BRAC International Holdings B.V.

Annual report 2019

Contents

Supervisory Board Report

The Supervisory Board has a supervisory role at BRAC International Holdings BV and acts as the employer and advisor for the Management Board. The Supervisory Board upholds the principles of the Code of Good Governance for the Company and acts accordingly. The Supervisory Board's mandate and tasks are laid down in statutes.

Composition and functioning of the Supervisory Board

The Supervisory Board was chaired by the founder of BRAC Sir Fazle Hasan Abed until 6 August 2019. As of this date Ms Marilou van Golstein Brouwers took over the role of the Chairperson. At the same date also Mr Gregory Chen joined replacing Ms Sylvia Borren.

The Supervisory Board members are appointed by co-optation. The period of membership is four years with an eligibility for immediate reappointment as governed by the constitution. As the organisation values balanced diversity, the Supervisory Board has two females and two male members.

The following persons are the current members of the Supervisory Board:

	Name	**Member**	**Nationality**
1	Ms Marilou van Golstein Brouwers (appointed on 6 August 2019)	Chair	Dutch
2	Dr Muhammad Musa (appointed on 28 December 2016)	Director	Bangladeshi
3	Ms Parveen Mahmud (appointed on 28 December 2016)	Director	Bangladeshi
4	Mr Gregory Chen (appointed on 6 August 2019)	Director	American

The following persons have served as members of the Supervisory Board previously and resigned in 2019:

1. Sir Fazle Hasan Abed KCMG (resigned on 6 August 2019);
2. Ms Sylvia Borren (resigned on 6 August 2019).

The Supervisory Board is charged with overall overseeing the policies pursued by the Management Board and approves the Company's annual report, consolidated financial statements, budget and business plans.

The Supervisory Board members are committed to the principles of good corporate governance and recognise the need to conduct the business in accordance with generally accepted best practice. In the discharge of its duties, the Supervisory Board is guided by the interests of the Company and its associated institutions and acts as an advisor to the Management Board.

In doing so, the members confirm that:

- the Supervisory Board met twice in duly conveyed meetings during the year;
- they retain full and effective control over the Company;
- the Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- they bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

The Microfinance operations are run as businesses, each being registered as a separate legal entity in the country where it is located and having its own Board. These local Boards have included representatives of the B.V. Management Board. The financial results of these entities are consolidated under BRAC International Holdings B.V.

The Supervisory Board in its supervising role

As part of its supervisory role, the Supervisory Board approved the 2019 audited Financial Statements and Board report, the 2020 revised budget and the 2020 annual plan and budget. The annual report 2019 of the external auditors KPMG was also presented and discussed with the Supervisory Board.

The strategic Growth for Impact plan 2020-2024, an ambitious plan to reach out to an additional 1,000,000 clients in the next five years was in detail discussed and approved.

The Finance and Audit Board committee, consisting of two members of the Supervisory Board, prepares advice for the Supervisory Board on the annual financial statements, budget, and annual report. This committee also monitors the follow-up of items raised in internal and external audits and recommendations in the auditor’s letter to management.

The Supervisory Board as an employer and advisor

The General Meeting of Shareholders appoints the Management Board. The Supervisory Board determines the salary and other terms of employment of the Management Board members and conducts their performance reviews. The Supervisory Board assists the Management Board by giving advice.

Compensation

Members of the Supervisory Board do not receive compensation for their work. They are only paid an honorarium of USD 200 for attending Board and Board committee meetings.

The Hague, 24 June 2020

On behalf of the Supervisory Board, BRAC International Holdings BV

Ms Marilou van Golstein Brouwers, Board Chair

Signed

Dr Muhammad Musa

Signed

Ms Parveen Mahmud

Signed

Mr Gregory Chen

(Signed)

Management Board Report

The Management Board of BRAC International Holdings B.V. ('the Company') hereby presents its Management Board Report for the year ended on 31 December 2019.

Our identity

BRAC is the largest non-governmental development organisation in the world, measured by the number of employees and number of people it has helped. BRAC was ranked the number one NGO in the world for the fifth consecutive year in 2020 by the Geneva based NGO Advisor, an independent organisation committed to highlighting innovation, impact and governance in the non-profit sector through its operations around the world. BRAC retained the top spot as part of the 2020 top 500 NGOs World rankings.

The journey of BRAC began in 1972 in the newly sovereign Bangladesh and dedicated itself in poverty alleviation through empowering the poor and the ones in need. Over the course of its evolution, BRAC has been playing a significant role to arrest poverty in the communities and society as a whole. Currently BRAC reaches out an estimated 138 million people with over 110,000 dedicated and motivated employees.

In 2002, BRAC started to venture out of Bangladesh in Afghanistan and started to implement programmes according to the contexts in different countries. Over the years, BRAC expanded its operation both in Asia and Africa. In 2009, Stichting BRAC International was formed as a non-profit foundation in the Netherlands, to govern all entities outside Bangladesh and with an objective to engage in charitable and social welfare activities in any country of the world. BRAC International B.V, a fully own subsidiary of Stichting BRAC International started its journey in 2010 incorporating all micro finance entities outside of Bangladesh. BRAC International Holdings B.V. is a holding company, managing the several micro-finance subsidiaries in Africa and Asia. We refer to note 26 for a list of subsidiaries.

Our vision

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

Our mission

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

Our values

Innovation

The Company has been an innovator in the creation of opportunities for the people in need to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in ground-breaking development initiatives.

Integrity

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

Inclusiveness

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

Effectiveness

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

Our activities

The core activity of BRAC International Holdings B.V. is to provide microfinance services to the financially constrained and marginalized people, who do not have access to the financing facilities offered by banks and other non-bank financial institutions. Besides the core activity of the entity a social enterprise programme is also included in the structure. The social enterprise programme currently includes the seed production and - distribution in Uganda.

The Company's business objectives are:

- to make available management and know-how, to administer, to provide for the management of and to supervise other enterprises, to provide business services, to perform all other acts in the financial, industrial and commercial field;
- to participate in, to take a participating interest in and to cooperate with other enterprises, either directly or indirectly; and
- to acquire and dispose of assets, to finance third parties, including the granting of loans to shareholders, also with a view to the taking or acquisition of shares in the capital of the Company itself or of a depositary receipts thereof, to assume liabilities for third parties carrying on a business or not and to provide collateral or personal security for them.

The Company is involved into these social enterprises that have the objective to also generate funding for the social development programmes.

BRAC International Holdings B.V., is a socially responsible organisation in spite of most of its microfinance programmes being profit making. The commitment of the organisation is to eradicate poverty from the world through helping the people under poverty by engaging them in economic activities and create sustainable income generation for themselves. This is in line with the first priority goal of the Sustainable Development Goals (SDGs).

The environment where the legal entities under BRAC International Holdings B.V. operate are very often difficult to work in, such as post-Ebola crisis in West Africa, political conflicts in few of the Asian countries, countries with high inflation where foreign currency loss dents the bottom line to a large extent. However, we are committed to carry out our mission to develop countries in fragile conditions despite all drawbacks.

The microfinance programmes in most of the countries have a positive result after taxes. Currently these profits and the related cash flows are reinvested into the microfinance operation in the respective countries.

In most countries microfinance shares the cost of establishments with the social development programmes operated by the legal entities under Stichting BRAC International. The social development programmes as Education, Health, and Agriculture programmes are benefitted through this of the Company as it helps to keep core cost minimum and thus, helping the society to achieve financial empowerment, sustainable income generation and meet the subsistence needs for a better living. As such, BRAC International Holdings B.V. is contributing to the society as a whole.

BRAC International Holdings B.V. has the role to manage and consolidate the financial results of the microfinance and social enterprise operations in the in six countries and an investment in Sri Lanka. The consolidated financial statements include the financial data of the stand-alone parent organisation, its group companies and other legal entities over which the Company has control.

Control exists when BRAC International Holdings B.V. has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether controlling interest exists, potential voting rights that are currently exercisable are taken into account.

Highlights 2019

In line with the guidance of the BRAC Global Strategy, management of the BRAC International microfinance programme concluded its Growth for Impact plan for the period 2020 -2024, an ambitious agenda for the next 5 years, to reach out to an additional 1,000,000 clients in existing countries and 3 to 5 new countries. The plan will practically focus on women living in poverty in rural and hard to reach areas to create self-employment opportunities, build financial resilience and harness women's entrepreneurial spirit by empowering them economically.

Management has chosen to strengthen and supporting the maturing of the country organisations to enable a balanced approach to reach this mission. Initiatives are taken - next to our signatory products - to offer new loan products, to improve the work of our credit officers by partly digitalise the processes, to report on social impact performance indicators and create support to get an adequate funding of the operations by country. In order to achieve our mission, management has made progress to determine an adequate finance, legal and tax structure to facilitate the funding of the ambitious goals.

The key highlight of the year was launch of the BRAC Uganda Bank ltd in April 2019 to provide banking facility to rural and urban poor population. In this year the bank invested significantly on human resources and core banking systems to comply with the regulatory requirements of the Central Bank of Uganda. It now serves 199,000 borrowers in 163 branches and able to provide full banking service including deposit mobilization for clients. The number of saving accounts is gradually increasing, meeting the request of our borrowers need.

Our Microfinance programme in East Africa, which are established in Tanzania and Rwanda, showed a modest improvement in 2019.

Tanzania increased its outreach by 3%. During the year, BRAC Tanzania Finance has been legally transformed into an entity owned by shares. 50% of the shares were issued to BRAC International Holdings B.V. in September 2019. In December 2019, the remaining shares were transferred by the old shareholders to BRAC International Holdings B.V. via Stichting BRAC International. Since the Company already had control, this has no impact on the consolidated financial statements, but only on the stand-alone financial statements, where the investment in BRAC Tanzania Finance Ltd is now presented in the financial fixed assets (note 26).

