interpretations effective and adopted during the year

New standard or amendments	Effective for annual periods beginning on or after
• Amendments to IAS 32 - Offsetting financial assets and financial liabilities (2011)	1 January 2014
• IFRIC 21 Levies (2013)	1 January 2014

Amendments to IAS 32: Offsetting financial assets and financial liabilities (*effective for annual periods beginning on or after 1 January 2014).*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The adoption of the amendments did not have any significant impact on the financial statements of the Organisation.

IFRIC 21: Levies *(effective for annual periods beginning on or after 1 January 2014).*

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs. The adoption of the amendments did not have any significant impact on the financial statements of the Organisation

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(n) Relevant new and amended standards in issue but not yet effective for the year ended 31 December 2014

New standard or amendments	Effective for annual periods beginning on or after
• Defined benefit plans: Employee contributions (amendments to IAS 19)	1 July 2014
• Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciations and amortisation	1 January 2016
• Disclosure initiative (amendments to IAS 1)	1 January 2016
• IFRS 15 Revenue from contracts with customers	1 January 2017
• IFRS 9 Financial instruments (2014)	1 January 2018

All standards and Interpretations will be adopted at their effective date.

Defined benefit plans – Employee contributions (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for the practical expedient, an entity is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted. The adoption of these changes will not affect the amounts and disclosures of the Company's defined benefits obligations.

***Clarification of acceptable methods of depreciation and amortisation* (amendments to IAS 16 and IAS 38)**

The amadentments to IAS 16 Property, *Pland and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, pland and eqipment.

The amendments to IAS 38 *Intangible Assets* introduce a rebutable presumption that the use of revenue-based amortization methods for intangible assets in inappropriate. The presumption can be overcome only whem revenue and the comsumption of the economic benefits of the intangible assets are 'highly correlated', or when the intagible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods begining on or after 1 January 2016 and early adoption is permitted. The adoption of these changes will not affect the amount and disclousures of the Organisation's property and equipment and intable assets.

***Disclosure initiative* (Amendments to IAS 1)**

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The adoption of these changes will not bring any major change in the disclosure of the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continuted)

(n) Relevant new and amended standards in issue but not yet effective for the year ended 31 December 2014 (continued)

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 T*ransfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognizing revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 9: Financial Instruments (2014)

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

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The adoption of this standard is expected to have a significant impact in the financial statements of the Company. The Company is currently assessing the potential impact on its financial statements resulting from the application of IFRS 9.
The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The adoption of these changes will not bring any major change in the disclosure of the Company's financial statements.

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

Introduction and overview

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

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

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

(a) Credit risk

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

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

Management of credit risk

For risk management reporting purposes, the BRAC considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

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

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

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

Impaired loans

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

Past due but not impaired loans

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

Allowances for impairment

The Organisation establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for Organisation's 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:

Loans to customers

Microfinance	**2014 TZS '000**	**2013 TZS '000**
Carrying amout		
Standard	1,416,164	1,027,619
Watch List	1,027	2,822
Substandard	267	1,553
Doubtful	-	-
Loss	3,272	11,343
	1,420,730	**1,043,337**
Allowance for impairment	(31,574)	(32,219)
Net loans	**1,389,156**	**1,011,118**
Balance at 1 January	32,219	99,248
Provision made during the year	7,244	(4,400)
Loans written off during the year	(7,889)	(62,629)
	31,574	**32,219**

Write-off policy

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

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

(b) Liquidity risk

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

Management of liquidity risk

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

Residual contractual maturities of financial liabilities.

