



## Tanzania

The cradle of mankind

Tanzania's motto is "Uhuru na Umoja," or "Freedom and Unity" in the Swahili tongue. Located in one of the oldest inhabited areas on earth, Tanzania formed in 1964 from the union of Tanganyika and the Zanzibar archipelago. BRAC started its here in 2006, with the 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 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, with staff and BRAC-trained entrepreneurs numbering in the hundreds of thousands - a global movement bringing change to 10 countries in Asia, Africa and the Caribbean, with operations in our eleventh country, the Philippines, being launched in 2012.

Tanzania

Annual Report

2011



## 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 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 2011.

Tanzania is on target to meet the following Millennium Development Goals by 2015: achieve universal primary education, promoting gender equality and empowerment of women, reducing child mortality, combating HIV/AIDS, malaria, and other diseases. However, it is behind in eradicating extreme poverty and hunger, improving maternal health, and increasing the proportion of the population with access to improved sanitation in both rural and urban areas.

Tanzania's economy is highly dependent on agriculture, contributing an estimated 30 per cent to GDP, and employing nearly 80 per cent of the working population. The service sector—which has been growing rapidly in recent years—accounts for approximately 47 per cent. BRAC has taken great strides in developing new partnerships in the agricultural sector which place an emphasis on maize research and cultivation. We are collaborating with Agriculture Research Institute in Tanzania (Selian Agriculture Research Institute) for maize research for variety release, while an MOU was signed between BRAC and CIMMYT- Nairobi for implementing the drought tolerant maize trials for variety release and registration in Tanzania. With financial support from Bill & Melinda Gates Foundation,



BRAC initiated crop research and seed production together with developing a cadre of community based agriculture and livestock promoters who are the key agents for delivery of services to the poor and marginalised farmers in Tanzania. Next year, we are expanding our agriculture programme with funding from DFID, which will contribute immensely to our agricultural achievements in Tanzania.

To address the current social and economic issues of Tanzanian youth BRAC is supporting over a thousand adolescent girls and young women through our empowerment and livelihood for adolescents programme (ELA). Harnessing the potential of these young girls through life skills and livelihood training and access to financial services is expected to create a critical mass within their communities having wider socio-economic impact. Our youth-based programme demonstrates the achievements of young girls when they are given the opportunity to take control of their lives and form a concrete foundation for themselves. A total of 925 borrowers from our ELA programme have received loans and proceeded to develop and launch their own businesses. We have also begun a pilot project to include boys in our youth clubs, where they can engage in friendly sports games, as well as receiving life-skills lessons.

This year, we disbursed USD 44,568,238 among 116,749 borrowers through our

microfinance, small enterprise and ELA programmes. We have been working to implement a pilot project for disbursement through the E-Money & bank accounts for borrowers, with assistance from Bank of Africa to help the borrowers open bank accounts through which disbursements will be made. We also laid the foundations for piloting the Mobile Money project, for both loan disbursement and collection in collaboration with Vodacom.

We achieved a milestone this year in our efforts in the country, celebrating five years of services to our clients in various capacities, and I would like to take this opportunity to commend our team in Tanzania who have worked with enduring commitment to make use of every opportunity that has come BRAC's way. The quality of our performance is attributed to this remarkably competent team, their knowledge and skills. I extend my sincere thanks to the members of the governing body, whose leadership and foresight has steered the organisation to success. 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.

A handwritten signature in black ink, appearing to read 'Fazle Hasan Abed'.

**Sir Fazle Hasan Abed, KCMG**  
 Founder and Chairperson  
 BRAC

## Agriculture Extension and Poultry and Livestock Programme

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 these countries become self-sufficient in food production.

### Helping build a better future through agriculture

Tanzania is one of the most populated countries in Africa with 45 million people, while also boasting eight agro-ecological zones. The country's economy mostly depends on agriculture, with about 49 per cent of the GDP and 65 per cent of export earnings resulting from agriculture contributions. More than 87 per cent of the poor live in rural areas, which rely on agriculture. Food shortages affect 40 per cent of the population in these areas, and it is estimated that 28 per cent of the population is chronically affected. More than 25 per cent of the population suffers from protein deficiency and malnutrition as well.

Through the agriculture programme, our goal is to increase production by at least 30 per cent within five years through expanding irrigation and ensuring the supply of agricultural inputs, such as quality seeds, fertiliser and pesticides. We identify and develop good quality seeds, and contribute to raising the income of small and marginalised farming households. The livestock and poultry programme aims to improve productivity, increase income through capacity building of farmers, reduce the mortality of poultry and livestock and to supply good quality inputs like day old chicks, vaccines, medicine, credit support and supplies for breeding through artificial insemination. Our programmes are increasing income for farmers and those who rear livestock by helping boost productivity in core agriculture and livestock activities.

Banana and maize are vital food crops and are produced throughout the country. They account for 31 per cent of the total food crop production. Rice is the second most important food and commercial crop in Tanzania, covering 642,541 hectares of

land. It is a major source of employment, income and food security for many rural households. However, rice production suffers from the lack of irrigation facilities and fully depends on water from rainfall. Every year, the Tanzanian government imports a large amount of rice from abroad to make up for the food deficit.

To address this gap, BRAC started an agriculture research and development programme in Tanzania in March 2007. BRAC undertakes innovative agricultural research through continued partnerships with the government of Tanzania and local and international research institutes. BRAC shares the gained knowledge with private companies, NGOs and other stakeholders in the agricultural sector through workshops and meetings.

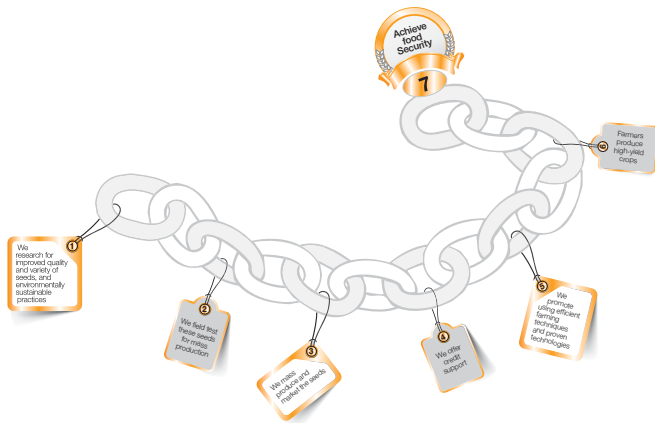
The research programme has focused on rice and maize seeds to help mitigate the food deficit through rice seed and maize production and multiplication programme using local high yielding varieties. As a member of Tanzania Maize Working Group, BRAC has conducted regional maize trials of CIMMYT Gerplasms in the country and selected a high performance variety, which is currently awaiting certification. BRAC has also successfully completed farmers' assessment trials and distinctness, uniformity and stability (DUS) tests on eggplant, okra, and maize varieties in Tanzania, which have already received certification. Additional horticulture research and development activities are underway in Arusha.

BRAC's wide network of community agriculture promoters in Tanzania helps champion and spread the findings of this research and other best practices in the communities. The best promoters are

identified and trained as model farmers, who in turn serve as resources for their neighbours.

The livestock and poultry programme relies on the efforts of volunteers, model poultry and livestock farmers, poultry rearers, and artificial insemination workers. After intensive training on poultry and livestock husbandry and poultry vaccinations, health volunteers act as barefoot veterinarians, bringing curative and preventive services and supplies directly to communities. Similar to the structure in the agriculture programme, the livestock programme also leverages a network of community promoters and model farmers to spread good practices. In addition, some poultry farmers receive training in the rearing of broiler layer chicks. These farmers receive 100 or more chicks in a batch to raise and then sell in the market. The broiler rearers and layers help increase the production of poultry meat and eggs, and income and employment among community members.

## Our approach: Value chain interventions



### YEAR IN REVIEW: 2011

By the end of 2011, the agriculture extension programme covered 55 branches in 34 districts. BRAC Tanzania had a team of 406 community agriculture promoters. A total of 1,120 model farmers and 61,985 general farmers had received training on improved practices in agriculture, and 677 participants were trained in horticulture nursery.


The livestock programme, covering 50 branches in 28 districts, had 962 community livestock and poultry promoters. A total of 15,181 livestock and poultry rearers and 189 livestock artificial insemination promoters had been trained. In addition, the programme had administered 20,131,207 doses of poultry vaccines as of the end of 2011, and treated 42,830 livestock.

### Beyond 2011

As BRAC Tanzania's agriculture extension programme grows, we have recruited five graduates and 42 diploma holders from the top agricultural and livestock management institutions in the country. These recruits act as extension workers who use training and technical assistance to transfer modern technology to organised farmers' groups. A strong team consisting of five agricultural experts will provide continuous support to the national staff and farmers.

BRAC will continue to focus on distributing high quality seeds for maize production, making them available for farmers at a reasonable price. This effort will receive a boost through Agriculture Seed Entrepreneurs and Service Providers, who are farmers with basic business skills who will receive training, then promote and connect farmers to improved seeds, agriculture tools and fertilisers. They will collaborate with the community agriculture promoters.

## CASE STUDY



The profit from her vegetable crops has allowed Ageodata to enrol her children in school.

**AGEODATA ANATOLE: Getting the right set of tools**

"BRAC has given me the tools I need to build a brighter future for myself and my children."

Ageodata Anatole is a BRAC model farmer living in Dodoma, Tanzania. With seven children and an unemployed husband, Ageodata was the primary earner in the family. She worked on a small farm and cultivated maize and vegetables to support the family. At the time, they were living in a house of poor condition and she could not afford to send her children to school. She became involved with the BRAC agriculture programme in 2009, where she received training and inputs.

In 2009, a BRAC volunteer went to Ageodata's home to talk to her about agriculture. Ageodata became interested in the services, and soon in the BRAC agriculture programme as well. She received training and inputs on farming,

and how to grow crops using modern technology and improved practices. She was able to grow one acre each of maize and vegetables. As the yields of her plots increased, she wanted to learn more about farming. Now she cultivates vegetables in her field throughout the whole year.

Ageodata is trying to improve the nutritional intake of her community by promoting the consumption of different types of vegetables grown in her own field.

Ageodata has made a profit from her vegetable crops, and has been able to enrol her children in school. She has also started a new business to sell plastic goods with the assistance of women hawkers. Ageodata has used some of her earnings to buy a sewing machine, and tailoring has become yet another source of income. She can now afford daily expenses for the family, such as utilities and other household needs. She plans to increase the area of her plot to up to two acres of maize and vegetables each. She also wants to expand her plastic business and establish a tailor shop. Ageodata's

success story represents BRAC's holistic and long term sustainable methods for poverty reduction.



## CASE STUDY



Vivian acquired valuable information from BRAC's livestock programme, which she has successfully implemented.

### VIVIAN SWAY: Breaking the cycle of poverty

"Had it not been for BRAC, I would have never dreamed of so many different ways to make such an earning to help my family and I. Words cannot describe how my life has been changed and the level of respect I have gained from my community."

Vivian Sway is a broiler rearer from Bomangombe, Hai who became a part of her local BRAC microfinance group. She is a female farmer with experience in rearing livestock and poultry, who was however dependent on the local breed of chicken and agriculture resources her town had to provide. Her income was very low and insufficient to support her family. Through the microfinance group, Vivian was soon introduced to the livestock and poultry component of BRAC, which operates through self-employed volunteers. Vivian

was selected to participate in the livestock programme, and received five days of extensive field-based training on broiler rearing, management and marketing, livestock husbandry, health issues and vaccinations.

Vivian then received three days of training on broiler chicken rearing from BRAC. Afterwards, she decided to change her livestock from the local chicken varieties to broilers, which she now sells every five weeks. She started her first batch with 100 birds and earned a profit of TZS 70,000 (USD 44). Vivian used this profit to increase the number of birds in her second batch, with which she was able to buy 150 birds and make a further profit of TZS 10,000 (USD 6.30). Her profits have been increasing and she continues to use some of the profits to increase the number of birds in the following batch. With the income she has generated, she has been able to build a five bedroom house for her family and an additional plot to build a rental house, which has been a source of income as well. The profits she has received are contributing not just to expanding her business, but also to providing for her children.

Currently, she is rearing her eighth batch consisting of 450 birds, of which she has sold 60 so far. She has also expanded her income by investing in seven cattle, of which three are producing milk. She is getting 10 litres of milk per day. Her cattle have also received treatment from a BRAC artificial insemination worker.

Vivian has been able to leverage the multiple resources she has received from BRAC, including training, livestock artificial insemination services and treatment and vaccination of her birds and cattle. These resources have helped increase her income tremendously. Now, she earns the profit of more than TZS 400,000 (USD 251) per month. These new sources of income have led to improved living conditions for Vivian and her family.

# Empowerment and Livelihood for Adolescents

BRAC's programmes for adolescents are designed to socially and financially empower those between the ages of 13 and 22. Targeting vulnerable teenage 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

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 a 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 create confidence and instill a sense of self-worth, encourage positive behaviour changes, and to 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 13-19.

The ELA programme was modelled after the effective Bangladesh social and financial empowerment for adolescents

(SoFEA) programme. With a strong focus on continuous evaluation and lessons learned, the ELA programme is currently being implemented in Tanzania, Uganda and South Sudan. The current programme in Tanzania includes six components: adolescent girls club, life skills based education, livelihoods training, financial literacy, credit support, and community participation.

Funded by the Nike Foundation and UNICEF, with support from the MasterCard Foundation and the London School of Economics, the ELA programme now includes 7,371 members in 180 clubs operated in Dodoma, Kondoa, Iringa, Mufindi, Temeke and Mbeya districts.



Medina Ally, an ELA member, received tailoring training in Chinyoyo village, Dodoma.



Adolescent girls attend a BRAC supported Empowerment & Livelihood for Adolescent (ELA) Club in Makole neighbourhood in Dodoma, the capital of Tanzania.

The programme combines innovative livelihood and life skills training with a customised microfinance programme. For 1,309 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.

### Growth in 2011

In 2011, the programme provided livelihood training to 1,283 girls—tailoring to 261 girls, beautification to 130 girls, food processing to 42 girls, nursery to 22 girls, vegetable farming and agriculture to 511 girls, photography to 8 girls, and poultry rearing to 309 girls. As of 2011, there are 66 microfinance groups with 1,309 members under the ELA programme. We disbursed loans to 925 borrowers, who then developed and launched their own businesses.

### Beyond 2011

While BRAC's ELA programme has already reached 7,371 girls, there are more than 8 million adolescents in Tanzania. Adolescents represent 23 per cent of the total population, and as a group are facing similar problems to the ELA members. BRAC seeks to expand the reach of its ELA programme, and hopes to add a further 100 clubs and organise 80 more microfinance groups for 1,200 out-of-school girls.




BRAC came to the right people at the right time. ... Tanzania can be classified as a young nation ... around 60-65 per cent of the people in Tanzania [aged between] 15-35 years. ... The main problem facing them is unemployment. A lot is being done by the government and the private sector. By looking at your achievements in the past five years, it is clear that you are vital and urge you to expand to more areas.

**Alhaj Prof. Juma A. Kapuya Honourable**

Former Minister for Labour and Employment,  
Government of United Republic of Tanzania

## CASE STUDY



After joining her local ELA club, Neema has made positive changes in her life.

**NEEMA BROWN: Turning over a new leaf**

"After I dropped out of school, I did not have a proper place where I could spend my time. I never thought about my life or future, instead spent most of my days procrastinating, gossiping with my friends, and sometimes I moved around town aimlessly. This club has given me so much, from new friends to a healthy output for my creativity, and trainings which I can utilise when I start my own business. I feel like BRAC has given me a new purpose in life."