Our deposit taking licensed operation in Rwanda had some delay in obtaining approval process to start our disbursement but we could open 7 new branch offices out of the planned 10 offices in 2019

In West Africa our organisations in Sierra Leone and Liberia continued their strong impact. The 63 branches disbursed USD 33 million to almost 100.000 clients.

In Asia we had to take the decision to hand over our activities in Pakistan to an administrator to wind down our operations in the country. In April 2019 the authorities revoked our license to be active in supporting the Pakistani population with the BRAC Education - and Microfinance programmes. We expect not to receive any liquidation results from this operation. This has resulted in an overall impact of USD 7 million for BRAC International as a whole (USD 5.5 million in equity and USD 1.5 million in receivables) for the year due to deconsolidation of results from the financial statements. In Myanmar, our entity was granted by the authorities with a deposit taking license, 25 new branches were opened, our impact increased to 125.000 clients with a disbursement of USD 51 million. In coming years, we expect our operation in Myanmar to have significant growth building on the strong foundation of 2019 results.

BRAC Uganda Social Business Enterprise Ltd hired new management team members to improve efficiency and profitability. The entity did make a loss in 2019 but we foresee performance improvement in 2020 benefiting from the renewed management focus.

Financial and non-financial operational performance

The Company has been able to fully utilize its approved budget in 2019. The yearly budget includes operational expenses, capital expenses and portfolio growth. The analysis of the country approved budgeted vs. actuals expenses for financial year 2019 has been given below:

Country	Approved budget 2019 USD 1,000	Actual expense 2019 USD 1,000	Actual versus budget 2019 %
East Africa			
Uganda	**35,799**	**30,367**	**85**
Tanzania	**24,371**	**23,846**	**98**
Rwanda	**1,725**	**1,335**	**77**
West Africa			
Sierra Leone	**4,135**	**5,029**	**122**
Liberia	**4,752**	**3,898**	**82**
Asia			
Myanmar	**14,612**	**19,759**	**135**
Netherlands	**2,079**	**2,891**	**139**
Total	**87,473**	**87,126**	**100**

The Company's financial performance during the year ended 31 December 2019 is as follows:

— Service charge on loans increased by 5% to USD 59.1 million in 2019.
— Operating expenses increased by 14% to USD 43.2 million in 2019. This increase relates to the increased number of employees due to opening of new branches in Myanmar, Tanzania and transformation costs for Uganda. As a result, the net result of the group is USD 13.4 million (2018 net result was USD 13.3 million).
— Loans to customers increased by 9% to USD 137.8 million in 2019.
— Cash and cash equivalents increased by 28% to USD 37.3 million in 2019. The cash movements have been adequately disclosed in the cash flow statement.
— Current liabilities increased from USD 50.5 million to USD 54.7 million, which is a result of the increase in loan security fund.
— The increase in assets and loans is mainly due to increase in disbursement in all Microfinance operations.

Financial position as per balance sheet and profit and loss account

— Operating self-sufficiency (Operating income/total cost) remained stable 141.6% (2018: 141.4).
— Return on performing assets (Net income before tax/average total) remained stable at 11% (2018: 11%).
— Return on equity (Net income before tax/total equity) is 19% (2018: 20%).

- Cash position indicator (Cash and deposits into banks / average total assets) improved to 21% (2018: 18%).
- Impairment reserve ratio (Impairment reserve/gross loan to customer) is 3% (2018: 4%).
- Solvency ratio The solvency ratio [(Result after Tax + Depreciation and amortisation) / (Total Noncurrent and current liability)] of the Company 2019 is 16.6% (2018: 17.1%). This shows the Company is financially strong to manage its objectives.
- Quick ratio [(current assets - inventories)/current liabilities] of the Company is 3.31 (2018: 3.14). It shows the Company has sufficient strength to manage its liabilities.
- Tax contribution The corporate income tax charge for the year is USD 6,750,635 (2018: USD 4,219,602). It shows the Company is contributing well to the government fund and the countries welfare.

Operational highlights

	2019	2018	Increase / (decrease)
Number of Total Borrowers	646,442	647,293	(0.1%)
Percentage of Female Borrowers	96.23%	96.37%	0.1%
Number of Branches	459	490	(6.3%)
Principal outstanding (USD million)	138.53	129.09	7.0%
Clients deposits (USD million)	7.70	1.35	
Disbursement for the year (USD million)	298.68	275.50	8.0%
Average loan per Borrower (USD)	329	339	
PAR > 30 days	2.37%	2.51%	
Total assets (USD million)	192.79	170.39	13.0%
Total Equity (USD million)	103.32	88.67	
Total interest bearing debt (USD million)	47.61	47.91	0.0%
Net results (USD million)	13.40	13.32	1.0%
Operating self-sufficiency	142.00%	141.00%	
Cost / Income ratio	80.00%	78.00%	
Number of total staff	5,502	5,408	
Number of female staff	4,641	4,323	

The comparative figures are still including BRAC Pakistan.

Social impact performance

Our microfinance entities are implementing the Universal Standards for Social Performance Management (USSPM), including the client protection principles.
The implementation of USSPM will help management to ensure that it creates value for our target clients and achieve the mission of empowering them to create economic opportunities for themselves.

Self-assessment social audits were conducted using the CERISE SPI4 tool in five countries and verified by a qualified auditor. Rwanda will be included next year as we started the operations in 2019. The audit was used to identify gaps in compliance with the USSPM, subsequently, action plans to close these gaps were developed by each country team. The local management teams are responsible for closing the gaps, updating the SPI4 tools and reporting to the country boards on the progress of social performance activities quarterly.

Moreover, we have collected additional client data to measure, assess and manage our social bottom line. Using Lean DataSM methodology in partnership with 60 Decibels, baseline impact assessments were carried out during the year and completed in Q4 2019. The Lean DataSM assessments evaluate client poverty profiles, client satis-faction, and client social outcomes, and these results set the baseline for outcome and impact level target-setting from 2020 onwards. It will help management to track the social impact over time and provide valuable feedback to further refine its offerings and operations.

Outlook

COVID-19 impact

We consider the COVID-19 pandemic as a significant non-adjusting event after closing of our financial year 2019. The impact of the pandemic on our clients and the local economies at large cannot be assessed in full depth at this stage as we are in the middle of this extra ordinary situation. We make reference to paragraph ‘subsequent events’ in this management board report for further information regarding the measures taken and impact of COVID-19 on the results of the company.

Social impact performance

We continue to strengthen and support our microfinance companies in strategic priorities areas to provide responsible, client centric, inclusive financial solutions. Our financial services to women living in poverty in rural and hard to reach areas will be delivered in a transparent, fair and safe way. The Client Protection Principles (CPP) and Universal Standards for Social Performance Management (USSPM) will be implemented to systemize measurement of our social mission as we work toward the measurement of client outcomes. Furthermore, we are supporting the maturing of our MF companies through digitization, for example, the development of digital field appli-cation to increase operational efficiency and data collection, and to leverage digital delivery channels to reach more clients.

Business operations

Buoyant from the success in Uganda, the Company is planning to start a similar transformation process in Tanzania. The first step of the process to transform the existing guarantee company into a shareholding entity is completed.

The Myanmar Company received a deposit taking license in 2019, after being profitable for last three consecutive years. With new funding generated from savings, it is expected the entity will continue to grow significantly in 2020.

The Rwanda entity started as a deposit taking institution and will aim to scale up its operation over the next few years. The West African entities will continue to be profitable and expected to have a double digit growth.

For social enterprise, the Company hired a dedicated manager for its seed business and training centers in Uganda. It is in process of developing its next three year business plan focusing on growth, innovation by analysing the market conditions.

Financing

The financing of these ventures is coming from a mixed variety of sources. At the country level, Microfinance income is our largest source, external debt being second. The Company is in process of finalizing its next five-year microfinance funding strategy which includes refinancing, financing for growth and new countries. It will thrive to achieve optimum capital structure in both group and subsidiary level in coming years.

Human resource, internal organisation and staff

The Company has an active Management Board supported by dedicated operational staff. The day-to-day management on the entity level is entrusted to the country CEO who is assisted by the heads of divisions, departments and units.

The Company is investing on a continuous basis in the quality of their staff (2019: 5,502 people; 2018: 5,408). Number of female staff was around 84% (2018: 80%). For 2020 management expects further growth in the human resource capability to support the growth plan.

Country	**2019**	2018
East Africa		
Uganda	**2,140**	1,946
Tanzania	**1,721**	1,719
Rwanda	**75**	–
	3,936	3,665
West Africa		
Sierra Leone	**380**	372
Liberia	**354**	344
	734	716
Asia		
Pakistan	**–**	580
Myanmar	**825**	442
	825	1,022
The Netherlands HO	**7**	5
Total	**5,502**	5,408

Code of Conduct

BRAC International Holdings B.V. follows a set of codes of conduct to operate in a multicultural environment. This Code of Conduct is based upon the principles of BRAC in Bangladesh and is also voluntarily implemented for BRAC International Holdings B.V. The Human Resources department of the organisation is the custodian of the codes of conduct and is responsible for overall supervision, implementation and practice across the organisation.

The general codes of conduct include general HR policies and procedures, such as codes of conduct on ethical behaviour, fraud management and sexual harassment in the organisation. The Safeguarding policies have been updated to so that incidents are reported, investigated and remedial actions are taken where necessary.

Significant risks and uncertainties

Risks and uncertainties are integral part of operation for any kind of organisation. For BRAC International Holdings B.V., significant risks and uncertainties mainly involve around instability and uncertainties in the post-conflict and in-conflict countries where we have our operations. The organisation is taking necessary measures to handle this on a continuous basis, based on the risk management framework. The general policy is to mitigate and avoid risks. No activities with respect to trading and/or speculation are executed.