	Carrying amount TZS '000	Contractual cash flows TZS '000	Within 1 year TZS '000
Consolidated			
31 December 2014			
Loan security fund	280,998	280,998	280,998
Other current liabilities	1,078,141	1,078,141	1,078,141
Total liabilities	**1,359,139**	**1,359,139**	**1,359,139**
31 December 2013			
Loan security fund	218,919	218,919	218,919
Other current liabilities	650,989	650,989	650,989
Total liabilities	**869,908**	**869,908**	**869,908**
Microfinance			
31 December 2014			
Loan security fund	280,998	280,998	280,998
Other current liabilities	845,266	845,266	845,266
Total liabilities	**1,126,264**	**1,126,264**	**1,126,264**
31 December 2013			
Loan security fund	218,919	218,919	218,919
Other current liabilities	490,108	490,108	490,108
Total liabilities	**709,027**	**709,027**	**709,027**
Social development			
31 December 2014			
Other current liabilities	**232,875**	**232,875**	**232,875**
31 December 2013			
Other current liabilities	**160,881**	**160,881**	**160,881**

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

4. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

(c) Market risk

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

(i) Currency risk

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

The Organisation's strategy for managing its foreign currency exposure is through transacting mainly using its functional currency.

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

During the year the Organisation did not incur transactions in other foreign currencies.

(ii) Interest rate risk

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

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

(c) **Market risk (Continued)**

(ii) **Interest rate risk**

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

Consolidated **31 December 2014**	**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	-	-	-	-	58,008	58,008
Loans to customers*	40,067	1,380,664	-	-	-	1,420,731
Other assets	-	-	-	-	150,561	150,561
Total assets	**40,067**	**1,380,664**	**-**	**-**	**208,569**	**1,629,300**
LIABILITIES						
Loan security fund	-	-	-	-	(280,998)	(280,998)
Other liabilities	-	-	-	-	(1,078,141)	(1,078,141)
Deferred grants	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**(1,359,139)**	**(1,359,139)**
Net assets/(liabilities)	**40,067**	**1,380,664**	**-**	**-**	**(1,150,570)**	**270,161**

* Loans and advances to customers outstanding as at 31 December 2014, before impairment.

31 December 2013						
ASSETS						
Cash and bank balances	-	-	-	-	104,217	104,217
Loans to customers	461	1,010,657	-	-	-	1,011,118
Other assets	-	-	-	-	81,693	81,693
Total assets	**461**	**1,010,657**	**-**	**-**	**185,910**	**1,197,028**
LIABILITIES						
Loan security fund	-	-	-	-	(218,919)	(218,919)
Other liabilities	-	-	-	-	(650,989)	(650,989)
Deferred grants	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**(869,908)**	**(869,908)**
Net assets/(liabilities)	**461**	**1,010,657**	**-**	**-**	**(683,998)**	**327,120**

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

(c) **Market risk (Continued)**

(ii) **Interest rate risk** (Continued)

Microfinance

31 December 2014	**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	-	-	-	-	58,008	58,008
Loans to customers*	40,067	1,380,664	-	-	-	1,420,731
Other assets	-	-	-	-	12,613	12,613
Total assets	**40,067**	**1,380,664**	**-**	**-**	**70,621**	**1,491,352**
LIABILITIES						
Loan security fund	-	-	-	-	(280,998)	(280,998)
Other liabilities	-	-	-	-	(845,266)	(845,266)
Total liabilities	**-**	**-**	**-**	**-**	**(1,126,264)**	**(1,126,264)**
Net assets/(liabilities)	**40,067**	**1,380,664**	**-**	**-**	**(1,055,643)**	**365,088**

* Loans and advances to customers outstanding as at 31 December 2014, before impairment.

31 December 2013	**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	-	-	-	-	104,217	104,217
Loans to customers	461	1,010,657	-	-	-	1,011,118
Other assets	-	-	-	-	15,739	15,739
Total assets	**461**	**1,010,657**	**-**	**-**	**119,956**	**1,131,074**
LIABILITIES						
Loan security fund	-	-	-	-	(218,919)	(218,919)
Other liabilities	-	-	-	-	(490,108)	(490,108)
Total liabilities	**-**	**-**	**-**	**-**	**(709,027)**	**(709,027)**
Net assets/(liabilities)	**461**	**1,010,657**	**-**	**-**	**(589,071)**	**422,047**

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

(c) **Market risk (Continued)**

(ii) **Interest rate risk** (Continued)

