Tanzania

BRAC started its work in Tanzania in 2006, with microfinance and livelihood development programmes, creating opportunities for the poor in agriculture, livestock and poultry; its health care programme preventing illness and treating tens of thousands of Tanzanians; and its empowerment and livelihood for adolescents clubs placing a special emphasis on the country's youth.

What started out in 1972 in a remote village of Bangladesh as a limited relief operation, turned into the largest development organisation in the world. Of major non-governmental organisations, BRAC is one of the few based in the global south.

Today, BRAC is a development success story, spreading solutions born in Bangladesh to 10 other countries around the world – a global leader in creating opportunity for the world's poor. Organising the poor using communities' own human and material resources, it catalyses lasting change, creating an ecosystem in which the poor have the chance to seize control of their own lives. We do this with a holistic development approach geared toward inclusion, using tools like microfinance, education, healthcare, legal services, community empowerment and more.

Our work now touches the lives of an estimated 126 million people across the world, with staff and BRAC-trained entrepreneurs numbering in the hundreds of thousands – a global movement bringing change to 11 countries in Asia, Africa and the Caribbean.

CONTENTS

Vision, Mission and Values

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 men and women to realise their potential.

Values

Innovation

For forty years, BRAC 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

We value transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. We hold these to be the most essential elements of our work ethic.

Inclusiveness

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

Effectiveness

We value 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.

Chairperson's Statement

It gives me great pleasure to present the annual report and the audited financial statements for the year ended 31 December 2012.

Agriculture plays a crucial role in Tanzania's economy, contributing an estimated 30 per cent of the GDP, and employing nearly 80 per cent of the country's workforce. Maize is the most important food crop in Tanzania, accounting for 31 per cent of the total food crop production. However, poor quality seeds, antiquated agricultural inputs and the use of traditional rain-fed agricultural crop cultivation systems have led to poor crops returns. BRAC has initiated a project with funding from the Department for International Development (DFID) of UK to provide quality, affordable agriculture inputs and training to the communities, with a special focus to helping the women and poor farmers in Tanzania.

Market access is a key issue for farmers in Tanzania as they do not receive fair prices when selling their poultry and livestock products at the local markets. We are in the process of training local traders in this regard so they purchase these products and sell to the urban markets. This will not only facilitate the development of value chain, but also establish competitive market prices for poultry and livestock products. We will also undertake activities to encourage small-scale farmers to participate in poultry and dairy farming.

In the long run, we aim to build the capacity of existing agro-dealers to help them introduce new product lines and increase marketing efficiency by selecting existing entrepreneurs who are trained in technical and business aspects of inputs retail. With this we hope to establish a linkage between agro-vet service providers and wholesalers.

Young people are burdened by three key challenges in their lives - staying healthy, achieving a sustainable income, and to voice their concerns. Tanzania has the 10th largest youth population; 47 per cent of the population are under-15 and the ‘youth boom’ is expected in the next decade. Funded by the Nike Foundation and UNICEF, with support from the MasterCard Foundation and the London School of Economics, our empowerment and livelihood for adolescents (ELA) programme now includes 7,398 girl members in 180 clubs, who are provided with credit support for financial empowerment in combination with life skills, financial literacy and livelihood. A number of these girls have set up small businesses and earning a steady income. This year, we initiated a pre-primary school programme to address the fact that many children enrolled in school drop-out before completing primary education, a majority being girls. The programme is being operated in the premises of the ELA clubs and the mentors of the clubs are selected as teachers for the schools. The children between the ages of five and six years are engaged in joyful learning with courses to better prepare them for formal schools.

In 2012, we disbursed USD 46.57 million through our microfinance programme and our number of borrowers is 104,225. To maintain transparency and sustainability, we have introduced support programmes such as the branch and loan review units. We also registered as a member of the Tanzanian Association of Microfinance Institution, through which we expect to gain a more detailed understanding of the country’s microfinance industry. We have piloted the use of the mobile money repayment system, which reduces the additional cost of borrowers’ repayments.

I would like to take this opportunity to thank our team in Tanzania who have worked diligently under difficult circumstances. I extend my sincere thanks to the members of the governing body, whose leadership and foresight has been of great value. As situation continues to evolve, BRAC will continue to re-evaluate its strategy. I thank the Tanzanian government and our development partners in Tanzania for their continued support as we strive to create greater value in our services to contribute towards the progress and prosperity of Tanzania.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson
BRAC & BRAC International

BRAC International
Governance and Management

1. Governance

1.1 The legal status of BRAC International

BRAC International is registered as Stichting BRAC International, a foundation registered 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 & legal services programmes. BRAC International Holdings B.V. is a wholly owned subsidiary of Stichting BRAC International. BRAC International's microfinance, programme supporting enterprises and finance company are consolidated under this wing. Programme supporting enterprises currently include seed production, feed mill, training centres and tissue culture lab.

BRAC International has introduced programmes in Afghanistan, Haiti, Sri Lanka, Pakistan, Uganda, Tanzania, South Sudan, Sierra Leone, Liberia and Philippines. In each of these countries, BRAC International 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 among distinguished individuals with sound reputations in social development, business or the professions who have demonstrated their personal commitment to pro-poor causes. These individuals are elected to the governing body to bring their diverse skills, knowledge and experiences to the governance of BRAC International. At present, there are 10 members on 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
Member	:	Dr Mahabub Hossain
		Muhammad A (Rumee) Ali
		Ms Susan Davis
		Ms Sylvia Barren
		Dr Debopriya Bhattacharya
		Ms Shabana Azmi
		Mr Shafiq ul Hassan
		Ms Parveen Mahmud
		Ms Irene Zubaida Khan

The composition of the present Governing body of BRAC International Holdings B.V. is as follows:

Chairperson	:	Sir Fazle Hasan Abed
Member	:	Dr Mahabub Hossain
		Muhammad A (Rumee) Ali
		Ms Susan Davis
		Ms Sylvia Borren
		Orangefield Trust (Netherlands) B.V.

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

1.3 Local Boards

Each country entities have a local board. We have aimed to pursue microfinance and non-microfinance activities through separate entities in most of our countries. The local board members are appointed by the 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.

1.4 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 normal 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 B.V. 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 relevant countries' laws.

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, for its preparation, disclosure and maintenance of a commendable financial reporting platform.

2. Management

At all levels of BRAC International management, there is a clear-cut policy regarding the authority of each level of staff, and staff are adequately equipped and empowered to act as effective managers. This is clearly set out in BRAC International's Human Resources Policies and Procedures (HRPP) and Table of Authority. The appropriate staff are empowered to take decisions with respect to all levels and areas of management, including: recruitment, deployment, capacity-building, transfer, leave, financial transactions, purchase and procurement. These are spelled out in detail with respect 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 Senior Directors, Group CFO and Director Finance to manage affairs from the secretariat in Dhaka. BRAC International's management policies clearly define the authority of each level of staff. The appropriate staffs are empowered to take decisions at area, regional, country and Head Office levels. Procedural manuals and policy documents are made available to staff; these detail organisational policies and procedures. Day-to-day decisions are taken by area managers, regional coordinators and programme heads as appropriate, while larger policy decisions involve Country Representatives, Senior Directors, Group CFO, Director Finance and, in particular cases, the Executive Director, the Chairperson and the governing body.

2.1 Financial Management

All matters relating to finance and accounts from branch offices to head office are supervised and controlled by the finance and accounts department. The branch offices prepare project wise monthly cash requisitions, which are sent to the area/regional office. The area/regional office checks and monitors the accuracy of the requisition and then sends it to country office. After checking, the Country Office disburses funds as per the requisition. The Area I Branch Offices send monthly Expenditure Statements along with bank statements to the Country Office Finance and Accounts Department. The country office then consolidates all the expenditure statements and prepares monthly financial statements and reports to the BRAC International Head Office and donors, as required. A comprehensive accounting manual and statement of standard operating procedure guides accounts personnel in preparing financial statements and reports following accounting standards, and in running other 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 Head Office. The head office checks the project-budgets of its country offices, which is recommended by the Director Finance and finally approved by the Group CFO. The head office also consolidates and prepares a country budget, prepares budget variances and submits these to the governing body in the quarterly board meetings of BRAC International's Governing Body. The budget is therefore prepared with the participation of programme and finance staff.

Further details can be found within BRAC International's accounts and finance manual.

2.2 Human Resource Management

The Human Resources Department (HRD) in both head office and within each country in which BRAC International operates is chiefly responsible for recruitment, deployment, staff appraisal, and all aspects of Human Resource Management (HRM) from head office. One of the central roles of the HRD is to establish and disseminate a clear-cut policy regarding the authority of each level of staff, in the form of the Human Resources Policies and Procedure (HRPP). The HRPP also contains all policies relating to staff salary, benefits, recruitment and promotion procedures, payments, and a detailed code of conduct etc. Every staff member receives orientation on HRPP.

2.3 Staff training and capacity-building

BRAC International places high priority on the training and capacity-building of staff. To date, there are BRAC Training Centres in Liberia, Uganda and Afghanistan. In other countries BRAC hires training facilities near the areas offices.

After recruitment and before deployment, new staff is sent for orientation training by the training division, in which they are introduced to BRAC International's programmes, its objectives and mission. After this, they are deployed in the respective programme areas in the field. According to the needs of the different programmes, staffs are then given programme specific training. Most programmes also have separate training units within the programme unit, for more specialised training. BRAC International also sends staff on short and longer-term international training courses.

In line with its commitment to investing in its staff, BRAC International is continually seeking to improve its human resource management practices, in order to deliver better services to the poor, in particular women. Recent initiatives include:

- Strengthening communication systems within and beyond the organisation, in part to improve learning mechanisms within BRAC International
- Efforts to address gender relations, anti-bribery and corruption, data protection, child protection, conflicts of interest, and culture within the organisation
- Introducing performance appraisal
- A mentoring programme to support junior staff in their personal and professional development.

Microfinance

Innovative, client-focused and sustainable, BRAC's microfinance programme is a critical component of our holistic approach to support livelihoods. Over the course of the last four decades, we have grown to become one of the world's largest providers of financial services to the poor, providing tools that millions can use to better manage their lives.

Empowering Tanzanians financially

Microfinance is an integral part of our holistic development efforts, focusing on poverty alleviation through the provision of affordable and easily accessible microloans. The characteristic of our approach is not just ensuring access to capital, but also providing livelihood development services to increase vulnerable women's abilities to manage and expand their businesses and make the most of their small capital and resources.

Since mid-2006, the microfinance programme has been successfully operating in 18 regions with 112 branch offices. Across Tanzania, more than 100,000 women attend BRAC's microfinance meetings every week to repay their weekly loan instalments, apply for new loans, buy health products from their community health promoters, and receive additional support for their varied small businesses. A distinctive aspect of our microfinance programme is the credit-plus approach, which addresses the special needs of various target populations, such as rural women, youth and adolescents, and small entrepreneurs.

Aside from distributing loans and providing training, we have developed an integrated set of services which will strengthen the supply chains of our members' enterprises, giving them access to quality inputs and support in marketing their products. Our credit-plus approach is underpinned by our adherence to internal discipline and client care.

A weekly group meeting at Mwanzela branch, Mwanza

A microfinance borrower in her store in Mafifi village, Iringa

Beyond 2012

To build the capacity of our staff, we have formed a staff development unit to develop our team of future leaders. BRAC is also considering expanding the microfinance programme to reach those areas where our services are not covered, especially where there is a great need for capital. We have introduced support units such as the loan review unit and branch review unit, in an effort to ensure the quality of the existing portfolio and new disbursements are maintained as per international standards.

2012 Highlights

BRAC has strong internal control and corporate governance based on our International Standard Internal Audit Manual. The monitoring department ensures that the microfinance programme operates accordingly, and detects consumer exploitation wherever it exists. BRAC ensures transparency by proper financial reporting through our IT and accounting department. We have also been providing door step service and collateral free loans with group guarantee, and training staff on how to handle clients in the field.

In 2012, BRAC reached more than 723,000 people in Tanzania through our 126,851 microfinance members and 100,049 borrowers. We provided 142,650 microloans, totalling USD 41.09 million with the Gross Portfolio Outstanding at USD 16.98 million (principal outstanding).

To maintain transparency and sustainability, BRAC has introduced support programmes such as the branch review unit and loan review unit. We have also undergone a pilot phase of several group restructuring processes, which is aimed at increasing the efficiency of microfinance groups.

This year, BRAC became a member of the Tanzanian Association of Microfinance Institution (TAMFI), and we expect to gain a more detailed understanding of the country's microfinance industry through this membership.

Feda stands in front of her tomato shop which she opened with the loans she took out from BRAC

FEDA: Truimphant through perseverance

"I am saving money from my sales for the future. The capital is also increasing for my business. Me and my family's well being was in jeopardy before as we were barely surviving on meagre food. Now we don't have to worry about food anymore."

Selling tomatoes and onions in a local market of Mbeya, has dramatically changed the life of Feda. She can now sell her vegetables both in retail and wholesale form, making a decent amount of profit for her future savings and business. She can also send her children to secondary school, while financially supporting her family.

Earlier in 2011, Feda was selling tomatoes on a roadside place in small buckets. She had no space in the market to sell her vegetables and also no capital to fund an expansion of her business. She was unable to afford two meals a day, and when she failed to sell her vegetables, a single meal became unaffordable for all her family members. In March 2011, she joined BRAC's microfinance programme, and when she took out a loan, her sales began to increase gradually. Currently, she is using her fourth loan to successfully sell her vegetables in the market place, earning a good reputation with her buyers. She has plans to expand her business to nearby markets in the future.

Small Enterprise Programme

Assisting young entrepreneurs in Tanzania

BRAC has established the Small Enterprise Programme (SEP) in 2008, to financially empower young entrepreneurs who do not have access in the formal financial sectors. Under SEP programme, we offer small individual loans to those people who are less vulnerable than microfinance group members. We are providing these loans to both male and female in 11 administrative regions. Most of the small enterprise clients are now generating employment opportunities within their business which is a multiple effect of empowerment. This indicates higher economic benefits through single loans and less credit burden to the community. Some members who have taken the microloan from BRAC and repaid successfully with the profit of their business, are grown enough to take larger loans and expand their businesses in a bigger scale. In such situations, small enterprise programme provides financial supports and business knowledge for expansion of their businesses.

BRAC is providing these credit supports to small scale enterprises for trading businesses, small manufacturing businesses of wood and wooden products, handicrafts, hotels and restaurants and also agro based sectors like agriculture, poultry and livestock.

A small enterprise client in her small shop in Iringa

Beyond 2012

In 2013, we are planning to explore new areas in Tanzania, following the expansion plans for our microfinance programme. We will also be exploring further options for mobile money solution to benefit our borrowers.
In the future, BRAC will be focusing more on client selection, and the quality of our portfolio through the support programmes we have recently introduced, such as the loan review unit and branch review unit.

2012 Highlights

BRAC has reached 13,287 people in 23 districts through our 56 branch offices. A total of USD 5.1 million loans have been disbursed, with an average loan size of USD 2,266. Across a plethora of sectors, BRAC has allocated sixteen per cent on the agriculture and livestock sector, fifty four per cent on the trade sector and twenty nine per cent on the manufacturing sector, while the remainder one per cent was reserved for other lending options for loans.

In 2012, BRAC piloted the mobile money repayment system, which reduces the additional cost of borrower's repayments. The borrowers feel at ease repaying through this scheme as it saves the additional cost of maintaining a separate bank account and business time. An analysis detailed that it costs a borrower an additional nine per cent on average to maintain a bank account, whereas the mobile money will reduce it to three per cent. To ensure that all our borrowers are educated in using the mobile money repayment scheme, BRAC provided field based training, conducted by the credit officers and area managers to every borrower.

A microfinance borrower is successfully running her store in Magarisho in Arusha region

CASE STUDY

Neema can finally send her children to school with the profits from her small hardware shop

NEEMA: A helping hand goes a long way

"BRAC is a blessing from God for me and my family. I was always trying to increase my working capital to make my business profitable but no one was there to help me out of this situation. Now I am able to provide food for my son and send him to a good school. All these have been possible because of BRAC."

Neema and her son, from Ngarenaro, Arusha, have been living most of their lives in hardship. In 2008, with the help of her relative, Neema started a small hardware business. She was not able to sustain the business due to lack of working capital, and was close to liquidating the business. During that time, she met a friend who introduced her to BRAC, and the services the small enterprise programme offered to budding entrepreneurs. With the first and second loan, she increased her inventory, while establishing a new grocery shop with her third loan. Now, Neema is the proud owner of "Neema Hardware Centre" and "Maisha Shop".

Neema is making a good profit out of her business. She can pay her utility bills, her son's school fees and can afford food for her family. After all her expenditures, she is also able to deposit some money in a savings account.

Agriculture

Operating in eight countries, BRAC's agriculture programmes work with governments to ensure food security. We build systems of production, distribution and marketing of quality seeds at fair prices; conduct research to develop better inputs and practices for the agricultural sector; offer credit support to poor farmers; and promote the use of efficient farming techniques and proven technologies. Using environmentally sustainable practices, we are helping our partner countries become self-sufficient in food production.

Helping farmers build a better future

The agriculture programme aims to improve farming productivity and increase the income of farmers through capacity building initiatives. Through this programme, our goal is to increase production by at least 30 per cent within five years by expanding irrigation and ensuring adequate supply of agricultural inputs, such as quality seeds, fertiliser and pesticides. Our research team in Tanzania identified and developed good quality seeds, and contributed to raising the income of small and marginalised farming households.

Maize is the most important food crop in Tanzania, accounting for 60 per cent of the total food crop production. However, poor quality seeds, antiquated agricultural inputs and the use of traditional rain-fed agricultural crop cultivation systems have led to poor crops return.

BRAC has initiated a project funded by DFID providing quality affordable agriculture inputs and training to the communities, with a special focus to helping the women and poor farmers in Tanzania. The goal of the project is to increase farmers' productivites and income.

To successfully implement the overall agriculture programme, we have collaboration with national and international agriculture research organisations like Selian Agriculture Research Institute, Tengeru Horticulture Research Institute, Centre for International Wheat & Maize Improvement, and Asian Vegetables Research and Development Centre.