Risk management is practiced across the organisation in a structured way, starting from category-wise risk profiling through risk matrix and monthly assessing and monitoring of extreme and high risk elements. The risk management is categorized into the following five major categories:

Strategic risks

The strategic risks are mainly identified from organisational sustainability point of view in a country, such as risks on loss of reputation leading to business failure and loss of secured funding due to changes in priorities of the lending institutions. Mitigation for strategic risks mainly involves monitoring through reporting, regular visits, and coordination between the microfinance teams of the countries and head office.

Operational risks

Operational risks are mainly identified from day-to-day operations, such as human resource management, functional relationship with local governments, and adoption of local cultures. Operational risks are mitigated through constant monitoring by group microfinance team through communication, visits and following up from head office as well as local country offices on a regular basis.

External, environmental, political and legal risks

The risks associated with external environment are beyond our control. These types of risks, such as impact of climate change, natural and man-made disaster, and sudden changes in governmental or legal regulations or regulatory requirements are mostly having precautionary measures as risk mitigation, and are mostly based on learnings from previous experience. Maintaining good relationship and rapport building with government agencies and lending institutions are most common mitigation activities.

The financial risk management policy seeks to identify, appraise and monitor the risks identified by BRAC International Holdings B.V. whilst taking specific measures to manage its interest rate, foreign exchange, liquidity and credit risks. The organisation does not, however, engage in speculative transactions or take speculative positions, and where affected by adverse movements, has sought the assistance of donors.

Financial risks

Credit risk

Credit risk arises principally from the Company's loans and receivables presented under financial fixed assets, trade and other receivables and cash. The credit risk is spread over a large number of counterparties (banks, customers and other third parties). Management has an internal process to review and monitor these counter-parties in order to mitigate the credit risk.

Currency risk

BRAC International Holdings B.V. is exposed to currency risk denominated in a currency other than the respective functional currencies of group entities. The functional currencies in the subsidiaries are their respective local currency and at group level, the US dollar (USD) is the functional and presentation currency. BRAC International Holdings B.V. and its subsidiaries use hedging mechanism to reduce currency risk mainly in case of foreign debt. In case of high-inflation economies such as Sierra Leone hedging is extremely difficult and management tries to get access of local funding as much as possible.

Year-end closing exchange rate by Country, Local Currency / USD is given below:

Country	2019	2018	Currency depreciation / (appreciation)
Uganda (UGX)	3,665.21	3,715.25	-1%
Tanzania (TZS)	2,295.00	2,298.50	0%
Zanzibar (TZS)	2,295.00	2,298.50	0%
Rwanda (RWF)	922.52	879.10	5%
Sierra Leone (SLL)	9,716.71	8,450.00	15%
Liberia (LRD)	186.41	157.18	19%
Myanmar (Kyat)	1,479.80	1,550.00	-5%
The Netherlands (EUR)	0.91	0.88	3%

Interest rate risk and cash flow risk

BRAC International Holdings B.V.'s exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to group members. BRAC International does not engage in speculative transactions or take speculative positions on its interest rates.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Overall responsibility for management market risks rests with the Country Representatives. Management is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Company and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Company and also from available financial institution facilities.

BRAC International Holdings B.V. manages its debt maturity profile, operation cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, the organisation maintains sufficient level of cash or fixed deposits to meet its working capital requirements in addition to sufficient arrangements of financing facilities from banks and financial institutions.

Financial reporting risks

Risks related to false reporting to stakeholders, e.g. investors and financial institutions, lack of sound financial policy, systems and processes are being mitigated though multi-layered internal control systems, that makes the monitoring process stronger.

The Internal Audit function regularly monitors the control check points. The in-country Internal Audit team carries out audit at a branch level throughout the year while the Internal Audit team at the head office performs a country-office audit annually. The Management team is updated with the audit findings and recommendations on a monthly basis. The Internal Audit team at the head office reports to the Audit and Finance Committee, maintaining full independence from the Management.

The Internal Audit team ensures through a periodical check that the Company is in compliance with all applicable laws and regulations.

External audit is conducted on an annual basis.

Governance

In line with the guidelines for corporate governance in the Netherlands, BRAC International Holdings BV adopted a two-tier governance structure to create a clear division between executive and supervisory responsibilities.

Subsequent events

The recent outbreak of COVID-19 continues to impact the global economy and markets. On 11 March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak to be a pandemic due to its rapid spread across the globe. Governments in many countries are taking stringent measures to help contain the virus, including: requiring self-isolation and or quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders. This has led to a relatively weaker economic outlook and uncertainties across the globe. Our microfinance activities became limited in communities for our borrowers due to lockdown of operations. There were very limited disbursements and cash collections in April and May. During the COVID-19 lockdown period we waived interest income on outstanding loans and we experienced a decrease in loan disbursements which will affect the interest income. During June our branches in the various countries slowly resume their activities.

Since viruses have no boundaries, there will also be uncertainties in the next months. In this respect, the Management team has set up a COVID-19 taskforce to develop and implement contingency plans. The taskforce closely and continuously evaluates the developments. We will take all necessary actions to keep our operations running and, most importantly, protect our employees, customers and all other stakeholders. Since we have encountered similar health crisis before during the 2014 Ebola outbreak in West Africa we are positive on the results of the implemented measures. For example we have decided to keep all staff on the payroll during the crisis which will enable us to have constant communication with the borrowers to provide them with guidance needed and to have a smooth resumption when lockdown is lifted.

Based on our understanding, scenario analysis and actions, we have prepared our cash-flow analysis, based upon this, management believes the effect of the pandemic does not have a material impact on the financial statements as at 31 December 2019 based on the current information and does not amount to a material uncertainty over the company’s ability to continue as a going concern. At the time of the signing of the financial statements, management is not aware of any other events after year end not otherwise dealt with in these financial statements.

Management Board's responsibility statement

In the discharge of their duties, the Directors are guided by the interests of the Company and the business carried on by the Company. The Management Board may decide to appoint one or more authorised signatories and to determine their authority and title. For Management Board the Company intends to achieve gender diversity in near future and experience and professional qualifications of board members. As per today, gender diversity has not yet been achieved, despite our efforts to realise this. Directors are selected and appointed on the basis of their qualifications and professional experience.

The Management Board is responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet as at 31 December 2019, the profit and loss account and the cash flow statement for the year then ended, and the notes to the financial statements.

The Management Board's responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board's responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Company has open and constructive communication methods to inform all stakeholders on a regular and proactive basis.

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

Signing-off of board

The Management Board prepared the financial statements and recommends that the AGM adopts the financial statements 2019.

The Hague, 24 June 2020

Signed	Signed
Mr Shameran Abed	Mr Hans Eskes

(Signed)

Consolidated balance sheet as at 31 December 2019

(before appropriation of result)

		2019		2018	
		USD	**USD**	USD	USD
Fixed assets					
Intangible fixed assets	*2*	**1,695,531**		1,736,226	
Tangible fixed assets	*3*	**6,013,697**		5,173,337	
Financial fixed assets	*4*	**4,025,250**		4,816,621	
			11,734,478		11,726,184
Current assets					
Inventories	*5*	**158,131**		194,271	
Loans to customers	*6*	**137,811,720**		126,687,116	
Trade and other receivables	*7*	**5,788,210**		2,737,486	
Cash and cash equivalents	*8*	**37,299,905**		29,043,206	
			181,057,966		158,662,079
			192,792,444		170,388,263
Group equity					
Shareholder's equity	*9*		**93,815,942**		88,669,297
Minority Interest	*9*		**9,503,743**		–
			103,319,685		88,669,297
Non-current liabilities	*10*		**34,794,151**		31,202,428
Current liabilities	*11*		**54,678,608**		50,516,538
			192,792,444		170,388,263

The notes on pages 27 to 76 are an integral part of these consolidated financial statements.

Consolidated profit and loss account for the year ended 31 December 2019

		2019		2018	
		USD	**USD**	USD	USD
Service charge income	*13*	**59,111,653**		56,472,036	
Other operating income	*14*	**9,452,436**		3,459,327	
Total operating income			**68,564,089**		59,931,363
Cost of outsourced work and other external cost	*15*	**(13,213,061)**		(12,884,670)*	
Wages and salaries	*16*	**(21,794,694)**		(18,190,870)	
Social security and pension charges	*17*	**(946,575)**		(1,565,853)	
Amortisation and depreciation on intangible and tangible fixed assets	*2,3*	**(1,428,015)**		(674,478)	
Impairment losses on loans to customers	*6*	**(1,444,275)**		(2,972,155)	
Impairment loss on term deposit	*8*	**–**		(466,123)	
Other operating expenses	*18*	**(4,408,933)**		(1,143,611)*	
Total operating expenses			**(43,235,553)**		(37,897,760)
Operating result			**25,328,536**		22,033,603
Interest income and similar income	*19*	**1,418,470**		1,580,607	
Interest expenses and similar charges	*20*	**(6,601,283)**		(6,077,727)	
			(5,182,813)		(4,497,120)
Result from ordinary activities before tax			**20,145,723**		17,536,483
Corporate income tax	*22*		**(6,750,635)**		(4,219,602)
Result after tax			**13,395,088**		13,316,881
Minority interests			**(1,065,418)**		–
Net result			**12,329,670**		13,316,881

The notes on pages 27 to 76 are an integral part of these consolidated financial statements.

* These comparative figures are reclassified for comparability purposes.