Neema Brown is a 19-year old girl who lives in Miyuji in the district of the Dodoma Region in Tanzania. She is a member of the Empowerment and Livelihood for Adolescents club in the Miyuji branch. Although an intelligent and lively girl who has always had a thirst for acquiring knowledge, she was unable to continue her studies due to the financial hardships faced by her family. Soon after, she lost her sense of direction in her life. She recalls this stage of her life as a "bad environment."

At the time, Neema felt there were no formal places where girls like her could seek advice or companionship with other girls who were experiencing similar issues in their lives. After she found out about BRAC's ELA programme, she joined her local club, hoping to turn over a new leaf. Since her involvement with the ELA club, Neema said there has been a drastic change in her way of thinking. She participated in activities to which she had never been exposed to before, such as netball competitions, radio programmes and celebration of International Women's Day. She also received valuable training on

photography and financial literacy.

After undergoing microfinance training, Neema is now waiting to receive her first loan to start a business so that she can provide a better and sustainable future not only for herself, but also for her family.

## Microfinance

Innovative, client-focused and sustainable, the BRAC 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.

### Changing lives in Tanzania

Unemployment is a consistent concern and opportunities to get involved with income generating activities are limited due to a lack of financial support and livelihood training.

Microfinance is at the heart of BRAC's integrated approach to alleviating poverty and helping poor Tanzanian women realise their potential. We deliver our microfinance and other programmes through organising groups of poor women who come together to improve their socioeconomic position. We reach more than 776,733 people, covering 48 districts. Our 112 branches are spread out across the country, boasting 136,269 members with 112,271 borrowers. Members gather weekly in villages, towns and city

neighbourhoods to make repayments on their loans and apply for new ones. These loans can often lead to swift changes in the women's livelihoods.

BRAC's microfinance programme is designed to serve large numbers of poor people with a reliable access to cost-effective financial services. Over a span of four years, BRAC has gained knowledge of local needs through close engagement with the community. For example, BRAC initially offered 40-week loans. To respond to local needs, in 2007 BRAC added a 20-week loan option. Community partnerships and institution building are essential for poor people if they are to change their economic, social and political conditions.

#### Growth in 2011

After the support from Oxfam Novib for a 15-month (between 2006 to 2007) pilot programme, BRAC in Tanzania received support from the Gates Foundation to develop a strategic three-year business plan from November 2006 to October 2009. In 2011, the programme disbursed 155,086 loans, totalling USD 38.108 million. The cumulative disbursement stands at USD 102,996,292, representing an increase of 45 per cent since the end of 2010.



Women attend Micro Finance group meeting that operates under Msamvu Branch in Hamsini neighbourhood in Morogoro town, Tanzania.

## Our approach: Step-by-step economic development



BRAC recognises that women are the primary caregivers, who know that the education of their children will mean the sustainability of their families and households through subsequent generations. BRAC shows how microcredit schemes are a very important means of delivering self-sustainability in the poorest communities and how women are proving to be the most responsible and successful beneficiaries.

### Cherie Blair

Human Rights Activist  
Cherie Blair Foundation for Women



SME loans  
from  
mainstream  
banks

Micro-enterprise  
loans

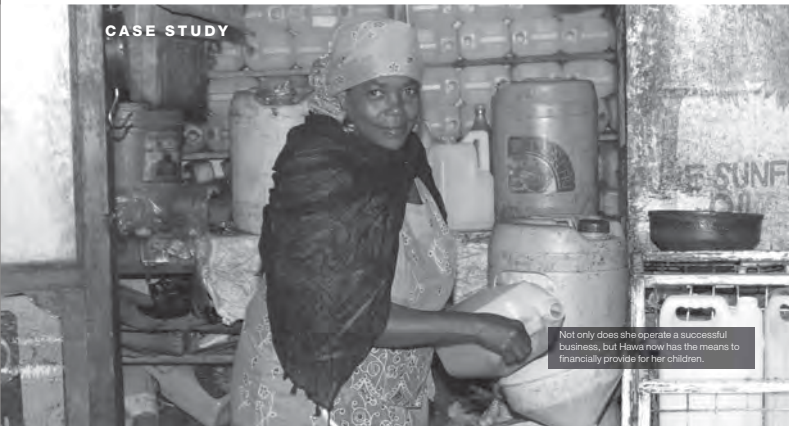
Microloans

Targeted asset  
grants and  
soft loans



SEP client Lillian Michael Nyanza in her small shop.

## CASE STUDY

**HAWA ABDALAH: No capital? No problem.**

"I was trying very hard to change my socio-economic conditions with the loans I took out from BRAC. Thankfully, I was successful, and my business is running very well. The monthly net profit I earn has allowed me to send my children to school. I am very happy with the services offered by BRAC in providing capital funds for my business."

Hawa Abdalah is a microfinance borrower from Kimandolu branch, who lives in Arusha with her three children. Her husband, who was the sole provider for the family, passed away in 2006. The family entered a period of poverty. Hawa had a small vegetable shop near to her house, but the daily earnings from that shop were not enough. Earning less than USD 1 a day, Hawa was unable to provide adequate sustenance to her children. They lived in a small mud house, and due to their dire financial situation, she was unable to send her children to school. She wanted to find other means of making a decent income but never had enough capital to start a new venture.

During this time, BRAC began to operate in Hawa's community. She joined the microfinance borrower group that was nearest to her house and took out her first loan soon after. She applied the money to her new business venture of selling sunflower oil. After achieving positive results, Hawa took out a second loan to cultivate maize and beans so that she could increase her source of income. With the help of a third loan, she was able to

expand her sunflower oil business and finally had the financial means to send her children to school. From her fifth and sixth loans, Hawa was not only able to continue expanding her oil business, but she also purchased land to cultivate more maize and beans.

Hawa's business is now booming and she has earned enough income to continue living comfortably. She has built a new brick house and her children are thriving in their studies. Her daughter completed her O-Level examinations and gained admission to a hotel management course. Her son also completed the same examinations and is currently undertaking mechanical training.



## Small Enterprise Programme

### Assisting young entrepreneurs in Tanzania

The unemployment rate in Tanzania has slowly increased over the last few decades, with more people facing unemployment in the 2000s than in the 1990s. It is most prevalent amongst the 10-34 years age group. As of 2010, 13.4 per cent women and 14.3 per cent men from this age group were unemployed. In the rural areas, 7.5 per cent are unemployed, while in the urban areas the number is more than twice as high at 16.5 per cent. BRAC in Tanzania, under its small enterprise programme (SEP), has covered 23 districts, reaching out to more than 20,000 vulnerable clients. Our loans in 2011 were distributed accordingly: 18 per cent in the agriculture and livestock sector, 23 per cent in the trade sector, 44 per cent to the manufacturing sector, and the remaining 15 per cent distributed to various miscellaneous sectors.

BRAC established the SEP in Tanzania in 2008 to meet the demands of the market and to provide loans to young entrepreneurs. These young persons have limited access to the formal financial system and are unable to secure loans for capital to grow their businesses. Their needs are too large for micro-loans, but they do not meet collateral requirements

for commercial banks' loans, despite their businesses showing potential to grow and flourish in the country's economy.

The loans enable owners to create new employment opportunities and provide new services. Typically loans are given for trading, agriculture, livestock, fruit production and other types of small enterprises. The small enterprise loan is offered to an individual rather than to a group, and is available for both male and female entrepreneurs. Some members of the micro-loan groups will become eligible for this scheme as their businesses expand and their investment needs grow. The loans typically range from USD 800-5,000, offer competitively low interest rates, and require repayments to be made in equal monthly instalments.

#### Growth in 2011 and beyond

In 2011, Tanzania's SEP disbursed 3,451 loans for a total of USD 6,378,678. The average loan size was USD 1,848. The Gross Portfolio Outstanding at the end of 2011 was USD 4,630,982. Since the inception of the programme, USD 11,685,226 in micro-enterprise loans have been disbursed.

BRAC also laid the foundation for piloting the Mobile Money project, for both loan disbursement and collection in partnership with Vodacom. The pilot programme will start in 2012.

In 2012, we are planning to explore new areas in Tanzania. We will be following the extension of our microfinance programme for our own expansion. We will also be piloting the Mobile Money Project. We have further laid the groundwork with BRAC Tanzania's agriculture programme to increase loan disbursement in the agriculture sector, as 80 per cent of the population of the country's economy depends on agriculture.



Training on financial literacy has helped Brenda successfully manage her business.



## CASE STUDY



A thriving entrepreneur, Sarah now runs two successful businesses.

### SARAH NYKA: Collectible coins

"Thanks to BRAC, I am no longer feeling hopeless about my financial situation. My two businesses are thriving, and I am now earning enough money to provide a comfortable future for myself and my family."

Sarah Nyka is an entrepreneur who owns a handicraft business in Dodoma. She also operates a business of livestock rearing from her home. She became frustrated when she could not obtain sufficient capital to expand her business, and had no viable means of obtaining the needed funds. She began to lose confidence in her ability to manage her own business. Sarah first learnt about the small enterprise programme when BRAC was conducting market surveys to launch the programme in Dodoma. She went to the BRAC Kikuyu branch office, and learned about small enterprise loans.

For her handicraft business, Sarah collects items from the surrounding villages, displays them in her shop, and sells the items to the town people. The underprivileged people in the village produce these items, but because they do not have the means to go into town themselves, they rely on Sarah. Since taking out her first loan, Sarah has been making frequent journeys to the village, and paying crafters for their products. Through the small enterprise assistance

loan from BRAC, Sarah was able to contribute to the economy of the crafters' villages, as well as being able to sell handicrafts in her town. Currently, she has four staff members who are employed in her handicraft shop.

Sarah also needed funds to support her side business of livestock rearing. She already had cattle and poultry, but she didn't have the capital to purchase nutritious food for them. Due to her limited finances, she feared she could not continue with this business venture, until she made the decision to take out a second loan. From the three loans she has taken from BRAC so far, she is able to keep adequate inventory in her shop and purchase provisions for her livestock.

# 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**  
31,050

**Key**  
Programme Countries  
Affiliate Countries

## Pakistan



**Initiated:**  
2007

**Programme focus:**  
Microfinance, Education, Targeting the Ultra Poor (TUP), Health

**Population reached**  
1,032,706

## Sierra Leone



**Initiated:**  
2008

**Programme focus:**  
Microfinance, Small Enterprise Programme (SEP), Agriculture, Poultry and Livestock, Health, Human Rights and Legal Empowerment

**Population reached**  
780,120

## Liberia



**Initiated:**  
2008

**Programme focus:**  
Microfinance, Small Enterprise Programme (SEP), Agriculture, Poultry and Livestock, Health

**Population reached**  
562,772

**Afghanistan**

**Initiated:**  
2002

**Programme focus:**  
Microfinance, Small Enterprise Programme (SEP), Education, Adolescent Reading Centers (ARCs), Health, National Solidarity Programmes

**Population reached**  
4,739,877

**Bangladesh**

**Initiated:**  
1972

**Programme focus:**  
Microfinance, Education, Health, Ultra Poor, Community Empowerment, Human Rights, Advocacy, Agriculture, Disaster Management, WASH, Gender Equality

**Population reached**  
Over 113 million

**Sri Lanka**

**Initiated:**  
2005

**Programme focus:**  
Microfinance

**Population reached**  
527,945

**South Sudan**

**Initiated:**  
2007

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

**Population reached**  
714,783

**Uganda**

**Initiated:**  
2006

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

**Population reached**  
2,827,392

**Philippines**

**Initiated:**  
2012

**Programme focus:**  
Education

**Tanzania**

**Initiated:**  
2006

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

**Population reached:**  
1,332,187



116,749	microfinance, SEP and ELA borrowers
63,105	farmers trained
1,716	health volunteers
3,136	TB patients referred
63,392	malaria patients referred
50,706	received ante-natal care
29,131	received post-natal care
180	adolescent development clubs
7,371	adolescent club members

# Harnessing the Past:

Our innovations in the last four decades



## Functional education

Life skills development education for adults that helps to build solidarity, create a savings mentality and prepare people for new income generation

## Village organisations (VOs)

The most effective medium for catalysing change in disadvantaged communities

## Para-professionals

Pioneering models for vaccinators, community health workers and 'barefoot lawyers' that provide incentive based jobs for those ready to serve their own communities



## Homemade oral rehydration solution campaign

A groundbreaking campaign in which 13 million households in Bangladesh learned how to make oral saline at home – a lesson that continues to save millions of lives from diarrhoea

## Incentive salary system

A result oriented incentive package that measures effectiveness of and compensates our community workers and volunteers accordingly

## Education for dropouts and non entrants

Our own primary schools that help disadvantaged children make successful transitions to formal schools

## Enterprises for value chain support

An integrated network of our development programmes, enterprises and investments that result in a unique synergy that supports our holistic approach for alleviating poverty

## Directly observed treatment (DOT) for TB control

An effective treatment method for tuberculosis, a result of our incentive based salary system for community health workers, ensuring patients' daily intake of medicine for six months or more

## Credit ++ approach

An integrated set of services for the landless poor, marginal farmers and small entrepreneurs working together to strengthen the supply chain of the enterprises in which our microfinance borrowers invest

# 1990s



## Empowerment and livelihood for adolescents

A range of initiatives to empower adolescents including skills training, social development and micro-loans for their future businesses.



## Adolescent clubs

Safe spaces where peer driven intervention for adolescents enhance their personal growth and social skills



## Pre primary schools

Our own pre primary schools where we prepare underprivileged children to enter mainstream primary schools



## Hybrid maize

A pioneer venture to commercialise corn harvesting, which plays a key role in making farmers shift from traditional single cropping to multiple cropping to maximise land usage during idle seasons



## Popular theatre

A traditional platform became an effective communication medium to advocate for social changes in rural communities, particularly to the illiterate



## Artificial inseminators

We transformed over 2,000 rural poor into entrepreneurs with an innovative livelihood opportunity: providing fee based 'door to door' artificial insemination and education services for livestock farmers

# 2000s



## Sharecroppers scheme

A phenomenal initiative to offer soft loans for tenant farmers (sharecroppers) with a specially tailored recovery plan



## Challenging the frontiers of poverty reduction

A unique model focusing on extremely deprived women to improve their economic and social situations, allowing ultra poor households to graduate from extreme poverty and enter mainstream development programmes



## Birthing huts

Safe and culturally accepted childbirth places with appropriate services for mothers in urban slums



## M-health services

A mobile based platform that community health workers use to collect data and provide a range of real time automated services such as storing patient records, categorising and assessing medical risks, prioritising medical responses and monitoring referrals



## Unique management model

A unique management model that focuses on internal control without suffocating creativity, runs our large scale interventions cost effectively, and enables us to constantly learn from the communities we serve across the world

# Governance

## BRAC Tanzania



**Sir Fazle Hasan Abed**  
Founder and Chairperson,  
BRAC

Sir Fazle is recognised by Ashoka as one of the "global greats" and is a founding member of its prestigious Global Academy for Social Entrepreneurship. He was also appointed Knight Commander of the Most Distinguished Order of St. Michael and St. George (KCMG) by the British crown in 2010 in recognition of his services to reducing poverty in Bangladesh and internationally. He has received numerous national and international awards for his achievements in leading BRAC, including WISE Prize – the world's first major international prize for education by Qatar Foundation (2011), the David Rockefeller Bridging Leadership Award (2008), the Conrad N. Hilton Humanitarian Prize (2008) – the world's largest humanitarian prize, the Inaugural Clinton Global Citizen Award (2007), the Henry R. Kravis Prize in Leadership (2007)



**Dr. Mahabub Hossain**  
Executive Director, BRAC  
and BRAC International  
(Ex-officio)

A renowned agricultural economist, Dr. Hossain is former head of Social Sciences Division of the International Rice Research Institute (IRRI), Philippines and former director General of the Bangladesh Institute of Development Studies (BIDS). He was awarded the first Gold Medal from the Bangladesh Agricultural Economists Association in 1985, in recognition of outstanding contribution to understanding the operation of rural economy in Bangladesh.