A BRAC model farmer and her family in front of their vegetable fields outside Iringa

A collective crop demonstration in Ilala, Iringa under the GPAF project

Beyond 2012

In 2013, BRAC will be designing an agricultural support package for smallholder farmers, which includes training, input supplies and capital financing. The agricultural support package will establish stronger community-based supply chain, facilitate agriculture value chain and help create market outlets for agricultural products.

BRAC is also planning to introduce information technology in its agriculture programme through a mobile soil testing lab which will help to identify the optimum level of fertiliser for crops. We are looking for digital networking system which will allow smallholder farmers to access to weather forecasts, crop information, agro-inputs and agro market information.

2012 Highlights

BRAC has extended its operational activities in 34 districts through 55 branch offices and 17 area offices. A total of 1,120 model farmers, 406 community agriculture promoters, 64,565 general farmers, 10,703 kitchen gardeners, and 716 horticulture nurseries have been facilitated by our assistant agriculture officers and area agriculture coordinators.

BRAC has leased four acres of land from the Tengeru Horticulture Research Institute for conducting research on maize and vegetables. Research on rice has also been conducted in Morogoro.

Under the DFID funded project (Global Poverty Action Fund) BRAC has appointed 300 Community Agriculture Promoters (CAP) who were given five days training on basic crop cultivation, management and technology. The CAPs will assist in promoting new agricultural technologies, extension services and available quality inputs within the village community.

To support the small and marginal rural female farmers, BRAC has selected 1,200 crop farmers, 40 horticulture farmers and 60 fruit farmers to receive three days basic training on crop production, agricultural technology and improved grain storage techniques. BRAC has assisted in establishing kitchen gardens for 1,600 underprivileged households.

This year, three collective crop demonstrations have been implemented on 30 acres of land; each group comprises of 10 farmers with 10 acres of collective land. All the participants received training and essentials inputs, including seeds, fertiliser and operational costs. Our assistant agriculture officers provided regular supervisions and follow-up of these farmers to increase productivity. During the harvesting season, a field day was organised to demonstrate the outcomes in the presence of the community farmers and government agriculture extension officers.

CASE STUDY

Jane has earned her independence working as a community agriculture promoter, and is now helping others in her community

JANE: Farming for the community

"I used to do farming but in a traditional way. It didn't help me to grow a large scale production of crops. With the help of BRAC, I am really happy because I am producing enough that I can even sell the surplus."

Jane is a community agriculture promoter, living in Makumira village of Arumeru district in Arusha region. Before she received training from BRAC, she used to cultivate maize, vegetables and rice in her one and half acre of land using traditional agricultural methods which yielded just enough for her family consumption. After attending a five-day training from BRAC, she learned about good agricultural practices, received inputs like spray machines, quality maize seeds, vegetables seeds like eggplant, chinese cabbage, kale and fertilisers such as urea, DAP, organic manure. Presently, she is using improved seeds and utilising the knowledge of proper spacing, on time plantation and harvesting which are learnt from the training.

Under BRAC Tanzania's GPAF project, she has increased her profit, become self-dependent and managed to send her child to school from selling her vegetables and maize. She is also disseminating her learning and shares her knowledge from the training to her surrounding community farmers.

Poultry and Livestock

BRAC's poultry and livestock programme aims to promote improved practices and modern technologies amongst poultry and livestock farmers, improve their livestock productivity and reduce their mortality while providing them with a supply of good quality inputs including, vaccine, medicine, day-old-chicks and semen supply.

Assisting livestock farmers in Tanzania

The poultry and livestock programme operates through its cadre of self-employed volunteers (Community Livestock Promoters). These are women who have experience in rearing livestock and poultry and have been selected by BRAC's microfinance groups as Community Livestock Promoters. After selection, we extensively train them on livestock husbandry, health issues, vaccinations, and the production and conservation of fodder crops. Once trained, they generate income by charging farmers a fee for their services and consultation. With a steady supply of input from BRAC, these Community Livestock Promoters offer vaccination services and sell veterinary medicines.

To attain the expected outreach and outcome from the Community Livestock Promoters, the BRAC-trained farmers become specialists in a diverse set of activities and identified accordingly, for example, community livestock promoters, livestock farmers, key poultry rearers, layer rearers, broiler rearers, artificial insemination service providers, and trainers.

The programme is operated by 20 programme organisers working in 50 branch offices and guided by four area-based livestock coordinators in 28 districts in 16 regions.

A BRAC demonstration farm under the GPAF project

Beyond 2012

Market access is the key issue for farmers in Tanzania as they do not receive a fair price by selling their livestock products such as eggs and broilers at the local markets. We plan to train local traders so they can purchase these products and sell them in the urban markets. This will facilitate the development of a value chain and establish competitive market prices for livestock products. We will also undertake activities to encourage small-scale farmers to participate in poultry and dairy farming.

In the long run, we are aiming to build the capacity of the existing agro-dealers to help them introduce new product lines and increase marketing efficiency by selecting existing entrepreneurs who are trained in technical and business aspects of inputs retail. With this we hope to establish a linkage between agro-vet service providers and wholesalers.

2012 Highlights

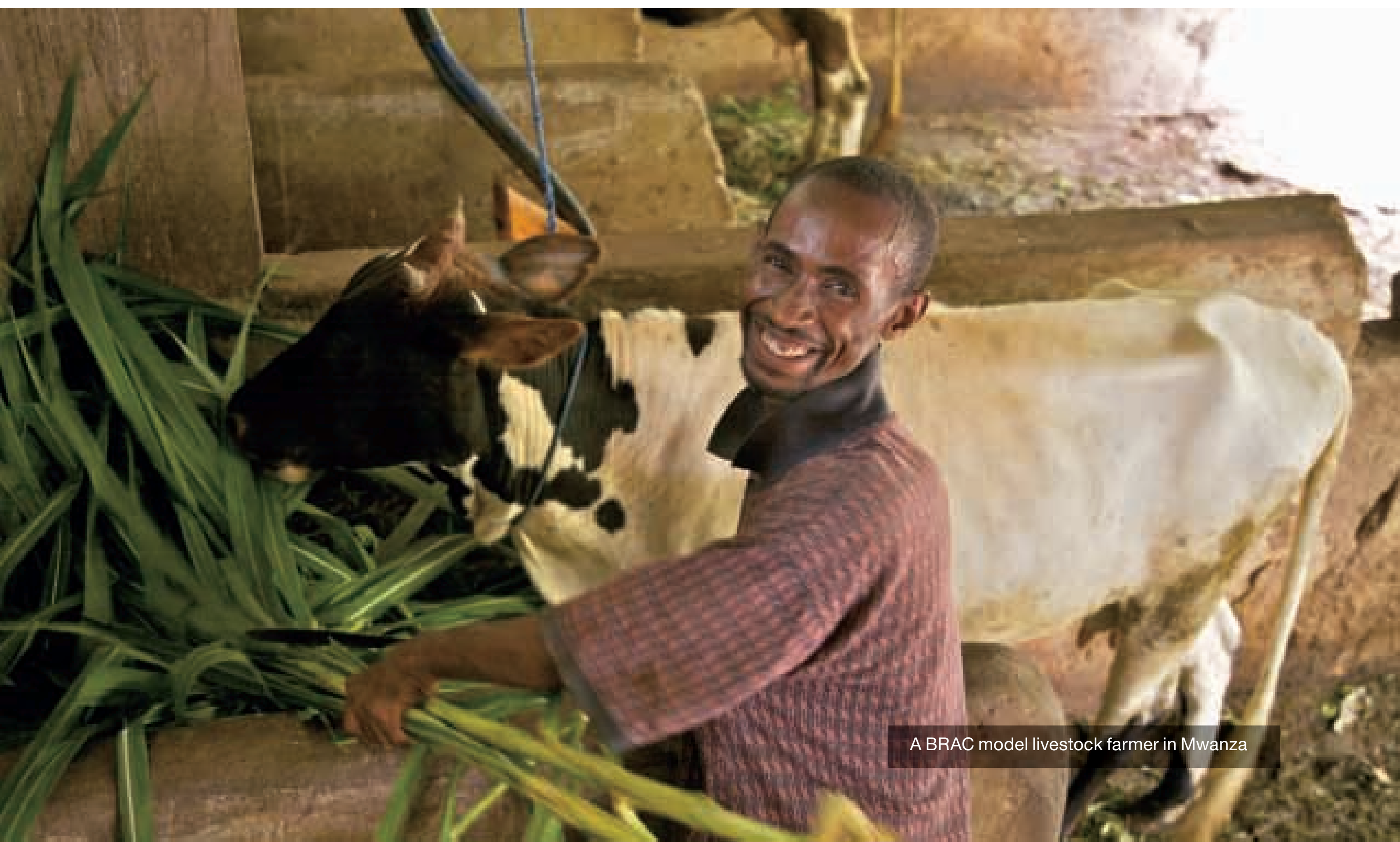
Until December 2012, we have reached more than 100,000 farmers through 19,000 trained farmers. We artificially inseminated more than 41,000 cows by 189 trained Artificial Insemination Service Providers, and our Community Livestock Promoters also provided 24.6 million vaccination doses to the country's poultry population.

In Tanzania, Newcastle disease (NCD) is the most devastating disease affecting poultry due to which, more than 50 per cent of unvaccinated birds die every year. To reduce the poultry mortality rate, we trained 200 community livestock promoters on poultry vaccination, husbandry and first aid, and provided them with a steady supply of apparatus in 2012. These promoters now offer vaccination services, sell veterinary medicines, feeders and drinkers, and provide technical assistance to their fellow farmers in the community.

In 2012 we also trained more than 500 farmers on rearing, housing and management of both local and commercial chickens. We supplied these farmers with a total of 500 feeders, 500 drinkers and 10,000kg poultry feed as inputs. We also provided technical support to more than 30 broiler and layer farms to demonstrate their work across the country.

In the livestock management related serives, we trained 500 farmers on rearing and management of cows, and supplied them with 10,000kg dairy feed, 2,500 pieces of Albendazole tablets and 500 hand spray machines with Peranex to control Trypanosomiasis in cattle.

In 2012, we organised training through the National Artificial Insemination Centre to improve the ruminant genetic resources. A total of 1,100 artificial inseminations have been conducted.



A BRAC model livestock farmer in Mwanza

Mushi can now apply modern farming practices to tend to her livestock

MUSHI: An empowered livestock farmer

"I was getting little profit from my cow rearing activities. But this was before I received the training from BRAC. Now I am really happy with my current conditions and my healthy cows have increased the amount of milk I can sell in one day."

A mother of three, Mushi owns a farm which she started with just a cow and a calf. She never received any training on how to manage local breed of cows. As such, she could only sell four litres of milk per day and her monthly income was TSH 70,000 (USD 43). Her cattle were suddenly affected by various diseases and she spent a lot of money on their treatment.

Realising that she would not always have the money to spend on such expensive treatment, she started to look for a more sustainable approach to managing her cattle. She eventually came to know about BRAC's livestock programme and after undergoing a three-day training on livestock management, she was able to improve her management practices in her farm. She also received artificial insemination services from BRAC.

Mushi is now able to sell more than 20 litres of milk on an average day. She gives her cows improved feed and applies modern practices to take care of them, keeping them free of diseases. Her monthly income has risen to an average of TSH 200,000 (USD 123). Happy and satisfied with BRAC's training and steady supply of inputs, she has bought two heifers to add in her farm.

Empowerment and Livelihood for Adolescents

BRAC's programmes for adolescents are designed to socially and financially empower those between the ages of 13 and 25. Targeting vulnerable girls, we provide safe spaces for them to socialise and receive mentoring and life skills training. With networks of these girls' clubs active in five countries, we combine this approach with financial literacy training, offering customised micro loans that contribute to the social and financial empowerment of adolescent girls. This in turn helps prevent early marriages and leads to a more stable future for the next generation.

Empowering the youth in Tanzania

About 23 per cent of the population of Tanzania are aged between 10-19 years. The population is relatively well educated – more than two-thirds are literate – but the country is still plagued by many issues, the most significant of which are early pregnancy, early marriage, HIV/AIDS, gender-based discrimination, lack of awareness on reproductive health, family planning services, child rights, violence, rape and drug abuse. Opportunities to get involved with income generating activities are limited due to lack of financial support and livelihood training. Nearly 38 per cent of girls marry early; with almost 56 per cent of girls and young women between the ages of 15-20 becoming mothers before they turn 20.

BRAC's empowerment and livelihood for adolescents (ELA) programme is committed to making a difference in the lives of vulnerable Tanzanian teenage girls. The objective of this programme is to build confidence and instil a sense of self-worth, encourage positive behaviour changes, and improve the quality of life for these young girls. Many of the older members of the club, who had dropped out of school at a young age, have received training on income generating skills. The programme is designed to socially and financially empower vulnerable teenage girls aged between 11 to 19 years.

Tanzania's ELA programme consists of six components: adolescent girls' club, life skills education, livelihood training, financial literacy, credit support, and community participation.

Funded by the Nike Foundation and UNICEF, and with support from the MasterCard Foundation and the London School of Economics, the ELA programme now includes 7,398 members in 180 clubs operated in Dodoma, Kondoa, Iringa, Mufindi, Temeke and Mbeya districts.

The programme combines innovative livelihood and life skills training with a customised microfinance programme. For 1,845 girls who have dropped out of school, the programme provides credit support for financial empowerment in combination with different types of training, such as tailoring, agriculture, small scale vegetable growing, poultry rearing, food processing, beautification and photography, to help the girls to develop their own successful businesses.

Educating the next generation

Pre-primary education is an essential step to achieve the Millennium Development Goal of ensuring universal primary education. It is reported that primary school enrolment is high in Tanzania, but so is the drop out rate. In recent years, it has been established that without addressing the early development phase of physical, cognitive, and emotional growth of children, the drop out of primary school children cannot be prevented.

In Tanzania the net completion rate in primary education remains low. 53 per cent of 13 year old children reached standard seven in 2010, which reflects the fact that many children enrolled in school drop out before completing primary education, a majority being girls. At higher levels of the education system, the situation is even worse. The net enrolment rate for lower secondary education (forms 1-4) is 30.8 per cent, while the net enrolment rate for upper secondary education (forms 5-6) is 1.9 per cent. Only 33 per cent children have the opportunity to enroll in pre-primary schools.

In this context, when BRAC started receiveing requests from communities to provide education for their children, we responded by opening a pre-primary school programme in January 2012. The programme is being operated under the ELA programme in Tanzania. ELA organises the community and motivates them to send their childen to pre-primary schools in their communities. The mentors of adolescent clubs are selected as teachers, and the schools and classes are held at club houses.

Beyond 2012

BRAC is actively seeking support to continue its 180 adolescent clubs, to open 180 study clubs and organise 50 microfinance groups for 1,000 girls who dropped out of schools.

We also plan to introduce tutoring sessions on mathematics and English for school girls at the adolescent clubs. These will be paid sessions, conducted by the club mentors who will receive honorarium. The mentors will also receive basic training and refresher courses on mentoring.

With the education programme, we plan to provide children of ages between five and six years, with courses to better prepare them for school. In the long run, we plan to introduce para-professional teachers and continue to develop training materials for child education.

2012 Highlights

In 2012 we trained 331 girls on tailoring, 181 on beautification, 316 on food processing, 576 on home gardening, 79 on other agricultural activities, 364 on poultry rearing and 18 girls on photography. We also provided these girls with loans to start up their businesses.

Together with the club members, we celebrated International Women's Day and HIV Day in 2012, and took part in rallies, cultural shows and round-table discussions. We also showed video footages at the adolescent clubs to raise awareness on global issues affecting girls.

We organised 1,411 mothers' forums, 812 parents meetings, 192 mentors training, and formed 180 support committees. In 2012, BRAC Maendeleo Tanzania has operated 30 pre-primary schools with 750 children in four regions. Among these, nine schools with 224 students are at Keko and Mbagala branchs in Dar es Salaam, 10 schools with 250 students are at Ipagala, Chamwino, Miyuji and Kikuyu branches in Dodoma, six schools with 153 students are in Mwanjeleow and Uyole branches in Mbeya and five schools with 123 students are at Kihesa, Ilala and Ruaha branches in Iringa region.

Members of an adolescent club working in a salon in Makole neighbourhood in Dodoma

CASE STUDY

Madina's profit from her tailoring business has allowed her to become financially independent

MADINA: Tailoring a better life

"In an uncertain world, BRAC has shown me a way of living. I have settled down with my business and now I am earning my own livelihood. I am now independent, thanks to BRAC."

Madina, a 19 year old girl, struggled for a better life after completing her O' level exams. She was living at Chinyoyo Street in Dodoma with an uncertain future. In December 2008, she joined an ELA club in Dodoma and got involved in various club activities such as reading, playing and taking life skills-based training.

Her interests in these club activities motivated others and she became a mentor in her club in 2009. She also received training on tailoring and joined the microfinance group in 2010. She was trained on financial literacy so she could start her tailoring business with a loan amounting to TSH 150,000 (USD 92). Slowly she began to sell her tailored outfits in the cities and the demand for her products grew. With her fourth loan of TSH 400,000 (USD 246) Madina rented a shop in the city where she now sells her products.

Madina continues to be a mentor at the adolescent club in her area, which is her way of giving back to the place that helped her to become financially independent.

Support Programmes

Finance and Accounts Unit

The finance and accounts unit is the backbone of BRAC's operations and processes in Tanzania. The unit record and analyse operating transactions, and prepare financial statements which inform the top management, regulators and investors about BRAC's economic status. The unit also conduct budgets, donor reporting, and tax management manage payrolls, payable accounts, overall cash management, and internal and external audits. The unit also 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.

New initiatives

BRAC Tanzania started the process of automated 'Head Office Current Account Reconciliation' in lieu of manual reconciliation. Cash management has been handed over to the accounts officer this year. BRAC Tanzania unit is steadily progressing on a pilot project with Vodacom for mobile money transfer.

This year a comprehensive Finance and Accounts Manual was launched in the finance and accounts convention held in Bangladesh.

Internal Audit Department

Internal audit department (IAD) is an independent, objective assurance and consulting activity designed to add value and improve BRAC International's operations. It helps BRAC International to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of control and governance processes. Internal auditing is a catalyst for improving BRAC International's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes. With 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 the management by providing Risk Based Audit for efficiency and effectiveness.

In 2012, in Tanzania nine auditors (one expatriate and eight local) audited 302 cost centres and highlighted several issues for management action.