Consolidated statement of comprehensive income for the year ended 31 December 2019

	2019		2018	
	USD	**USD**	USD	USD
Consolidated net result after attributable to the Company		**12,329,670**		13,316,881
Translation differences on foreign participating interests	**(1,631,375)**		(778,484)	
Total of items recognised directly in shareholder's equity of the Company as part of the group entity		**(1,631,375)**		(778,484)
Total result of the legal entity		**10,698,295**		12,538,397

The notes on pages 27 to 76 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019

	Issued capital USD	Share premium reserve USD	Foreign currency translation reserve USD	Legal reserve participation USD	Retained earnings USD	Unappro-priated result USD	Total USD
Balance as at 1 January 2018	**9,103,736**	**14,992,256**	**(4,817,874)**	**52,181,833**	**2,454,100**	**1,004,059**	**74,918,110**
Changes:							
— Appropriation of results	–	–	–	–	1,004,059	(1,004,059)	–
— Translation difference share capital	(449,616)	–	449,616	–	–	–	–
— Translation difference participations	–	–	(1,648,419)	869,936	–	–	(778,483)
— Transfer from legal reserve (ref. – note 1)	–	28,819,351	–	(28,819,351)	–	–	–
— Conversion of liability (ref. – note 20)	–	1,212,789	–	–	–	–	1,212,789
— Result for the year	–	–	–	6,816,449	64,543	6,435,889	13,316,881
Balance as at 31 December 2018	**8,654,120**	**45,024,396**	**(6,016,677)**	**31,048,867**	**3,522,702**	**6,435,889**	**88,669,297**

	Issued capital	Share premium reserve	Foreign currency translation reserve	Legal reserve participation	Retained earnings	Unappro-priated result	Total
	USD	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2019	**8,654,120**	**45,024,396**	**(6,016,677)**	**31,048,867**	**3,522,702**	**6,435,889**	**88,669,297**
Changes:							
— Appropriation of results	**–**	**–**	**–**	**–**	**6,435,889**	**(6,435,889)**	**–**
— Translation difference share capital	**(290,320)**	**–**	**290,320**	**–**	**–**	**–**	**–**
— Translation difference participations	**–**	**–**	**981,028**	**2,326,322**	**(4,938,725)**	**–**	**(1,631,375)**
— Transfer from legal reserve (ref. – note 1)	**–**	**31,457,706**	**–**	**(31,457,706)**	**–**	**–**	**–**
— Changes in consolidation scope	**–**	**–**	**–**	**(5,551,650)**	**–**	**–**	**(5,551,650)**
— Result for the year	**–**	**–**	**–**	**4,623,510**	**–**	**7,706,160**	**12,329,670**
Balance as at 31 December 2019	**8,363,800**	**76,482,102**	**(4,745,329)**	**989,343**	**5,019,866**	**7,706,160**	**93,815,942**

The notes on pages 27 to 76 are an integral part of these consolidated financial statements.

Legal reserve is restricted to the specific country operations and cannot be used for any other use. The profits and net equity of Zanzibar (100%) operations and 8 months result from BRAC Tanzania Finance Ltd are under this category. From September 2019, BRAC Tanzania Finance Ltd was incorporated by shares therefore no longer included under legal reserves.

Changes in consolidation scope includes the amount of USD 5.6 million consolidation loss in BRAC Pakistan.

Consolidated cash flow statement for the year ended 31 December 2019

		2019		2018	
		USD	**USD**	USD	USD
Net result			**12,329,670**		13,316,881
Adjusted for:					
— Depreciation/amortisation/other value adjustments	*2, 3*	**1,428,015**		674,478	
— Impairment/write-off in loans	*6*	**1,444,275**		2,972,155	
— Impairment provision on term deposit		**–**		466,123	
— Interest income and expenses		**5,182,813**		4,497,120	
— Tax on result from ordinary activities	*22*	**6,750,635**		4,219,602	
— Change in minority interest		**1,065,418**		–	
— Other movements in loans		**(3,671,250)**		(2,446,244)	
— Changes in working capital:					
✓ Change in inventories		**33,863**		(72,449)	
✓ Change in other receivables		**(3,648,155)**		455,513	
✓ Change in other liabilities		**8,164,391**		1,500,843	
			16,750,005		12,267,141
Cash flow from business operations			**29,079,675**		25,584,022
Interest paid		**(6,565,793)**		(5,571,605)	
Income tax paid		**(3,229,324)**		(4,085,227)	
			(9,795,117)		(9,656,832)
Cash flow from operating activities (carried forward)			**19,284,558**		15,927,190

		2019		2018	
		USD	**USD**	USD	USD
Brought forward			**19,284,558**		15,927,190
Investments in:					
— Tangible fixed assets	*3*	**(2,168,410)**		(3,243,050)	
— Intangible fixed assets	*2*	**(259,778)**		(109,883)	
— Investments in capital work in progress to tangible and intangible fixed assets		**–**		(2,166,257)	
Disposals of (in)tangible fixed assets	*3*	**34,095**		397,089	
Investment in SFRE Fund	*4*	**–**		(2,260,000)	
Sale of shares Uganda 51%		**11,636,265**		–	
Change in consolidation scope		**(5,128,142)**		–	
Changes in interest receivable	*6*	**–**		(1,145,036)	
Loans to customers distributed	*6*	**(298,683,466)**		(275,500,041)	
Loans to customers repayment	*6*	**274,331,147**		260,337,182	
Cash flow from investing activities			**(20,238,289)**		(23,689,996)
Increase in borrowings	*10*	**16,339,130**		32,738,690	
Repayment of borrowings	*10*	**(6,842,397)**		(22,658,337)	
Donor grant received	*11*	**–**		487,814	
Share premium contribution	*29*	**–**		1,212,789	
Cash flow from financing activities			**9,496,733**		11,780,956
Net cash flow			**8,543,002**		4,018,150
Exchange rate and translation differences on cash and cash equivalents			**(286,303)**		(3,198,750)
Changes in cash and cash equivalents			**8,256,699**		819,400

	2019 USD	2018 USD
Cash and cash equivalents as at the beginning of the financial year	**29,043,206**	28,223,806
Changes in cash and cash equivalents	**8,256,699**	819,400
Cash and cash equivalents as at the end of the financial year	**37,299,905**	29,043,206

The notes on pages 27 to 76 are an integral part of these consolidated financial statements.

Notes to the 2019 financial statements

The reporting entity

BRAC International Holdings B.V. ('the Company'), having its legal address in The Hague and its office address at Spaarneplein 2, 2515 VK, The Hague is a private limited liability company under Dutch law and is registered as a financial holding under number 34393125 in the Chamber of Commerce.

The Company is a wholly-owned subsidiary of Stichting BRAC International, a foundation organised and existing under the laws of the Netherlands.

In 2009, Stichting BRAC International was formed as a non-profit foundation in the Netherlands to govern all international BRAC entities outside Bangladesh ('BRAC') and with an objective to engage in charitable and social welfare activities in any country of the world.

These financial statements contain the financial information of both the Company and the consolidated companies of the Company ('the Group').

BRAC International Holdings B.V.'s vision is in line with the vision of its parent Stichting BRAC International and BRAC Bangladesh, that they develop into a just, enlightened, healthy and democratic society free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex and ethnicity. In order to achieve this vision, BRAC International Holdings B.V., through its subsidiaries uses a comprehensive approach to poverty reduction which strategically links programmes in Economic Development (Microfinance and Social Enterprise), to create and protect the livelihoods of poor people.

The Company's business model strongly reflects its philosophy, the core elements of the business model are BRAC's community outreach – based delivery methodology and its unwavering focus on borrowers at the poorer end of the poverty spectrum. These two principles – which distinguish the Company and its subsidiaries from other microfinance and social business operators in Asia and Africa, are apparent in the way BRAC has designed its operations.

Financial reporting period

The financial statements are for the year from 1 January 2019 to 31 December 2019. The comparatives consist of the year 2018, which ended as at 31 December 2018.

Basis of preparation

The consolidated financial statements of the Company are part of the statutory financial statements of the Company and have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code.

The accounting policies applied for measuring assets and liabilities and the determination of result are based on the historical cost convention, unless otherwise stated in the further principles.

Going concern

These financial statements of the Company have been prepared on the basis of the going concern assumption.

Accounting policies for the measurement of assets and liabilities and the determination of the result

General

The figures for 2018 have been reclassified for comparison purposes. The reclassifications are as follows:

- Cost of oursourced work and other external costs: USD 12,884,670 (2018: USD 12,283,553).
- Other operating expenses: USD 1,143,611 (2018: USD 1,744,728).

Professional and consultancy expenses in the amount of USD 601,117 are reclassified to be consistent with current year presentation.

Assets and liabilities are measured at nominal value, unless otherwise stated in the further principles.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets.

A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the Company. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

An asset or liability that is recognised in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken in to account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability being transferred to a third party. Further, assets and liabilities are no longer recognised in the balance sheet if economic benefits are no longer probable and/or cannot be measured reliably anymore. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction.

If assets are recognised of which the Company does not have the legal ownership, this fact is being disclosed.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Revenues and expenses are allocated to the respective period to which they relate. Revenues are recognised when the Company has provided the services to the customer based upon the finance agreements.

Functional and presentation currency

The financial statements are presented in United States Dollars (USD), which is the Company's functional currency.

Use of estimates and judgments

The preparation of financial statements in conformity with the Netherlands Civil Code requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods.

The following accounting policies are in the opinion of management the most critical in preparing this financial statements and require judgments, estimates and assumptions:

- The valuation of the loans to customers.

Consolidation principales

Consolidation scope

The consolidated financial statements include the financial information of the Company, its group companies and other companies over which the Company can exercise control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies are participating interests in which the Company has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights are taken into account that are currently exercisable and as a result will provide the Company with more or less influence.

Group companies exclusively held with the view to resale are exempted from consolidation if the intention to resale was already present at the acquisition date, resale within one year is probable and at the acquisition date (or shortly thereafter) other indicators for this purpose are being met. These interests are presented as securities, under current assets (exclusively held for sale).