**Muhammad A. (Rumee) Ali**  
Managing Director, BRAC  
(Ex-officio)

Mr. Rumee is the vice chairman of Bangladesh Association of Banks and a member of the Global Steering Committee of the 'Performance Based Grants Initiative' of the International Finance Corporation and the Technical Advisory Committee of Bangladesh Investment Climate Fund. He served as the deputy governor of Bangladesh Bank, and country head and general manager of Grindlays Bangladesh. He was appointed the CEO of the Standard Chartered Group in Bangladesh, heading both Standard Chartered Bank and Standard Chartered Grindlays Bank. He also served as a member of the Governing Body of PKSF.



**Faruque Ahmed**  
Senior Director  
BRAC International

Prior to joining BRAC, Mr. Ahmed worked for the World Bank. He is a member of the working group of Bangladesh Health Watch, a civil society initiative, vice chair of Bangladesh Country Coordination Mechanism for Global Funds for AID Tuberculosis and Malaria (GFATM) and a member of World Bank Civil Society Consultative Group on Health, Nutrition and Population. He also represented civil society on the GAVI Alliance Board.

## Governance



**Tanwir Rahman**  
Director, Finance,  
BRAC and BRAC International

Previously, Mr. Rahman was the Divisional Controller for HBG (Hollandsche Beton Groep) Royal BAM, Assistant Controller for Mitchell engineering, Senior Project Accounting Manager for Bovis Lend Lease. Before joining BRAC he worked as Controller for Allied Container System.



**Hassan Mshinda**

Dr. Mshinda currently serves as the director general of Tanzania Commission for Science and Technology. He has led several research projects funded by Multilateral Initiative of Malaria in Africa, and international development agencies. He has published multiple papers in communicable diseases and health systems, and is associated with a number of civil and international development organisations.



**Harun A.S. Kasale**

Dr. Kasale specialises in public health, health education, and health promotion. He has worked in various capacities at the Ministry of Health and Social Welfare (MOHSW) in Tanzania. He began his career as a medical officer, and is at present working as a consultant to the MOHSW under the health Sector Resource Secretariat. As part of his institutional affiliation, he was involved with various disciplines at The Council of Institute of Adult Education.

## Management



**Gunendu K. Roy**  
Country Representative

Mr. Roy, a development professional, has been serving in the rural development sector of Tanzania, Afghanistan and

Bangladesh for the last 34 years in various capacities. Presently, he is serving as country programme head of BRAC Tanzania after a successful mission in Afghanistan and Bangladesh. Under his leadership, BRAC Afghanistan has made remarkable achievements.

He has expertise in the sector of rural development, including microfinance and micro enterprise projects. Moreover, he is specialised in strategic planning, programme and project design, community development and mobilisation, implementation of programme and project, personnel development, monitoring & evaluation, and

liaison with government and NGO and other related agencies.

He graduated from the University of Chittagong, Bangladesh and completed his post-graduation diploma in International Rural Development Planning: School of Rural Planning and Development, University of Guelph, Guelph, Ontario, Canada.

Besides his work and academic achievement he also received various training in development field in national and international level. Mr. Roy is currently the head of the mission of BRAC in Tanzania.



**Md. Saleh Ahmed**  
Programme Manager, Microfinance

Mr. Ahmed is an enthusiastic and dedicated professional with extensive experience across all areas of microfinance and administration management. He is able to develop and motivate others to achieve targets and demonstrate a strong ability to manage programme from conception through to successful completion. A proactive individual with a highly pressurised working environment, he has more than 27 years working experience in microfinance in

various positions. He holds a Bachelor of Science from University of Dhaka. Before working in Tanzania, Mr. Ahmed served as the Regional Manager for BRAC in Pakistan.

## Development Partners



BRAC USA



**Nike Foundation**

Citi Foundation



Bill & Melinda  
Gates Foundation



# BRAC TANZANIA

## Report and Accounts

31 December 2011

**BRAC TANZANIA**  
**REPORT OF THE GOVERNING COUNCIL**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

1. The members of Governing Council present this report and the audited financial statements for the year ended 31 December 2011.

**2. REGISTRATION**

BRAC Tanzania is a 'not for profit' organization registered under section 12(2) of the Non-Government Organization Act, 2002 on 23 February 2007 with the registration number of 00NGO/1983.

**3. ORGANISATION'S VISION**

BRAC is a development organization dedicated in poverty alleviation, sustainable development and empowerment through equal distribution of resources/wealth.

**4. ORGANISATION'S MISSION**

BRAC Tanzania'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. PRINCIPAL ACTIVITIES**

The principal activity of the BRAC Tanzania is the provision of micro finance services to micro and small-scale entrepreneurs in the informal sector of the Tanzanian Economy. BRAC has also been involved in partnership with people fighting poverty to improve their welfare in the various regions of Tanzania.

**6. FINANCIAL PERFORMANCE**

The organization's performance during the year was as follows:

- Total revenue increased by 15% from Tzs 14,278 million in 2010 to Tzs 16,455 in 2011.
- Loans to customers increased by 37% from Tzs 21,846 million in 2010 to Tzs 29,985 million in 2011
- Operating expenses decreased by 5% from Tzs 10,408 million in 2010 to Tzs 9,933 million in 2011

During the year, the organisation had an attributable profit of Tzs 2,394 million (2010 – loss of Tzs 202 million). The audited financial statements for the year are set out on pages 6 to 45.

**7. MEMBERS OF GOVERNING COUNCIL**

Members of Governing Council, who served during the year and up to the date of this report except where otherwise indicated, are:

<b>Name</b>	<b>Nationality</b>
Sir Fazle Hasan Abed	Bangladeshi
Dr. Mahabub Hossain	Bangladeshi
Mr. Muhammad A. (Rumei) Ali	Bangladeshi
Dr Imran Matin	Bangladeshi
Mr. Tanwir Rahman	Bangladeshi
Dr Hassan Mshinda	Tanzanian
Dr Harun Kasale	Tanzanian

**BRAC TANZANIA**  
**REPORT OF THE GOVERNING COUNCIL**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**8. CORPORATE GOVERNANCE**

The members of 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.

**9. RISK MANAGEMENT**

The members of Governing Council are ultimately responsible for any loss suffered by BRAC Tanzania. Risk taking, in an appropriate manner, is an integral part of business. Success relies on optimising the trade-off between risk and reward.

**10. MANAGEMENT STRUCTURE**

The Management of the BRAC Tanzania is led by the Country Representative and is organized in the following departments:

- Programmes
- Finance
- Internal Audit
- Monitoring
- Training

**11. RELATED PARTY TRANSACTIONS**

Related party transactions are disclosed in note 25 to these financial statements

**12. CORPORATE SOCIAL RESPONSIBILITY**

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

**13. SOLVENCY/ FUTURE DEVELOPMENT AND OUTLOOK**

Refer to note 2 (c) of the financial statements

**14. EMPLOYEES' WELFARE**

**Management/Employee relationship**

There were no disputes between management and employees. As at year end, BRAC Tanzania had 1,147 employees (2010: 1,155 employees).

*Medical assistance*

BRAC Tanzania reimburses medical costs incurred by employees for medical treatment.

*Retirement benefits*

All eligible employees are members of the National Social Security Fund (NSSF). BRAC Tanzania contributes 10% of the employees' gross salary.

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

**BRAC TANZANIA**  
**REPORT OF THE GOVERNING COUNCIL**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**15. 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

**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**



.....  
Member of Governing Council, BRAC Tanzania

Date: 4th June 2012

**BRAC TANZANIA**  
**STATEMENT OF MEMBERS OF GOVERNING COUNCIL RESPONSIBILITIES**

The members of Governing Council are required to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Organisation as at the end of the financial period and of the operating results for that period. It also requires the members of Governing Council to ensure that the Organisation keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Organisation. They are also responsible for safeguarding the assets of the Organisation.

The members of Governing Council are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The members of Governing Council accept responsibility for these financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. The members of Governing Council are of the opinion that financial statements give a true and fair view of the state of the financial affairs of the Organisation and its operating results. The members of Governing Council further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

**Approval of the financial statements**

The financial statements of the organisation, as indicated above, were approved by the members of Governing Council on 4th June 2012 and are signed on its behalf by:



.....  
**Member of Governing Council, BRAC Tanzania**

**Telephone:** +258 22 27 10000  
**Fax:** +258 22 27 10001  
**Email:** info@zimp.co.zw  
**Internet:** www.zimp.co.zw

100%

How do you find it?

**BRAC TANZANIA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**DISCONTINUED OPERATIONS**

		<b>Micro Finance</b>	<b>Social Development</b>	<b>Total</b>	<b>Total</b>
		<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>
		<b>Tzs '000</b>	<b>Tzs '000</b>	<b>Tzs '000</b>	<b>Tzs '000</b>
<b>Income</b>					
Interest and similar income	7	12,983,348	-	12,983,348	8,764,670
Interest income from bank deposits	8	140,271	-	140,271	766,336
Interest expense and similar charges	9	(2,234,676)	-	(2,234,676)	(2,458,594)
<b>Net interest income</b>		<b>10,888,943</b>	<b>-</b>	<b>10,888,943</b>	<b>7,072,412</b>
Fees and commission income	10	850,110	2,120	852,230	676,947
Grant income	28	40,125	1,326,584	1,366,709	3,738,720
Other income	11	222,763	158,827	381,590	99,742
Foreign exchange gains/(losses)		90,255	-	90,255	231,403
<b>Total operating income</b>		<b>1,203,253</b>	<b>1,487,531</b>	<b>2,690,784</b>	<b>11,819,224</b>
Bad debt realisation		-	-	-	255
(Impairment losses)/ recoveries on loans and advances		(324,863)	-	(324,863)	(668,694)
<b>Operating income after impairment charges</b>		<b>11,767,333</b>	<b>1,487,531</b>	<b>13,254,864</b>	<b>11,150,785</b>
Staff costs and other benefits	12	(5,615,734)	(709,537)	(6,325,271)	(6,409,368)
Training, workshop and seminars	13	(65,831)	(51,089)	(116,920)	(118,811)
Occupancy expenses	14	(750,642)	(137,032)	(887,674)	(670,474)
Other general & admin. expenses	15	(1,783,058)	(589,873)	(2,372,931)	(3,791,529)
Depreciation	21	(151,551)	(78,946)	(230,497)	(206,824)
Amortisation of grant for fixed assets	28	115,688	78,946	194,634	176,534
<b>Net surplus/(deficit) on discontinued operations before taxation</b>		<b>3,516,205</b>	<b>-</b>	<b>3,516,205</b>	<b>130,313</b>
<b>Taxation</b>	16	<b>(1,122,575)</b>	<b>-</b>	<b>(1,122,575)</b>	<b>(332,280)</b>
<b>Surplus/ (deficit) for the year on discontinued operations</b>		<b>2,393,630</b>	<b>-</b>	<b>2,393,630</b>	<b>(201,967)</b>
Other comprehensive income (net of tax)		-	-	-	-
<b>Total comprehensive surplus/(deficit) for the year</b>		<b>2,393,630</b>	<b>-</b>	<b>2,393,630</b>	<b>(201,967)</b>

The notes are integral part of these financial statements.

**BRAC TANZANIA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

DISCONTINUED OPERATIONS			
	Micro Finance	Social Development	Total
	2010	2010	2010
	Tzs '000	Tzs '000	Tzs '000
<b>Income</b>			
Interest and similar income	7 8,730,330	34,340	8,764,670
Interest income from bank deposits	8 766,336	-	766,336
Interest expense and similar charges	9 (2,458,594)	-	(2,458,594)
<b>Net interest income</b>	<b>7,038,072</b>	<b>34,340</b>	<b>7,072,412</b>
Fees and commission income	10 672,720	4,227	676,947
Grant income	28 1,028,579	2,710,141	3,738,720
Other income	11 -	99,742	99,742
Foreign exchange gains/(losses)	231,403	-	231,403
<b>Total operating income</b>	<b>8,970,774</b>	<b>2,848,450</b>	<b>11,819,224</b>
Bad debt realisation	255	-	255
(Impairment losses)/ recoveries on loans and advances	(665,243)	(3,451)	(668,694)
<b>Operating income after impairment charges</b>	<b>8,305,786</b>	<b>2,844,999</b>	<b>11,150,785</b>
Staff costs and other benefits	12 (5,301,448)	(1,107,920)	(6,409,368)
Training, workshop and seminars	13 (70,641)	(48,170)	(118,811)
Occupancy expenses	14 (527,189)	(143,285)	(670,474)
Other general & admin. expenses	15 (2,245,905)	(1,545,624)	(3,791,529)
Depreciation	21 (133,017)	(73,807)	(206,824)
Amortisation of grant for fixed assets	28 102,727	73,807	176,534
<b>Net surplus/(deficit) on discontinued operations before taxation</b>	<b>130,313</b>	<b>-</b>	<b>130,313</b>
Taxation	16 (332,280)	-	(332,280)
<b>Surplus/ (deficit) for the year on discontinued operations</b>	<b>(201,967)</b>	<b>-</b>	<b>(201,967)</b>
<b>Other comprehensive income (net of tax)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive surplus/(deficit) for the year</b>	<b>(201,967)</b>	<b>-</b>	<b>(201,967)</b>

The notes are integral part of these financial statements.



**BRAC TANZANIA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011**

**DISCONTINUED OPERATIONS**

		Micro Finance	Social Development	Total
		2011	2011	2011
		Tzs '000	Tzs '000	Tzs '000
<b>ASSETS</b>				
<b>Non current asset held for sale</b>				
Cash and bank	17	2,038,917	95,402	2,134,319
Deposits with Bank	18	-	-	-
Loans and advances to customers	19	29,985,372	-	29,985,372
Other assets	20	169,614	645,772	815,386
Plant and equipment	21	238,882	151,604	390,486
Deferred tax asset	16	862,289	-	862,289
<b>Total assets</b>		<b>33,295,074</b>	<b>892,778</b>	<b>34,187,852</b>
<b>LIABILITIES AND CAPITAL FUND</b>				
<b>Liabilities</b>				
<b>Liabilities directly associated with non current asset classified held for sale</b>				
Other liabilities	22	1,965,434	92,954	2,058,388
Bank overdraft	23	-	-	-
Tax payable		98,826	-	98,826
Loan security fund	24	6,006,089	-	6,006,089
Loan revolving fund	26	-	-	-
Term loans	27	17,971,551	-	17,971,551
<b>Total liabilities</b>		<b>26,041,900</b>	<b>92,954</b>	<b>26,134,854</b>
<b>Capital Fund</b>				
Donor funds	28	3,495,050	799,824	4,294,874
Retained surplus		3,145,449	-	3,145,449
BRAC contribution	29	612,675	-	612,675
<b>Total capital fund</b>		<b>7,253,174</b>	<b>799,824</b>	<b>8,052,998</b>
<b>Total liabilities and capital fund</b>		<b>33,295,074</b>	<b>892,778</b>	<b>34,187,852</b>

.....  
 Member of Governing Council, BRAC Tanzania

Date: 4th June 2012

.....  
 Member of Governing Council, BRAC Tanzania

The notes are integral part of these financial statements.