Social development **31 December 2014**	**Up to 1 month TZS '000**	**From 1 to 12 months TZS '000**	**From 1 years to 2 years TZS '000**	**From 2 years and above TZS '000**	**Non interest bearing TZS '000**	**Total TZS '000**
ASSETS						
Other assets	-	-	-	-	137,948	137,948
LIABILITIES						
Other liabilities	-	-	-	-	(232,875)	(232,875)
Net assets/(liabilities)	**-**	**-**	**-**	**-**	**(94,927)**	**(94,927)**
31 December 2013						
ASSETS						
Other Receivables	-	-	-	-	65,954	65,954
LIABILITIES						
Other liabilities	-	-	-	-	(160,881)	(160,881)
Net assets/(liabilities)	**-**	**-**	**-**	**-**	**(94,927)**	**(94,927)**

(d) **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes eassociated with the Organisation's process, personnel, technology and infrastructure, and from external factors other than crefit, 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 the Organisation's operations and are faced by all business entities.

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transaction;
- reuirements for reconciliation and monitoring of transactions;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risjs faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remidal actionl
- training and professional development;
- risk mitigation, including insurance where this is effective;
- development of contigency plans and
- compliance with regulatory and other legal requirements;

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

5. USE OF ESTIMATES AND JUDGEMENTS

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

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

Key sources of estimation uncertainty

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(g)(vii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial where each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

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

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

(iv) Taxes

The Company is subjected to several taxes and levies by the government and quasi-government regulatory bodies. As a sule of thumb, the Company recognises leanilities for the anticipated tax/levies payable with utmost case 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

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.

5. USE OF ESTIMATES AND JUDGEMENTS (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:

Microfinance

31 December 2014	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	Carrying Value TZS '000	Fair Values TZS '000
ASSETS					
Cash and bank balances	-	58,008	-	58,008	58,008
Loans to customers	-	-	1,389,156	1,389,156	1,389,156
Other assets	-	-	12,613	12,613	12,613
Total assets	**-**	**58,008**	**1,401,769**	**1,459,777**	**1,459,777**
LIABILITIES					
Loan revolving fund	-	-	-	-	-
Other liabilities	-	-	845,266	845,266	845,266
Loan security fund	-	-	280,998	280,998	280,998
Deferred revenue grants	-	-	36,650	36,650	36,650
Total liabilities	**-**	**-**	**1,162,914**	**1,162,914**	**1,162,914**

Social development

31 December 2014	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	Carrying Value TZS '000	Fair Values TZS '000
ASSETS					
Cash and bank balances	-	-	-	-	-
Other assets	-	-	137,948	137,948	137,948
Total assets	**-**	**-**	**137,948**	**137,948**	**137,948**
LIABILITIES					
Loan revolving fund	-	-	-	-	-
Other liabilities	-	-	232,875	232,875	232,875
Total liabilities	**-**	**-**	**232,875**	**232,875**	**232,875**

5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

(iv) Fair values of financial instruments (Continued)

Microfinance

31 December 2013	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	Carrying Value TZS '000	Fair Values TZS '000
ASSETS					
Cash and bank balances	-	104,217	-	104,217	104,217
Loans to customers	-	-	1,011,118	1,011,118	1,011,118
Other assets	-	-	15,739	15,739	15,739
Total assets	**-**	**104,217**	**1,026,857**	**1,131,074**	**1,131,074**
LIABILITIES					
Loan revolving fund	-	-	-	-	-
Other liabilities	-	-	490,108	490,108	490,108
Loan security fund	-	-	218,919	218,919	218,919
Total liabilities	**-**	**-**	**709,027**	**709,027**	**709,027**

Social development

31 December 2013	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	Carrying Value TZS '000	Fair Values TZS '000
ASSETS					
Cash and bank balances	-	-	-	-	-
Other assets	-	-	65,954	65,954	65,954
Total assets	**-**	**-**	**65,954**	**65,954**	**65,954**
LIABILITIES					
Loan revolving fund	-	-	-	-	-
Other liabilities	-	-	160,881	160,881	160,881
Total liabilities	**-**	**-**	**160,881**	**160,881**	**160,881**

6. INTEREST INCOME

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Microfinance				
Interest on loans to group members:				
- Micro finance	568,671	527,900	342,959	330,489
- Small enterprise program	71,840	44,972	43,326	28,154
- Agri-finance	1,479	-	892	-
	641,990	**572,872**	**387,177**	**358,643**