New initiatives

In 2013, the department will conduct surprise audit and produce quarterly report on non-responded internal audit report; provide support for professional development (CPD) for IAD staff, and draft a staff development plan.

Monitoring Department

This department is one of the components of BRAC's internal control scheme for ensuring quality, accountability and transparency of the programmes in Tanzania. Using the selected indicators from each programme, it conducts surveys and investigations, which assist the managers in determining whether the key activities have been conducted as planned. Currently the department has eight monitors and one leader who are monitoring BRAC activities in many areas across Tanzania.

Recruitment and Human Resource

BRAC employs around 1,200 Tanzanians, 70 per cent of whom are women. BRAC believes in empowerment and capacity building of its employees, and till date, it has promoted 22 community organisers to branch managers and six branch managers to area managers. The employee turnover has been substantially reduced over the years. As per the Tanzanian Labour Law BRAC's human resource policy has been revised.

2012 Highlights

A good liaison with the Ministry of Labour, Ministry of Interior and Public Services has been built by BRAC's human resource department in Tanzania.

Training and Capacity Building

Training is essential for BRAC's development. It is a learning process involving the acquisition of knowledge, sharpening of skills and changing the attitudes and behaviours of the staff to increase work efficiency. BRAC learning centre in Tanzania was established in September 2009.

New initiatives

The unit intends to design different development training courses on branch analysis, communication and client services, situation analysis, people management, etc. The training and capacity building unit of BRAC in Tanzania also aims to improve the accommodation system, create a new venue and develop different types of management training courses.

2012 Highlights

In 2012, new courses for the management, such as managerial competency development, organisation culture and values, management accounting and financial management of accountants have been designed.

Risk Management

Risk management relates to how BRAC International sets its objectives, then identifies, analyses, and responds to those risks which could potentially impact the organisation's ability to realise its objectives. The concept of managing risk is an integral part of the accountability requirements at all levels in the organisation. An effective risk management system will safeguard BRAC International's interests and ensure the best use of its resources. Recognition of risk management as a central element of good corporate governance, and as a tool to assist in strategic and operational planning, has many potential benefits in the context of the changing operating environment of BRAC International's core business. BRAC International provided extensive training and workshops on risk management policy to BRAC Tanzania's staff and facilitated the preparation of risk registers in all programmes.

Information Technology

The ICT department provides the necessary support to meet the current and future needs of BRAC in Tanzania. To reduce field level corruption, the RADAR system has been developed by ICT which is running in the branch and area offices; ICT also provides necessary support for the smooth operation of this software. The report generated by the system helps the management to take proper decisions. The ICT department purchases computer hardware, while maintaining the existing ones. It also ensures smooth network operation in the country office. ICT takes care of data security for better communication and data transfer. The department prepares consolidated, region wise, area wise and branch wise trial balance for accounts along with the MIS reports for respective programme managements.

New initiatives

The ICT department has been working hand-in-hand with Vodacom for the M-Pesa pilot project. In addition, ICT has ensured automatic head office current account reconciliation for all projects and successfully closed all accounts book. For smoother operations, new user-IDs have been created in RADAR system for the regional accounts officers and area accountants.

Research and Evaluation Unit

The research and evaluation unit aims to generate knowledge on the relevance and effectiveness of BRAC 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 unit also aim to achieve large-scale positive changes to generate new 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.

2012 Highlights

The research team conducted a baseline evaluation of the agriculture and poultry and livestock programmes in an effort to measure its impact. Qualitative research on the ELA programme was also conducted in both Tanzania and Uganda to supplement findings from cross country impact evaluations, the results of which will be presented in 2013.

Procurement

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, guarantor agreements, etc. have been procured and distributed centrally to our 112 branch offices.

Public Relations and 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 also covers electronic and print media as the government is keen to publish our development efforts and new initiatives. The department ensure timely dissemination of information, and keep the government and non-government institutions updated. The work also includes effectively dealing with the immigration of staff and visitors.

BRAC in Tanzania

Branch Locations

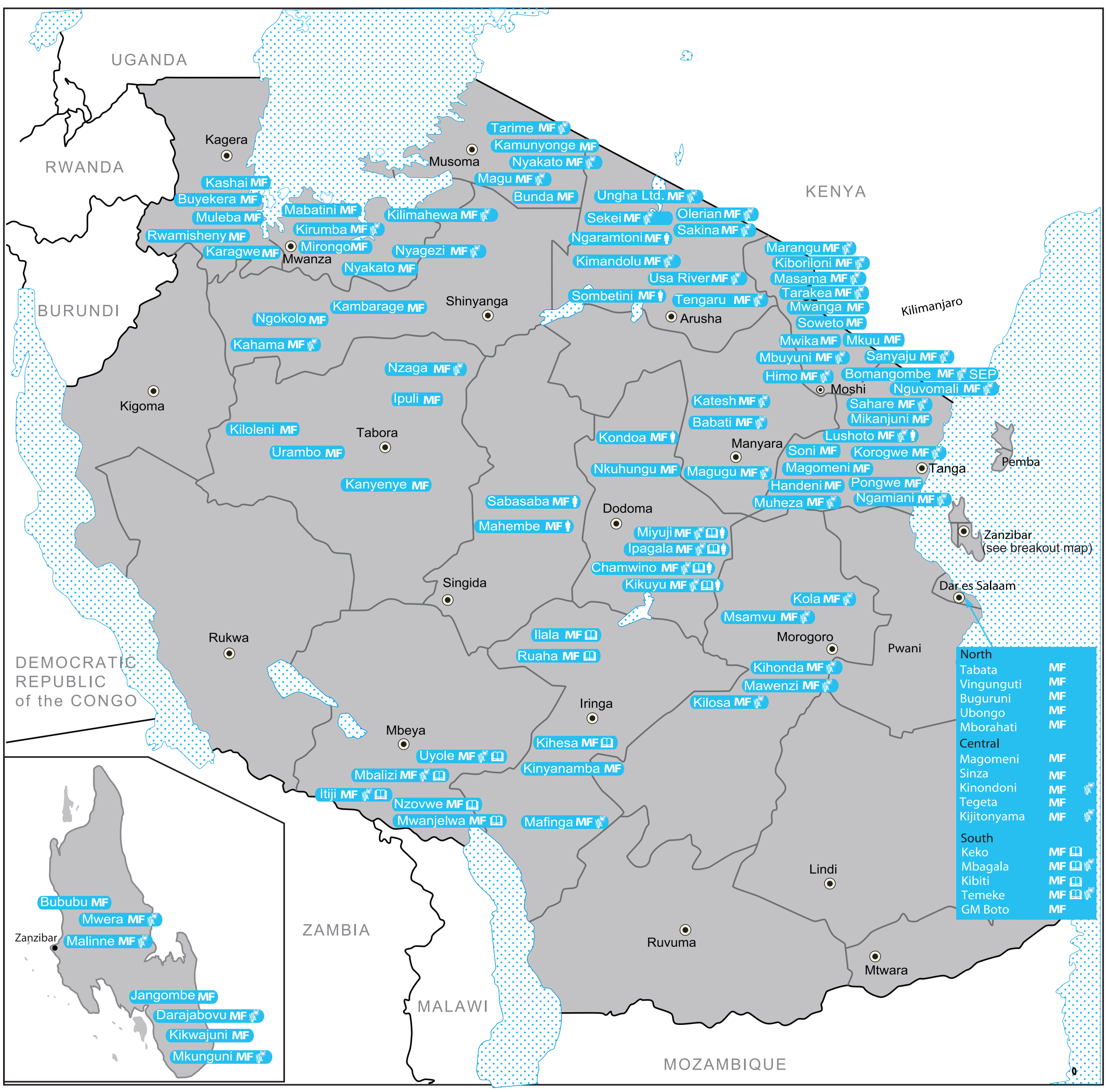
Branch Programmes

MF Microfinance

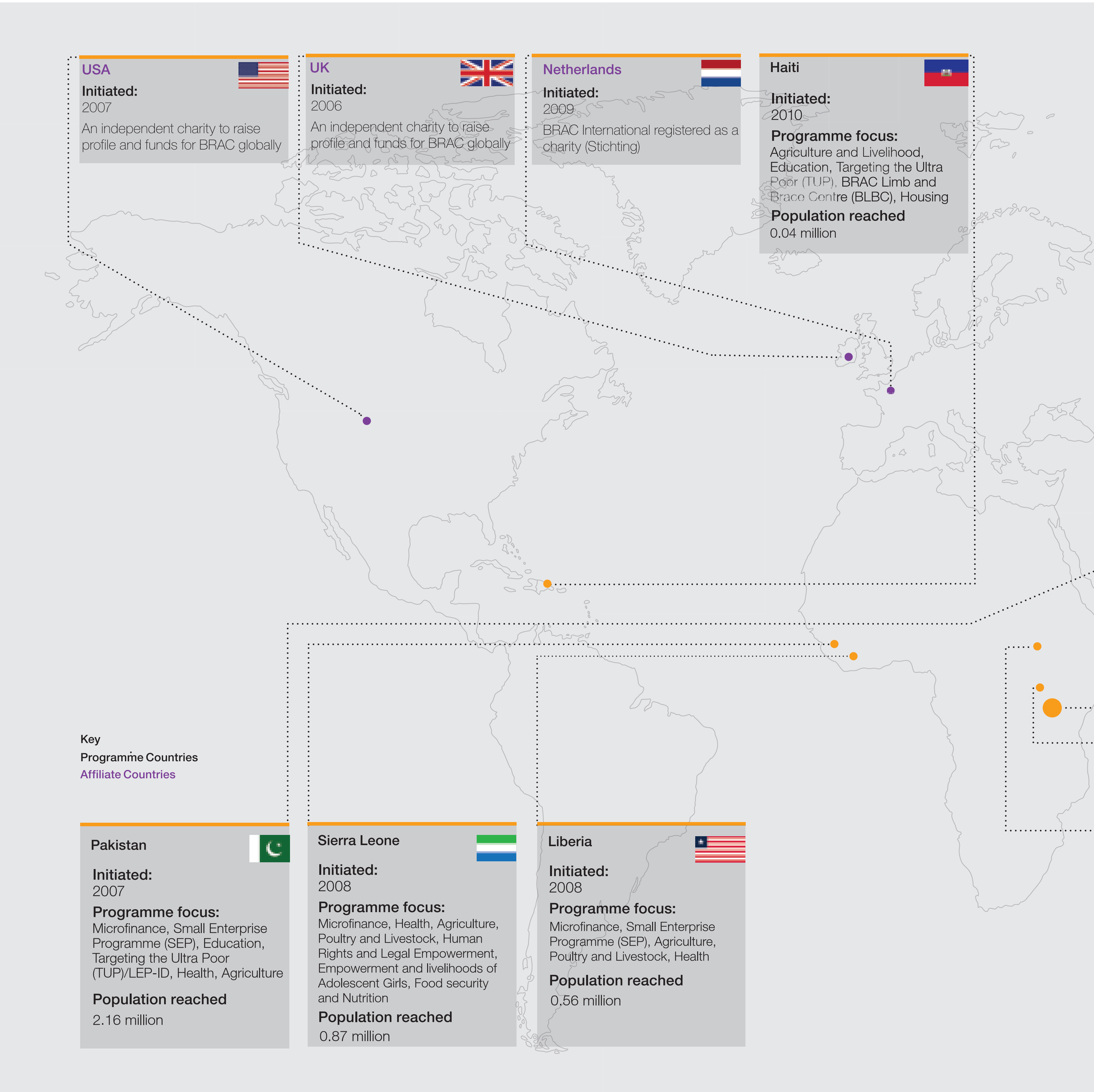
Agriculture, Livestock and Poultry

ELA (Adolescents)

SEP Small Enterprise Programme



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

Netherlands
Initiated:
2009
BRAC International registered as a charity (Stichting)

Haiti
Initiated:
2010
Programme focus:
Agriculture and Livelihood, Education, Targeting the Ultra Poor (TUP), BRAC Limb and Brace Centre (BLBC), Housing
Population reached
0.04 million

Pakistan
Initiated:
2007
Programme focus:
Microfinance, Small Enterprise Programme (SEP), Education, Targeting the Ultra Poor (TUP)/LEP-ID, Health, Agriculture
Population reached
2.16 million

Sierra Leone
Initiated:
2008
Programme focus:
Microfinance, Health, Agriculture, Poultry and Livestock, Human Rights and Legal Empowerment, Empowerment and livelihoods of Adolescent Girls, Food security and Nutrition
Population reached
0.87 million

Liberia
Initiated:
2008
Programme focus:
Microfinance, Small Enterprise Programme (SEP), Agriculture, Poultry and Livestock, Health
Population reached
0.56 million

Afghanistan

Initiated:
2002

Programme focus:
Microfinance, Small Enterprise Programme (SEP), Education, Adolescents Reading Centres (ARCs), Health, National Solidarity Programme (NSP), Targeting the Ultra Poor (TUP)

Population reached
4.72 million

Bangladesh

Initiated:
1972

Programme focus:
Microfinance, Education, Health, Nutrition and Population Ultra Poor, Integrated Development, Water Sanitation and Hygiene, Human Rights and Legal Services, Community Empowerment, Agriculture and Food Security, Disaster Management and Climate Change, Gender Justice and Diversity, Migration

Population reached
Over 120 million

Sri Lanka

Initiated:
2005

Programme focus:
Microfinance

Population reached
0.59 million

South Sudan

Initiated:
2007

Programme focus:
Microfinance, Agriculture, Education, Adolescent Girls Initiative (AGI), Health

Population reached
0.93 million

Uganda

Initiated:
2006

Programme focus:
Microfinance, Small Enterprise Programme (SEP), Education, Health, Agriculture and Food Security, Community Connector, Poultry and Livestock, Empowerment and Livelihood for Adolescents (ELA), Karamoja Initiative

Population reached
4.04 million

Philippines

Initiated:
2012

Programme focus:
Education

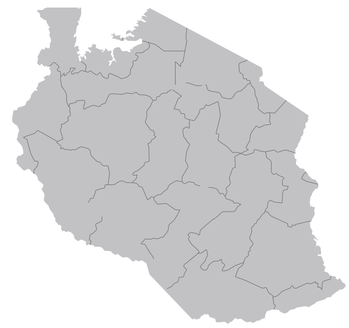
Population reached
11,868 learners

Tanzania

Initiated:
2006

Programme focus:
Microfinance, Small Enterprise Programme (SEP), Agriculture, Poultry and Livestock, Empowerment and Livelihood for Adolescents (ELA)

Population reached:
1.33 million



104,225	microfinance borrowers
USD 162	million loans disbursed (Cumulative)
389	community agriculture promoters trained (Cumulative)
1,162	community livestock and poultry promoter trained (Cumulative)
7,398	ELA clubs members (Cumulative)

Governance

BRAC TANZANIA FINANCE LTD

BOARD MEMBERS

Dr A M R Chowdhury	Chairperson
Faruque Ahmed	Member
Tanwir Rahman	Member
Ishtiaq Mohiuddin	Member

BRAC MAENDELEO (TANZANIA)

Dr A M R Chowdhury	Chairperson
Faruque Ahmed	Member
Dr Harun Kasale	Member
Dr Hassan Mshinda	Member
Tanwir Rahman	Member

BRAC ZANZIBAR

Dr A M R Chowdhury	Chairperson
Faruque Ahmed	Member
Tanwir Rahman	Member
Rahma Ali Khamis Abdallah	Member

Management

Gunendu K Roy	Country Representative
Md Saleh Ahmed	Programme Manager, Microfinance

Development Partners

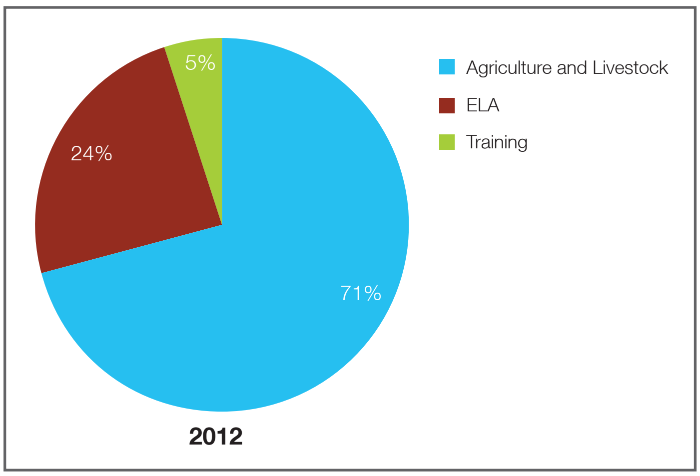
Operational and Financial Highlights of NGO Programmes

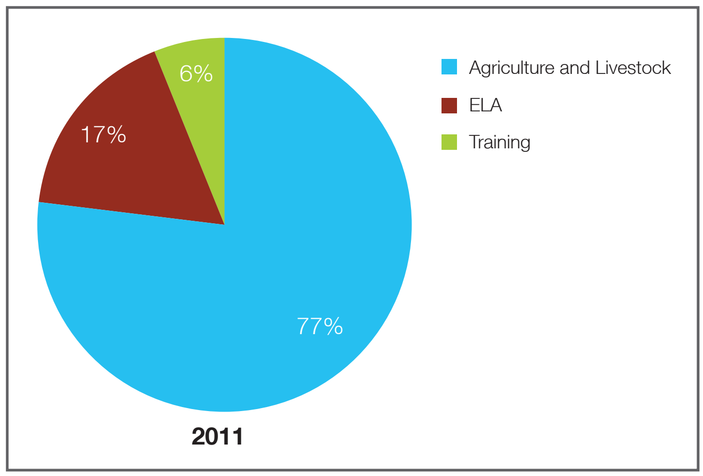
BRAC in Tanzania received grants amounting to USD 335,976 in 2012 as against USD 1,242,950 in 2011. Total Project expenses for the year were USD 1,022,537 (USD 982,603 in 2011). Out of the total expenses majority is expensed in Agriculture and Livestock sector supported by DFID. All most 90% of total expenditure is being used for program service with only 9.86% as admin expenses.