Newly acquired participating interests are consolidated as from the date that decisive influence (control) can be exercised. Participating interests disposed of remain included in the consolidation until the date of loss of this influence.

Consolidation method

The consolidated financial statements are prepared by using uniform accounting policies for measurement and determination of the result of the group.

In the consolidated financial statements, intragroup shareholdings, debts, receivables and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the group and no impairment loss is applicable. For a transaction whereby the Company has a less than a 100% interest in the selling group company, the elimination from the group result is allocated pro rata to the minority interest based on the interest of the minority in the selling group company.

Subsidiaries are consolidated in full, whereby the minority interest is presented separately within equity. If losses to be allocated to the minority interest exceed the minority interest within equity of the consolidated entity, the difference, including any further losses, is fully charged to the majority shareholder. The minority interest in the result is deducted from group result on a separate line item in the consolidated profit and loss account.

BRAC International Holdings B.V. has participating interest in the following companies:

Name	**Legal address**	**2019 share of interest %**	2018 share of interest %
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	**100**	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	**100**	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	**100**	100
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	**100**	100
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	**100**	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	**100**	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	**100**	–
BRAC Uganda Bank Ltd	Kampala, Uganda	**49**	100
BRAC Pakistan	Islamabad, Pakistan	**–**	–
BRAC	Mbweni, Zanzibar	**–**	–

The entities with no share of interest are locally established limited companies by guarantee and having no share capital. BRAC International Holdings B.V. has control over the governance and operational policy of these entities and is able to appoint directors. The goals of the consolidated group companies are aligned with the goals of the Company as set out in the Management Board report. Within these consolidated group companies, at least one of the executives of the Company is involved as member of the Board of Directors.

On September 2019, following a group restructuring, the legal entity form of BRAC Tanzania Finance Limited was transferred from a Company Limited by Guarantee to a Company Limited by Shares. Subsequently, 50% of the shares were issued to BRAC International Holdings B.V. in September 2019. In December 2019, the remaining shares were transferred by the old shareholders to BRAC International Holdings B.V. via Stichting BRAC International. This transaction was regarded as a common control transaction. The net book value of the assets transferred was USD 31.5 million and treated as a share premium contribution.

In April 2019, the Company offloaded 51% of its shareholding in BRAC Uganda Bank to ASN MICROKREDIETPTOOL (17%), DEG (DEUTSCHE INVESTITIONS - UND ENTWICKLUNGSGESELLSCHAFT MBH) (17%) and SHORECAP III, LP (17%). However, BRAC Uganda Bank Ltd remained to be consolidated fully, despite having 49% shareholding, as the Company continued to have full control on the entity .Full control has been considered due to, but not limited to, the inability of the other shareholders to make critical business resolutions. For the most critical business resolutions a majority of at least 60% is required. This cannot be achieved without the involvement of BRAC International Holdings B.V. Furthermore, the Company has the ability to appoint a majority of the directors.

In Pakistan, we had to take the decision to hand over our activities in Pakistan to an administrator to wind down our operations in the country. However, we lost control over the subsidiary as per 02 January 2019. In January 2019 group management received notice from Security Exchange Commission of Pakistan that the organization is considered performing anti-state activities. Due to the allegations of the Pakistan government we had no ability to perform operational activities in Pakistan. Staff were harassed, offices were closed and all assets were taken into custody of the government. Therefore we start deconsolidation as per 1 January 2019. In April 2019 the authorities revoked our license to be active in supporting the Pakistani population with the BRAC Education - and Microfinance programmes. We expect not to receive any liquidation results from this operation. This has resulted in an overall negative impact of USD 7 million for BRAC International as a whole (USD 5.6 million reduction in equity and USD 1.5 million write off in receivables) for the year due to deconsolidation of results from the financial statements.

Business combinations under common control

A business combination under common control is a business combination of an entity that is under common control from the shareholders. Such business combinations are also referred to as common control transactions.

Business combinations under common control are accounted for using the carry over accounting' method. In this respect, the assets and liabilities of the combining entities, as well as their income and expenses, for the period in which the combination has occurred are included in the financial statements of the acquiring entity as if they have been combined from the beginning of the financial year. The carrying amounts of the assets and liabilities are combined, no revaluation to fair value takes place. Any differences between the accounting policies of the combined entities are unified through a change in accounting policies.

In the situation that the date of merger is not the date of the start of the reporting period, the results of the acquired entity are recognised in the profit and loss account of the acquiring entity.

Any difference between the nominal amount of the share capital issued as a result of the combination (plus any additional consideration in the form of cash or other assets) and the carrying amount of the assets and liabilities underlying the share capital acquired, is recognised in share premium.

Principles for the translation of foreign currency

Transactions in foreign currencies

At initial recognition, transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into to the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in the profit and loss account in the period in which the exchange difference arise, except for exchange differences on monetary items that are part of a net investment in a foreign operation.

Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost, are translated into the functional currency at the exchange rates applying on the transaction date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at current value, are converted into the functional currency at the exchange rate at the time when the actual current value was determined. Exchange rate differences arising from the translation are directly recognised in equity as part of the revaluation reserve.

Foreign operations

The assets and liabilities that are part of the net investment in a foreign operation are translated into the functional currency at the exchange rate prevailing at the balance sheet date. The revenues and expenses of such a foreign operation are translated into the functional currency at the exchange rate on the transaction date. Currency translation differences are recognised in the translation reserve within equity.

Goodwill resulting from the acquisition of a foreign operation and fair value adjustments made at the acquisition date are translated into the functional currency at the exchange rate at the balance sheet date.

A group company that has received a loan from the parent recognises any translation differences in the profit and loss account, even if the loan is regarded by the parent as part of a net investment in a foreign operation.

When a foreign operation is fully or partially sold, the cumulative amount that relates to that foreign operation is transferred from the translation reserve to the profit and loss account.

Hedging of the net investment in foreign operations

Currency translation differences arising from the translation of a financial liability considered as a hedge of the net investment in a foreign operation, are directly recognised in equity (in the translation reserve) to the extent that the hedge is effective. The ineffective part is recognised as an expense in profit and loss.

Financial instruments

Financial instruments include investments in shares, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables and other amounts payable. These financial statements contain the following financial instruments: loans and receivables (both purchased and issued), equity instruments and other financial liabilities.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate.

Financial instruments are derecognised if a transaction results in a considerate part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments (and individual components of financial instruments) are presented in the consolidated financial statements in accordance with the economic substance of the contractual terms. Presentation of the financial instruments is based on the individual components of financial instruments as a financial asset, financial liability or equity instrument.

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at the initial recognition.

After initial recognition, financial instruments are valued in the manner described below.

Loans granted and other receivables

Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account.

Investments in unlisted equity instruments

Investments in unlisted shares are measured after their initial recognition at the lower of cost or market value. Purchases and sales of financial assets that belong to the category investments in unlisted equity instruments are accounted for at the transaction date. Dividends are recorded in the profit and loss account at the time when are declared.

Non-current and current liabilities and other financial commitments

Non-current and current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account. This also includes the savings deposits from clients.

Redemption payments regarding non-current liabilities that are due next year, are presented under current liabilities.

Derivatives

The Company does not make use of derivatives.

Offsetting financial instruments

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the Company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

Intangible fixed assets

Intangible fixed assets are only recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Intangible fixed assets are stated at acquisition or construction cost, less accumulated amortisation and impairment losses.

Expenditures made after the initial recognition of an acquired or constructed intangible fixed asset are included to the acquisition or construction cost if it is probable that the expenditures will lead to an increase in the expected future economic benefits, and the expenditures and the allocation to the asset can be measured reliably. If expenditures do not meet these conditions, they are recognised as an expense in the profit and loss account.

At the end of each reporting year, the recoverable amount of intangible assets that 'are not yet put into use/are amortised over a useful life of more than twenty years' is assessed for impairment, even if there is no indication of impairment. The accounting principles for the recognition of an impairment are included under the section Impairments of fixed assets.

Software licenses

Software licenses are stated at cost less accumulated amortisation and impairment losses.

The capitalised amount is amortised on a straight-line basis during the five-year term of the contract.

Prepayments on intangible fixed assets

Prepayments on intangible fixed assets are valued at cost. Prepayments on intangible fixed assets are not amortised. No amortization is recognized over the capital work in progress.

Tangible fixed assets

Recognition and measurement

Tangible fixed assets are recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Land and buildings, plant and equipment and other fixed operating assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Donor grants for specific assets are deferred and released to the profit and loss account in accordance with the depreciation period of the related assets.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying value of property and equipment and recognised net with other income in profit or loss.

Depreciation

Depreciation is recognised in profit or loss and calculated to write off the cost of the property and equipment on a straight basis over the expected useful lives of the assets concerned, and intangible assets on a straight line basis. Land is not depreciated.

The estimated depreciation rates for the current and comparative periods are as follows:

- Buildings: 2-5%.
- Equipment: 15-33%.
- Motor vehicles: 20%.
- Other: 10-12.5%.

Tangible fixed assets, for which the Company and its group companies possess the economic ownership under a financial lease, are capitalised. The obligation arising from the financial lease contract is recognised as a liability. The interest included in the future lease instalments is charged to the profit and loss account during the term of the finance lease contract.

Assets that are taken out of service are stated at the lower of book value or net realisable value.

Financial fixed assets

Participating interests with significant influence

Participating interests where significant influence can be exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether the Company has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

The net asset value is calculated on the basis of the Company's accounting policies. If the Company transfers an asset or a liability to a participating interest that is measured according to the equity method, the gain or loss resulting from this transfer is recognised to the extent of the relative interests of third parties in the participating interest (proportionate determination of result). Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognised. Results on transactions involving transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant participating interest, or if it has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

This provision is primarily charged to the non-current receivables on the respective participating interest that can be regarded as part of the net investment, and for the remainder it is presented under provisions.