**BRAC TANZANIA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011 (CONTINUED)**

		Micro Finance	Social Development	Total
		2010	2010	2010
		Tzs '000	Tzs '000	Tzs '000
<b>ASSETS</b>				
Cash and bank	17	2,156,383	-	2,156,383
Deposits with Bank	18	7,191,982	-	7,191,982
Loans and advances to customers	19	21,846,168	-	21,846,168
Other assets	20	382,319	59,638	441,957
Plant and equipment	21	315,495	204,200	519,695
Deferred tax asset	16	862,612	-	862,612
<b>Total assets</b>		<b>32,754,959</b>	<b>263,838</b>	<b>33,018,797</b>
<b>LIABILITIES AND CAPITAL FUND</b>				
<b>Liabilities</b>				
Other liabilities	22	1,768,226	-	1,768,226
Bank overdraft	23	488,958	-	488,958
Tax payable		1,442,689	-	1,442,689
Loan security fund	24	4,753,210	-	4,753,210
Loan revolving fund	26	3,495,050	-	3,495,050
Term loans	27	19,326,644	-	19,326,644
<b>Total liabilities</b>		<b>31,274,777</b>	<b>-</b>	<b>31,274,777</b>
<b>Capital Fund</b>				
Donor funds	28	115,688	263,838	379,526
Retained surplus		751,819	-	751,819
BRAC contribution	29	612,675	-	612,675
<b>Total capital fund</b>		<b>1,480,182</b>	<b>263,838</b>	<b>1,744,020</b>
<b>Total liabilities and capital fund</b>		<b>32,754,959</b>	<b>263,838</b>	<b>33,018,797</b>

The notes are integral part of these financial statements.

**BRAC TANZANIA**  
**STATEMENT OF ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

<b>Micro finance and Social development</b>	<b>Donor Funds</b>	<b>Retained surplus</b>	<b>BRAC contribution</b>	<b>Total</b>
	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>
<b>Balance as at 1 January 2010</b>	<b>1,405,901</b>	<b>953,786</b>	<b>612,675</b>	<b>2,972,362</b>
Grant received during the year	2,888,879	-	-	2,888,879
Grant income transferred to SOCI	(3,738,720)	-	-	(3,738,720)
Investment in loans to group members	-	-	-	-
Amortisation of grant invested in fixed assets	(176,534)	-	-	(176,534)
Surplus/ (deficit) for the year	-	(201,967)	-	(201,967)
<b>Other comprehensive income, net of income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with others, recorded directly in equity</b>				
Contributions by and distributions to owners	-	-	-	-
<b>Balance as at 31 December 2010</b>	<b>379,526</b>	<b>751,819</b>	<b>612,675</b>	<b>1,744,020</b>
Grant received during the year	5,476,691	-	-	5,476,691
Grant income transferred to SOCI	(1,366,709)	-	-	(1,366,709)
Investment in loans to group members	-	-	-	-
Amortisation of grant invested in fixed assets	(194,634)	-	-	(194,634)
Surplus/ (deficit) for the year	-	2,393,630	-	2,393,630
<b>Other comprehensive income, net of income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with others, recorded directly in equity</b>				
Contributions by and distributions to owners	-	-	-	-
<b>Balance as at 31 December 2011</b>	<b>4,294,874</b>	<b>3,145,449</b>	<b>612,675</b>	<b>8,052,998</b>

The notes are integral part of these financial statements.

**BRAC TANZANIA**  
**STATEMENT OF ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

<b>Micro finance</b>	<b>Donor funds</b>	<b>Retained surplus</b>	<b>BRAC contribution</b>	<b>Total</b>
	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>
<b>Balance as at 1 January 2010</b>	<b>1,173,434</b>	<b>953,786</b>	<b>612,675</b>	<b>2,739,895</b>
Grant received during the year	73,560	-	-	73,560
Grant income transferred to SOCI	(1,028,579)	-	-	(1,028,579)
Transferred to loan revolving fund	-	-	-	-
Amortisation of grant invested in fixed assets	(102,727)	-	-	(102,727)
Surplus/ (deficit) for the year	-	(201,967)	-	(201,967)
<b>Other comprehensive income, net of income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with others, recorded directly in equity</b>				
Contributions by and distributions to owners	-	-	-	-
<b>Balance as at 31 December 2010</b>	<b><u>115,688</u></b>	<b><u>751,819</u></b>	<b><u>612,675</u></b>	<b><u>1,480,182</u></b>
Grant received during the year	3,535,175	-	-	3,535,175
Grant income transferred to SOCI	(40,125)	-	-	(40,125)
Amortisation of grant invested in fixed assets	(115,688)	-	-	(115,688)
Surplus/ (deficit) for the year	-	2,393,630	-	2,393,630
<b>Other comprehensive income, net of income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with others, recorded directly in equity</b>				
Contributions by and distributions to owners	-	-	-	-
<b>Balance as at 31 December 2011</b>	<b><u>3,495,050</u></b>	<b><u>3,145,449</u></b>	<b><u>612,675</u></b>	<b><u>7,253,174</u></b>

The notes are integral part of these financial statements.

**BRAC TANZANIA**  
**STATEMENT OF ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

<b>Social development</b>	<b>Donor funds</b>	<b>Retained surplus</b>	<b>BRAC contribution</b>	<b>Total</b>
	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>
<b>Balance as at 1 January 2010</b>	<b>232,467</b>	-	-	<b>232,467</b>
Grant received during the year	2,815,319	-	-	2,815,319
Grant income transferred to SOCI	(2,710,141)	-	-	(2,710,141)
Transferred to loan revolving fund	-	-	-	-
Amortisation of grant invested in fixed assets	(73,807)	-	-	(73,807)
Surplus/ (deficit) for the year	-	-	-	-
<b>Other comprehensive income, net of income tax</b>	-	-	-	-
<b>Transactions with others, recorded directly in equity</b>				
Contributions by and distributions to owners	-	-	-	-
<b>Balance as at 31 December 2010</b>	<b>263,838</b>	-	-	<b>263,838</b>
Grant received during the year	1,941,516	-	-	1,941,516
Grant income transferred to SOCI	(1,326,584)	-	-	(1,326,584)
Transferred to loan revolving fund	-	-	-	-
Amortisation of grant invested in fixed assets	(78,946)	-	-	(78,946)
Surplus/ (deficit) for the year	-	-	-	-
<b>Other comprehensive income, net of income tax</b>	-	-	-	-
<b>Transactions with others, recorded directly in equity</b>				
Contributions by and distributions to owners	-	-	-	-
<b>Balance as at 31 December 2011</b>	<b>799,824</b>	-	-	<b>799,824</b>

The notes are integral part of these financial statements.

**BRAC TANZANIA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**DISCONTINUED OPERATIONS**

	Micro Finance	Social Development	Total	Total
	2011	2011	2011	2010
	Tzs '000	Tzs '000	Tzs '000	Tzs '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Surplus/(deficit) before taxation	3,516,205	-	3,516,205	130,313
Depreciation	151,551	78,946	230,497	206,824
Donor funds for investment in fixed assets	(115,688)	(78,946)	(194,634)	(176,534)
Loan written off – previously provided	(531,483)	-	(531,483)	(394,000)
Provision on loans and advances	324,863	-	324,863	668,694
<b>Operating profit before changes in working capital</b>	<b>3,345,448</b>	<b>-</b>	<b>3,345,448</b>	<b>435,297</b>
(Increase)/decrease in other assets	212,705	(586,134)	(373,429)	(297,030)
(Increase)/decrease in fixed deposit maturing after 3 months	1,565,171	-	1,565,171	7,945,199
(Increase)/decrease in other liabilities	(291,750)	92,954	(198,796)	678,399
(Increase)/decrease in loans and advances	(7,932,584)	-	(7,932,584)	(10,471,494)
<b>Cash flow from operating activities</b>	<b>(3,101,010)</b>	<b>(493,180)</b>	<b>(3,594,190)</b>	<b>(1,709,629)</b>
Tax paid	(2,466,115)	-	(2,466,115)	-
<b>Net cash flow from operating activities of discontinued operations</b>	<b>(5,567,125)</b>	<b>(493,180)</b>	<b>(6,060,305)</b>	<b>(1,709,629)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Acquisition of fixed assets	(74,938)	(26,350)	(101,288)	(112,068)
<b>Net cash flow from investing activities of discontinued operations</b>	<b>(74,938)</b>	<b>(26,350)</b>	<b>(101,288)</b>	<b>(112,068)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Term loan	(1,355,093)	-	(1,355,093)	(2,245,857)
Loan revolving fund	(3,495,050)	-	(3,495,050)	-
Loan security fund	1,252,879	-	1,252,879	1,429,464
BRAC contribution	-	-	-	-
Donor funds for investment in loans to group members	-	-	-	(955,019)
Grant received in advance	3,495,050	614,932	4,109,982	105,178
<b>Net cash flow from financing activities of discontinued operations</b>	<b>(102,214)</b>	<b>614,932</b>	<b>512,718</b>	<b>(1,666,234)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(5,744,277)</b>	<b>95,402</b>	<b>(5,648,875)</b>	<b>(3,487,931)</b>
Cash and bank balances at the beginning of the year	7,783,194	-	7,783,194	11,271,125
<b>Cash and cash equivalents at the end of the year</b>	<b>17 2,038,917</b>	<b>95,402</b>	<b>2,134,319</b>	<b>7,783,194</b>

The notes are integral part of these financial statements.

**BRAC TANZANIA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**DISCONTINUED OPERATIONS**

	Micro Finance 2010 Tzs '000	Social Development 2010 Tzs '000	Total 2010 Tzs '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus/(deficit) before taxation	130,313	-	130,313
Depreciation	133,017	73,807	206,824
Donor funds for investment in fixed assets	(102,727)	(73,807)	(176,534)
Loan written off – previously provided	(394,000)	-	(394,000)
Provision on loans and advances	668,694	-	668,694
<b>Operating profit before changes in working capital</b>	<b>435,297</b>	<b>-</b>	<b>435,297</b>
(Increase)/decrease in other assets	(360,446)	63,416	(297,030)
(Increase)/decrease in fixed deposit maturing after 3 months	7,945,199	-	7,945,199
Increase/(decrease) in other liabilities	1,570,399	(892,000)	678,399
(Increase)/decrease in loans and advances	(10,471,494)	-	(10,471,494)
<b>Cash flow from operating activities</b>	<b>(881,045)</b>	<b>(828,584)</b>	<b>(1,709,629)</b>
Tax paid	-	-	-
<b>Net cash flow from operating activities</b>	<b>(881,045)</b>	<b>(828,584)</b>	<b>(1,709,629)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of fixed assets	(81,980)	(30,088)	(112,068)
<b>Net cash flow from investing activities</b>	<b>(81,980)</b>	<b>(30,088)</b>	<b>(112,068)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Term loan	(2,245,857)	-	(2,245,857)
Loan revolving fund	-	-	-
Loan security fund	1,429,464	-	1,429,464
BRAC contribution	-	-	-
Donor funds for investment in loans to group members	(955,019)	-	(955,019)
Grant received in advance	-	105,178	105,178
<b>Net cash flow from financing activities</b>	<b>(1,771,412)</b>	<b>105,178</b>	<b>(1,666,234)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(2,734,437)</b>	<b>(753,494)</b>	<b>(3,487,931)</b>
Cash and bank balances at the beginning of the year	10,517,631	753,494	11,271,125
<b>Cash and cash equivalents at the end of the year</b>	<b>17 7,783,194</b>	<b>-</b>	<b>7,783,194</b>

The notes are integral part of these financial statements.

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**1. REPORTING ENTITY**

BRAC Tanzania is a 'not for profit' organization registered under section 12(2) of the Non-Government Organization Act, 2002 on 23 February 2007 with the registration number of 00NGO/1983. The address of the BRAC Tanzania, P.O Box 105213, Plot No 2329, Block H, Mbezi Beach, Dar-es-Salaam Tanzania.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

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

**(b) Basis of measurement**

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

**(c) Going concern**

In the meeting held on 31 December 2011, the members of Governing Council resolved to restructure the business of BRAC Tanzania (the organisation) in which it was decided to wind up the existing organisation and transfer its business into two different companies (with same ownership) as follows:

- BRAC Tanzania Finance Limited incorporated under Tanzanian Companies Act 2002, to handle the micro finance business; and
- BRAC Maendeleo Tanzania, incorporated under Tanzanian Companies Act 2002 to handle the social development business.

BRAC Tanzania Finance Limited and BRAC Maendeleo Tanzania commenced operations on 1 January 2012. The assets and liabilities relating to micro finance operations were transferred to BRAC Tanzania Finance Limited. The assets and liabilities relating to social development operations were transferred to BRAC Maendeleo Tanzania on 1 January 2012.

The members of Governing Council have confirmed that they will continue to provide financial support to BRAC Tanzania until the organisation has been wound up. It is the intention of the members of the Governing Council to deregister the organisation once all the assets and liabilities are transferred to new companies.

Accordingly, the financial statements have been prepared on the basis of accounting policies applicable to a going concern.

These segments were not a discontinued operation or classified as held for sale at 31 December 2010. Management committed to a plan to sell/transfer these two line of operations late in 2011, following strategic decision to separate micro finance and social development operations into two different entities as they have different objectives.

There is no impairment loss recognised as the carrying value of the assets at the date of transfer equals fair value less costs to sell.

**(d) Functional and presentation currency**

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



**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**(e) 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 4 and 5.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Foreign currency transaction**

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**

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

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

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

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

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**(c) Fee and commission**

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) Donor Grants**

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

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

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 unutilized 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 recognized as Grants receivable.

**(ii) Grant Income**

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

A substantially portion of BRAC'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 recognized as the amount equivalent to depreciation expenses charged on the fixed assets.

**(e) Interest from deposits with bank**

Interest income on BRAC Tanzania bank deposits is earned on an accruals basis at the agreed interest rate with the respective financial institution.

**(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.

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**(g) Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income 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 financial position 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 not recognised for the following temporary differences to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

**(h) Financial assets and liabilities**

**(i) Recognition**

The 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 BRAC Tanzania 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 note (3i and 3j)**

**(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.

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

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.

BRAC Tanzania writes off certain loans when they are determined to be uncollectible (see note 4).

**(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) Amortized cost measurement**

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

**(vi) Fair value measurement**

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

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

If a market for a financial instrument is not active, 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

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

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

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the organisation where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the BRAC Tanzania 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.

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**(i) Cash and cash equivalents**

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

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

**(j) Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that 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.

**(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 BRAC Tanzania 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%
Equipments	25%
Vehicles	20%
Bicycles	20%
Motor cycles	20%

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

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**(l) 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.

**(m) Security deposits from customers and term loans**

The organisation classifies capital instruments i.e security deposits and term loan 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 utilise the term loan as source of funding.

**(n) 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.

**(o) 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.

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**(ii) Short-term benefits**

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

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

**(p) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after 1 January 2011 and have not been applied in preparing these financial statements. None of those are expected to have a significant effect on the financial statements of the organisation except for:

- IFRS 9 Financial Instruments which will become mandatory for the Organisation's 2013 financial statements and could change the classification and measurement of financial assets but is not expected to have a significant effect on the financial statements. The organisation does not plan to adopt this standard and the extent of the impact has not been determined, and
- IFRS 13 Fair Value Measurement, (published by the IASB in May 2011), which replaces existing guidance on fair value measurement in different IFRSs with a single definition of fair value, a framework for measuring fair values and disclosures about fair value measurements.



**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**4. FINANCIAL RISK MANAGEMENT**

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

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

This note presents information about the BRAC Tanzania's exposure to each of the above risks, the BRAC Tanzania'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 Tanzania's loans and advances to customers.

**Management of credit risk**

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

BRAC Tanzania 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 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 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 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 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 TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

The table below provides details of exposure to credit risk

	2011 Tzs'000	2010 Tzs'000
<b>Micro finance</b>		
Balance at 1 January	1,355,476	1,080,782
Provision made during the year	324,863	668,694
Loans - written off	(531,483)	(394,000)
Balance at 31 December	1,148,856	1,355,476
<b>Social development</b>		
Balance at 1 January	-	-
Provision made during the year	-	-
Loan - written off	-	-
Balance at 31 December	-	-

The organisation generally provides for an allowance for loan impairment at 2% of loan disbursements made. Management regularly assess the adequacy of allowance for impairment based on the age of the loan portfolio. At the year end the organisation calculates the required provision for loan losses based on loan classification and provisioning methodology which is shown below and any adjustment, if required are made and accounted for in the financial statements for the year.