Programme Cost by nature of Programme

In USD

Programmes	2012	2011
Agriculture and Livestock	725,751	757,152
Empowerment & Livelihood for Adolescents (ELA)	244,758	168,544
Training	52,028	56,907
Total	**1,022,537**	**982,603**

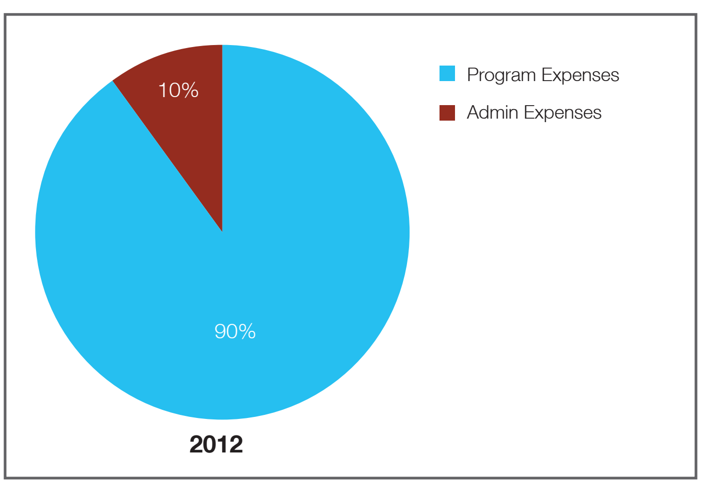


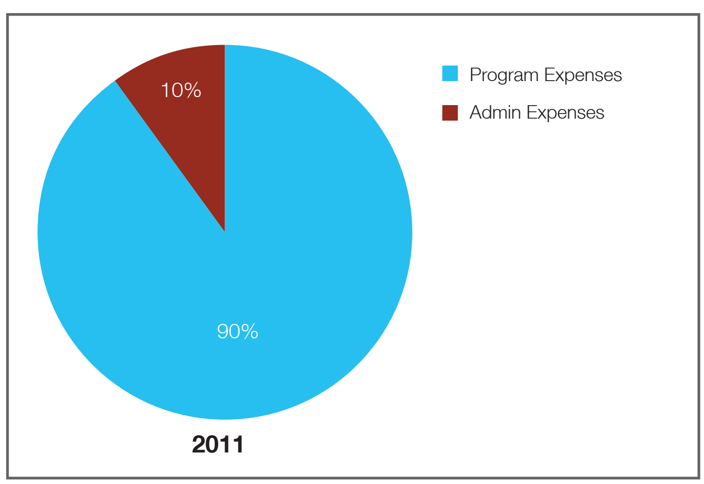


Programme Cost by nature of expenses

In USD

Expenses	2012	2011
Program expenses	921,715	883,066
Admin Expenses	100,822	99,538
Total	**1,022,537**	**982,603**



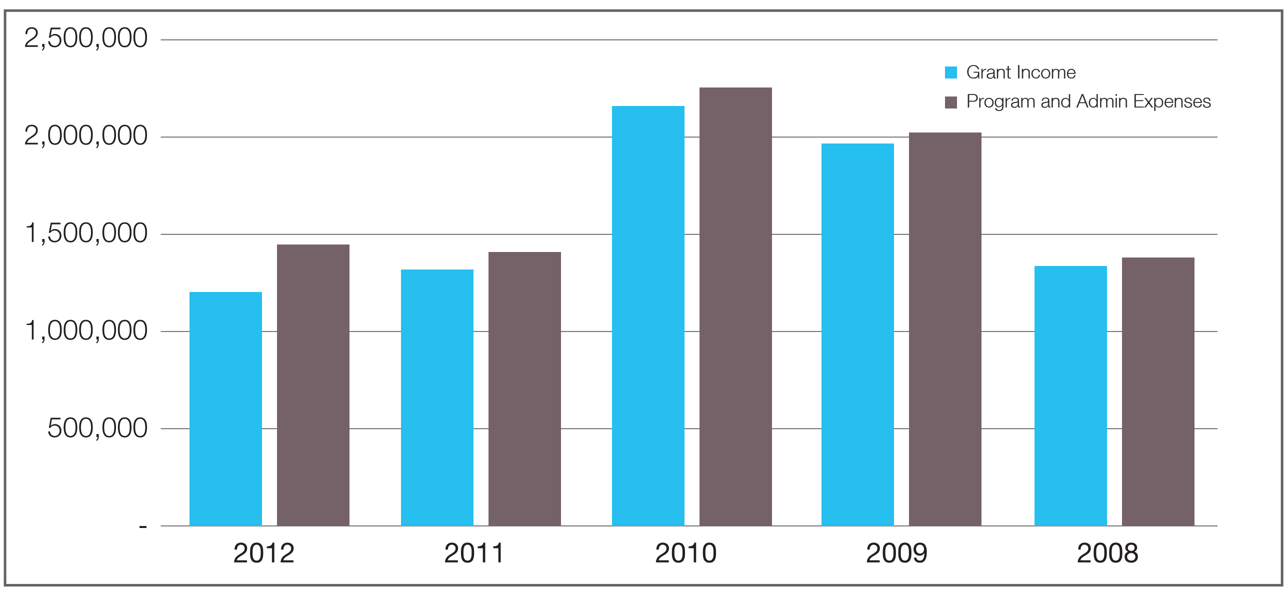


Five Year Performance Review

Figures in USD

	2012	2011	2010	2009	2008
Income Statement					
Grant Income	680,849	849,274	2,035,752	1,757,695	875,074
BRAC Contribution	202,342	-	-	-	-
Other Income	132,513	103,782	99,996	69,443	63,126
Program expenses	(921,715)	(883,066)	(1,943,938)	(1,639,597)	(830,157)
Admin expenses	(100,822)	(99,538)	(221,868)	(187,541)	(108,042)
Financial Position					
Cash at bank	61,016	60,286	-	568,006	682,129
Operational Statistics					
No. of Projects	5	5	6	6	6

Last five years Grant Income vs Expenses (in USD)



Operational and Financial highlights of Microfinance Programme

Net Income

BRAC in Tanzania completed a strong year in 2012 by registering pretax profit / (loss) of USD 3,409,810 in 2012 compared to USD 2,470,256 in 2011. Interest income increased by 27% in 2012.

Operating expenses

Total operating expenses for the year were USD 6,285,485 as against USD 5,586,766 in 2012 showing an increase of 12.51%. The Major factors of such increments are Tax increase, Country Inflation, and Staff Remuneration.

Provisions for Impairment losses

This year amount charged for impairment on loans was USD 770,359 as against USD 183,392 in 2011. Total reserve as against impairment in 2012 was USD 802,620 as against USD 791,554 in 2011, representing 3.96% of Gross portfolio. Portfolio at Risk (PAR>30 days) is 3.55% in 2012 as against 3.00% in 2011.

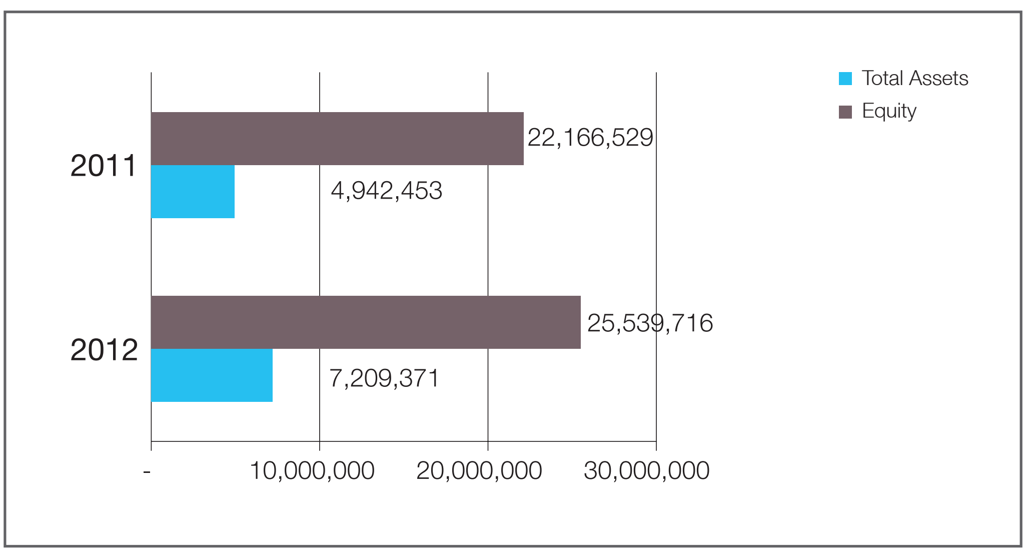
Financial Position

In 2012, total assets grew up by 15.22% to USD 25,539,716 further consolidating its position in the market.

Loans Outstanding to customers decreased by 2% and is now 76.35% of total assets. However, Loan Disbursement increased by 3% in 2012.

Security deposits increased by 1% and net equity grew up by 46% to USD 7,209,371 from USD 4,942,453 in 2011. The growth of shareholders' equity is a direct result of earnings and capital grants.

Total Assets vs Equity (in USD)

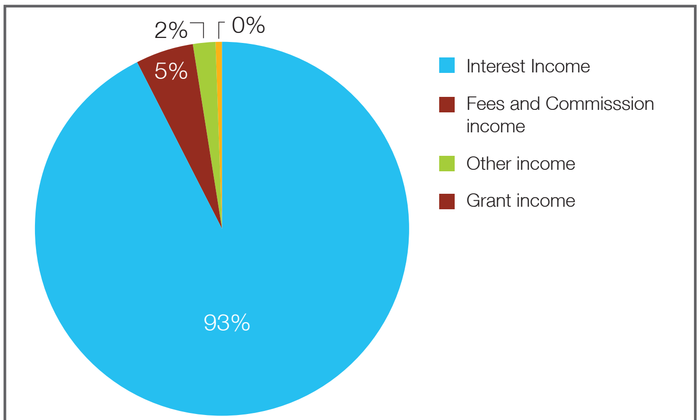


Value Added Statements

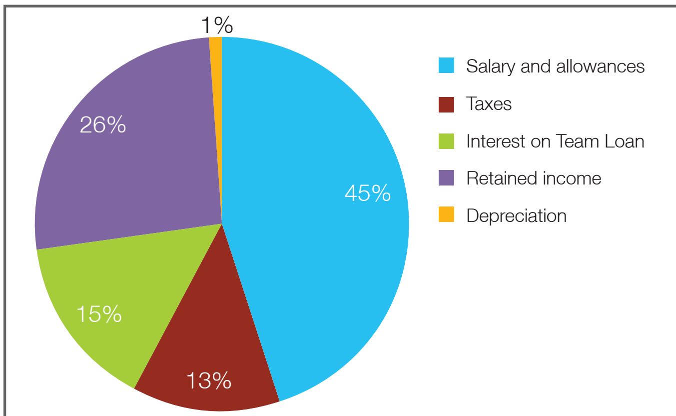
A value added statement provides a detail account of total value addition and the distribution of value created by the organization. BRAC in Tanzania contributes positively to overall economic development by empowering the poor people (especially females) through micro-credit, employees through the payment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

Value added	2012		2011	
	Amount (USD)	(%)	Amount (USD)	(%)
Interest income	11,005,274	126.04	8,692,961	111.57
Fees and commission income	581,619	6.66	582,693	7.48
Other income	209,465	2.40	232,923	2.99
Grant income	26,114	0.30	104,686	1.34
Foreign exchange (losses)/gains	(25,466)	(0.29)	57,781	0.74
Operating expenses	(2,294,735)	(26.28)	(1,696,084)	(21.77)
Loan loss provision	(770,359)	(8.82)	(183,392)	(2.35)
Total value added	**8,731,912**	**100.00**	**7,791,568**	**100.00**

Distribution of Value Addition	2012		2011	
	Amount (USD)	(%)	Amount (USD)	(%)
Employees				
Salary and allowances	3,880,516	44.44	3,788,725	48.63
Local Authorities				
Taxes	1,141,075	13.07	945,600	12.14
Creditors				
Interest on Term Loan	1,331,352	15.25	1,430,630	18.36
Growth				
Retained income	2,268,735	25.98	1,524,656	19.57
Depreciation	110,234	1.26	101,957	1.31
Total value added	**8,731,912**	**100.00**	**7,791,568**	**100.00**



Value Created 2012



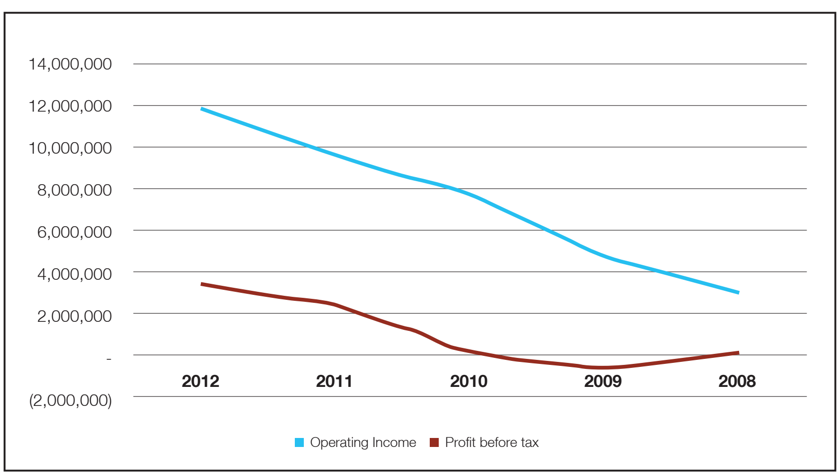
Value Distributed 2012

Five Year Performance Review-Microfinance Programme

Figures in USD

	2012	2011	2010	2009	2008
Income Statement					
Operating Income	11,770,892	9,566,358	7,800,232	4,744,264	3,016,395
Profit before tax	3,409,810	2,470,256	131,700	(602,856)	40,980
Financial Position					
Total Asset	25,539,716	22,166,529	23,347,972	25,654,177	17,450,345
Net Equity	7,209,371	4,942,453	855,009	1,843,868	1,747,226
Loans to Customers (net)	19,499,229	19,838,459	15,582,610	9,255,002	7,563,355
Cash at Bank	4,772,563	1,371,311	6,457,452	15,210,212	9,398,508
Returns and ratio					
Return on Asset	49%	42%	32%	22%	17%
Operational Self Sufficiency (OSS)	124%	117%	90%	50%	78%
Operational Statistics					
Total borrowers	104,225	116,749	115,695	89,818	69,502
Cost per Loan	57	56	79	92	39
PAR>30 days (%)	3.55	3.00	2.92	7.28	5.98

Operating Income vs Net Profit (In USD)



BRAC Maendeleo Tanzania
Report and Financial Statements

For the year ended 31 December 2012

BRAC Maendeleo Tanzania

Report and Financial Statements

For the year ended 31 December 2012

GENERAL INFORMATION

Directors

Name	Position	Nationality	Remarks
Sir. Fazle Hassan Abed	Chairperson	Bangladeshi	Resigned on 15 January 2013
Dr. A. M. R. Chowdhury	Chairperson	Bangladeshi	Appointed on 15 January 2013
Mr. Muhammad A. (Rumee) Ali	Member	Bangladeshi	Resigned on 15 January 2013
Dr. Mahabub Hossain	Member	Bangladeshi	Resigned on 15 January 2013
Mr. Faruque Ahmed	Member	Bangladeshi	Appointed on 15 January 2013
Mr. Tanwir Rahman	Member	Bangladeshi	Appointed on 15 January 2013
Dr. Harun Kasale	Member	Tanzanian	Appointed on 15 January 2013
Dr. Hassan Mshinda	Member	Tanzanian	Appointed on 15 January 2013

Administrator:

Mr. Gunendu Kumar Roy
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 Maendeleo Tanzania
Directors' Report
For the year ended 31 December 2012

1. The directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2012, which disclose the state of affairs of BRAC Maendeleo Tanzania ("the Company"), as at that date in accordance with Companies 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 and therefore, this is the 12-month period financial statements ending 31 December 2012 since the company commenced trading.

BRAC Tanzania which is a related entity, is in the process of being wound up by its members who are also the members of this Company.

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

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

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

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

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

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

6. **PRINCIPAL ACTIVITIES**
The Company 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. **COMPOSITION OF DIRECTORS**
The directors who served during the period and up to the date of this report are set out on page 1.

8. **DIRECTORS' BENEFITS**
No director has received or become entitled to receive any benefits during the financial year.

9. **CORPORATE GOVERNANCE**
The directors 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 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 expertise 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.

BRAC Maendeleo Tanzania

Directors' Report

For the year ended 31 December 2012

10. RISK MANAGEMENT

The board accepts 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 risk Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

11. 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:

- Empowerment and Livelihood for Adolescents (ELA)
- Adolescents Development Program (ADP)
- Agriculture and livestock
- Accounts and finance
- Internal audit
- Monitor
- 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 Company dedicated to alleviating poverty by empowering the poor to bring about change in their own lives.

14. FUTURE DEVELOPMENT AND OUTLOOK

With the foreign fund, the Company wants to run a programme that will raise the income of smallholder maize and poultry farmers by improving farmer skills, and making it easier for farmers to access inputs (for example seeds, equipment and day old chicks). The Company will also promote the expansion of markets for smallholder farmers.

Global Poverty Action Fund (GPAF) program has successfully completed its 9 months in the period ended 31 December 2012 and will work as per the pre-plan schedule.

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

The Company also plans to work with girls' education in Tanzania with the help of Donor Funds.

BRAC Maendeleo Tanzania
Directors' Report
For the year ended 31 December 2012

15. KEY ACHIEVEMENTS IN 2012
The following are the key achievements for the year:

- Adoption of a reassessed, comprehensive Accounts Manual
- A business process improvement initiative to instate "Standard Operating Procedures (SOPs)" for operation.
- Opening of new departments namely loan review and branch review, to establish more control on loans and branches; and
- Started automating the reconciliation process of current accounts in transit.

16. 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.

17. EMPLOYEES' WELFARE

Management/employee relationship
There were continuous good relation between employees and management for the period. There were no unresolved complaints received by management from the employees during the period.

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 period, all the Branch Accountants received hands on training for Micro Finance and Small Enterprise programs. 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.

Retirement benefits
All eligible employees are members of the National Social Security Fund (NSSF) which is an approved pension fund. The Company contributes 10% of the employees' 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.