Joint arrangements

Participating interests where the Company exercises control along with other participants, such as in joint ventures, are valued according to the equity method on the basis of net asset value.

In case of cooperation by conducting joint activities whereby each participant holds exclusive control of the assets, the Company recognises the assets which it controls as well as its liabilities, expenses and share in the result of the sales and/or services by the joint venture.

In case of cooperation by conducting joint activities using assets to which the participants have joint control, the Company proportionally recognises the joint assets, liabilities, expenses and revenue.

In case of contribution in or sale of assets by the Company to a joint venture, the Company recognizes the part of the result in the profit and loss account that corresponds to the relative share of the other participants in the joint venture. No result is recognised if the non-monetary assets contributed by the participants approximately equal each other in terms of type, use (same business activity) and fair value. Any unrecognised results are charged to the net asset value of the joint venture. Any losses on current assets or impairments of fixed assets are recognised immediately and in full.

In case of sale of assets by the joint venture to the Company, the Company recognizes its share in the profit or loss of the joint venture on that sale in its profit and loss account only when the asset is (re)sold to a third party. However, the Company immediately recognises its share in losses on current assets or impairments of fixed assets.

Other financial fixed assets

Receivables from non-consolidated participating interests are initially measured at fair value plus directly attributable transaction costs. Subsequently, these receivables are measured at amortised cost using the effective interest method, less impairment losses.

The further accounting policies for other financial fixed assets are included under the heading financial instruments.

Dividends are accounted for in the period in which they are declared. Dividends from participating interests that are carried at cost, are recognised as income from participating interests (under financial income) in the period in which the dividends become payable.

Impairment of fixed assets

Intangible, tangible and financial fixed assets are assessed at each reporting date whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of value in use and net realisable value. If it is not possible to assess the recoverable amount for an individual asset, the recoverable amount is assessed for the cash-generating unit to which the asset belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount.

Subsequently, at each reporting date, the entity assesses whether there is any indication that an impairment loss that was recorded in previous years has been decreased. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated.

Reversal of a previously recognised impairment loss only takes place when there is a change in the assessment used to determine the recoverable amount since the recognition of the last impairment loss. In such case, the carrying amount of the asset (or cash-generating unit) is increased to its recoverable amount, but not higher than the carrying amount that would have applied (net of depreciation) if no impairment loss had been recognised in previous years for the asset (or cash-generating unit).

Contrary to what is stated before, at each reporting date the recoverable amount is assessed for the following assets (irrespective of whether there is any indicator of an impairment):

— intangible assets that have not been put into use yet;
— intangible assets that are amortised over a useful life of more than 20 years (counting from the moment of initial operation/use).

Disposal of fixed assets

Fixed assets available for sale are measured at the lower of their carrying amount and net realisable value.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the expenses for acquisition or manufacture, plus other expenditure to bring the inventories to their present location and condition. Net realisable value is based on the most reliable estimate of the amount the inventories will generate at the most, less costs still to make.

Raw materials and consumables are carried at the lower of cost price and fair value in accordance with the first-in, first-out (FIFO) principle and market value.

The measurement of inventories includes possible impairments that arise on the balance sheet date.

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 the Company does not intend to sell immediately or in the near term. Loans and advances are shown at the gross amount adjusted for any provision for impairment losses.

Loans originated by the Company by providing finance directly to borrowers is categorized as loans to group members and is carried at amortised cost, which is defined as fair value of the cash consideration given to originate those loans as is determinable by reference to market prices at origination date and subsequently measured at the original effective interest rate at reporting date. All loans and advances are recognised when cash is advanced to borrowers.

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.

Impairment of financial assets

At each statement of financial position date BRAC International Holdings B.V. and its subsidiaries assess 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 are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

Management assesses the adequacy of allowance for impairment based on the age of the loan portfolio.

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

The Company estimates losses on loans and advances as follows:

1. Given the volume and value of individual loans and advances and the fact that they are unsecured, it is not practical to estimate the future cash flows in order to derive the net present value for purpose of impairment. For this reason, industry practice is used to estimate the specific provision for loans and advances. The Company followed the guidance of IFRS 9 which is also acceptable under Dutch accounting principles. It follows the ‘expected credit loss’ (ECL) model. It requires the Company to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgement is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.
2. Loans within the maturity period are considered ‘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 Loans’ are considered as ‘Non-interest bearing loans (NIBL)’ and are 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 thinks that they are not realisable due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers. Subsequently recoveries are credited as income in the statement of comprehensive income.
3. When a loan is deemed uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited to other income in the statement of comprehensive income.

Impairment of financial fixed assets

Impairment losses on financial 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. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade and other receivables

Other receivables comprise prepayments, deposits and other recoverable which arise during the normal course of business; they are carried at amortised cost on the basis of the effective interest method, less impairment losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account. A provision for impairment of trade receivable is established when there is objective evidence that the counterparty will not be able to collect all amounts due according to the original terms of receivables. The amount of the provisions is the difference between the carrying amount and the recoverable amount.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the balance sheet date and include cash in hand, deposits held at call with banks, net of bank overdraft facilities subject to sweeping arrangements.

Investments with a longer maturity at acquisition do not become cash equivalents once their remaining maturity period falls to three months.

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this fact is taken into account in the measurement.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies.

Cash and cash equivalents that are not readily available to the Foundation within 12 months are presented under financial fixed assets.

Shareholder's equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholder's equity. Payments to holders of these instruments are deducted from the shareholder's equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss account as financial income or expense.

Share premium

Amounts contributed by the shareholder(s) of the Company in excess of the nominal share capital, are accounted for as share premium. This also includes additional capital contributions by existing shareholders without the issue of shares or issue of rights to acquire or acquire shares of the Company.

Costs and capital taxes associated with the issue of shares that are not capitalized are deducted from share premium, after taken into account tax effects. If the share premium is insufficient for such deductions, the amounts are deducted from retained earnings.

Legal reserves

Legal reserves consist of a legal reserve for subsidiaries with no share of interest but subsidiaries locally established as companies limited by guarantee and having no share capital.

The legal reserve is equal to total equity of the subsidiaries.

Foreign currency translation reserve

Exchange gains and losses arising from the translation of the functional currency of foreign operations to the reporting currency of the parent are accounted for in this legal reserve.

Minority interests

Minority interests are measured at net fair value of the acquirer’s share in identifiable assets, liabilities and contingent liabilities according to the Company’s valuation principles.

Provisions

A provision is recognised if the following applies:

- the Company has a legal or constructive obligation, arising from a past event;
- the amount can be estimated reliably; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented separately as an asset.

Provisions are stated at the nominal value of the best estimate of the expenditures that are expected to be required to settle the liabilities and losses.

Non-current liabilities

The valuation of Non-current liabilities is explained under the heading ‘Financial instruments’.

Current liabilities

The valuation of current liabilities is explained under the heading ‘Financial instruments’.

Other current liabilities

Other current liabilities are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received. After their initial recognition the other liabilities are measured at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account.

Revenue recognition

Revenue is recognised on an accrual basis.

Service charge on loans and advances

Interest income on loans and advances (service charges) on regular loans that is, loans where no amounts are overdue as at the end of the reporting period are recognised on an accrual basis as income. The recognition of service charges ceases when the loan is transferred to non-interest bearing loan. These loans are referred to as 'non-performing' loans.

Service charge previously accrued but not received on loans subsequently classified as non-performing and written-off. Service charge is included in other income thereafter only when its receipt becomes probable, generally when it is realised.

Membership fees and other charges

Membership fees and other charges are recognised on an accrual basis when the service has been provided.

Donor grants and grant income

All donor grants received are initially recognised as grant received in advance at fair value and recorded as liabilities.

Donor grants are recognised if there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as grant income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

BRAC normally raises its fund through discussion with various donors and stakeholders. It also follows a competitive process where it submits its proposal to multinational donor organisations and gets selected based on merit. BRAC does not incur any additional costs for fundraising purpose other than over heads which are recorded under HO logistic and management expenses.

Other income

Other income comprises income from sale of seeds, gains less losses related to trading assets and liabilities, and includes gains from disposal of assets and all realised foreign exchange differences.

Sale of seeds are recognised when the significant risk and rewards are transferred to the customers.

Costs of outsourced work and other external costs

This includes costs incurred in order to generate operating income, insofar as these costs have been charged by third parties and are not to be regarded as costs of raw materials and consumables.

Employee benefits

Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

For benefits with accumulating rights, bonuses, the projected costs are taken into account during the employment. An expected payment resulting from profit-sharing and bonus payments is recognised if the obligation for that payment has arisen on or before the balance sheet date and a reliable estimate of the liabilities can be made.

The Company also operates an employee bonus incentive scheme. The provision for employee bonus incentive is based on a predetermined company policy and is recognised in other accruals. The accrual for employee bonus incentive is expected to be settled within 12 months.

If a benefit is paid in case of non-accumulating rights (e.g., continued payment in case of sickness or disability), the projected costs are recognised in the period in which such benefit is payable. For existing commitments at the balance sheet date to continue the payment of benefits (including termination benefits) to employees who are expected to be unable to perform work wholly or partly due to sickness or disability in the future, a provision is recognised.

The recognised liability relates to the best estimate of the expenditure necessary to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective agreement and individual employment contract). Additions to and reversals of liabilities are charged or credited to the profit and loss account.

Pensions

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (Company, fund and members) are recognised and measured in accordance with Dutch pension plans (see below for an explanation about Dutch pension plans. Since the Company has two Dutch employees, this paragraph has been included to explain the accounting treatment only).

For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the commitment as at balance sheet date. This commitment should then be stated on the basis of an actuarial valuation principle generally accepted in the Netherlands.