The loan classification followed by BRAC Tanzania is based on the conventional, international practice of microfinance institutions in different parts of the world catering to a large number of borrowers. The methodology takes into account international best practice and circumstances relevant to Tanzania and have five aging categories which are labelled correspondingly as "Standard", "Watch List", "Substandard", "Doubtful" and "Loss".

Loan classification	Days in Arrears	Provision required
Standard	Current	2%
Watch list	01-30	5%
Substandard	31-180	20%
Doubtful	181-350	75%
Loss	350 and above	100%

Loan classification	Days in Arrears	Principal outstanding	Loan loss provision	Principal outstanding	Loan loss provision
		2011	2011	2010	2010
Standard	Current	29,900,375	598,059	21,761,542	940,097
Watch list	01-30	273,920	13,696	218,049	10,902
Substandard	31-180	299,755	59,951	732,964	146,597
Doubtful	181-350	70,865	53,150	343,840	257,880
Loss	Over 350	424,002	424,001	-	-
<b>Total :</b>		<b>30,968,917</b>	<b>1,148,856</b>	<b>23,056,415</b>	<b>1,355,476</b>

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**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 comprehensive income.

**(b) Liquidity risk**

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

**Management of liquidity risk**

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

Residual contractual maturities of financial liabilities.

<b>Micro-finance</b>	<b>Carrying amount Tzs'000</b>	<b>Contractual cash flows Tzs'000</b>	<b>Within 1 year Tzs'000</b>	<b>1 to 2 Years Tzs'000</b>	<b>2 to 5 Years Tzs'000</b>
<b>31 December 2011</b>					
Loan security fund	6,006,089	6,006,089	6,006,089	-	-
Term loan	17,971,551	17,971,551	3,190,074	14,121,243	660,234
Other current liabilities	1,965,434	1,965,434	2,549,127	-	-
<b>Total Liabilities</b>	<b>25,943,074</b>	<b>25,943,074</b>	<b>11,745,290</b>	<b>14,121,243</b>	<b>660,234</b>

<b>Social development</b>	<b>Carrying amount Tzs'000</b>	<b>Contractual cash flows Tzs'000</b>	<b>Within 1 year Tzs'000</b>	<b>1 to 2 Years Tzs'000</b>	<b>2 to 5 Years Tzs'000</b>
<b>31 December 2011</b>					
Loan security fund	-	-	-	-	-
Other current liabilities	92,954	92,954	92,954	-	-
<b>Total Liabilities</b>	<b>92,954</b>	<b>92,954</b>	<b>92,954</b>	<b>-</b>	<b>-</b>

<b>Micro-finance</b>	<b>Carrying amount Tzs'000</b>	<b>Contractual cash flows Tzs'000</b>	<b>Within 1 year Tzs'000</b>	<b>1 to 2 Years Tzs'000</b>	<b>2 to 5 Years Tzs'000</b>
<b>31 December 2010</b>					
Loan security fund	4,753,210	4,753,210	4,753,210	-	-
Term loan	19,326,644	19,326,644	2,194,600	2,463,017	14,669,027
Other current liabilities	1,768,226	1,768,226	1,768,226	-	-
<b>Total Liabilities</b>	<b>25,848,080</b>	<b>25,848,080</b>	<b>8,716,036</b>	<b>2,463,017</b>	<b>14,669,027</b>

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**Social development**

31 December 2010	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	-	-	-	-	-
Other current liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 Tanzania'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**

BRAC Tanzania 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.

A 10% percent strengthening of the United States Dollars against the following currencies at 31 December 2011 would have increased/decreased profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

**Balances denominated in USD**

	2011 Tzs'000	2010 Tzs'000
	Tzs equivalent	Tzs equivalent
Fixed deposits with bank	-	1,549,173
Term loan	-	-
<b>Net exposure</b>	<b>-</b>	<b>1,549,173</b>

A sensitivity analysis in relation to net exposure for a 10% strengthening of the USD against Tzs

	Tzs'000	Tzs'000
<b>Increase/ (decrease) in equity</b>	<b>-</b>	<b>154,917</b>
<b>Increase/ (decrease) in profit or loss</b>	<b>-</b>	<b>154,917</b>

The rate of exchange as at 31 December 2011 is USD 1 = Tzs 1,580.50 for foreign denominated assets and liabilities, strengthening of USD against Tzs by 10% means that the rate of exchange will move to USD 1 = Tzs 1,738.55

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

The rate of exchange as at 31 December 2010 is USD 1 = Tzs 1,450 for foreign denominated assets and liabilities, strengthening of USD against Tzs by 10% means that the rate of exchange will move to USD 1 = Tzs 1,595.

**(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.

On the micro finance side, BRAC Tanzania has invested Nil (2010:Tzs 7,143 million) of excessive cash in a short term deposit. On Social Development, BRAC Tanzania has invested Nil (2010: Nil) of excessive cash in a short term deposit. These deposits are exposed to interest rate risk.

**(d) Operational risks**

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development and
- ethical and business standards.

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**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 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**6. FINANCIAL ASSETS AND LIABILITIES**

**Accounting classifications and fair values**

The table below sets out the organisation's classification of each class of financial assets and liabilities, and their fair values.

**Micro finance**

31 December 2011	Designated at Fair Value	Held to Maturity	Loans and receivables	Available for Sale	Other Amortised cost	Total carrying amount	Fair Value
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
<b>ASSETS</b>							
Cash and bank	-	-	2,038,917	-	-	2,038,917	2,038,917
Deposits with Bank	-	-	-	-	-	-	-
Loans and advances to customers	-	-	29,985,372	-	-	29,985,372	29,985,372
Other assets	-	-	169,614	-	-	169,614	169,614
<b>Total assets</b>	-	-	<b>32,193,903</b>	-	-	<b>32,193,903</b>	<b>32,193,903</b>
<b>LIABILITIES</b>							
Other liabilities	-	-	1,965,434	-	-	1,965,434	1,965,434
Bank overdraft	-	-	-	-	-	-	-
Loan security fund	-	-	6,006,089	-	-	6,006,089	6,006,089
Loan revolving fund	-	-	-	-	-	-	-
Term loans	-	-	17,971,551	-	-	17,971,551	17,971,551
<b>Total liabilities</b>	-	-	<b>25,943,074</b>	-	-	<b>25,943,074</b>	<b>25,943,074</b>

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**6. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**Accounting classifications and fair values (Continued)**

The table below sets out the organisation's classification of each class of financial assets and liabilities, and their fair values.

**Micro finance**

31 December 2010	Designated at Fair Value	Held to Maturity	Loans and receivables	Available for Sale	Other Amortised cost	Total carrying amount	Fair Value
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
<b>ASSETS</b>							
Cash and bank	-	-	2,156,383	-	-	2,156,383	2,156,383
Deposits with Bank	-	-	7,191,982	-	-	7,191,982	7,191,982
Loans and advances to customers	-	-	21,846,168	-	-	21,846,168	21,846,168
Other assets	-	-	392,319	-	-	392,319	392,319
<b>Total assets</b>	-	-	<b>31,576,852</b>	-	-	<b>31,576,852</b>	<b>31,576,852</b>
<b>LIABILITIES</b>							
Other liabilities	-	-	1,788,226	-	-	1,788,226	1,788,226
Bank overdraft	-	-	488,968	-	-	488,968	488,968
Loan security fund	-	-	4,753,210	-	-	4,753,210	4,753,210
Loan revolving fund	-	-	3,495,050	-	-	3,495,050	3,495,050
Term loans	-	-	19,326,644	-	-	19,326,644	19,326,644
<b>Total liabilities</b>	-	-	<b>29,832,088</b>	-	-	<b>29,832,088</b>	<b>29,832,088</b>



**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**6. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**Accounting classifications and fair values (Continued)**

The table below sets out the organisation's classification of each class of financial assets and liabilities, and their fair values.

**Social development**

31 December 2011	Designated at Fair Value	Held to Maturity	Loans and receivables	Available for Sale	Other Amortised cost	Total carrying amount	Fair Value
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
<b>ASSETS</b>							
Cash and bank	-	-	96,402	-	-	96,402	96,402
Other assets	-	-	151,604	-	-	151,604	151,604
<b>Total assets</b>	-	-	<b>247,006</b>	-	-	<b>247,006</b>	<b>247,006</b>
<b>LIABILITIES</b>							
Other liabilities	-	-	92,954	-	-	92,954	92,954
<b>Total liabilities</b>	-	-	<b>92,954</b>	-	-	<b>92,954</b>	<b>92,954</b>

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**6. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**Accounting classifications and fair values (Continued)**

The table below sets out the organisation's classification of each class of financial assets and liabilities, and their fair values.

**Social development**

31 December 2010	Designated at Fair Value	Held to Maturity	Loans and receivables	Available for Sale	Other Amortised cost	Total carrying amount	Fair Value
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
<b>ASSETS</b>							
Cash and bank	-	-	-	-	-	-	-
Other assets	-	-	59,638	-	-	59,638	59,638
<b>Total assets</b>	-	-	<b>59,638</b>	-	-	<b>59,638</b>	<b>59,638</b>
<b>LIABILITIES</b>							
Other liabilities	-	-	-	-	-	-	-
<b>Total liabilities</b>	-	-	-	-	-	-	-

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

7. INTEREST AND SIMILAR INCOME	2011 Tzs'000	2010 Tzs'000
<b>Interest on loans to group members -</b>		
<b>Micro finance</b>		
Micro finance	11,256,945	7,829,826
Small enterprise program	1,678,255	900,504
Adolescent program	48,148	-
	<b>12,983,348</b>	<b>8,730,330</b>
<b>Social development</b>		
Adolescent program	-	34,340
<b>Total</b>	<b>12,983,348</b>	<b>8,764,670</b>
<b>8. INTEREST INCOME FROM BANK DEPOSITS</b>		
<b>Micro finance</b>		
BOA bank	140,271	742,814
Standard Chartered Bank Tanzania Limited	-	23,522
	<b>140,271</b>	<b>766,336</b>
<b>9. INTEREST EXPENSE AND SIMILAR CHARGES</b>		
<b>Micro finance</b>		
BRAC Africa Micro finance Ltd	1,806,270	1,912,374
Financial Sector Deepening Trust (FSDT)	312,797	350,842
Stichting Hivos Triodos Fonds	115,609	195,378
	<b>2,234,676</b>	<b>2,458,594</b>
<b>10. FEE AND COMMISSION INCOME</b>		
<b>Micro finance</b>		
Membership fees	171,805	177,277
Loan appraisal fees	670,494	490,614
Loan application fees	7,811	4,829
	<b>850,110</b>	<b>672,720</b>
<b>Social development</b>		
Membership fees	2,120	2,501
Loan appraisal fees	-	1,726
	<b>2,120</b>	<b>4,227</b>
<b>Total</b>	<b>852,230</b>	<b>676,947</b>
<b>11. OTHER INCOME</b>		
<b>Micro finance</b>		
Gain due to early repayment	221,765	-
Other income	998	-
	<b>222,763</b>	<b>-</b>
<b>Social development</b>		
Health	-	-
Agriculture	88,925	23,759
Livestock	1,079	-
Training project	68,823	75,983
	<b>158,827</b>	<b>99,742</b>
	<b>381,590</b>	<b>99,742</b>

Other income represent income generated from the resale of agricultural inputs, and receipts from external partners on workshops and other BRAC sponsored activities.

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**12. STAFF COSTS AND OTHER BENEFITS****Micro finance**

	2011 Tzs'000	2010 Tzs'000
Salary as per payroll	3,935,429	3,579,690
Bonus provision	103,254	103,248
NSSF contribution	795,015	924,816
Other staff costs (PAYE & SDL)	<u>782,036</u>	<u>693,694</u>
	<b>5,615,734</b>	<b>5,301,448</b>

**Social development**

Salary as per payroll	468,419	748,100
Bonus provision	13,045	21,577
NSSF contribution	114,975	193,272
Other staff costs (PAYE & SDL)	<u>113,098</u>	<u>144,971</u>
	<b>709,537</b>	<b>1,107,920</b>

<b>Total</b>	<b><u>6,325,271</u></b>	<b><u>6,409,368</u></b>
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**13. TRAINING, WORKSHOPS AND SEMINARS****Micro finance**

Staff training	65,831	70,641
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**Social development**

External member training	51,089	48,170
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<b>Total</b>	<b><u>116,920</u></b>	<b><u>118,811</u></b>
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External member training are workshops, seminars to train programme group members in relevant Programmes

**14. OCCUPANCY EXPENSES****Micro finance**

Rent	437,072	336,916
Utilities	91,206	74,143
Stationery	<u>222,364</u>	<u>116,130</u>
	<b>750,642</b>	<b>527,189</b>

**Social development**

Rent	82,022	89,750
Utilities	15,124	23,862
Stationery	<u>39,886</u>	<u>29,673</u>
	<b>137,032</b>	<b>143,285</b>

<b>Total</b>	<b><u>887,674</u></b>	<b><u>670,474</u></b>
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**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

<b>15. OTHER GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>2011</b>	<b>2010</b>
	<b>Tzs'000</b>	<b>Tzs'000</b>
<b>Micro finance</b>		
Maintenance and general expenses	918,114	1,325,694
Program supplies	8,734	-
VO members death benefit	35,420	23,664
Consultancy and technical services	19,879	-
Audit fees	65,432	51,330
HO logistics and management expenses	735,479	845,217
	<u>1,783,058</u>	<u>2,245,905</u>
<b>Social development</b>		
Maintenance and general expenses	415,630	863,973
Program supplies	48,529	281,827
Consultancy and technical services	-	-
Audit fees	37,300	34,220
HO logistics and management expenses	88,414	365,604
	<u>589,873</u>	<u>1,545,624</u>
<b>Total</b>	<u><b>2,372,931</b></u>	<u><b>3,791,529</b></u>
<b>16. TAXATION</b>		
<b>Micro finance</b>		
Current income tax at 30% of tax adjusted surplus/(deficit)	1,122,252	337,289
Deferred tax charge/(credit)	323	(5,009)
	<u>1,122,575</u>	<u>332,280</u>
<b>Deferred tax liability/(asset)</b>		
<b>Micro Finance</b>		
At 1 January	(862,612)	(857,603)
Charge/(credit) for the year	323	(5009)
<b>At 31 December</b>	<u><b>(862,289)</b></u>	<u><b>(862,612)</b></u>
<b>Deferred tax arising from temporary differences on the following items:</b>		
Property, plant and equipment	(33,598)	18,110
Provision for write off	(132,511)	(132,511)
Impairment provision – general	(344,857)	(406,643)
Other provisions	(351,523)	(341,568)
	<u><b>(862,289)</b></u>	<u><b>(862,612)</b></u>
<b>Tax rate reconciliation</b>	<b>%</b>	<b>%</b>
Standard rate of income tax	30	30
Tax effects of prior year deferred tax under provisions	(1.7)	-
Tax effects of non deductible expenses	0.4	14
Tax effects of non deductible interest expenses	3.2	211
Effective rate of income tax	<u><b>31.9</b></u>	<u><b>255</b></u>

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	2011 Tzs'000	2010 Tzs'000
<b>17. CASH AND BANK</b>		
<b><i>Micro finance</i></b>		
Cash in hand	103,443	93,839
Cash at bank	1,935,474	2,062,544
	<u>2,038,917</u>	<u>2,156,383</u>
<b><i>Social development</i></b>		
Cash in hand	-	-
Cash at bank	95,402	-
	<u>95,402</u>	<u>-</u>
<b>Total</b>	<u>2,134,319</u>	<u>2,156,383</u>
<b>Cash and cash equivalents items for the cash flow purposes</b>		
<b><i>Micro finance</i></b>		
Cash in hand	103,443	93,839
Cash at bank	1,935,474	2,062,544
Fixed deposits maturing within 3 months (note 18)	-	5,626,811
	<u>2,038,917</u>	<u>7,783,194</u>
<b><i>Social development</i></b>		
Cash in hand	-	-
Cash at bank	95,402	-
	<u>95,402</u>	<u>-</u>
<b>Total</b>	<u>2,134,319</u>	<u>7,783,194</u>
<b>18. DEPOSITS WITH BANK</b>		
<b><i>Micro finance</i></b>		
BOA Bank	-	6,018,788
Standard Chartered Bank Tanzania Limited	-	1,173,194
<b>Total</b>	<u>-</u>	<u>7,191,982</u>
The maturity of the short term deposits is analysed as follows;		
Within 3 months	-	5,626,811
After 3 months	-	1,565,171
<b>Total</b>	<u>-</u>	<u>7,191,982</u>

The weighted average effective interest rates on deposits due from banks were 6% and 1% for deposits in Tanzanian shillings (Tzs) and United States dollars (USD) respectively. (2010: 7% for Tanzanian shillings (Tzs) and 1% for deposits in USD). The carrying book values of the deposits with banks equal the fair value.