7. OTHER INCOME

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Microfinane				
Loan application fee	250	140	151	88
Loan appraisal fee	31,164	24,040	18,795	15,050
Gain due to early repayment of loan	1,660	5,275	1,001	3,302
Other income	1,448	1,104	873	691
Membership fees	6,352	4,116	3,831	2,577
	40,874	**34,675**	**24,651**	**21,708**

8. PROVISION FOR IMPAIRMENT- ON LOANS TO CUSTOMERS

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Microfinance				
Balance at 1 January	32,219	99,248	20,386	62,837
Impairment charge/(release) on loans to customers	7,244	(4,400)	4,369	(2,755)
Loans written off during the year	(7,889)	(62,629)	(4,748)	(39,592)
Foreign currency translation reserve	-	-	352	(122)
Balance at 31 December	**31,574**	**32,219**	**20,359**	**20,368**

9. STAFF COSTS

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Microfinance	454,797	314,887	274,283	197,133
Social development (Appendix I)	38,245	24,433	23,065	15,296
	493,042	**339,320**	**297,348**	**212,429**

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

10. OCCUPANCY EXPENSES

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Microfinance				
Rent	103,310	17,628	62,305	11,036
Utilities	2,948	4,865	1,778	3,046
	106,258	**22,493**	**64,083**	**14,082**
Social development				
Rent	**2,240**	**362**	**1,351**	**227**
	108,498	**22,855**	**65,434**	**14,309**

11. OTHER OPERATING EXPENSES

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Microfinance				
Maintenance and general expenses	30,278	28,636	18,260	17,927
Audit fees	25,386	17,150	15,310	10,737
Other legal and consultancy fees	14,860	-	8,962	-
Office stationery	4,739	5,750	2,858	3,600
Head Office logistics and management expenses	130,168	97,881	78,503	61,278
	205,431	**149,417**	**123,893**	**93,542**
Social development				
Program supplies, Maintenance and general expenses	22,487	9,573	13,561	5,993
Office stationery	147	381	89	238
	22,634	**9,954**	**13,650**	**6,231**
	228,065	**159,371**	**137,543**	**99,773**

12. TAX EXPENSE

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Microfinance				
Deferred tax (charge)/credit	37,924	(69,562)	22,872	(43,549)
	37,924	**(69,562)**	**22,872**	**(43,549)**

13. CASH AND BANK BALANCES

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Microfinance				
Cash in hand	1,151	4,939	673	3,122
Mobile money – Vodacom account	13	-	8	-
Cash at bank	56,844	99,278	33,242	62,761
	58,008	**104,217**	**33,923**	**65,883**

14. LOANS TO CUSTOMERS

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Microfinance				
Loans to customers (gross)	1,420,730	1,043,337	830,836	658,856
Provision for impairment on loans to customers (Note 8)	(31,574)	(32,219)	(20,359)	(20,368)
Foreign currency translation reserve	-	-	1,895	716
Balance at 31 December	**1,389,156**	**1,011,118**	**812,372**	**639,204**

Advances to customers are carried at amortised cost. It is estimated that the fair values of advances to customers are approximately the same as the carrying values. All advances to customers are unsecured.

15. OTHER ASSETS

	2014 TZS '000	Memo 2013 TZS '000	2014 USD	Memo 2013 USD
Microfinance				
Advances and prepayments	11,709	15,982	6,847	10,104
Stock and stores	904	(243)	529	(154)
	12,613	**15,739**	**7,376**	**9,950**
Social development				
Receivable from BRAC Maendeleo Tanzania	137,948	65,954	80,671	41,694
	150,561	**81,693**	**88,047**	**51,644**