Dutch pension plans

The main principle is that the pension charge to be recognised for the reporting period should be equal to the pension contributions payable to the pension fund over the period. In so far as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments and it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the staff and other (explicit or implicit) commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date.

For any surplus at the pension fund as at balance sheet date, a receivable is recognised if the Company has the power to withdraw this surplus, if it is likely that the surplus will flow to the Company and if the receivable can be reliably determined.

Interest receivable and similar income and interest payable and similar charges

Interest income is recognised in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognised in the period to which they belong.

Premium, discount and redemption premiums are recognised as interest expense in the period to which they belong. The allocation of these interest expenses and the interest income on the loan is the effective interest rate that is recognised in the profit and loss account. On the balance sheet, the amortised value of the debt(s) is recognised (on balance). The amounts of the premium that are not yet recognised in the profit and loss account and the redemption premiums already recognised in the profit and loss account, are recognised as an increase in debt(s) to which they relate. Amounts of the discount that are not yet recognised in the profit and loss account are recognised as a reduction of the debt(s) to which they relate.

Additional costs associated with the use of more than customary supplier credit are recognised as interest expense.

Interest expenses and similar charges are recognised in the period to which they belong. The interest is calculated on the basis of the interest payable on borrowings specifically for the microfinance operation and charged on an accrual basis.

Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

If the carrying amount of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences.

For taxable temporary differences, a provision for deferred tax liabilities is recognised.

For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For taxable temporary differences related to group companies, foreign branches, associates and interests in joint ventures, a deferred tax liability is recognised, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences regarding group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is only recognised in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference can be utilised.

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Company expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

Share in result of participating interests

The share in the result of participating interests consists of the share of the group in the results of these participating interests, determined on the basis of the accounting principles of the group. Results on transactions, where the transfer of assets and liabilities between the group and the non-consolidated participating interests and mutually between non-consolidated participating interests themselves, are not recognised as they can be deemed as not realised.

The results of participating interests acquired or sold during the financial year are measured in the group result from the date of acquisition or until the date of sale, respectively.

Leasing

The Company may enter into financial and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases. All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form. The Company has only entered into operating lease agreement.

Financial leases

If the Company acts as a lessee in a finance lease, at the inception of the lease the leased asset (and the related obligation) is accounted for in the balance sheet at fair value of the leased property or, if lower, the present value of the minimum lease payments. Both values are determined at the time of entering into the lease agreement. The interest rate used in calculating the present value is the interest rate implicit in the lease. If it is not practically possible to determine this interest rate, then the marginal interest rate is used. The initial direct costs are included in the initial measurement of the leased property.

The accounting principles for the subsequent measurement of the leased property are described under the heading 'Tangible fixed assets'. If there is no reasonable certainty that the Company will obtain ownership of a leased property at the end of the lease term, the property is depreciated over the shorter of the lease term and the useful life of the property.

The minimum lease payments are split into interest expense and redemption of the lease liability. The interest charges during the lease term are allocated to each period as such that its results in a constant periodic interest rate over the remaining net liability with regard to the financial lease. Conditional lease payments are recognised as an expense in the period that the conditions of payment are met.

Operating leases

If the Company acts as lessee in an operating lease, the leased property is not capitalised. Lease payments regarding operating leases are recognised to the profit and loss account on a straight-line basis over the lease term.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash and investments that are readily convertible to a known amount of cash without a significant risk of changes in value.

Cash flows in foreign currency are translated into US dollars using the weighted average exchange rates at the dates of the transactions. Foreign exchange differences with regard to cash and cash equivalents are presented separately in the cash flow statement.

Receipts and payments of interest, receipts of dividends and income taxes are presented within the cash flows from operating activities. Payments of dividends are presented within the cash flows from financing activities.

Related party transactions

Transactions with related parties are disclosed. All transactions are entered into at arm's length. Disclosed are the nature and amounts involved with such transactions, and other information that is deemed necessary for an insight into the transactions.

Related parties comprise directors, subsidiaries of BRAC International, BRAC Bangladesh (including related BRAC entities) and key management personnel of the Company and companies with common ownership and/or directors.

Contingent liabilities

The Company recognises a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Company, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Determination of fair value

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other.

The fair value of non-listed financial instruments is determined by discounting the expected cash flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.

Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

1 Common-control transaction

On September 2019, following a group restructuring, the legal entity form of BRAC Tanzania Finance Limited was transferred from a Company Limited by Guarantee to a Company Limited by Shares. During the year, BRAC Tanzania Finance has been legally transformed into an entity owned by shares. 50% of the shares were issued to BRAC International Holdings B.V. in September 2019. In December 2019, the remaining shares were transferred by the old shareholders to BRAC International Holdings B.V. via Stichting BRAC International as a share premium contribution. This transaction was regarded as a common control transaction.

The net book value of the assets transferred was USD 31.5 million and treated as share premium. Since the Company already had control, this has no impact on the consolidated financial statements, but only on the stand-alone financial statements, where the investment in BRAC Tanzania Finance Ltd is now presented in the financial fixed assets (note 26).

2 Intangible fixed assets

	Software USD	Capital work in progress USD	Total USD
Balance as at 1 January 2019:			
— Purchase price	**665,121**	**1,495,681**	**2,160,802**
— Accumulated amortisation and impairment	**(424,576)**	**–**	**(424,576)**
— Carrying amount	**240,545**	**1,495,681**	**1,736,226**
Changes in carrying amount:			
— Investments	**259,778**	**–**	**259,778**
— Capitalization of Capital Work In Progress	**1,495,681**	**(1,495,681)**	**–**
— Amortisation	**(231,993)**	**–**	**(231,993)**
— Exchange rate differences purchase price	**(35,425)**	**–**	**(35,425)**
— Exchange rate differences accumulated depreciation	**24,249**	**–**	**24,249**
— Discontinued consolidations purchase price	**(180,130)**	**–**	**(180,130)**
— Discontinued consolidations acc. Depreciation	**122,826**	**–**	**122,826**
— Change in carrying amount	**1,454,986**	**(1,495,681)**	**(40,695)**

	Software USD	Capital work in progress USD	Total USD
Balance as at 31 December 2019:			
— Purchase price	**2,205,025**	**–**	**2,205,025**
— Accumulated amortisation and impairment	**(509,494)**	**–**	**(509,494)**
— Carrying amount	**1,695,531**	**–**	**1,695,531**

The intangible fixed assets consist of expenditure on software license and improvements.

Capital work in progress relates to the investment made in software for the core banking system in Uganda. After completion of the project the amount was transferred to the respective intangible fixed assets in 2019.

3 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Buildings USD	Plant and equipment USD	Motor vehicles USD	Furniture and fixtures USD	Capital work in progress USD	Total USD
Balance as at 1 January 2019:						
— Purchase price	348,948	2,430,210	795,865	3,097,966	670,576	7,343,564
— Accumulated depreciation and impairment	(42,798)	(786,161)	(622,481)	(718,787)	–	(2,170,227)
— Carrying amount	306,150	1,644,049	173,384	2,379,179	670,576	5,173,337
Changes in carrying amount:						
— Investments	22,185	2,049,643	168,057	599,101	–	2,838,986
— Disposals	–	(3,642)	(27,321)	(3,132)	(670,576)	(704,671)
— Depreciation	(16,490)	(674,224)	(88,142)	(417,000)	–	(1,195,856)
— Reversal of depreciation on disposal	–	(400)	25,262	1,900	–	26,762
— Changes in consolidation scope purchase price	–	(208,665)	(315,098)	(86,288)	–	(610,052)
— Changes in consolidation scope accu. depreciation	–	140,506	259,634	49,839	–	449,979
— Exchange rate differences purchase price	5,066	(34,127)	(11,925)	76,206	–	35,220
— Exchange rate differences accumulated depreciation	(582)	(53,157)	84,430	(30,699)	–	(8)
— Change in carrying amount	10,179	1,215,934	94,896	189,926	(670,576)	840,360
Balance as at 31 December 2019:						
— Purchase price	376,199	4,233,419	609,577	3,683,852	–	8,903,047
— Accumulated depreciation and impairment	(59,870)	(1,373,436)	(341,297)	(1,114,747)	–	(2,889,350)
— Carrying amount	316,329	2,859,983	268,280	2,569,105	–	6,013,697

The investments made in 2019 mainly relate to BRAC Uganda Bank Ltd.

Capital work in progress relates to the investment made in hardware for the core banking system and some branch refurbishments in Uganda. After completion of the project the amount has been transferred to the respective tangible fixed assets.

4 Financial fixed assets

	2019	2018
	USD	USD
Investment in SFRE Fund	**3,392,071**	3,142,761
Deferred tax assets	**618,186**	1,658,904
Financial lease	**14,993**	14,956
	4,025,250	4,816,621

Investment in SFRE Fund

The investment in SFRE Fund has been made to 56,151 ‘A’ shares in SFRE fund Luxemburg and recognised at cost less impairment value. The cost per share is USD 71.24 each and the Net Asset Value (NAV) per share is USD 60.41. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future. Consequently, the difference have been impaired.

SFRE (Sustainability – Finance – Real Economies SICAV – SIF Fund) was initiated by the Global Alliance for Banking on Values (GABV) to meet growth capital needs of the value-based banks and expand their impact and reach. The total commitment of USD 4 million has been invested till 31 December 2019 (NAV USD 3,392,071). An impairment of USD 607,929 has been provisioned up to 2019.

Deferred tax assets

The deferred tax assets arise due to all temporary differences between the accounting base and fiscal base in assets and liabilities using the principal tax rate of the subsidiaries. The Company has unrealized past losses in Liberia, Sierra Leone and temporary tax assets in Tanzania due to higher provision of impairment losses. The management estimate to recover the past losses within next three years. The increase in tax assets is also due to the fact that Sierra Leone now recognizes the Deferred Tax Assets as the Company is profitable.