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	2011 Tzs'000	2010 Tzs'000
<b>19. LOANS AND ADVANCES TO CUSTOMERS</b>		
Micro finance	29,985,372	21,846,168
Social development		
<b>Total</b>	<b>29,985,372</b>	<b>21,846,168</b>
The movement on the loan accounts is analysed as shown below;		
<b>Micro finance</b>		
Balance at 1 January	23,056,415	12,610,717
Disbursement during the year	67,228,400	49,225,250
Realization during the year	(58,784,415)	(38,385,552)
	<b>31,500,400</b>	<b>23,450,415</b>
Loan write off	(531,483)	(394,000)
	<b>30,968,917</b>	<b>23,056,415</b>
Loan loss provision	(1,148,856)	(1,355,476)
	<b>29,820,061</b>	<b>21,700,939</b>
Interest accrued	165,311	145,229
Balance at 31 December	<b>29,985,372</b>	<b>21,846,168</b>
<b>Social development</b>		
Balance at 1 January 2010	-	-
Disbursement during the year	-	-
Realization during the year	-	-
	-	-
Loan write off	-	-
	-	-
Loan loss provision	-	-
Balance at 31 December	-	-
<b>Analysis of the impairment provision</b>		
<b>Micro finance</b>		
Balance at 1 January	1,355,476	1,080,782
Provision/(reversal) made during the year	324,863	668,694
Loan - written off/(reversal)	(531,483)	(394,000)
<b>Total</b>	<b>1,148,856</b>	<b>1,355,476</b>
<b>Social development</b>		
Balance at 1 January	-	-
Provision made during the year	-	-
Loan - written off	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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.

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	2011 Tzs'000	2010 Tzs'000				
<b>20. OTHER ASSETS</b>						
<b>Micro finance</b>						
Advances and prepayments	162,487	356,655				
Stock and stores	7,127	25,664				
	<u>169,614</u>	<u>382,319</u>				
<b>Social development</b>						
Advances and prepayments	5,365	-				
Stock and stores	-	-				
Current account in transit	640,407	59,638				
	<u>645,772</u>	<u>59,638</u>				
Total	<u>815,386</u>	<u>441,957</u>				
<b>21. PLANT AND EQUIPMENT</b>						
<b>Cost –Micro finance</b>						
2011	Furniture & Fixtures Tzs'000	Equipment Tzs'000	Motor Vehicle Tzs'000	Bicycle Tzs'000	Motor Cycles Tzs'000	Total Tzs'000
At cost						
At 1 January 2011	203,649	235,097	77,047	11,691	78,825	606,309
Additions	17,695	70,934	-	419	-	89,048
Transfer to Social development	(250)	-	-	(260)	(7,400)	(7,910)
Transfer to BRAC	-	-	-	-	(6,200)	(6,200)
At December 2011	<u>221,094</u>	<u>306,031</u>	<u>77,047</u>	<u>11,850</u>	<u>65,225</u>	<u>681,247</u>
Accumulated depreciation						
At 1 January 2011	91,560	124,592	32,770	6,443	35,449	290,814
Charge for the year	<u>44,219</u>	<u>76,508</u>	<u>15,409</u>	<u>2,370</u>	<u>13,045</u>	<u>151,551</u>
At December 2011	<u>135,779</u>	<u>201,100</u>	<u>48,179</u>	<u>8,813</u>	<u>48,494</u>	<u>442,365</u>
Net book value						
At 31 December 2011	<u>85,315</u>	<u>104,931</u>	<u>28,868</u>	<u>3,037</u>	<u>16,731</u>	<u>238,882</u>
At 31 December 2010	<u>112,089</u>	<u>110,505</u>	<u>44,277</u>	<u>5,248</u>	<u>43,376</u>	<u>315,495</u>
<b>21. PLANT AND EQUIPMENT</b>						
<b>Cost –Micro finance</b>						
2010	Furniture & Fixtures Tzs'000	Equipment Tzs'000	Motor Vehicle Tzs'000	Bicycle Tzs'000	Motor Cycles Tzs'000	Total Tzs'000
At cost						
At 1 January 2010	176,753	200,377	62,725	11,681	72,793	524,329
Additions	26,896	34,720	14,322	10	6,032	81,980
At December 2010	<u>203,649</u>	<u>235,097</u>	<u>77,047</u>	<u>11,691</u>	<u>78,825</u>	<u>606,309</u>
Accumulated depreciation						
At 1 January 2010	50,830	65,818	17,360	4,105	19,684	157,797
Charge for the year	<u>40,730</u>	<u>58,774</u>	<u>15,410</u>	<u>2,338</u>	<u>15,765</u>	<u>133,017</u>
At December 2010	<u>91,560</u>	<u>124,592</u>	<u>32,770</u>	<u>6,443</u>	<u>35,449</u>	<u>290,814</u>
Net book value						
At 31 December 2010	<u>112,089</u>	<u>110,505</u>	<u>44,277</u>	<u>5,248</u>	<u>43,376</u>	<u>315,495</u>
At 31 December 2009	<u>125,923</u>	<u>134,559</u>	<u>45,365</u>	<u>7,576</u>	<u>53,109</u>	<u>366,532</u>



**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**21. PLANT AND EQUIPMENT**

**Cost –Social development  
2011**

	Furniture & Fixtures Tzs'000	Equipment Tzs'000	Motor Vehicle Tzs'000	Bicycle Tzs'000	Motor Cycles Tzs'000	Total Tzs'000
<b>At cost</b>						
At 1 January 2011	261,302	31,040	35,481	7,416	26,039	361,278
Additions	8,070	5,215	-	55	5,100	18,440
Transfer from Mainland MF	250	-	-	260	7,400	7,910
At December 2011	<u>269,622</u>	<u>36,255</u>	<u>35,481</u>	<u>7,731</u>	<u>38,539</u>	<u>387,628</u>

**Accumulated depreciation**

At 1 January 2011	109,538	20,239	14,391	2,923	9,987	157,078
Charge for the year	53,532	9,064	7,096	1,546	7,708	78,946
At December 2011	<u>163,070</u>	<u>29,303</u>	<u>21,487</u>	<u>4,469</u>	<u>17,695</u>	<u>236,024</u>

**Net book value**

At 31 December 2011	<u>106,552</u>	<u>6,952</u>	<u>13,994</u>	<u>3,262</u>	<u>20,844</u>	<u>151,604</u>
At 31 December 2010	<u>151,764</u>	<u>10,801</u>	<u>21,090</u>	<u>4,493</u>	<u>16,052</u>	<u>204,200</u>

**PLANT AND EQUIPMENT**

**Cost –Social development  
2010**

	Furniture & Fixtures Tzs'000	Equipment Tzs'000	Motor Vehicle Tzs'000	Bicycle Tzs'000	Motor Cycles Tzs'000	Total Tzs'000
<b>At cost</b>						
At 1 January 2010	249,216	26,837	35,481	5,804	13,852	331,190
Additions	12,086	4,203	-	1,612	12,187	30,088
At December 2010	<u>261,302</u>	<u>31,040</u>	<u>35,481</u>	<u>7,416</u>	<u>26,039</u>	<u>361,278</u>

**Accumulated depreciation**

At 1 January 2010	57,278	12,479	7,295	1,440	4,779	83,271
Charge for the year	52,260	7,760	7,096	1,483	5,208	73,807
At December 2010	<u>109,538</u>	<u>20,239</u>	<u>14,391</u>	<u>2,923</u>	<u>9,987</u>	<u>157,078</u>

**Net book value**

At 31 December 2010	<u>151,764</u>	<u>10,801</u>	<u>21,090</u>	<u>4,493</u>	<u>16,052</u>	<u>204,200</u>
At 31 December 2009	<u>192,330</u>	<u>14,358</u>	<u>28,186</u>	<u>4,364</u>	<u>9,073</u>	<u>248,311</u>

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	2011 Tzs'000	2010 Tzs'000
<b>22. OTHER LIABILITIES</b>		
<b>Micro Finance</b>		
Liabilities for expenses – accruals	471,408	618,109
Payable to Stitching BRAC International – HO Logistics	253,697	331,341
Payable to BRAC Bangladesh	527,732	
Current account in transit	383,387	312,399
Provisions	329,320	480,614
Revolving fund	-	25,763
	<b>1,965,434</b>	<b>1,768,226</b>
<b>Social Development</b>		
Liabilities for expenses – accruals	19,338	-
Current account in transit	(25,763)	-
Provisions	56,640	-
Revolving fund	42,739	-
	<b>92,954</b>	<b>-</b>
<b>Total</b>	<b>2,058,388</b>	<b>1,768,226</b>

**23. BANK OVERDRAFT**

BRAC Tanzania had an overdraft facility of Tzs 500 million with Boa Bank Limited on 20th December 2010 for tenor of 15 days. The facility was secured against the fixed deposit amounting to Tzs 2 billion. This was repaid on 3 January 2011. The outstanding balance as at 31st December 2011 is Nil (2010: Tzs 489mn)

	2011 Tzs'000	2010 Tzs'000
<b>24. LOAN SECURITY FUND</b>		
<b>Micro finance</b>		
Balance at 1 January	4,753,210	3,323,746
Collection during the year	2,412,226	4,920,566
Withdrawals during the year	(1,159,347)	(3,491,102)
	<b>6,006,089</b>	<b>4,753,210</b>
<b>Social development</b>	-	-
<b>Total</b>	<b>6,006,089</b>	<b>4,753,210</b>

The Loan Security Fund acts as collateral for the customers' loan obligations to BRAC. This is computed at 10% of the customers' approved loan. In the event of any default, the clients forfeit all or part of the Loan Security Fund to the extent of the amount at risk.

	2011 Tzs'000	2010 Tzs'000
<b>25. RELATED PARTY DISCLOSURES</b>		
<b>RELATED PARTY PAYABLES</b>		
<b>Micro finance</b>		
Loan from BRAC Foundation	273,445	273,445
Loan from BRAC Micro Finance Africa	13,361,430	13,361,430
Contribution from BRAC	612,675	612,675
Grant received from BRAC USA	3,495,050	-
Stitching BRAC International (HO logistics and management)	253,587	331,341
	<b>17,996,187</b>	<b>14,578,891</b>
<b>Social development</b>		
Grant received from Bangladesh	-	772,500

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	2011 Tzs'000	2010 Tzs'000
<b>OTHER RELATED PARTY TRANSACTIONS DURING THE PERIOD</b>		
<b>Interest expense on related party loans as disclosed in note 9</b>		
<b>Micro finance</b>		
BRAC Africa Micro finance Ltd	1,806,270	1,912,374
<b>Operating expenses incurred by BRAC Bangladesh on behalf of BRAC Tanzania</b>		
<b>Micro finance</b>		
HO logistics and management	735,479	845,217
<b>Social development</b>		
HO logistics and management	88,414	365,604
<b>Total</b>	<b>823,893</b>	<b>1,210,821</b>
<b>26. LOAN REVOLVING FUND</b>		
<b>Micro finance</b>		
Balance at 1 January	-	3,495,050
Transferred from grant received in advance (note-28)	-	-
<b>Total</b>	<b>-</b>	<b>3,495,050</b>
The loan revolving fund represents portion of grant received that is utilized for onward lending to individuals and viable micro and small business		
<b>27. TERM LOAN</b>		
<b>Micro finance</b>		
Balance at 1 January	19,326,644	21,029,346
Received during the year	-	-
Payments made during the year	(1,944,187)	(2,089,511)
	<b>17,382,457</b>	<b>18,939,835</b>
Interest payable on term loan	589,094	386,809
<b>Total</b>	<b>17,971,551</b>	<b>19,326,644</b>
Current portion of term loan	3,190,074	2,194,600
Non-current portion of term loan	14,781,477	17,132,044
	<b>17,971,551</b>	<b>19,326,644</b>
<b>RECEIPTS DURING THE YEAR</b>		
<b>Micro finance</b>		
BRAC Africa Micro finance Ltd.	-	-
BRAC Africa Micro finance Ltd.	-	-
Financial Sector Deepening Trust (FSDT)	-	-
	<b>-</b>	<b>-</b>
<b>PAYMENTS DURING THE YEAR</b>		
<b>Micro finance</b>		
KIVA Foundation	-	451,661
BOA Bank Tanzania Limited	-	-
Netri Foundation	-	-
Deutsche Bank Micro credit Development Fund	-	-
Stichting Hivos Triodos Fonds	575,000	575,000
Financial Sector Deepening Trust (FSDT)	446,875	325,000
- *1st loan	922,312	737,850
- **2nd loan	<b>1,944,187</b>	<b>2,089,511</b>

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

\*As at 31 December 2011, BRAC Tanzania had an outstanding term loan amounting to Tzs 122 million with the Registered Trustees of Financial Sector Deepening Trust. The loan was entered on 31 December 2006 of Tzs 1.3 billion for period of five years payable in quarterly instalments of Tzs 40.6 million in Year 2, Tzs 81.3 million in year 3&4 and Tzs 121.9 in year 5 after the grace period of one year from the date of signing the agreement. The interest rates applied on the loan are follows; Year 1-5%, Year 2-7%, Year 3-9% and Year 4 & 5-11%. This loan was obtained to provide funding needed for ten branch pilot programme in Dar-es-salaam and Arusha. In 2011 BRAC Tanzania paid principle amounting to Tzs 447 million and interest of Tzs 34 million.

\*\*As at 31 December 2011, BRAC Tanzania had another outstanding term loan amounting to Tzs 3.3 billion with the Registered Trustees of Financial Sector Deepening Trust. The loan was entered on 16 September 2008 of Tzs 6.9 billion for period of five years payable in quarterly instalments of Tzs 277 million in Year 2, Tzs 346 million in year 3 and Tzs 553 in year 4 & 5 after the grace period of one year from the date of signing the agreement. BRAC Tanzania made a drawdown of Tzs 4.6 billion from Tzs 6.9 billion up to December 2011. The interest rates applied on the loan are follows; Year 1-5%, Year 2-7%, Year 3-9% and Year 4 & 5-10%. The loan was obtained to finance the growth of loan portfolio and operating and capital expenditure for establishment of additional one hundred branches mainly in Dar-es-salaam, Arusha, Morogoro, Zanzibar, Mwanza, Coast Region and Shinyanga. The loan was obtained to finance the growth of loan portfolio and to cover for operating and capital expenses at the branch level. In 2011, BRAC Tanzania paid principle amounting to Tzs 922 million and interest of Tzs 242 million.