18. GENDER PARITY
The Company had 69 employees in 2012 with 34 being females and 35 males.

19. 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

Tanwir Rahman
Director

March 31, 2013

BRAC Maendeleo Tanzania

Statement of Directors' Responsibilities

The Company's directors are responsible for the preparation and fair presentation of the financial statements of BRAC Maendeleo Tanzania comprising the statement of financial position at 31 December 2012, 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, and the directors' report, 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 auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

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

Mr. Tanwir Rahman
Director

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC MAENDELEO TANZANIA

Report on the financial statements

We have audited the financial statements of BRAC Maendeleo Tanzania, which comprise the statement of financial position at 31 December 2012, 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 following pages. The Memorandum ("Memo") columns representing the results 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 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 Maendeleo Tanzania at 31 December 2012 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

In our opinion, proper accounting records have been kept by the Company and the financial statements referred to in the preceding paragraph are in agreement with the accounting records and comply with both the Companies Act, 2002.

KPMG
Certified Public Accountants (T)

Signed by: M Salim Bashir
Dar es Salaam

March 31, 2013

BRAC Maendeleo Tanzania

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 TZS '000	Memo 2012 USD
Income			
Grant income utilised	**6 (b)**	1,001,978	637,571
BRAC contribution	**7**	317,991	202,342
Other income	**8**	205,899	131,016
Total operating income		**1,525,868**	**970,929**
Staff costs	**9**	(683,232)	(434,750)
Travelling and transportation expenses		(98,542)	(62,704)
Training, workshop and seminars		(148,066)	(94,214)
Occupancy expenses	**10**	(78,352)	(49,856)
Other operating expenses	**11**	(523,351)	(333,015)
Depreciation charge	**14**	(80,370)	(51,141)
Amortisation of capital grants	**6(d)**	75,305	47,918
Total expenditure		**(1,536,608)**	**(977,762)**
Loss for the period		**(10,740)**	**(6,833)**
Other comprehensive income			
Foreign currency translation reserve		**-**	**35**
Total comprehensive loss for the year		**(10,740)**	**(6,798)**

Notes and related statements forming part of the financial statements.

BRAC Maendeleo Tanzania
Statement of Financial Position
As at 31 December 2012

	Notes	2012 TZS'000	Memo 2012 USD
ASSETS			
Cash and bank balances	**12**	96,115	60,853
Property and equipment	**14**	75,406	47,743
Other assets	**13**	184,903	117,069
Total assets		**356,424**	**225,665**
LIABILITIES AND EQUITY DEFICIT			
Liabilities			
Other liabilities	**15**	155,250	98,294
Due to related parties	**16**	29,382	18,602
Deferred grants	**6(a)**	182,532	115,567
Total liabilities		**367,164**	**232,463**
Equity deficit			
Accumulated losses		(10,740)	(6,833)
Foreign currency translation reserve		-	35
Total equity deficit		**(10,740)**	**(6,798)**
Total liabilities and equity deficit		**356,424**	**225,665**

The financial statements were approved for issue by the Board of Directors on March 31, 2013 and signed on its behalf by:

Tanwir Rahman
Director

Notes and related statements forming part of the financial statements.

BRAC Maendeleo Tanzania

Statement of Changes in Equity

For the year ended 31 December 2012

	Accumulated losses	Memo Total
	TZS'000	USD
Loss for the period	(10,740)	(6,833)
Foreign exchange translation reserve	-	35
Balance as at 31 December 2012	**(10,740)**	**(6,798)**

Notes and related statements forming part of the financial statements.

BRAC Maendeleo Tanzania

Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 TZS '000	Memo 2012 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(10,740)	(6,833)
Adjustment for non-cash items:			
Depreciation charge		80,370	51,140
Amortisation of capital grants		(75,305)	(47,918)
Operating profit before changes in working capital items (including balances taken over from BRAC Tanzania)		**(5,675)**	**(3,611)**
Changes in working capital items: (including balances taken over from BRAC Tanzania)			
Decrease in other assets		460,869	291,007
Increase in other liabilities		62,298	39,555
Increase in related parties payables		29,382	18,602
Cash generated from operating activities		**546,874**	**345,553**
CASH FLOWS FROM INVESTING ACTIVITIES (including balances taken over from BRAC Tanzania)			
Acquisition of fixed assets		**(4,174)**	**(2,656)**
CASH FLOWS FROM FINANCING ACTIVITIES (including balances taken over from BRAC Tanzania)			
Movement in deferred grants		**(541,987)**	**(342,275)**
Net increase in cash and cash equivalents		**713**	**622**
Cash and cash equivalents at the beginning of the year		95,402	60,287
Foreign exchange translation reserve		-	(56)
Cash and cash equivalents at the end of the year	**12**	**96,115**	**60,853**

Notes and related statements forming part of the financial statements.

BRAC Maendeleo Tanzania
Notes to the Financial Statements
For the year ended 31 December 2012

1 REPORTING ENTITY
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 and therefore, this is the 12-month period financial statements ending 31 December 2012 since the company commenced trading.

BRAC Tanzania which is a related entity, is in the process of being wound up by its members who are also the members of this Company.

BRAC Maendeleo Tanzania has already started the process for obtaining a compliance certificate as a Non-Governmental Organisation (NGO) and expect to complete this in due time.

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 2012 which of TZS 1,579.44 to USD 1 except for additions to property, plant and equipment were translated at an average rate for the period of TZS 1,571.55;
- income and expenses were translated using an average exchange rate for the period of TZS 1,571.55;
- 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 on going 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.

(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.

BRAC Maendeleo Tanzania

Notes to the Financial Statements (Continued)

For the year ended 31 December 2012

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 utilized to reimburse program related expenditure are recognised 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 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 Company 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 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.

(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) 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.

(ii) Classification

Refer accounting policies on Note (3(e).

(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.

BRAC Maendeleo Tanzania
Notes to the Financial Statements (Continued)
For the year ended 31 December 2012

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.

(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, 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.

(vii) 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.

BRAC Maendeleo Tanzania
Notes to the Financial Statements (Continued)
For the year ended 31 December 2012

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.

(e) 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.

(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 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 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	20%
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.

(g) 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

BRAC Maendeleo Tanzania

Notes to the Financial Statements (Continued)
For the year ended 31 December 2012

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 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.

(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 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.

(j) New standards and interpretations not yet adopted

At the date of authorisation of the financial statements of the Company for the year ended 31 December 2012, the following Standards were in issue but not yet effective:

Amendment to IAS 1 - Presentation of Financial Statements: Presentation of items of other comprehensive income

The Company will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories will be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. The amendment will be applied retrospectively and the comparative information will be restated. The amendment is effective for periods beginning on or after 1 July 2012.

Amendments to IFRS 7- Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities

The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position (balance sheet); or are subject to enforceable master netting arrangements or similar agreements. Additional disclosures shall be required for offset financial assets and liabilities. This amendment is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

IFRS 13 Fair value measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

BRAC Maendeleo Tanzania

Notes to the Financial Statements (Continued)

For the year ended 31 December 2012

Amendment to IAS 32 – Financial Instruments: Presentation - Offsetting financial assets and financial liabilities

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

IFRS 9 - Financial instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The International Accounting Standards Board (IASB) currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.

All Standards will be adopted at their effective date. The directors are of the opinion that the adoption of the standards when effective, will not have a material impact to the financial statements of the Company.

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 Company'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 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.

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

(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.

BRAC Maendeleo Tanzania

Notes to the Financial Statements (Continued)

For the year ended 31 December 2012

31 December 2012	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000
Other current liabilities	155,25015	155,25015	155,25015
Due to related parties	29,382	29,382	29,382
Deferred grants	182,532	182,532	182,532
Total Liabilities	**367,164**	**367,164**	**367,164**
31 December 2011			
Other current liabilities	92,954	92,954	92,954
Deferred grants	799,824	799,824	799,824
Total Liabilities	**892,778**	**892,778**	**892,778**

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. During the period the Company did not incur transactions in other foreign currencies and deal with interest bearing instruments.

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

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(e)(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 assumptions and parameters used in determining collective allowances.

BRAC Maendeleo Tanzania

Notes to the Financial Statements (Continued)

For the year ended 31 December 2012

	2012 TZS'000	Memo 2012 USD
6. DEFERRED GRANTS		
(a) Composition of deferred grants is as follows:		
Deferred revenue grants [Note 6(b)]	178,123	112,776
Deferred capital grants [Note 6(d)]	4,409	2,791
	182,532	**115,567**
(b) Deferred revenue grants		
Balance taken over from BRAC Tanzania	720,110	455,052
Grant received during the period [Note 6(c)]	528,004	335,976
Transfer to BRAC (formerly BRAC Zanzibar)	(68,013)	(43,278)
Grant income utilised during the period	(1,001,978)	(637,571)
Foreign exchange translation reserve	-	2,597
Balance as at 31 December	**178,123**	**112,776**
(c) Grant received during the period		
Name of the donor		
Nike Foundation	56,335	35,847
UNICEF	127,429	81,085
International Rice Research Institute (IRRI)	6,288	4,001
USAID-IMARISHA	5,566	3,542
Department for International Development	332,386	211,501
	528,004	**335,976**
(d) Deferred capital grants		
Balance taken over from BRAC Tanzania Limited	79,714	50,373
Amortisation during the period	(75,305)	(47,918)
Foreign exchange translation reserve	-	336
Balance as at 31 December	**4,409**	**2,791**
6. BRAC CONTRIBUTION		
BRAC Contribution (Bangladesh)	317,991	202,342

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

BRAC Maendeleo Tanzania

Notes to the Financial Statements (Continued)

For the year ended 31 December 2012

		2012	Memo 2012
		TZS'000	USD
8.	**OTHER INCOME**		
	Sale of seeds	130,878	83,279
	Agriculture	3,995	2,542
	Training	71,026	45,195
		205,899	**131,016**
9.	**STAFF COSTS**		
	Staff salaries	592,327	376,905
	Bonus provision	4,001	2,546
	Social security contributions	49,975	31,800
	Other staff costs	36,929	23,498
		683,232	**434,749**
10.	**OCCUPANCY EXPENSES**		
	Rent	75,173	47,834
	Utilities	3,179	2,022
		78,352	**49,856**
11.	**OTHER OPERATING EXPENSES**		
	Maintenance and general expenses	306,196	194,837
	Program supplies	187,773	119,482
	HO logistics and management expenses	29,382	18,696
		523,351	**333,015**
12.	**CASH AND BANK BALANCES**		
	Cash in hand	2,673	1,692
	Cash at bank	93,442	59,161
		96,115	**60,853**

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

BRAC Maendeleo Tanzania

Notes to the Financial Statements (Continued)

For the year ended 31 December 2012

	2012 TZS'000	Memo 2012 USD
13. OTHER ASSETS		
Advances and prepayments	307,371	194,607
Current account in transit	(54,455)	(34,477)
Current account with BRAC (formerly BRAC Zanzibar)	(68,013)	(43,061)
	184,903	**117,069**

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

	Furniture &fixtures TZS'000	Equipment TZS'000	Motor vehicle TZS'000	Bicycle TZS'000	Motor cycles TZS'000	Total TZS'000	Memo Total USD
14. PROPERTY AND EQUIPMENT							
NBV/Cost							
NBV of assets taken over from BRAC Tanzania*	106,552	6,952	13,994	3,262	20,844	151,604	95,801
Additions	2,356	3,936	-	-		6,292	4,004
Transfer				(18)	(2,100)	(2,118)	(1,348)
Translation reserve	-	-	-	-	-	-	172
At December 2012	**108,908**	**10,888**	**13,994**	**3,244**	**18,744**	**155,778**	**98,629**
Accumulated depreciation							
Charge for the year	54,396	10,048	7,096	1,543	7,289	80,372	51,142
Translation reserve		-	-	-	-	-	(256)
At December 2012	**54,396**	**10,048**	**7,096**	**1,543**	**7,289**	**80,372**	**50,886**
Net book value							
At 31 December 2012	**54,512**	**840**	**6,898**	**1,701**	**11,455**	**75,406**	**47,743**

*The assets were transferred at their net book values from BRAC Tanzania following the split of BRAC Tanzania into BRAC Tanzania Finance Limited and BRAC Maendeleo Tanzania.

BRAC Maendeleo Tanzania

Notes to the Financial Statements (Continued)

For the year ended 31 December 2012

		Memo
	2012	2012
	TZS'000	USD
15. OTHER LIABILITIES		
Accrued expenses	22,700	14,372
Current accounts in transit	(6,423)	(4,067)
Provisions	86,158	54,550
Revolving fund	52,815	33,439
	155,250	**98,294**
16. RELATED PARTY TRANSACTIONS		
(a) Due to related parties		
BRAC Tanzania Finance Limited	14,691	9,301
Stichting BRAC International- HO Logistics	14,691	9,301
	29,382	**18,602**

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

Head office logistics and management	**29,382**	**18,696**

17. CONTINGENT LIABILITIES

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

18. POST BALANCE SHEET EVENTS

At the time of signing these accounts the Directors 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 2012

	Agriculture, poultry & livestock		Empowerment and livelihood for adolescents (ELA)		Training	Total
	BRAC	GPAF	NIKE-ADP	UNICEF-ELA		
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Income						
Grant income	370,534	246,792	168,114	216,538	-	1,001,978
BRAC contribution	-	317,991	-	-	-	317,991
Other income	134,873	-	-	-	71,026	205,899
Total income	**505,407**	**564,783**	**168,114**	**216,538**	**71,026**	**1525,868**
Expenditure						
Staff costs and other benefits	195,363	231,093	98,073	135,856	22,847	683,232
Travelling and transportation expenses	40,141	37,084	14,938	5,869	510	98,542
Training, workshop and seminars	1,493	89,353	7,190	49,981	49	148,066
Occupancy expenses	2,136	36,855	1,578	10,797	26,986	78,352
Other general and administration expenses	266,274	170,398	46,335	14,035	26,309	523,351
Depreciation charge	71,788	-	1,957	1,560	5,065	80,370
Amortisation on capital grants	(71,788)	-	(1,957)	(1560)	-	(75,305)
Total expenditure	**505,407**	**564,783**	**168,114**	**216,538**	**81,766**	**1,536,608**
Loss for the year	**-**	**-**	**-**	**-**	**(10,740)**	**(10,740)**

BRAC Maendeleo Tanzania

Appendices-Segmental Information

Appendix I - Statement of profit or loss and other comprehensive income for the year ended 31 December 2012

	Agriculture , poultry & livestock		Empowerment and livelihood for adolescents (ELA)		Training	Total
	BRAC	GPAF	NIKE-ADP	UNICEF-ELA		
	USD	USD	USD	USD	USD	USD
Income						
Grant income	235,776	157,037	106,972	137,786	-	637,571
BRAC contribution	-	202,342	-	-	-	202,342
Other income	85,821	-	-	-	45,195	131,016
Total income	**321,597**	**359,379**	**106,972**	**137,786**	**45,195**	**970,929**
Expenditure						
Staff costs and other benefits	124,312	147,047	62,405	86,447	14,538	434,749
Travelling and transportation expenses	25,542	23,598	9,505	3,734	325	62,704
Training, workshop and seminars	950	56,856	4,575	31,804	29	94,214
Occupancy expenses	1,359	23,451	1,004	6,870	17,171	49,855
Other general and administration expenses	169,434	108,427	29,483	8,931	16,741	333,016
Depreciation	45,680	-	1,245	993	3,224	51,142
Amortisation on capital grants	(45,680)	-	(1,245)	(993)	-	(47,918)
Total expenditure	**321,597**	**359,379**	**106,972**	**137,786**	**52,028**	**977,762**
Loss for the year	**-**	**-**	**-**	**-**	**(6,833)**	**(6,833)**

BRAC Maendeleo Tanzania

Appendices-Segmental Information

Appendix II - Statement of Financial Position as at 31 December 2012

	Agriculture , poultry & livestock		Empowerment and livelihood for adolescents (ELA)		Training	Total
	BRAC	GPAF	NIKE-ADP	UNICEF-ELA		
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS						
Cash and Bank	93,777	-	2,028	(22)	332	96,115
Property and equipment	57,243	-	6,619	2,944	8,600	75,406
Other Receivables	11,837	39,896	131,834	12,670	(11,334)	184,903
Total assets	**162,857**	**39,896**	**140,481**	**15,592**	**(2,402)**	**356,424**
LIABILITIES AND EQUITY DEFICIT						
Liabilities						
Other liabilities	149,615	6,989	(701)	(354)	(299)	155,250
Due to related parties	-	-	14,508	6,238	8,637	29,383
Grant received in advance	13,242	32,907	126,674	9,708	-	182,531
Total liabilities	**162,857**	**39,896**	**140,481**	**15,592**	**8,338**	**367,164**
Equity deficit						
Accumulated losses	**-**	**-**	**-**	**-**	**(10,740)**	**(10,740)**
Total liabilities and equity deficit	**162,857**	**39,896**	**140,481**	**15,592**	**(2,402)**	**356,424**

BRAC Maendeleo Tanzania

Appendices-Segmental Information

Appendix II - Statement of Financial Position as at 31 December 2012

	Agriculture, poultry & livestock		Empowerment and livelihood for adolescents (ELA)		Training	Total
	BRAC	GPAF	NIKE-ADP	UNICEF-ELA		
	USD	USD	USD	USD	USD	USD
ASSETS						
Cash and bank balances	59,374	-	1,283	(14)	210	60,853
Property and equipment	36,242	-	4,191	1,864	5,445	47,742
Other receivables	7,495	25,260	83,469	8,022	(7,176)	117,070
Total assets	**103,111**	**25,260**	**88,943**	**9,872**	**(1,521)**	**225,665**
LIABILITIES AND EQUITY DEFICIT						
Liabilities						
Other liabilities	94,727	4,425	(444)	(224)	(190)	98,294
Due to related parties	-	-	9,185	3,950	5,467	18,602
Grant received in advance	8,384	20,835	80,202	6,146	-	115,567
Total liabilities	**103,111**	**25,260**	**88,943**	**9,872**	**5,277**	**232,463**
Equity deficit						
Accumulated losses	-	-	-	-	(6,833)	(6,833)
Foreign currency translation reserve	-	-	-	-	35	35
Total equity deficit	**-**	**-**	**-**	**-**	**(6,798)**	**(6,798)**
Total liabilities and equity deficit	**103,111**	**25,260**	**88,943**	**9,872**	**(1,521)**	**225,665**

BRAC Tanzania Finance Limited Report and Financial Statements

For the year ended 31 December 2012

BRAC Tanzania Finance Limited

Directors' Report

For the year ended 31 December 2012

GENERAL INFORMATION

Directors

Name	Position	Nationality	Remarks
Sir Fazle Hassan Abed	Chairperson	Bangladeshi	Resigned on 15 January 2013
Dr. A. M. R. Chowdhury	Chairperson	Bangladeshi	Appointed on 15 January 2013
Dr. Mahabub Hossain	Member	Bangladeshi	Resigned on 15 January 2013
Mr. Faruque Ahmed	Member	Bangladeshi	
Mr. Tanwir Rahman	Member	Bangladeshi	Appointed on 15 January 2013
Mr. Ishtiaq Mohiudin	Member	Bangladeshi	Appointed on 15 January 2013

Administrator:

Mr. Gunendu Kumar Roy
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

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

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

BRAC Tanzania Finance Limited
Directors' Report
For the year ended 31 December 2012

1. The directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2012, 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. The Company remained dormant since incorporation until 1 January 2012 when it took over the Micro finance division of BRAC Tanzania and therefore, this is the 12-month period financial statements ending 31 December 2012 since the Company commenced trading.

