

Notes to the financial statements (continued)

24. Significant accounting policies (continued)

Employee benefit (continued)

(i) Finance income and expenses

Finance income comprises foreign currency gains.

Finance expenses comprise foreign currency losses and bank charges. All foreign exchange losses and gains are recognised in profit or loss.

(j) Administrative expenses

Administrative expenses comprise expenses relating to administrative staff and management, including office expenses, salaries and depreciation as well as other indirect costs.

(k) Donation and grants

The organization records all grants for operation expenses in the income statements below the operating profit/loss. It transfers this amount to donated equity in the balance sheet on a memorandum basis. Capital grants for fixed assets and loan funds are recorded directly in the balance sheet as donated equity.

Financial risk factors

The organisation's activities expose it to a variety of financial risks, including:

(a) Credit risk

The organisation's takes on exposures to credit risk, which is the risk that a client may be unable to pay amounts in full when due. Credit risk is managed by obtaining moral guarantee from group members to bear responsibility for repayment of both principal and interest amount when they are due. All repayments are made in groups and not individually. Impairment provisions are provided for losses that may have been incurred at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

All clients depending on the type of loan makes cash collateral savings and this can also be used to offset outstanding loan amounts due. A ten percent savings is made for all loans.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The organisation's manages this risk by maintaining sufficient cash, and investing any excess cash over its anticipated requirements.