16. PROPERTY AND EQUIPMENT

Microfinance	Furniture & fixtures TZS '000	Equipment TZS '000	Motor cycles TZS '000	Total TZS '000	Memo Total USD
Cost					
At 1 January 2013	23,433	6,738	9,823	39,994	25,322
Additions during the year	912	2,701	-	3,613	2,262
Foreign currency translation reserve	-	-	-	-	(17)
Balance at 31 December 2013	**24,345**	**9,439**	**9,823**	**43,607**	**27,567**
At 1 January 2014	24,345	9,439	9,823	43,607	27,567
Additions during the year	1,460	-	-	1,460	881
Balance at 31 December 2014	**25,805**	**9,439**	**9,823**	**45,067**	**26,355**
Accumulated depreciation					
At 1 January 2013	19,186	6,268	4,002	29,456	18,650
Charge for the year	2,435	2,360	1,965	6,760	4,232
Foreign currency translation reserve	-	-	-	-	13
Balance at 31 December 2013	**21,621**	**8,628**	**5,967**	**36,216**	**22,895**
At 1 January 2014	21,621	8,628	5,967	36,216	22,895
Charge for the year	2,581	750	1,965	5,296	3,194
Foreign currency translation reserve	-	-	-	-	(1,813)
Balance at 31 December 2014	**24,202**	**9,378**	**7,932**	**41,512**	**24,276**
Net book value					
At 31 December 2014	**1,603**	**61**	**1,891**	**3,555**	**2,079**
At 31 December 2013	**2,724**	**811**	**3,856**	**7,391**	**4,672**

17. DEFERRED TAX ASSET

Microfinance	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
The movement in the deferred tax asset during-				
At 1 January	155,437	224,999	98,263	142,455
Credit/(charge) for the year	37,924	(69,562)	23,975	(43,549)
Foreign exchange translation	-	-	(9,161)	(643)
At 31 December	**193,361**	**155,437**	**113,077**	**98,263**
Deferred tax arises from temporary- differences on the following items:				
Property and equipment	4,267	3,721	2,496	2,352
Tax losses carried forward	179,266	141,943	5,747	89,773
Impairment provision - general	9,828	9,666	104,834	6,110
At 31 December	**193,361**	**155,330**	**113,077**	**98,235**
Tax rate reconciliation	**%**	**%**		
Standard rate of income tax	30	30		
Tax effect of prior year deferred tax (over)/under provision	(0.1)	41.6		
Tax effect of non deductible expenses	(0.5)	0.7		
Effective rate of income tax	**29**	**72.3**		

18. LOAN SECURITY FUND

Microfinance	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Balance at 1 January	218,919	246,166	138,395	155,857
Collection during the year	102,970	86,769	62,100	54,321
Withdrawals during the year	(40,891)	(114,016)	(24,661)	(71,379)
Foreign currency translation reserve	-	-	(11,508)	(404)
	280,998	**218,919**	**164,326**	**138,395**

This represents deposits by customers which act as collateral for loans advanced to them. It is computed as 10% of the customers' approved loan. When customers default on their loans, part or the whole of the deposit is utilised to make good the outstanding balances from the respective customers.

19. OTHER LIABILITIES

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Microfinance				
Current accounts in transit	727,865	247,773	425,652	156,636
Provisions	73,002	9,059	42,691	5,727
Due to related parties [Note 21(a)]	44,399	233,276	25,964	147,472
	845,266	**490,108**	**494,307**	**309,835**
Social development				
Liabilities for expenses – accruals	-	-	-	-
Current account in transit	232,865	160,714	136,178	101,599
Provisions	640	-	374	-
Revolving fund (Health)	-	13	-	8
Revolving fund (Livestock)	(630)	242	(368)	153
Revolving fund (Agriculture)	-	(88)	-	(56)
	232,875	160,881	136,184	101,704
	1,078,141	650,989	630,491	411,539

20. DEFERRED GRANTS

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
Microfinance				
(a) Movement in deferred capital grants during the year is as follows:				
At 1 January	-	920	-	582
Fund received for investment in loan from BRAC Maendeleo Tanzania during the year*	36,650	-	22,103	-
Transfer to Grants invested in Loans	(36,650)	-	(22,103)	-
Amortisation during the year	-	(920)	-	(576)
Foreign currency translation	-	-	-	(6)
	-	-	-	-
(b) Grants invested in Loans				
Balance at 1 January	-	-	-	-
Transferred from grants received in advance*	36,650	-	22,103	-
Amount transferred to equity	-	-	-	-
Translation reserve	-	-	(670)	-
	36,650	-	21,433	-
(c) Social development (Appendix II)				
Movement in deferred revenue grants during the year is as follows:				
Balance at 1 January	**-**	**-**	**-**	**-**
Transfer from BRAC Maendeleo Tanzania	71,995	65,954	43,419	41,290
Grants income utilised during the year	(71,995)	(65,954)	(43,419)	(41,290)
Foreign currency translation	-	-	-	-
Balance at 31 December	**-**	**-**	**-**	**-**