BRAC Tanzania which is a related entity, is in the process of being wound up by its members who are also the members of this Company.

3. VISION

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

4. MISSION

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

5. OUR VALUES

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

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

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

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

6. 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 112 branch offices in Tanzania including extending loan facilities.

7. COMPOSITION OF DIRECTORS

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

8. DIRECTORS BENEFITS

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

9. 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.

BRAC Tanzania Finance Limited
Directors' Report
For the year ended 31 December 2012

Directors' Report (continued)

10. 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.

11. 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;
- Accounts & finance;
- Internal audit;
- Monitor;
- Loan review;
- Branch review;
- IT and MIS;
- Human resources;
- Training; and
- Procurement, logistics and transportation.

12. RELATED PARTY TRANSACTIONS
Related party transactions are disclosed in Note 23 to the financial statements.

13. FUTURE DEVELOPMENT PLANS
In 2013 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 103,665 borrowers aiming to disburse USD 46 million as micro loans. Additional 2,234 borrowers will be targeted for Small Enterprise Loan (SEP). It s expected that USD 5.46 million will be disbursed to the 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.

14. KEY ACHIEVEMENTS IN 2012
The following are the Company's key achievements for the year:

- Adoption of a reassessed, comprehensive Accounts Manual;
- A business process improvement initiative to instate "Standard Operating Procedures (SOPs)" for operation;
- Opening of new departments- loan review and branch review, to establish more control on loans and branches; and
- Started automating the reconciliation process of current accounts in transit.

BRAC Tanzania Finance Limited

Directors' Report

For the year ended 31 December 2012

Directors' Report (continued)

15. SOLVENCY

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

16. 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.

Retirement benefits

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

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

17. GENDER PARITY

The Company had 1,039 employees in 2012 with 807 being female and 232 male.

18. 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

Mr. Tanwir Rahman
Director

March 31, 2013

BRAC Tanzania Finance Limited
Statement of Directors' Responsibilities

The Company's directors are responsible for the preparation and fair presentation of the financial statements of BRAC Tanzania Finance Limited comprising the statement of financial position at 31 December 2012, 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, and the directors' report, 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 auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

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.

Mr. Tanwir Rahman
Director

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC TANZANIA FINANCE LIMITED

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 2012, 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 following pages. 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 2012, 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

In our opinion, proper accounting records have been kept by the Company and the financial statements referred to in the preceding paragraph are in agreement with the accounting records and comply with the Companies Act, 2002.

KPMG
Certified Public Accountants (T)

Signed by: M Salim Bashir
Dar es Salaam

March 31.2013

BRAC Tanzania Finance Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 TZS '000	Memo 2012 USD
Income			
Interest income	6	16,591,029	10,557,085
Interest expense	7	(2,092,291)	(1,331,352)
Net interest income		**14,498,738**	**9,225,733**
Fee and commission income	8	871,994	554,861
Other income	9	329,185	209,465
Grant income utilised	22	33,652	21,413
Foreign exchange (losses)/gains		(40,021)	(25,466)
Total operating income		**1,194,810**	**760,273**
Impairment charge on loans to customers	15(a)	(1,092,678)	(695,285)
Operating income after impairment charge-on loans to customers		**14,600,870**	**9,290,721**
Staff costs and other benefits	10	(5,746,809)	(3,656,767)
Travelling and transportation		(708,039)	(450,534)
Training, workshop and seminars		(56,922)	(36,220)
Occupancy expenses	11	(553,352)	(352,106)
Other operating expenses	12	(1,998,252)	(1,271,513)
Depreciation expense	17	(165,850)	(105,533)
Profit before taxation		**5,371,646**	**3,418,048**
Tax expense	13	(1,796,337)	(1,143,032)
Profit for the year		**3,575,309**	**2,275,016**
Other comprehensive income			
Foreign currency translation loss		-	(11,360)
Total comprehensive income for the year		**3,575,309**	**2,263,656**

Notes and related statements forming part of the financial statements.

BRAC Tanzania Finance Limited

Statement of Financial Position

As at 31 December 2012

	Notes	2012 TZS '000	Memo 2012 USD
ASSETS			
Cash and bank balances	**14**	3,454,307	2,187,046
Fixed deposits		4,036,901	2,555,907
Loans to customers	**15**	29,686,362	18,795,498
Other assets	**16**	432,665	273,936
Property and equipment	**17**	133,800	84,714
Deferred tax asset	**18**	1,008,861	638,746
Corporation tax recoverable		182,940	115,826
Total assets		**38,935,836**	**24,651,673**
LIABILITIES AND EQUITY			
Long term liabilities			
Long term portion of term loans	**21**	14,450,417	9,149,076
Loan revolving fund		551,310	349,054
Total long term liabilities		**15,001,727**	**9,498,130**
Current liabilities			
Other liabilities	**19**	3,471,966	2,198,226
Loan security fund	**20**	6,137,620	3,885,947
Current portion of term loans	**21**	3,380,483	2,140,306
Deferred revenue grants	**22**	115,557	73,163
Total current liabilities		**13,105,626**	**8,297,642**
Equity			
Allocated capital		7,253,174	4,583,422
Retained earnings		3,575,309	2,275,016
Translation reserve		-	(2,537)
Total equity		**10,828,483**	**6,855,901**
Total liabilities and equity		**38,935,836**	**24,651,673**

The financial statements were approved for issue by the Board of Directors on March 31, 2013 and signed on its behalf by;

Tanwir Rahman
Director

Notes and related statements forming part of the financial statements.

BRAC Tanzania Finance Limited
Statement of Changes In Equity
For the year ended 31 December 2012

	Allocated capital	Retained earnings	Total	Memo Total
	TZS'000	TZS'000	TZS'000	USD
Balance at 1January 2012	**-**	**-**	**-**	**-**
Profit for the year	-	3,575,309	3,575,309	2,275,016
Other comprehensive income, net of income tax:				
Balance inherited from BRAC Tanzania	7,253,174	-	7,253,174	4,583,422
Foreign currency translation loss	-	-	-	(2,537)
Balance as at 31 December 2012	**7,253,174**	**3,575,309**	**10,828,483**	**6,855,901**

Notes and related statements forming part of the financial statements.

BRAC Tanzania Finance Limited
Statement of Cash Flows
For the year ended 31 December 2012

	Notes	2012 TZS '000	Memo 2012 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,371,646	3,418,048
Adjustment for non-cash items			
Depreciation charge		165,850	105,533
Amortisation of capital grants		-	-
Loans written off		(1,073,091)	(679,412)
Impairment charge on loans to customers		1,092,678	695,285
Operating profit before changes in working capital items (including balances taken over from BRAC Tanzania)		**5,557,083**	**3,539,454**
Increase in other assets		(432,665)	(273,936)
Increase in fixed deposit maturing after 3 months		(4,036,901)	(2,555,907)
Increase in other liabilities		3,471,966	2,198,226
Increase in loans to customers		(29,705,949)	(18,807,900)
Cash flow from operating activities		**(25,146,466)**	**(15,900,063)**
Tax paid		(2,224,675)	(1,415,589)
Net cash used in operating activities		**(27,371,141)**	**(17,315,652)**
CASH FLOW FROM INVESTING ACTIVITIES (including balances taken over from BRAC Tanzania)			
Acquisition of fixed assets		(299,650)	(189,720)
CASH FLOWS FROM FINANCING ACTIVITIES (including balances taken over from BRAC Tanzania)			
Term loan received		17,830,900	11,289,382
Loan revolving fund received		551,310	349,054
Allocated capital inherited from BRAC Tanzania (net of tax asset and liabilities)		6,489,711	4,100,975
Loan security fund received		6,137,620	3,885,947
Grants received during the year		115,557	73,163
Net cash generated from financing activities		**31,125,098**	**19,698,521**
Net increase in cash and cash equivalents		**3,454,307**	**2,193,149**
Cash and cash equivalents at the beginning of the year		-	-
Foreign exchange translation reserve		-	(6,103)
Cash and cash equivalents at the end of the year	14	**3,454,307**	**2,187,046**

Notes and related statements forming part of the financial statements.

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

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 and therefore, this is the 12-month period financial statements ending 31 December 2012 since the Company commenced trading.

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 2012 of TZS 1,579.44 to USD 1 except for additions to property, plant and equipment which were translated at an average rate for the period of TZS 1,571.55 to USD 1
- Income and expenses were translated using an average exchange rate for the period of TZS 1,571.55 to USD 1
- Equity is not translated; and
- All resulting exchange differences are being recognised in other comprehensive income.

(d) Use of estimates and judgements

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency transactions

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

(b) Interest income and expense

Interest income and expense are recognised in 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.

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

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.

(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.

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

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.

(ii) Classification

Refer to accounting policies onNote (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 thestatement 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.

(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.

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

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 transactionsbetween 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.

(vii) 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.

(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.

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

(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 Companyand 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 inprofit 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	20%
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.

(m) 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.

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

(n) 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.

(o) 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.

(p) Standards in issue not yet effective

At the date of authorisation of the financial statements of the Company for the yearended 31 December 2012, the following Standards were in issue but not yet effective:

Amendment to IAS 1 - Presentation of Financial Statements: Presentation of items of other comprehensive income

The company will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories will be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. The amendment will be applied retrospectively and the comparative information will be restated. The amendment is effective for periods beginning on or after 1 July 2012.

Amendments to IFRS 7- Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities

The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position (balance sheet); or are subject to enforceable master netting arrangements or similar agreements. Additional disclosures shall be required for offset financial assets and liabilities. This amendment is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

IFRS 13 Fair value measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

Amendment to IAS 32 – Financial Instruments: Presentation - Offsetting financial assets and financial liabilities

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

IFRS 9 - Financial instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The International Accounting Standards Board (IASB) currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.

All Standards will be adopted at their effective date. The directors are of the opinion that the adoption of the standards when effective, will not have a material impact to the financial statements of the Company.

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

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.

This Note presents information about the Company's exposure to each of the above risks, itsobjectives, 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 ofthe 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.

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

The table below provides details of exposure to credit risk

Loans to customers

Carrying amount	**2012 TZS'000**
Standard	29,391,270
Watch List	436,263
Substandard	533,363
Doubtful	127,810
Loss	366,099
	30,854,805
Allowance for impairment	(1,168,443)
Net loans	**29,686,362**
Balance at 1 January 2012	-
Balance taken over from BRAC Tanzania	1,148,856
Impairment charge on loans to customers during the year	1,092,678
Loans written off during the year	(1,073,091)
Balance at 31 December	**(1,168,443)**

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 realizable 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

(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 2012	**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	6,137,620	6,137,620	6,137,620	-	-
Term loans	17,830,900	17,830,900	3,380,483	1,129,832	13,320,585
Deferred revenue grants	115,557	115,557	115,557	-	-
Other current liabilities	3,471,966	3,471,966	3,471,966	-	-
	27,556,043	**27,556,043**	**13,105,626**	**1,129,832**	**13,320,585**

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

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.

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 reporting period date.

As at the end of the year the Company did not have significant balances in foreign denominated 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.

31 December 2012	Up to 1 month	From 1 to 12 months	From 1 years to 2 years	From 2 years and above	Non interest bearing	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS						
Cash and bank balances	-	-	-	-	3,454,307	3,454,307
Fixed deposits	-	4,036,901	-	-	-	4,036,901
Loans to customers	436,263	29,250,099	-	-	-	29,686,362
Other assets	-	-	-	-	432,665	432,665
Total assets	**436,263**	**33,287,000**	**-**	**-**	**3,886,972**	**37,610,235**
LIABILITIES						
Loan revolving fund					(551,310)	(551,310)
Other liabilities	-	-	-	-	(3,471,966)	(3,471,966)
Loan security fund	-	-	-	-	(6,137,620)	(6,137,620)
Term loans	-	(13,320,585)	(1,129,832)	(3,107,038)	(273,445)	(17,830,900)
Deferred revenue grants	-	-	-	-	(115,557)	(115,557)
Total liabilities	**-**	**(13,320,585)**	**(1,129,832)**	**(3,107,038)**	**(10,549,898)**	**(28,107,353)**
Net assets/(liabilities)	**436,263**	**19,966,415**	**(1,129,832)**	**(3,107,038)**	**(6,662,926)**	**9,502,882**

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

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

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 assumptions and parameters used in determining collective allowances.

BRAC Tanzania Finance Limited

Notes to the Financial Statements

For the year ended 31 December 2012

		2012 TZS'000	Memo 2012 USD
6.	**INTEREST INCOME**		
	Interest on loans to group members:		
	-Micro finance	14,267,590	9,078,651
	-Small enterprise program	2,211,294	1,407,075
	-Adolescent development program	112,145	71,359
		16,591,029	**10,557,085**
7.	**INTEREST EXPENSE**		
	Interest expense on loans from:		
	-BRAC Africa Micro Finance Limited	1,661,216	1,057,053
	-Financial Sector Deepening Trust (FSDT)	408,042	259,642
	-Stichting Hivos Triodos Fonds	23,033	14,657
		2,092,291	**1,331,352**
8.	**FEE AND COMMISSION INCOME**		
	Membership fees	162,647	103,494
	Loan appraisal fees	705,101	448,665
	Loan application fees	4,246	2,702
		871,994	**554,861**
9.	**OTHER INCOME**		
	Gain due to early repayment of loan	189,290	120,448
	Other income	19,322	12,295
	Interest income from bank deposit	120,573	76,722
		329,185	**209,465**
10.	**STAFF COSTS AND OTHER BENEFITS**		
	Staff costs	**5,746,809**	**3,656,767**

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

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

	2012 TZS'000	Memo 2012 USD
11. OCCUPANCY EXPENSES		
Rent	450,422	286,610
Utilities	102,930	65,496
	553,352	**352,106**
12. OTHER OPERATING EXPENSES		
Maintenance and general expenses	714,468	454,624
Write off	136,582	86,909
Fund management fees	98,643	62,768
Program supplies	-	-
Members death benefit	70,536	44,883
Vehicle running expenses	38,027	24,197
Audit fees	98,151	62,455
Head Office logistics and management expenses	668,849	425,597
Stationery	172,996	110,080
	1,998,252	**1,271,513**
13. TAX EXPENSE		
Current income tax charge	1,907,042	1,213,475
Prior year tax charge	35,867	22,822
Deferred tax credit for the year	(146,572)	(93,265)
	1,796,337	**1,143,032**

Tax rate reconciliation	**%**
Standard rate of income tax	30.0
Tax effect of non-deductable expenses	2.5
Tax effect of prior year deferred tax asset underprovision (taken on)	0.3
Effective rate of income tax	**32.8**

14. CASH AND BANK BALANCES	2012 TZS'000	Memo 2012 USD
Cash in hand	54,187	34,308
Cash at bank	3,400,120	2,152,738
	3,454,307	**2,187,046**

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

	2012 TZS'000	Memo 2012 USD
15. LOANS TO CUSTOMERS		
Loans to customers (gross)	30,854,805	19,498,709
Provision for impairment on loans to customers [Note-15(a)]	(1,168,443)	(739,783)
Foreign currency translation reserve	-	36,572
Balance at 31 December	**29,686,362**	**18,795,498**

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:

	2012 TZS'000	Memo 2012 USD
Balance taken over from BRAC Tanzania	1,148,856	725,985
Impairment charge on loans to customers	1,092,678	695,285
Loans written off during the year	(1,073,091)	(679,412)
Foreign currency translation reserve	-	(2,075)
Balance at 31 December	**(1,168,443)**	**(739,783)**

16. OTHER ASSETS

	2012 TZS'000	Memo 2012 USD
Advances and prepayments	342,493	216,845
Stock and stores	23,107	14,630
Receivables from BRAC Maendeleo Tanzania	16,526	10,463
Receivables from BRAC (formerly BRAC Zanzibar)	50,539	31,998
	432,665	**273,936**

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

17. PROPERTY AND EQUIPMENT

	Furniture &Fixtures	Equipment	Motor vehicle	Bicycle	Motor cycles	Total	Memo Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	USD
NBV/Cost							
NBV of assets taken over from BRAC Tanzania*	85,315	104,931	28,868	3,037	16,731	238,882	150,956
Additions	14,432	42,898	-	203	3,235	60,768	38,667
Foreign exchange translation difference	-	-	-	-	-	-	97
At 31 December 2012	99,747	147,829	28,868	3,240	19,966	299,650	189,720
Accumulated depreciation							
Charge for the year	47,105	87,232	15,409	2,411	13,693	165,850	105,533
Foreign exchange translation difference	-	-	-	-	-	-	(527)
At 31 December 2012	47,105	87,232	15,409	2,411	13,693	165,850	105,006
Net book value							
At 31 December 2012	**52,642**	**60,597**	**13,459**	**829**	**6,273**	**133,800**	**84,714**

* The assets were transferred at their net book values from BRAC Tanzania following the split of BRAC Tanzania into BRAC Tanzania Finance Limited and BRAC Maendeleo Tanzania.