As at 31 December 2011, BRAC Tanzania has an outstanding term loan amounting to Tzs 287 million with the Stitching Hivos Triodos Fonds. The loan was entered on 7 August 2007 of Tzs 1.75 billion for period of five years payable every six months in six equal instalments of Tzs 287.5 million commencing from 1 January 2010. The interest rate on the loan is 14% per annum fixed until 1 July 2008. The purpose of the loans is to finance loans to micro entrepreneurs. In 2011, BRAC Tanzania paid principle amounting to Tzs 575 million and interest of Tzs 104 million.

As at 31 December 2011, BRAC Tanzania has an outstanding loan facility amounting to Tzs 13.4 billion (USD 1,000,000) with BRAC Africa Micro Finance Limited. The loan was entered on 27 October 2008 of USD 24.25 million for period of 7 years payable in sixteen equal quarterly instalments with the payment of first instalment commencing on December 2012. BRAC Tanzania made a drawdown of USD 10.25 million from the USD 24.25 million up to December 2011. The loan is attracting interest at the rate of 12% per annum which is payable every quarterly. The loan is obtained to finance micro finance loans in the country and to pay overhead, capital expenses and similar costs directly incurred in conducting micro finance program. In 2011, BRAC Tanzania paid interest amounting to Tzs 1,626 million and no payment was made on principle amount.

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	2011 Tzs'000	2010 Tzs'000
<b>28. DONOR FUNDS</b>		
<b><i>Micro finance</i></b>		
Donor funds received in advance	3,495,050	-
Donor funds investment in fixed assets	-	115,688
Donor funds investment in loans to group members	-	-
	<b>3,495,050</b>	<b>115,688</b>
<b><i>Social development</i></b>		
Donor funds received in advance	720,110	105,178
Donor funds investment in fixed assets	79,714	158,660
Donor funds investment in loan disbursement to group	-	-
	<b>799,824</b>	<b>263,838</b>
<b>Total</b>	<b>4,294,874</b>	<b>379,526</b>
<b><i>Micro finance</i></b>		
<b>Donor funds received in advance</b>		
Opening balance	-	-
Grant received during the year	3,535,175	73,560
Transferred to deferred income - investment in fixed asset	-	-
Transferred to deferred income - investment in loan disbursement to group	-	955,019
Transferred to statement of comprehensive income	(40,125)	(1,028,579)
<b>Closing balance</b>	<b>3,495,050</b>	<b>-</b>
<b>Grant received during the year</b>		
<b>Name of the Donor</b>		
Bill & Melinda Gates Foundation	-	-
Citi Foundation	40,125	73,560
BRAC USA	<b>3,495,050</b>	<b>-</b>
	<b>3,535,175</b>	<b>73,560</b>
<b>Donor funds investment in fixed assets</b>		
Opening balance	115,688	218,415
Transferred from donor funds received in advance	-	-
Depreciation charged during the year	(115,688)	(102,727)
Closing balance	<b>-</b>	<b>115,688</b>
<b>Donor funds investment in loan disbursement to group</b>		
Opening balance	-	955,019
Transferred from donor funds received in advance	-	(955,019)
Closing balance	<b>-</b>	<b>-</b>

**BRAC TANZANIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	2011	2010
	Tzs'000	Tzs'000
<b>Social development</b>		
<b>Donor funds received in advance</b>		
Opening balance	105,178	-
Grant received during the year	1,941,516	2,815,319
Transferred to deferred income - investment in fixed asset	-	-
Transferred to deferred income - investment in loan disbursement to group	-	-
Transferred to statement of comprehensive income	(1,326,584)	(2,710,141)
Closing balance	<b>720,110</b>	<b>105,178</b>
<b>Grant received during the year</b>		
<b>Name of the Donor</b>		
Bill & Melinda Gates Foundation	1,495,507	1,397,693
Nike Foundation	-	645,126
UNICEF	436,223	-
IFPI	9,786	-
BRAC Bangladesh	-	772,500
	<b>1,941,516</b>	<b>2,815,319</b>
<b>Donor funds investment in fixed assets</b>		
Opening balance	158,660	232,467
Transferred from donor funds received in advance	-	-
Depreciation charged during the year	(78,946)	(73,807)
Closing balance	<b>79,714</b>	<b>158,660</b>

**29. BRAC CONTRIBUTION**

This fund of Tzs 612,675,000 relates to the initial contribution towards the establishment of BRAC Tanzania and was used for starting up the microfinance program.

BRAC  
Report and Accounts  
31 December 2011

**BRAC**  
**REPORT OF THE GOVERNING COUNCIL**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

1. The members of Governing Council present this report and the audited financial statements for the year ended 31 December 2011.

**2. REGISTRATION**

BRAC is a 'not for profit' organization registered under Societies Act No 6 of 1995, Zanzibar Revolutionary Government

**3. ORGANISATION'S VISION**

BRAC is a development organisation dedicated in poverty alleviation, sustainable development and empowerment through equal distribution of resources/wealth.

**4. ORGANISATION'S MISSION**

BRAC 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. PRINCIPAL ACTIVITIES**

The principal activity of the BRAC is the provision of micro finance services to micro and small-scale entrepreneurs 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.

**6. FINANCIAL PERFORMANCE**

The financial performance during the year was as follows:

- Total revenue increased by 23% from Tzs 535 million in 2010 to Tzs 657 million in 2011.
- Loans to customers increased by 12% from Tzs 1,253 million in 2010 to Tzs 1,408 million in 2011.
- Operating expenses decreased by 25% from Tzs 544 million in 2010 to Tzs 407 million in 2011.

During the year, the organisation had an attributable loss of Tzs 58 million (2010 –attributable profit of Tzs 33 million). The audited financial statements for the year are set out on pages 7 to 29.

**7. MEMBERS OF THE GOVERNING COUNCIL**

Members of the Governing Council, who served during the year and up to the date of this report except where otherwise indicated, are:

<b>Name</b>	<b>Nationality</b>
Sir Fazle Hasan Abed	Bangladeshi
Dr Mahabub Hossain	Bangladeshi
Mr. Muhammad A. (Rumee) Ali	Bangladeshi
Dr. Imran Matin	Bangladeshi
Ms Rahma Ali Khamis Abdullah	Tanzanian



**BRAC**  
**REPORT OF THE GOVERNING COUNCIL**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**8. 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.

**9. RISK MANAGEMENT**

The members of the Governing Council are ultimately responsible for any loss suffered by BRAC. Risk taking, in an appropriate manner, is an integral part of business. Success relies on optimising the trade-off between risk and reward.

**10. MANAGEMENT STRUCTURE**

The management of BRAC is led by the Country Representative and is organised in the following departments:

- Programmes
- Finance
- Internal Audit
- Monitoring
- Training

**11. RELATED PARTY TRANSACTIONS**

Related party transactions are disclosed in note 21 to these financial statements

**12. CORPORATE SOCIAL RESPONSIBILITY**

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

**13. SOLVENCY**

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

**14. EMPLOYEES' WELFARE**

**Management/Employee relationship**

There were no disputes between management and employees. As at year end, BRAC had 70 employees (2010: 68 employees).

*Medical assistance*

BRAC reimburses medical costs incurred by employees for medical treatment.

**BRAC**  
**REPORT OF THE GOVERNING COUNCIL**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

*Retirement benefits*

All eligible employees are members of the Zanzibar Social Security Fund (ZSSF). BRAC contributes 10% of the employees' gross salary.

The ZSSF fund is a defined contribution scheme with the BRAC having no legal or constructive obligation to pay further top-up contributions.

**15. FUTURE DEVELOPMENT AND OUTLOOK**

***Microfinance***

In 2012, BRAC will extend its programs to remote rural areas in order to reach the poorer section of the population. BRAC's is planning to target 4,223 borrowers aiming to disburse USD 1.4 million as microfinance loans. Additional 70 new borrowers will be targeted for Small Enterprise Loans, bringing the total to 532. It is expected that USD 0.63 million will be disbursed to this group of borrowers.

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

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

**Social Development**

***Agriculture***

Currently, BRAC is carrying out these activities through leasing land from the government and seed production through contract growers.

Provision of crop share loan to the poor farmers and providing small farm equipments will be considered.

BRAC will continue to strengthen collaboration with both local and international Research Institutes for fostering new variety development and release to meet up the changing demand of the local farmers.

***Poultry and Livestock***

BRAC's own parent stock poultry farm with hatchery is required to meet the growing demand of quality Day Old Chick (DOC) and to ensure its continuous supply. There is an opportunity for the establishment of poultry feed mill with development of poultry industry in the country.

**BRAC**  
**REPORT OF THE GOVERNING COUNCIL**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**16. 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

**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**



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Member of Governing Council, BRAC

Date: 4th June 2012

## BRAC

### STATEMENT OF MEMBERS OF GOVERNING COUNCIL RESPONSIBILITIES

The members of Governing Council are required to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Organisation as at the end of the financial period and of the operating results for that period. It also requires the members of Governing Council to ensure that the Organisation keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Organisation. They are also responsible for safeguarding the assets of the Organisation.

The members of Governing Council are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The members of Governing Council accept responsibility for these financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. The members of Governing Council are of the opinion that financial statements give a true and fair view of the state of the financial affairs of the Organisation and its operating results. The members of Governing Council further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the members of Governing Council to indicate that the Organisation will not remain a going concern for at least the next twelve months from the date of this statement.

#### Approval of the financial statements

The financial statements of the organisation, as indicated above, were approved by the members of the governing council on 4th June 2012 and are signed on its behalf by:



.....  
**Members of Governing Council, BRAC**



**KPMG**  
**Certified Public Accountants**  
 11th Floor, PPO Tower  
 One Seaway Garden Avenue  
 PO Box 1740  
 Dar es Salaam, Tanzania

Telephone: +255 22 2118899  
 Fax: +255 22 2112643  
 Email: info@kpmg.co.tz  
 Internet: www.kpmg.co.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 as set out on pages 7 to 28, which comprise the statement of financial position at 31 December 2011, the statement of comprehensive income, the statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Members of Governing Council's Responsibility for the Financial Statements

The members of Governing Council of BRAC 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 members of Governing Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 these 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 2011, 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.

  
 M. Salim Shauki  
 KPMG

(Date: 4<sup>th</sup> June 2012)

**BRAC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 Tzs '000	2010 Tzs '000
<b>Income</b>			
Interest and similar income	7	595,248	499,166
Amortization of deferred grant	8	-	69,889
<b>Net interest income</b>		<b>595,248</b>	<b>569,055</b>
Other income	9	62,028	36,194
<b>Total operating income</b>		<b>657,276</b>	<b>605,249</b>
(Impairment losses)/ recoveries on loans and advances	10	38,400	(54,621)
<b>Operating income after impairment charges</b>		<b>695,676</b>	<b>550,628</b>
<b>Operating expenses</b>			
Salaries and allowances	11	(331,167)	(368,638)
Training, workshop and seminars		(2,457)	(4,004)
Occupancy expenses	12	(19,090)	(19,176)
Other general & admin. expenses	13	(46,722)	(146,643)
Depreciation	16	(7,708)	(5,889)
Amortization of grant for fixed asset		7,708	5,889
<b>Net surplus/(deficit) before taxation</b>		<b>296,240</b>	<b>12,167</b>
Taxation	22	(354,473)	20,640
<b>Surplus/ (deficit) for the year</b>		<b>(58,233)</b>	<b>32,807</b>
Other comprehensive income (net of tax)		-	-
<b>Total comprehensive surplus/(deficit) for the period</b>		<b>(58,233)</b>	<b>32,807</b>

The notes are integral part of these financial statements.

**BRAC**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011**

	Notes	2011 Tzs '000	2010 Tzs '000
<b>ASSETS</b>			
Cash and bank	14	131,154	132,595
Loans and advances to customers	15	1,408,593	1,252,826
Deferred tax asset	22	221,923	199,454
Plant and equipment	16	14,906	16,016
Other assets	17	6,434	6,528
<b>Total assets</b>		<b>1,783,010</b>	<b>1,607,419</b>
<b>LIABILITIES AND CAPITAL FUND</b>			
<b>Liabilities</b>			
Loan security fund	18	310,470	285,390
Term loans		-	-
Loan revolving fund	19	-	814,454
Other liabilities	20	991,003	731,079
Corporate tax payable		-	43,472
<b>Total liabilities</b>		<b>1,301,473</b>	<b>1,874,395</b>
<b>Capital Fund</b>			
Donor funds	8	822,762	16,016
BRAC contribution		-	-
Retained surplus/(deficit)		(341,225)	(282,992)
<b>Total capital fund</b>		<b>481,537</b>	<b>(266,976)</b>
<b>TOTAL LIABILITIES AND CAPITAL FUND</b>		<b>1,783,010</b>	<b>1,607,419</b>



.....  
Members of Governing Council, BRAC

Date: 4th June 2012



.....  
Members of Governing Council, BRAC

The notes are integral part of these financial statements.

**BRAC**  
**STATEMENT OF ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Donor Funds Tzs'000	BRAC contribution Tzs'000	Retained surplus/(deficit) Tzs'000	Total Tzs'000
<b>Balance as at 1 January 2010</b>	<b>21,905</b>	<b>-</b>	<b>(315,799)</b>	<b>(293,894)</b>
Surplus/(deficit) for the year	-	-	32,807	32,807
Grant received during the year	69,889	-	-	69,889
Grant income transferred to SOCI	(69,889)	-	-	(69,889)
Amortisation of grant invested in fixed assets	(5,889)	-	-	(5,889)
<b>Other Comprehensive income, net of income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with others, recorded directly in equity</b>				
Contributions by and distributions to owners	-	-	-	-
<b>Balance as at 31 December 2010</b>	<b>16,016</b>	<b>-</b>	<b>(282,992)</b>	<b>(266,976)</b>
Surplus/(deficit) for the year	-	-	(58,233)	(58,233)
Grant received during the year	814,454	-	-	814,454
Grant income transferred to SOCI	-	-	-	-
Amortisation of grant invested in fixed assets	(7,708)	-	-	(7,708)
<b>Other Comprehensive income, net of income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with others, recorded directly in equity</b>				
Contributions by and distributions to owners	-	-	-	-
<b>Balance as at 31 December 2011</b>	<b>822,762</b>	<b>-</b>	<b>(341,225)</b>	<b>481,537</b>

The notes are integral part of these financial statements.



**BRAC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 Tzs '000	2010 Tzs '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus/(deficit) before taxation		296,240	12,167
Depreciation		7,708	5,889
Donor funds for investment in fixed assets		(7,708)	(5,889)
Loan write off		(40,244)	-
Provision on loans and advances		(38,400)	54,621
<b>Operating Profit before changes in working capital</b>		<b>217,596</b>	<b>66,788</b>
(Increase)/decrease in other assets		94	(1,329)
Increase/(decrease) in other liabilities		259,924	479,689
Movement in loans and advances		(77,123)	(554,195)
<b>Cash flow from operating activities</b>		<b>400,491</b>	<b>(9,047)</b>
Tax paid		(420,414)	-
<b>Net cash flow from operating activities</b>		<b>(19,923)</b>	<b>(9,047)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of fixed assets		(6,598)	-
<b>Net cash flow from investing activities</b>		<b>(6,598)</b>	<b>-</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Term loan</b>		-	-
Loan revolving fund		(814,454)	-
Loan security fund		25,080	(7,616)
Donor funds received in advance		814,454	-
<b>Net cash flow from financing activities</b>		<b>25,080</b>	<b>(7,616)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(1,441)</b>	<b>(16,663)</b>
Cash and bank balances at the beginning of the year		132,595	149,258
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>131,154</b>	<b>132,595</b>

The notes are integral part of these financial statements.