*On 1 April 2013, BRAC Maendeleo Tanzania entered into grant agreement amounting to GBP 8.2 million with Department for International Development (DFID). Part of this fund amounting to GBP 1.25 million was allocated for disbursement of loans relating to Agriculture and Livestock. During the year, the Organisation issued loans amounting to TZS 36 million.

21. RELATED PARTY TRANSACTIONS

	2014 TZS '000	2013 TZS '000	Memo 2014 USD	Memo 2013 USD
(a) Due to related parties:				
Microfinance				
Stichting BRAC International	44,399	133,796	25,964	84,583
BRAC Tanzania Finance Limited	-	99,480	-	62,889
	44,399	**233,276**	**25,964**	**147,472**
(b) Due from related parties:				
Social Development				
BRAC Maendeleo Tanzania	**137,948**	**65,954**	**80,671**	**41,694**
(c) Head Office logistics and management expenses-incurred on behalf:				
Microfinance				
Stichting BRAC International	44,399	133,796	25,964	84,583
BRAC Tanzania Finance Limited	-	1,598	-	1,010
	44,399	**135,394**	**25,964**	**85,593**

22. CONTINGENT LIABILITIES

The members of the Governing Council are not aware of any contingent liabilities as at the date of this report.

23. SUBSEQUENT EVENTS

At the time of signing these financial statements, the members of the Governing Council are not aware of any events after the year end not otherwise dealt with in these financial statements.

BRAC

APPENDICES - SEGMENTAL INFORMATION

BRAC and Global Poverty Alleviation Fund (GPAF)

Appendix I - Statement of profit or loss and other comprehensive income for the year ended 31 December 2014

Social development		**Agriculture, poultry & livestock**			**Agriculture, poultry & livestock**	
			Total			**Total**
	BRAC	**GPAF**		**BRAC**	**GPAF**	
	TZS '000	**TZS '000**	**TZS '000**	**USD**	**USD**	**USD**
Income						
Grant income utilised	-	71,995	71,995	-	42,102	42,102
Operating expenses						
Staff costs	-	(38,245)	(38,245)	-	(22,365)	(22,365)
Travelling and transportation	-	(990)	(990)	-	(580)	(580)
Training, workshop and seminars	-	(7,886)	(7,886)	-	(4,612)	(4,612)
Occupancy expenses	-	(2,240)	(2,240)	-	(1,310)	(1,310)
Other operating expenses	-	(22,634)	(22,634)	-	(13,235)	(13,235)
Total operating expenses	**-**	**(71,995)**	**(71,995)**	**-**	**(42,102)**	**(42,102)**
Profit for the year	**-**	**-**	**-**	-	-	-

APPENDICES - SEGMENTAL INFORMATION

BRAC and Global Poverty Alleviation Fund (GPAF)

Appendix II - Statement of financial position as at 31 December 2014

Social development	Agriculture, poultry & livestock			Agriculture, poultry & livestock		
			Total			**Total**
	BRAC	**GPAF**		**BRAC**	**GPAF**	
	TZS '000	**TZS '000**	**TZS '000**	**USD**	**USD**	**USD**
ASSETS						
Other Assets	-	137,948	137,948	-	80,672	80,672
LIABILITIES AND CAPITAL DEFICIT						
Liabilities						
Other liabilities	94,927	137,948	232,875	55,513	80,672	136,185
Capital deficit						
Accumulated deficit	(94,927)	-	(94,927)	(55,513)	-	(55,513)
Translation reserve	-	-	-	-	-	-
Total capital deficit	**(94,927)**	**-**	**(94,927)**	**(55,513)**	**-**	**(55,513)**
Total liabilities and capital deficit	**-**	**137,948**	**137,948**	**-**	**80,672**	**80,672**

BRAC Communications/AR14/July15

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