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

		2012 TZS'000	Memo 2012 USD
18.	**DEFERRED TAX ASSET**		
	The movement in the deferred tax asset during the year is as follows:		
	Balance taken over from BRAC Tanzania	862,289	544,897
	Credit for the year	146,572	93,265
	Foreign exchange translation difference	-	584
	At 31 December	**1,008,861**	**638,746**
	Deferred tax arises from temporary differences on the following items:		
	Property, plant and equipment	48,049	30,422
	Provision for write off	132,511	83,897
	Impairment provision – general	350,533	221,935
	Other provisions	477,768	302,492
		1,008,861	**638,746**
19.	**OTHER LIABILITIES**		
	Accrued expenses	503,285	318,648
	Payable to Stitching BRAC International – Head office Logistics	600,098	379,944
	Payable to BRAC Bangladesh	956,106	605,345
	Current accounts in transit	110,332	69,855
	Provisions	557,064	352,697
	Withholding tax payable	745,081	471,737
		3,471,966	**2,198,226**
20.	**LOAN SECURITY FUND**		
	Balance taken over from BRAC Tanzania	6,006,089	3,795,365
	Collection during the year	7,051,808	4,487,156
	Withdrawals during the year	(6,920,277)	(4,403,461)
	Foreign exchange translation reserve	-	6,887
		6,137,620	**3,885,947**

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.

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

21. TERM LOANS

	2012 TZS'000	Memo 2012 USD
Stichting Hivos Triodos Fonds	-	-
Financial Sector Deepening Trust (FSDT)	4,228,745	2,636,514
BRAC Africa Microfinance Limited	13,328,710	8,478,921
BRAC (Bangladesh)	273,445	173,947
	17,830,900	**11,289,382**
Long term portion of term loans	14,450,417	9,149,076
Current portion of term loans	3,380,483	2,140,306
	17,830,900	**11,289,382**

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. During the year the Company received additional loan amounting to TZS 2,305,780,000.

Stitching Hivos Triodos Fonds

The loan of TZS 1.75 billion was received on 7 August 2007 to be repaid within five years at six equal instalments of TZS 287.5 million every six months, commencing from 1 January 2010. The interest rate on the loan was 14% per annum fixed until 1 July 2008 and 14.5% subsequently. The Company finished repaying the loan 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. The loan carries an interest of 12% per annum and is repayable in quarterly instalments with the first principal payment commencing on December 2012. BRAC Tanzania had already drawdown USD 10.25 million of the loan until 31 December 2012. 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.

BRAC Tanzania Finance Limited
Notes to the Financial Statements
For the year ended 31 December 2012

	2012 TZS'000	Memo 2012 USD
22. DEFERRED REVENUE GRANTS		
(a) Donor funds received in advance		
Grants received during the year [Note 22(b)]	149,209	94,944
Grants income utilised during the year	(33,652)	(21,413)
Foreign currency translation difference	-	(368)
Balance at 31 December	**15,557**	**73,163**
(b) Grant received during the year		
BRAC Uganda	110,034	70,016
Citi Foundation	39,175	24,928
	149,209	**94,944**
23. RELATED PARTY TRANSACTIONS		
(a) Due to related parties		
BRAC Foundation (loan payable)	273,445	173,128
BRAC Bangladesh	956,106	605,345
BRAC USA (deferred grants)	-	-
BRAC Uganda (deferred grants)	110,034	70,016
Stitching BRAC International	600,089	379,944
Due to BRAC Tanzania (transfer of reserves)	7,253,174	4,583,422
	9,192,848	**5,811,855**
(b) Expenses incurred by related parties on-behalf of the Company:		
Head Office logistics and management expenses	668,849	425,579
Travelling and transportation expenses	956,106	605,345
(c) Interest expense loans from a related party		
BRAC Africa Micro Finance Limited	**1,661,216**	**1,057,053**

24. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilitiesas at the date of this report.

25. 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 2012

BRAC

Report and Financial Statements
For the year ended 31 December 2012

GENERAL INFORMATION

Members of Governing Council:

Name	Position	Nationality	Remarks
Sir. Fazle Hassan Abed	Chairperson	Bangladeshi	Resigned on 15 January 2013
Dr. A. M. R Chowdhury	Chairperson	Bangladeshi	Appointed on 15 January 2013
Dr. Mahabub Hossain	Member	Bangladeshi	Resigned on 15 January 2013
Mr. Muhammad A. (Rumee) Ali	Member	Bangladeshi	Resigned on 15 January 2013
Ms. Rahma Ali Khamis Abdallah	Member	Tanzanian	
Mr. Faruque Ahmed	Member	Bangladeshi	
Mr. Tanwir Rahman	Member	Bangladeshi	Appointed on 15 January 2013

Administrator:

Mr. Gunendu Kumar Roy
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
Sokoine Drive & Azikiwe Street
P. O. Box 1863
Dar es Salaam, Tanzania

BRAC

Report of the Governing Council
For the year ended 31 December 2012

1. The members of Governing Council have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2012, 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 realize 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 2012 is as follows:

- Total revenue increased by 24% from TZS 657,276 million in 2011 to TZS 816,768 in 2012.
- Loans to customers decreased by 21% from TZS 1,408 million in 2011 to TZS 1,111 million in 2012
- Operating expenses increased by 77% from TZS 407 million in 2011 to TZS 719 million in 2012.

During the year, the Organisation had an attributable loss of TZS 9.9 million (2011 – loss of TZS 58 million). The statement of financial position as at 31 December 2012 is set out on page 9.

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 1.

9. 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.

10. 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.

BRAC

Report of the Governing Council (continued)
For the year ended 31 December 2012

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.

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:

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

12. RELATED PARTY TRANSACTIONS

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

13. FUTURE DEVELOPMENT PLANS

In 2013 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 4,290 borrowers aiming to disburse USD 1.81 million as micro loans. Additional 140 borrowers will be targeted for Small Enterprise Loan (SEP). It s expected that USD 0.16 million will be disbursed to the 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.

14. KEY ACHIEVEMENTS IN 2012

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

- Adoption of a reassessed, comprehensive Accounts Manual;
- A business process improvement initiative to instate "Standard Operating Procedures (SOPs)" for operation;
- Opening of new departments namely- loan review and branch review and, to establish more control on loans and branches; and
- Started automating the reconciliation process of current accounts in transit.

15. 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 members of Governing Council has reasonable expectation that the Organisation has adequate resources to continue in operational existence for the foreseeable future.

16. EMPLOYEES' WELFARE

Management/employee relationship

There were continued good relation between employees and management for the year 2012. 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.

BRAC

Report of the Governing Council (continued)

For the year ended 31 December 2012

Training

Training and development of staff capacity is one of the key priorities of the Organisation. This 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.

17. EMPLOYEES' WELFARE (CONTINUED)

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 62 employees in 2012 with 44 being females and 18 males, whilst in 2011 the Organisation, had 70 employees with 48 being females and 22 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

March 31, 2013

BRAC

Statement of the Governing Council's Responsibilities

The members of the Governing Council are responsible for the preparation and fair presentation of the financial statements of BRAC comprising the statement of financial position at 31 December 2012, 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, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Societies Act, 1995 of the Zanzibar Revolutionary Government.

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

The members of 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.

Tanwir Rahman
Member

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

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

REPORT OF THE INDEPENDENT AUDITORS 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 2012, 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 12 to 35. 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 and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 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 2012 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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)

Signed bty: M Salim Bashir
Dar es Salaam

March 31, 2013

BRAC

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2012

						Memo	
	Notes	Micro finance 2012 TZS '000	Social development 2012 TZS '000	Total 2012 TZS'000	Total 2011 TZS'000	Total 2012 USD	Total 2011 USD
Income							
Interest income	6	704,352	-	704,352	595,248	448,189	381,076
Grant income utilised	20(c)	-	68,013	68,013	-	43,278	-
Other income	7	42,050	2,353	44,403	62,028	28,255	39,710
Total operating income		**746,402**	**70,366**	**816,768**	**657,276**	**519,722**	**420,786**
Impairment charge on loans to customers	8	(117,983)	-	(117,983)	38,400	(75,074)	24,584
Operating income after impairment charge on loans to customers		**628,419**	**70,366**	**698,785**	**695,676**	**444,648**	**445,370**
Operating expenses							
Staff costs	9	(351,632)	(33,784)	(385,416)	(331,167)	(245,246)	(212,012)
Travelling and transportation		(15,397)	(3,435)	(18,832)	(14,044)	(11,982)	(8,991)
Training, workshop and seminars		(3,570)	(9,026)	(12,596)	(2,457)	(8,015)	(1,573)
Occupancy expenses	10	(14,090)	(4,336)	(18,426)	(19,090)	(11,724)	(12,221)
Other operating expenses	11	(256,676)	(19,785)	(276,461)	(32,678)	(175,919)	(20,922)
Depreciation charge	16	(7,388)	-	(7,388)	(7,708)	(4,701)	(4,935)
Amortisation of capital grants	20(b)	7,388	-	7,388	7,708	4,701	4,935
Deficit before taxation		**(12,946)**	**-**	**(12,946)**	**296,240**	**(8,238)**	**189,651**
Tax credit/ (expense)	12	3,076	-	3,076	(354,473)	1,957	(226,932)
Deficit for the year		**(9,870)**	**-**	**(9,870)**	**(58,233)**	**(6,281)**	**(37,281)**
Other comprehensive income:							
Foreign currency translation gain/(loss)		-	-	-	-	**(386)**	**14,400**
Total comprehensive deficit for the year		**(9,870)**	**-**	**(9,870)**	**(58,233)**	**(6,667)**	**(22,881)**

Notes and related statements forming part of the financial statements.

BRAC
Statement of Financial Position
As at 31 December 2012

	Notes	Micro finance 2012 TZS '000	Social development 2012 TZS '000	Total 2012 TZS '000	Total 2011 TZS '000	Memo Total 2012 USD	Memo Total 2011 USD
ASSETS							
Cash and bank balances	**13**	46,767	257	47,024	131,154	29,773	82,879
Loans to customers	**14**	1,111,501	-	1,111,501	1,408,593	703,731	890,117
Other assets	**15**	8,806	-	8,806	6,434	5,575	4,067
Property and equipment	**16**	10,538	-	10,538	14,906	6,672	9,419
Deferred tax asset	**17**	224,999	-	224,999	221,923	142,455	140,237
Total assets		**1,402,611**	**257**	**1,402,868**	**1,783,010**	**888,206**	**1,126,719**
LIABILITIES AND CAPITAL FUND							
Liabilities							
Loan security fund	**18**	246,166	-	246,166	310,470	155,857	196,192
Other liabilities	**19**	597,239	95,184	692,423	991,003	438,399	626,235
Deferred grants	**20(a)**	920	-	920	8,308	582	5,249
Total liabilities		**844,325**	**95,184**	**939,509**	**1,309,781**	**594,838**	**827,676**
Capital fund/(deficit)							
Donor funds		814,454	-	814,454	814,454	617,946	617,946
Accumulated losses		(256,168)	(94,927)	(351,095)	(341,225)	(236,307)	(230,026)
Translation reserve		-	-	-	-	(88,271)	(88,877)
Total capital fund/(deficit)		**558,286**	**(94,927)**	**463,359**	**473,229**	**293,368**	**299,043**
Total liabilities and capital fund		**1,402,611**	**257**	**1,402,868**	**1,783,010**	**888,206**	**1,126,719**

The financial statements were approved for issue by the members of Governing Council on 31-03-2013 and signed on its behalf by;

Tanwir Rahman
Director

Notes and related statements forming part of the financial statements.

BRAC

Statement of Capital Fund

For the year ended 31 December 2012

	Donor funds	Accumulated deficit			Memo
	Micro finance	Micro finance	Social development	Total	Total
	TZS'000	TZS'000	TZS'000	TZS'000	USD
Balance as at 1 January 2011	**-**	**(234,218)**	**(48,774)**	**(282,992)**	**(192,745)**
Funds received during the year	814,454			814,454	617,946
Deficit for the year	-	(12,080)	(46,153)	(58,233)	(37,281)
Foreign currency translation loss	-	-	-	-	(88,877)
Balance as at 31 December 2011	**814,454**	**(246,298)**	**(94,927)**	**473,229**	**299,043**
Balance at 1 January 2012	**814,454**	**(246,298)**	**(94,927)**	**473,229**	**299,043**
Deficit for the year	-	(9,870)	-	(9,870)	(6,281)
Foreign currency translation gain	-	-	-	-	606
Balance as at 31 December 2012	**814,454**	**(256,168)**	**(94,927)**	**463,359**	**293,368**

Notes and related statements forming part of the financial statements.

BRAC

Statement of Cash Flows

For the year ended 31 December 2012

	Notes	Micro finance 2012 TZS '000	Social development 2012 TZS 000	Total 2012 TZS 000	Total 2011 TZS 000	Total 2012 USD	Memo Total 2011 USD
CASH FLOWS FROM OPERATING ACTIVITIES							
Deficit for the year		(12,946)	-	(12,946)	296,240	(8,238)	189,651
Adjustment for non cash items:							
Depreciation charge		7,388	-	7,388	7,708	4,701	4,935
Amortisation of capital grants		(7,388)	-	(7,388)	(7,708)	(4,701)	(4,935)
Loans written off		(122,497)	-	(122,497)	(40,244)	(77,557)	(25,431)
Provision for impairment on loans and advances		117,983	-	117,983	(38,400)	75,074	(24,584)
Operating profit before changes in working capital items		**(17,460)**	**-**	**(17,460)**	**217,596**	**(10,721)**	**139,636**
(Increase)/decrease in other assets		(2,372)	-	(2,372)	94	(1,508)	60
(Decrease)/ increase in other liabilities		(434,231)	257	(433,974)	259,924	(273,559)	166,402
Decrease/(increase) in loans to customers		301,606	-	301,606	(77,123)	262,653	(49,374)
Increase in balance due to related parties		135,394	-	135,394	-	85,723	-
Cash (used in)/ generated from operating activities		**(17,063)**	**257**	**(16,806)**	**400,491**	**62,588**	**256,724**
Tax paid		-	-	-	(420,414)	-	(269,148)
Net cash (used in)/ generated from operating activities		**(17,063)**	**257**	**(16,806)**	**(19,923)**	**62,588**	**(12,424)**
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of fixed assets		(3,020)	-	(3,020)	(6,598)	(1,922)	(4,224)
CASH FLOWS FROM FINANCING ACTIVITIES							
Net movement in the loan security fund		(64,304)	-	(64,304)	25,080	(40,335)	16,056
Net (decrease)/increase in cash and cash equivalents		**(84,387)**	**257**	**(84,130)**	**(1,441)**	**20,331**	**(592)**
Cash and cash equivalents at the beginning of the year		131,154	-	131,154	132,595	82,879	84,887
Foreign exchange translation reserve		-	-	-	-	(73,437)	(1,416)
Cash and cash equivalents at the end of the year	**13**	**46,767**	**257**	**47,024**	**131,154**	**29,773**	**82,879**

Notes and related statements forming part of the financial statements.

BRAC
Notes to the Financial Statements
For the year ended 31 December 2012

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, Zanzibar.

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 2012 of TZS 1,579.44 to USD 1 except for additions to property and equipment which were translated at an average rate for the period of TZS 1,571.55 to USD 1;
- Income and expenses were translated using an average exchange rate for the period of TZS 1,571.55 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.

(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.

BRAC

Notes to the Financial Statements
For the year ended 31 December 2012

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.

(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.

BRAC

Notes to the Financial Statements

For the year ended 31 December 2012

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

Refer to accounting policies on Notes (3h and 3i).

(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 Note 4(a)].

(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.

(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.

BRAC

Notes to the Financial Statements

For the year ended 31 December 2012

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.

(h) 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 bank in the management of its short-term commitments.

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

(i) 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 organisation 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.

BRAC

Notes to the Financial Statements
For the year ended 31 December 2012

(j) 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	20%
Equipment	25%
Vehicles	20%
Bicycles	20%
Motor cycles	20%

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

(k) 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.

(l) 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.

(m) 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.

BRAC
Notes to the Financial Statements
For the year ended 31 December 2012

(n) 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.

(o) New standards and interpretations not yet adopted
At the date of authorisation of the financial statements of the Organisation for the year ended 31 December 2012, the following Standards were in issue but not yet effective:

Amendment to IAS 1 - Presentation of Financial Statements: Presentation of items of other comprehensive income

The Organisation will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories will be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. The amendment will be applied retrospectively and the comparative information will be restated. The amendment is effective for periods beginning on or after 1 July 2012.

Amendments to IFRS 7- Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities

The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position (balance sheet); or are subject to enforceable master netting arrangements or similar agreements. Additional disclosures shall be required for offset financial assets and liabilities. This amendment is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

IFRS 13 Fair Value Measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

Amendment to IAS 32 – Financial Instruments: Presentation - Offsetting financial assets and financial liabilities

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

IFRS 9 - Financial instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The International Accounting Standards Board (IASB) currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.

All Standards will be adopted at their effective date. The members of Governing Council are of the opinion that the adoption of the standards when effective will not have a material impact to the financial statements of the Organisation.

BRAC

Notes to the Financial Statements
For the year ended 31 December 2012

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.

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.

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.

BRAC

Notes to the Financial Statements

For the year ended 31 December 2012

The table provides details of exposure to credit risk:

Loans to customers

Micro finance	2012 TZS'000	2011 TZS'000
Carrying amount		
Standard	1,106,362	1,134,250
Watch List	12,483	66,913
Substandard	16,752	107,043
Doubtful	6,062	72,234
Loss	69,089	131,914
	1,210,748	**1,512,354**
Allowance for impairment	(99,247)	(103,761)
Net loans	**1,111,501**	**1,408,593**
Balance at 1 January	103,761	182,405
Provision made during the year	117,983	(38,400)
Loans written off during the year	(122,497)	(40,244)
	99,247	**103,761**

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.

(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.

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Notes to the Financial Statements

For the year ended 31 December 2012

Residual contractual maturities of financial liabilities.