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**1. REPORTING ENTITY**

BRAC is a 'not for profit' organization registered under Society No 6 of 1995, Zanzibar Revolutionary Government. BRAC is situated at House No-KS/MJ/205E, Plot No-52, Mboweni, 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**

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 4 and 5.

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are 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**

Interest income and expense are recognised in the income statement using the effective interest method.

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

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

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

**(c) Fee and commission**

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) Donor Grants**

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

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

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

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 unutilized 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 recognized as Grants receivable.

**(ii) Grant Income**

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

A substantially portion of BRAC'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 recognized 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 income statement 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 balance sheet 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 not recognised for the following temporary differences to the extent that they probably will not reverse in the foreseeable future. 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 2011 (CONTINUED)**

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 BRAC 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 note (3h and 3i)**

**(iii) De-recognition**

The organisation de-recognises 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 de-recognises 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 balance sheet, 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 de-recognised from the balance sheet. 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.

BRAC writes off certain loans when they are determined to be uncollectible (see note 4).

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**(iv) Offsetting**

Financial assets and liabilities are set off and the net amount presented in the balance sheet 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 organisation's trading activity.

**(v) Amortized cost measurement**

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

**(vi) Fair value measurement**

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

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

If a market for a financial instrument is not active, 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 organisation believes a third-party market participant would take them into account in pricing a transaction.

**(vii) Identification and measurement of impairment**

At each balance sheet 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.

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

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 securities 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.

**(j) Property and equipment**

**(j) Recognition and measurement**

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

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

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**(ii) Subsequent costs**

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

**(iii) Depreciation**

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%
Equipments	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.



**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**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.

**(l) 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.

**(m) Employee benefits**

**(i) Defined contribution plans**

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

**(ii) Short-term benefits**

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

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

**(n) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after 1 January 2011 and have not been applied in preparing these financial statements. None of those are expected to have a significant effect on the financial statements of the organisation except for:

IFRS 9 Financial Instruments which will become mandatory for the organisation's 2013 financial statements and could change the classification and measurement of financial assets but is not expected to have a significant effect on the financial statements. The organisation does not plan to adopt this standard and the extent of the impact has not been determined, and

IFRS 13 Fair Value Measurement (published by the IASB in May 2011), which replaces existing guidance on fair value measurement in different IFRSs with a single definition of fair value, a framework for measuring fair values and disclosures about fair value measurements.

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**4. FINANCIAL RISK MANAGEMENT**

**Introduction and overview**

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

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risks
- (d) Operational 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, BRAC measures, monitors and manage proactively all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

BRAC 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 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 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 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

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**Allowances for impairment**

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

The table provides details of exposure to credit risk

	2011 Tzs'000	2010 Tzs'000
<b>Micro finance</b>		
Balance at 1 January	182,405	127,784
Provision/(recovery) made during the year	(38,400)	54,621
Loan - written off	(40,244)	-
<b>Balance at 31 December</b>	<b>103,761</b>	<b>182,405</b>

The organisation generally provides for an allowance for loan impairment at 2% of loan disbursements made. Management regularly assess the adequacy of allowance for impairment based on the age of the loan portfolio. At the year end the organisation calculates the required provision for loan losses based on loan classification and provisioning methodology which is shown below and any adjustment, if required are made and accounted for in the financial statements for the year.

The loan classification followed by BRAC is based on the conventional, international practice of microfinance institutions in different parts of the world catering to a large number of borrowers. The methodology takes into account international best practice and circumstances relevant to Tanzania and have five aging categories which are labelled correspondingly as "Standard", "Watch List", "Substandard", "Doubtful" and "Loss".

Loan Classification	Days in Arrears	Provision required
Standard	Current	2%
Watch List	01-30	5%
Substandard	31-180	20%
Doubtful	181-350	75%
Loss	350 and above	100%

Loan Classification	Days in Arrears	Principal outstanding 2011	Loan loss provision 2011	Principal outstanding 2010	Loan loss provision 2010
Standard	Current	1,241,566	24,830	1,369,896	153,194
Watch List	01-30	66,913	3,346	918	46
Substandard	31-180	107,043	21,409	26,808	5,362
Doubtful	181-350	72,234	54,176	31,737	23,803
Loss	Over 350	-	-	-	-
<b>Total :</b>		<b>1,487,756</b>	<b>103,761</b>	<b>1,429,359</b>	<b>182,405</b>

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**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 comprehensive income.

**(b) Liquidity Risk**

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

**Management of liquidity risk**

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

Residual contractual maturities of financial liabilities.

<b>Micro-finance</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 Years</b>
<b>31 December 2011</b>	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>
Loan security fund	310,470	310,470	310,470	-	-
Other current liabilities	991,003	991,003	991,003	-	-
<b>Total Liabilities</b>	<b>1,301,473</b>	<b>1,301,473</b>	<b>1,301,473</b>	<b>-</b>	<b>-</b>
<b>Micro-finance</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 Years</b>
<b>31 December 2010</b>	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>
Loan security fund	285,390	285,390	285,390	-	-
Other current liabilities	731,079	731,079	731,079	-	-
<b>Total Liabilities</b>	<b>1,016,469</b>	<b>1,016,469</b>	<b>1,016,469</b>	<b>-</b>	<b>-</b>

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

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**(c) Market Risk**

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

**(d) Operational risks**

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development; and
- ethical and business standards.

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**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.

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**6. FINANCIAL ASSETS AND LIABILITIES**

**Accounting classifications and fair values**

The table below sets out the organisation's classification of each class of financial assets and liabilities, and their fair values.

31 December 2011	Designated at Fair Value	Held to Maturity	Loans and receivables	Available for Sale	Other Amortised cost	Total carrying amount	Fair Value
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
<b>ASSETS</b>							
Cash and bank	-	-	131,154	-	-	131,154	131,154
Loans and advances to customers	-	-	1,408,593	-	-	1,408,593	1,408,593
Other assets	-	-	6,434	-	-	6,434	6,434
<b>Total assets</b>	-	-	<b>1,546,181</b>	-	-	<b>1,546,181</b>	<b>1,546,181</b>
<b>LIABILITIES</b>							
Loan security fund	-	-	310,470	-	-	310,470	310,470
Loan revolving fund	-	-	-	-	-	-	-
Other liabilities	-	-	991,003	-	-	991,003	991,003
<b>Total liabilities</b>	-	-	<b>1,301,473</b>	-	-	<b>1,301,473</b>	<b>1,301,473</b>

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**6. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**  
**Accounting classifications and fair values (Continued)**

The table below sets out the organisation's classification of each class of financial assets and liabilities, and their fair values.

31 December 2010	Designated at Fair Value	Held to Maturity	Loans and receivables	Available for Sale	Other Amortised cost	Total carrying amount	Fair Value
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
<b>ASSETS</b>							
Cash and bank	-	-	132,595	-	-	132,595	132,595
Loans and advances to customers	-	-	1,252,826	-	-	1,252,826	1,252,826
Other assets	-	-	6,628	-	-	6,628	6,628
<b>Total assets</b>	-	-	<b>1,391,949</b>	-	-	<b>1,391,949</b>	<b>1,391,949</b>
<b>LIABILITIES</b>							
Loan security fund	-	-	285,390	-	-	285,390	285,390
Loan revolving fund	-	-	814,454	-	-	814,454	814,454
Other liabilities	-	-	731,079	-	-	731,079	731,079
<b>Total liabilities</b>	-	-	<b>1,830,923</b>	-	-	<b>1,830,923</b>	<b>1,830,923</b>



**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	2011 Tzs'000	2010 Tzs'000
<b>7. INTEREST AND SIMILAR INCOME</b>		
Interest on loans to group members -		
Micro finance	320,061	356,349
Small enterprise program	275,187	142,817
<b>Total</b>	<b>595,248</b>	<b>499,166</b>
<b>8. DONOR FUNDS</b>		
Donor funds received in advance	814,454	-
Donor funds investment in fixed assets	8,308	16,016
Donor funds investment in loans to group members	-	-
	<b>822,762</b>	<b>16,016</b>
<b>Donor funds received in advance</b>		
Balance at 1 January	-	-
Grant received during the year	814,454	69,889
Transferred to deferred income - investment in fixed asset	-	-
Transferred to statement of Comprehensive Income	-	(69,889)
Transferred to Loan Revolving Fund	-	-
<b>Total</b>	<b>814,454</b>	<b>-</b>
<b>Grant received during the year</b>		
<b>Name of the Donor</b>		
Bill & Melinda Gates Foundation	-	69,889
BRAC USA	814,454	-
	<b>814,454</b>	<b>69,889</b>
<b>Donor funds investment in fixed assets</b>		
Balance at 1 January	16,016	21,905
Transferred from donor funds received in advance	-	-
Amortization to income statement	(7,708)	(5,889)
<b>Total</b>	<b>8,308</b>	<b>16,016</b>
<b>9. OTHER INCOME</b>		
Admission fees	6,280	7,019
Loan application fee	733	-
Loan appraisal fee	32,117	27,310
Gain due to early repayment	20,940	-
Other income (MF)	796	47
Other income (Agriculture)	1,012	1,818
Other income (Livestock)	150	-
<b>Total</b>	<b>62,028</b>	<b>36,194</b>
<b>10. PROVISION ON LOANS</b>		
Balance at 1 January	182,405	127,784
Provision/(recovery) made during the year	(38,400)	54,621
Loan - written off	(40,244)	-
<b>Total</b>	<b>103,761</b>	<b>182,405</b>

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	2011 Tzs'000	2010 Tzs'000
<b>11. STAFF COSTS AND OTHER BENEFITS</b>		
Salary as per payroll	302,335	278,900
Bonus provision	6,314	7,910
NSSF contribution	14,228	36,443
Other staff costs	8,290	45,385
	<u>331,167</u>	<u>368,638</u>
<b>12. OCCUPANCY EXPENSES</b>		
Rent	15,183	13,910
Utilities	3,907	5,266
<b>Total</b>	<u>19,090</u>	<u>19,176</u>
<b>13. OTHER GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Maintenance and general expenses	(34,197)	10,048
Audit fees	18,651	17,110
Program supplies	-	1,616
Travelling and transport	14,044	21,520
Office stationery	4,025	1,918
HO logistics and management expenses	44,199	94,431
	<u>46,722</u>	<u>146,643</u>
<b>14. CASH AND BANK</b>		
Cash in hand	5,187	4,681
Cash at bank	125,967	127,914
	<u>131,154</u>	<u>132,595</u>
<b>15. LOANS AND ADVANCES TO CUSTOMERS</b>		
Balance at 1 January	1,429,359	875,164
Disbursement during the year	3,211,700	2,731,050
Realization during the year	(3,153,303)	(2,176,855)
	<u>1,487,756</u>	<u>1,429,359</u>
Loan write off (Note-10)	-	-
	<u>1,487,756</u>	<u>1,429,359</u>
Loan loss provision (Note-10)	(103,761)	(182,405)
	<u>1,383,995</u>	<u>1,246,954</u>
Interest accrued	24,598	5,872
<b>Balance at 31 December</b>	<u>1,408,593</u>	<u>1,252,826</u>

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.

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**16. PLANT AND EQUIPMENT**

2011	Furniture & Fixtures Tzs'000	Equipment Tzs'000	Motor Cycles Tzs'000	Total Tzs'000
<b>At Cost</b>				
At 1 Jan 2011	22,935	6,268	1,173	30,376
Additions	398	-	-	398
Transfer from BRAC Tanzania M/F	-	-	6,200	6,200
<b>Closing balance</b>	<b>23,333</b>	<b>6,268</b>	<b>7,373</b>	<b>36,974</b>
<b>Accumulated depreciation</b>				
At 1 January 2011	9,833	3,964	563	14,360
Charge for the year	4,667	1,567	1,475	7,708
<b>Closing balance</b>	<b>14,500</b>	<b>5,531</b>	<b>2,038</b>	<b>22,068</b>
<b>NBV as at 31 December 2011</b>	<b>8,833</b>	<b>737</b>	<b>5,335</b>	<b>14,906</b>
<b>NBV as at 31 December 2010</b>	<b>13,102</b>	<b>2,304</b>	<b>610</b>	<b>16,016</b>

**16. PLANT AND EQUIPMENT  
2010**

	Furniture & Fixtures Tzs'000	Equipment Tzs'000	Motor Cycles Tzs'000	Total Tzs'000
<b>At Cost</b>				
At 1 Jan 2010	22,935	6,268	1,173	30,376
Additions	-	-	-	-
<b>Closing balance</b>	<b>22,935</b>	<b>6,268</b>	<b>1,173</b>	<b>30,376</b>
<b>Accumulated depreciation</b>				
At 1 January 2010	5,926	2,217	328	8,471
Charge for the year	3,907	1,747	235	5,889
<b>Closing balance</b>	<b>9,833</b>	<b>3,964</b>	<b>563</b>	<b>14,360</b>
<b>NBV as at 31 December 2010</b>	<b>13,102</b>	<b>2,304</b>	<b>610</b>	<b>16,016</b>
<b>NBV as at 31 December 2009</b>	<b>17,009</b>	<b>4,051</b>	<b>845</b>	<b>21,905</b>

**17. OTHER ASSETS**

	2011 Tzs'000	2010 Tzs'000
Advances and prepayments	6,434	6,261
Stock and stores	-	267
	<b>6,434</b>	<b>6,528</b>

**BRAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	2011 Tzs'000	2010 Tzs'000
<b>18. LOAN SECURITY FUND</b>		
Balance at 1 January	285,390	293,006
Collection during the year	321,170	273,105
Withdrawals during the year	(296,090)	(280,721)
	<u>310,470</u>	<u>285,390</u>
This represents contribution to the fund by group members at 10% on loans disbursed. The fund is refundable subject to repayment of the loan availed by the respective members of the group		
<b>19. LOAN REVOLVING FUND</b>		
Balance at 1 January	-	814,454
Transferred from donor funds received in advance (Note-8)	-	-
Transferred during the period	-	-
<b>Total</b>	<u>-</u>	<u>814,454</u>
<b>20. OTHER LIABILITIES</b>		
Liabilities for expenses – accruals	19,579	106,980
Current account in transit	949,462	617,773
Provisions	15,264	-
Revolving fund (Health)	5,178	4,505
Revolving fund (Livestock)	1,353	1,821
Revolving fund (Agriculture)	167	-
<b>Total</b>	<u>991,003</u>	<u>731,079</u>
<b>21. RELATED PARTY DISCLOSURES</b>		
<b>Operating expenses incurred by BRAC Bangladesh on behalf of BRAC</b>		
HO logistics and management	<u>44,199</u>	<u>94,431</u>
<b>22. TAXATION</b>		
Current income tax charge	-	-
Under provision in prior year	376,942	-
Deferred tax charge/(credit)	(22,469)	(20,640)
	<u>354,473</u>	<u>(20,640)</u>
<b>Deferred tax liability/(asset)</b>		
At 1 January	(199,454)	(178,814)
Charge/(credit) for the year	(22,469)	(20,640)
At 31 December	<u>(221,923)</u>	<u>(199,454)</u>
<b>Deferred tax arising from temporary differences on the following items:</b>		
Property plant and equipment	1,961	854
Tax loss carried forward	165,881	120,926
Impairment provision - general	54,081	77,674
	<u>221,923</u>	<u>199,454</u>
<b>23. CONTINGENT LIABILITIES</b>		
The members of Governing Council are not aware of any other contingent liabilities against the Organisation as at the date of this report.		

## Notes

## Notes

**Photo Credit:**

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