Consolidated	Ca rrying amount	Contractual cash flows	Within 1 year
31 December 2012	**TZS'000**	**TZS'000**	**TZS'000**
Loan security fund	246,166	246,166	246,166
Other current liabilities	692,423	692,423	692,423
Deferred grants	920	920	920
Total liabilities	**939,509**	**939,509**	**939,509**
31 December 2011			
Loan security fund	310,470	310,470	310,470
Other current liabilities	991,003	991,003	991,003
Deferred grants	8,308	8,308	8,308
Total liabilities	**1,309,781**	**1,309,781**	**1,309,781**
Microfinance			
31 December 2012			
Loan security fund	246,166	246,166	246,166
Other current liabilities	597,239	597,239	597,239
Deferred grants	920	920	920
Total liabilities	**844,325**	**844,325**	**844,325**
31 December 2011			
Loan security fund	310,470	310,470	310,470
Other current liabilities	896,076	896,076	896,076
Deferred grants	8,308	8,308	8,308
Total liabilities	**1,214,854**	**1,214,854**	**1,214,854**

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Notes to the Financial Statements

For the year ended 31 December 2012

Social development	**Carrying amount**	**Contractual cash flows**	**Within 1 year**
31 December 2012	**TZS'000**	**TZS'000**	**TZS'000**
Other current liabilities	**95,184**	**95,184**	**95,184**
31 December 2011			
Other current liabilities	**94,927**	**94,927**	**94,927**

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

(c) Market risk

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

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Notes to the Financial Statements

For the year ended 31 December 2012

(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 2012	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	-	-	-	-	47,024	47,024
Loans to customers	1,094,379	17,122	-	-	-	1,111,501
Other assets	-	-	-	-	8,806	8,806
Total assets	**1,094,379**	**17,122**	**-**	**-**	**55,830**	**1,167,331**
LIABILITIES						
Loan security fund	-	-	-	-	(246,166)	(246,166)
Other liabilities	-	-	-	-	(692,423)	(692,423)
Deferred grants	-	-	-	-	(920)	(920)
Total liabilities	**-**	**-**	**-**	**-**	**(939,509)**	**(939,509)**
Net assets/(liabilities)	**1,094,379**	**17,122**	**-**	**-**	**(883,679)**	**227,822**
31 December 2011						
ASSETS						
Cash and bank balances	-	-	-	-	131,154	131,154
Loans to customers	-	1,408,593	-	-	-	1,408,593
Other assets	-	-	-	-	6,434	6,434
Total assets	**-**	**1,408,593**	**-**	**-**	**137,588**	**1,546,181**
LIABILITIES						
Loan security fund	-	-	-	-	(310,470)	(310,470)
Other liabilities	-	-	-	-	(991,003)	(991,003)
Deferred grants	-	-	-	-	(8,308)	(8,308)
Total liabilities	**-**	**-**	**-**	**-**	**(1,309,781)**	**(1,309,781)**
Net assets/(liabilities)	**-**	**1,408,593**	**-**	**-**	**(1,172,193)**	**236,400**

BRAC

Notes to the Financial Statements

For the year ended 31 December 2012

Microfinance 31 December 2012	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	-	-	-	-	46,767	46,767
Loans to customers	-	1,111,501	-	-	-	1,111,501
Other assets	-	-	-	-	8,806	8,806
Total assets	**-**	**1,111,501**	**-**	**-**	**55,573**	**1,167,074**
LIABILITIES						
Loan security fund	-	-	-	-	(246,166)	(246,166)
Other liabilities	-	-	-	-	(597,239)	(597,239)
Deferred grants	-	-	-	-	(920)	(920)
Total liabilities	**-**	**-**	**-**	**-**	**(844,325)**	**(844,325)**
Net assets/(liabilities)	**-**	**1,111,501**	**-**	**-**	**(788,752)**	**322,749**
ASSETS						
Cash and bank balances	-	-	-	-	131,154	131,154
Loans to customers	1,341,679	66,914	-	-	-	1,408,593
Other assets	-	-	-	-	6,434	6,434
Total assets	**1,341,679**	**66,914**	**-**	**-**	**137,588**	**1,546,181**
LIABILITIES						
Loan security fund	-	-	-	-	(310,470)	(310,470)
Other liabilities	-	-	-	-	(896,076)	(896,076)
Deferred grants	-	-	-	-	(8,308)	(8,308)
Total liabilities	**-**	**-**	**-**	**-**	**(1,214,854)**	**(1,214,854)**
Net assets/(liabilities)	**1,341,679**	**66,914**	**-**	**-**	**(1,077,266)**	**331,327**

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Notes to the Financial Statements

For the year ended 31 December 2012

Social development 31 December 2012	Up to 1 month	From 1 to 12 months	From 1 years to 2 years	From 2 years and above	Non interest bearing	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ASSETS						
Cash and bank balances	-	-	-	-	257	257
LIABILITIES						
Other liabilities	-	-	-	-	(95,184)	(95,184)
Net assets/(liabilities)	**-**	**-**	**-**	**-**	**(94,927)**	**(94,927)**
31 December 2011						
ASSETS						
Total assets	**-**	**-**	**-**	**-**	**-**	**-**
LIABILITIES						
Other liabilities	-	-	-	-	(94,927)	(94,927)
Net assets/(liabilities)	**-**	**-**	**-**	**-**	**(94,927)**	**(94,927)**

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

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.

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Notes to the Financial Statements

For the year ended 31 December 2012

	2012	2011	Memo 2012	Memo 2011
	TZS'000	TZS'000	USD	USD
6. INTEREST INCOME				
Microfinance				
Interest on loans to group members:				
- Micro finance	515,074	320,061	327,748	204,902
-Small enterprise program	189,278	275,187	120,441	176,174
	704,352	**595,248**	**448,189**	**381,076**
7. OTHER INCOME				
Microfinance				
Admission fees	-	6,280	-	4,020
Loan application fee	248	733	159	469
Loan appraisal fee	26,763	32,117	17,030	20,561
Gain due to early repayment of loan	9,573	20,940	6,092	13,406
Other income (MF)	-	796	-	510
Membership fees	5,466	-	3,477	-
	42,050	**60,866**	**26,758**	**38,966**
Social development (Appendix I)				
Other income (Agriculture)	(87)	1,012	(55)	648
Other income (Livestock)	-	150	-	96
Other income(SDP)	2,440	-	1,552	
	2,353	**1,162**	**1,497**	**744**
	44,403	**62,028**	**28,255**	**39,710**
8. PROVISION FOR IMPAIRMENT- ON LOANS TO CUSTOMERS				
Microfinance				
Balance at 1 January	103,761	182,405	65,569	124,235
Impairment charge on loans to customers	117,983	(38,400)	75,074	(24,584)
Loans written off during the year	(122,497)	(40,244)	(77,557)	(25,431)
Foreign currency translation reserve	-	-	(249)	(8,651)
Balance at 31 December	**99,247**	**103,761**	**62,837**	**65,569**
9. STAFF COSTS				
Microfinance	351,632	302,335	223,749	193,554
Social development (Appendix I)	33,784	28,832	21,497	18,458
	385,416	**331,167**	**245,246**	**212,012**

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

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Notes to the Financial Statements
For the year ended 31 December 2012

	2012 TZS'000	2011 TZS'000	Memo 2012 USD	Memo 2011 USD
10. OCCUPANCY EXPENSES				
Microfinance				
Rent	11,183	15,183	7,115	9,720
Utilities	2,907	3,907	1,850	2,501
	14,090	**19,090**	**8,965**	**12,221**
Social development (Appendix I)				
Rent	**4,336**	**-**	**2,759**	**-**
	18,426	**19,090**	**11,724**	**12,221**
11. OTHER OPERATING EXPENSES				
Microfinance				
Maintenance and general expenses	106,677	(34,914)	67,882	(22,350)
Audit fees	40,359	13,056	25,681	8,358
Office stationery	8,561	3,997	5,447	2,559
Head Office logistics and management expenses	101,079	34,316	64,318	21,969
	256,676	**16,455**	**163,328**	**10,536**
Social development (Appendix I)				
Maintenance and general expenses	1,297	717	826	459
Audit fees	-	5,595	-	3,582
Program supplies	13,915	-	8,854	-
Seed production research centre	(29)	-	(18)	-
Office stationery	1,939	28	1,234	18
Head Office logistics and management expenses	2,663	9,883	1,695	6,327
	19,785	**16,223**	**12,591**	**10,386**
	276,461	**32,678**	**175,919**	**20,922**
12. TAX EXPENSE				
Microfinance				
Current income tax charge	-	(376,942)	-	(241,317)
Deferred tax credit	3,076	22,469	1,957	14,385
	3,076	**(354,473)**	**1,957**	**(226,932)**

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Notes to the Financial Statements
For the year ended 31 December 2012

	2012	2011	Memo 2012	Memo 2011
	TZS'000	TZS'000	USD	USD
13. CASH AND BANK BALANCES				
Microfinance				
Cash in hand	973	5,187	616	3,278
Cash at bank	45,794	125,967	28,994	79,601
	46,767	**131,154**	**29,610**	**82,879**
Social development (Appendix II)				
Cash in hand	**257**	**-**	**163**	**-**
	47,024	**131,154**	**29,773**	**82,879**

	2012 TZS'000	2011 TZS'000	Memo 2012 USD	Memo 2011 USD
14. LOANS TO CUSTOMERS				
Microfinance				
Loans to customers (gross)	1,210,748	1,512,354	764,141	1,026,795
Provision for impairment on loans to customers (Note-8)	(99,247)	(103,761)	(62,837)	(65,569)
Foreign currency translation reserve	-	-	2,427	(71,109)
Balance at 31 December	**1,111,501**	**1,408,593**	**703,731**	**890,117**

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.

	2012 TZS'000	2011 TZS'000	Memo 2012 USD	Memo 2011 USD
15. OTHER ASSETS				
Microfinance				
Advances and prepayments	8,982	6,434	5,687	4,067
Stock and stores	(176)	-	(112)	-
	8,806	**6,434**	**5,575**	**4,067**

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Notes to the Financial Statements
For the year ended 31 December 2012

16. PROPERTY AND EQUIPMENT

	Furniture &fixtures TZS'000	Equipment TZS'000	Motor cycles TZS'000	Total TZS'000	Memo Total USD
Microfinance					
Cost					
At 1 January 2011	22,935	6,268	1,173	30,376	20,689
Additions during the year	398	-	-	398	255
Transfer from BRAC Tanzania Microfinance	-	-	6,200	6,200	3,969
Foreign currency translation reserve					(1,548)
Balance at 31 December 2011	23,333	6,268	7,373	36,974	23,365
At 1 January 2012	23,333	6,268	7,373	36,974	23,365
Additions during the year	100	470	2450	3,020	1922
Foreign currency translation reserve	-	-	-	-	35
Balance at 31 December 2012	23,433	6,738	9,823	39,994	25,322
Accumulated depreciation					
At 1 January 2011	9,833	3,964	563	14,360	9,781
Charge for the year	4,667	1,567	1,474	7,708	4,935
Foreign currency translation reserve	-	-	-	-	(770)
Balance at 31 December 2011	14,500	5,531	2,037	22,068	13,946
At 1 January 2012	14,500	5,531	2,037	22,068	13,946
Charge for the year	4,686	737	1,965	7,388	4,701
Foreign currency translation reserve	-	-	-	-	3
Balance at 31 December 2012	19,186	6,268	4,002	29,456	18,650
Net book value					
At 31 December 2012	**4,247**	**470**	**5821**	**10,538**	**6,672**
At 31 December 2011	**8,833**	**737**	**5,336**	**14,906**	**9,419**

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Notes to the Financial Statements

For the year ended 31 December 2012

	2012 TZS'000	2011 TZS'000	Memo 2012 USD	Memo 2011 USD
17. DEFERRED TAX ASSET				
Microfinance				
The movement in the deferred tax asset during- the year is as follows:				
At 1 January	221,923	199,454	140,237	135,847
Credit for the year	3,076	22,469	1,957	14,385
Foreign exchange translation difference	-	-	261	(9,995)
At 31 December	**224,999**	**221,923**	**142,455**	**140,237**
Deferred tax arises from temporary- differences on the following items:				
Property and equipment	2,941	1,961	1,862	1,239
Tax losses carried forward	172,390	165,881	109,146	104,823
Impairment provision - general	49,668	54,081	31,447	34,175
	224,999	**221,923**	**142,455**	**140,237**
Tax rate reconciliation	**%**	**%**		
Standard rate of income tax	30	30		
Tax effect of prior year deferred tax under/(over) provision	0.0	(38)		
Tax effect of non deductible expenses	(6.2)	0.4		
Effective rate of income tax	**23.8**	**(7.6)**		
18. LOAN SECURITY FUND				
Microfinance				
Balance at 1 January	310,470	285,390	196,192	194,378
Collection during the year	267,635	321,170	-	205,612
Withdrawals during the year	(331,939)	(296,090)	(40,918)	(189,556)
Foreign currency translation reserve	-	-	583	(14,242)
	246,166	**310,470**	**155,857**	**196,192**

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.

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Notes to the Financial Statements

For the year ended 31 December 2012

	2012 TZS'000	2011 TZS'000	Memo 2012 USD	Memo 2011 USD
19. OTHER LIABILITIES				
Microfinance				
Accrued expenses	-	19,579	-	12,372
Current accounts in transit	355,753	862,664	225,241	545,134
Provisions	99,766	7,507	63,165	4,745
Revolving fund (Health)	-	4,505	-	2,847
Revolving fund (Livestock)	-	1,821	-	1,151
Revolving fund (Agriculture)	6,326	-	4,005	-
Due to related parties [Note 21(a)]	135,394	-	85,723	-
	597,239	**896,076**	**378,134**	**566,249**
Social development (Appendix II)				
Liabilities for expenses – accruals	48,774	48,774	30,881	30,821
Current account in transit	45,824	38,024	29,013	24,028
Provisions	900	7,757	570	4,902
Revolving fund (Health)	-	673		425
Revolving fund (Livestock)	(292)	(468)	(185)	(296)
Revolving fund (Agriculture)	(22)	167	(14)	106
	95,184	**94,927**	**60,265**	**59,986**
	692,423	**991,003**	**438,399**	**626,235**
20. DEFERRED GRANTS				
Microfinance				
(a) Deferred capital grants	**920**	**8,308**	**582**	**5,249**
(b) Movement in deferred capital grants during the year is as follows:				
At 1 January	8,308	16,016	5,249	10,908
Amortisation during the year	(7,388)	(7,708)	(4,701)	(4,935)
Foreign currency translation difference	-	-	34	(724)
	920	**8,308**	**582**	**5,249**
(c) Social development (Appendix II)				
Movement in deferred revenue grants during the year is as follows:				
Transfer from BRAC Maendeleo Tanzania	68,013	-	43,278	-
Grants income utilised during the year	(68,013)	-	(43,278)	-
Foreign currency translation difference	-	-	-	-
Balance at 31 December	**-**	**-**	**-**	**-**

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Notes to the Financial Statements

For the year ended 31 December 2012

	2012	2011	Memo 2012	Memo 2011
	TZS'000	TZS'000	USD	USD
21. RELATED PARTY TRANSACTIONS				
(a) Due to related parties:				
Microfinance				
Stichting BRAC International	84,855	-	53,725	-
BRAC Tanzania Finance Limited	50,539	-	31,998	-
	135,394	**-**	**85,723**	**-**
(b) Head Office logistics and management expenses-incurred on behalf:				
Microfinance				
Stichting BRAC International	84,855	-	53,725	-
BRAC Tanzania Finance Limited	50,539	-	31,998	-
	135,394	**135,394**	**85,723**	**-**

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

BRAC and Global Poverty Alleviation Fund (GPAF)

Appendix I - Statement of profit or loss and other comprehensive income-

Social development	Agriculture, poultry & livestock		Total	Agriculture, poultry & livestock		Total
	BRAC	GPAF		BRAC	GPAF	
	TZS'000	TZS'000	TZS'000	USD	USD	USD
Income						
Grant income utilized	15,325	52,688	68,013	9,752	33,526	43,278
Other income	2,193	160	2,353	1,395	102	1,497
Total operating income	**17,518**	**52,848**	**70,366**	**11,147**	**33,628**	**44,775**
Operating expenses						
Staff costs	(12,235)	(21,549)	(33,784)	(7,785)	(13,712)	(21,497)
Travelling and transportation	(1,425)	(2,010)	(3,435)	(906)	(1,279)	(2,185)
Training, workshop and seminars	(65)	(8,961)	(9,026)	(41)	(5,702)	(5,743)
Occupancy expenses	-	(4,336)	(4,336)	-	(2,759)	(2,759)
Other operating expenses	(3,793)	(15,992)	(19,785)	(2,415)	(10,176)	(12,591)
Total operating expenses	**(17,518)**	**(52,848)**	**(70,366)**	**(11,147)**	**(33,628)**	**(44,775)**
Surplus for the year	**-**	**-**	**-**	**-**	**-**	**-**
Foreign currency translation reserve	-	-	-	(116)	-	(116)
Total comprehensive deficit for the year	**-**	**-**	**-**	**(116)**	**-**	**(116)**

BRAC

BRAC and Global Poverty Alleviation Fund (GPAF)

Appendix II - Statement of financial position as at 31 December 2012

Social development	Agriculture, poultry & livestock		Total	Agriculture, poultry & livestock		Total
	BRAC	GPAF		BRAC	GPAF	
	TZS'000	TZS'000	TZS'000	USD	USD	USD
ASSETS						
Cash and bank balances	257	-	257	163	-	163
LIABILITIES AND CAPITAL DEFICIT						
Liabilities						
Other liabilities	95,184	-	95,184	60,265	-	60,265
Capital deficit						
Accumulated deficit	(94,927)	-	(94,927)	(62,767)	-	(62,767)
Translation reserve	-	-	-	2,665	-	2,665
Total capital deficit	**(94,927)**	**-**	**(94,927)**	**(60,102)**	**-**	**(60,102)**
Total liabilities and capital deficit	**257**	**-**	**257**	**163**	**-**	**163**

Notes

Notes

Notes

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Design

Mahbub/Drik, Bangladesh

BRAC

BRAC Centre
75 Mohakhali
Dhaka 1212
Bangladesh

T: + 88 02 9881265
F: + 88 02 8823542
E: info@brac.net
W: www.brac.net

BRAC International

Teleportboulevard 140
1043 EJ Amsterdam
Netherlands

BRAC Tanzania

Plot 2329 Block H
Mbezi Beach, Dar es Salaam
P.O. Box: 105213
Tel: +255 22 264 7280
E-mail: bractanzania@gmail.com

www.brac.net

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