Finance lease on leasehold land

The finance lease relates to costs incurred for the acquisition of land located on Block 382, Plot 19 at Kiziba, Bulemezi for BRAC Uganda Social Business Enterprises Ltd. It is amortised on a straight-line basis over the period of the lease. The lease agreement became effective on 18 December 2008 for 99 years and as at 31 December 2019, the remaining lease period is 88 years.

At inception of the lease, the obligation associated with the acquisition was all paid upfront as required by the local laws. Therefore, all future minimum lease payments were paid at once at the beginning of the lease. For such a lease, it is a requirement for the lessee to settle all the obligations upfront for the lease agreement to be effective.

5 Inventories

	2019 USD	2018 USD
Finished products and goods for resale	**158,131**	194,271

No provision for obsolete inventories is deemed necessary (2018: USD 0).

6 Loans to customers

Principal loans outstanding

	2019 USD	2018 USD
Microfinance loans	**101,480,853**	102,415,947
Small enterprises programme (SEP) loans	**29,911,196**	22,966,516
Empowering and Livelihood for Adolescent Loans (ELA)	**2,357,701**	2,892,197
Agriculture loans	**3,675,683**	1,593,262
Other loans	**3,333,468**	1,095,625
	140,758,901	130,963,547

Microfinance loans to group members are traditional small ticket loans, approximately for a 20 and 40 weeks period and for a period of 6-12 months. SEP loans are normally given to individual small businesses and for a period of 6-12 months. The duration of the loans regarding the ELA (Empowering and Livelihood for Adolescent Loans) and the Agriculture loan is approximately 40 weeks. These loans bear interest percentages from 15% to 30% per annum. It is estimated that the fair values of the loans are approximately the same as the carrying values. All loans are unsecured.

Loans to customers

	2019	2018
	USD	USD
Opening balance as at 1 January	**130,963,547**	115,800,688
Changes in Consolidation Scope	**(14,556,965)**	–
Disbursements during the year	**298,683,466**	275,500,041
Repayment during the year	**(274,331,147)**	(260,337,182)
Gross advance to customers	**140,758,901**	130,963,547
Interest receivable as at 31 December	**2,947,448**	2,663,868
Write-offs during the year	**(2,233,344)**	(1,871,432)
Loan loss reserve	**(3,661,285)**	(5,068,867)
Closing balance as at 31 December	**137,811,720**	126,687,116

The movement of the loan loss reserve is below:

	2019	2018
	USD	USD
Opening balance as at 1 January	**5,068,867**	4,498,643
Charged for the year	**1,444,275**	2,972,155
Changes in Consolidation Scope	**(493,395)**	–
Write-off	**(2,233,344)**	(1,871,432)
Foreign exchange adjustment	**(125,118)**	(530,499)
Closing balance as at 31 December	**3,661,285**	5,068,867

The Company followed the guidance of IFRS 9 which is also acceptable under Dutch accounting principles. It follows the ‘expected credit loss’ (ECL) model. It requires the Company to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgment is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.

7 Trade and other receivables

	2019	2018
	USD	USD
Advances and prepayments to third parties	**899,834**	896,224
Receivable from BRAC NGO operations	**575,836**	249,971
Cash in transit Uganda Dividend	**1,361,656**	–
Other receivables	**2,557,780**	846,302
Prepaid taxes	**393,104**	744,989
	5,788,210	2,737,486

Prepayments are mainly rent paid in advances to the landlords for offices and guest house. All the other receivables are due within 1 year.

Other receivables includes deposits to Azania Bank in Tanzania, National Bank of Rwanda, receivables from MTN against loan realized through mobile banking and interest accrued on short-term deposits.

8 Cash and cash equivalents

	2019	2018
	USD	USD
Cash at bank	**25,376,144**	13,966,043
Short-term deposits	**10,944,092**	14,922,328
Cash in hand	**979,669**	154,835
	37,299,905	29,043,206

All cash and cash equivalent balances are available on demand except for the balance with Azania Bank in Tanzania of USD 2,997,819. BRAC Tanzania Finance Ltd. originally invested USD 3,458,988 in M Bank. The repayment schedule has been revised and the balance will be paid in instalments ending by the year 2021 by Azania Bank who has taken over the Assets and Liabilities of M Bank. The receivable amount in 2021 has been shown under other assets.

9 Group equity and minority interests

	2019	2018
	USD	USD
Equity	**93,815,942**	88,669,297
Minority interest	**9,503,743**	–
	103,319,685	88,669,297

Refer to note 29 for the movement schedule.

Minority interests

	2019	2018
	USD	USD
Minority interests:		
— BRAC Uganda Bank Ltd.	**9,503,743**	–

This minority interest covers the third-party interests, representing the share of third parties in the shareholders’ equity of the group companies BRAC Uganda Bank Ltd.

10 Non-current liabilities

	2019	2018
	USD	USD
Borrowings	**47,614,679**	47,907,962
Less: Current portion of borrowings	**(12,820,528)**	(16,705,534)
Non-current liabilities as per 31 December	**34,794,151**	31,202,428

Borrowings

The non-current liabilities per 31 December 2019 can be further disclosed as follows:

	2019	**Repayment obligation 2020**	**Remaining duration >1 year**	**Remaining duration >5 year**
	USD	**USD**	**USD**	**USD**
BRAC Bangladesh	**98,077**	**98,077**	**–**	**–**
responsAbility Investments AG	**830,449**	**332,180**	**498,269**	**–**
Bank of Africa	**3,927,258**	**1,169,296**	**2,757,962**	**–**
Stromme Microfinance (E.A.) Ltd.	**1,085,250**	**890,233**	**195,017**	**–**
Oiko Credit	**2,425,206**	**1,212,603**	**1,212,603**	**–**
Netherlands Development Finance Co. (FMO)	**10,277,266**	**2,756,666**	**7,520,600**	**–**
Triodos Investment Management	**7,777,992**	**1,506,859**	**6,271,133**	**–**
Global Partners	**5,980,886**	**1,178,417**	**4,802,469**	**–**
OPIC	**5,000,000**	**–**	**5,000,000**	**–**
aBi Trust and Finance	**3,492,296**	**436,537**	**3,055,759**	**–**
Grameen Credit Agricole Foundation	**270,307**	**270,307**	**–**	**–**
Yoma Bank	**4,595,215**	**2,297,608**	**2,297,607**	**–**
KIVA	**808,427**	**671,746**	**136,681**	**–**
Others	**1,046,050**	**–**	**1,046,050**	**–**
	47,614,679	**12,820,529**	**34,794,150**	**–**

The movement of the borrowings during the year is given below:

	2019 USD	2018 USD
Opening balance as at 1 January	**47,907,962**	39,163,904
Received during the year	**16,339,130**	32,738,690
Repayment during the year	**(6,842,397)**	(22,658,337)
Changes in Consolidation Scope	**(9,756,237)**	–
Interest accrued	**(80,292)**	278,944
Foreign currency (gain)/loss	**46,513**	(1,615,239)
Closing balance as at 31 December	**47,614,679**	47,907,962

The fluctuation in foreign exchange rates in Tanzania and Uganda has been more stable in 2019 than last year.

The specification of the borrowings as at 31 December:

		2019 USD	2018 USD
BRAC Bangladesh	*1*	**98,077**	97,928
responsAbility Investments AG	*2*	**830,449**	197,145
Bank of Africa	*3*	**3,927,258**	–
Habib Bank Limited	*4*	**–**	1,960,407
Pakistan Microfinance Investment Co. (PMIC)	*5*	**–**	7,011,362
Stromme Microfinance (E.A.) Ltd.	*6*	**1,085,250**	2,096,978
Oiko Credit	*7*	**2,425,206**	3,599,824
Netherlands Development Finance Co. (FMO)	*8*	**10,277,266**	10,295,148
Triodos Investment Management	*8*	**7,777,992**	7,726,501
Global Partners	*8*	**5,980,886**	5,443,156
OPIC	*9*	**5,000,000**	–
aBi Trust and Finance	*10*	**3,492,296**	1,213,380
Grameen Credit Agricole Foundation	*11*	**270,307**	778,667
May Bank Ltd.	*12*	**–**	385,593
Yoma Bank	*13*	**4,595,215**	4,555,025
Others	*14*	**1,854,477**	2,546,848
		47,614,679	47,907,962

1. In March 2015, BRAC Tanzania Finance Ltd. obtained a facility of USD 3 million from BRAC Bangladesh for support of microfinance and were resolved to be booked as an interest free loan payable to BRAC Bangladesh. This loan is not secured. The loan is payable on demand. However, since the intention to support on a long-term and the loan is interest free, management concluded the nature is long-term and therefore this is presented under non-current liabilities.

2. In July 2015, a loan agreement was signed with ResponsAbility Investments AG worth USD 4,500,000 to the equivalent of USHS 15,079 million. The first tranche of USD 2,500,000 was immediately disbursed and the second one disbursed at close of November 2015. The facilities are payable in a period of 3 years at an interest rate of 6.95%. The outstanding balance was fully paid on 3 September 2019. The loan was not secured.

   In July 2019, term loan facility worth USD 2 million was secured from responsAbility investments AG (a Swiss-based private enterprise) for 36 months for Tanzania. The loan is repayable in six equal instalments and attracts interest at 7.1%.

3. In March 2019, BRAC Uganda Bank Limited obtained a loan from Bank of Africa amounting to USHS 15,000,000,000 equivalent to USD 4,092,535. The loan period is 3 years. Interest and principal is paid on a quarterly basis at a rate of 14%. The loan is tagged to T-bill of 182 day and the outstanding balance is USHS 11.9 billion. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio.

   In February 2019, BRAC Tanzania Finance Limited secured overdraft facility of TZS 2,000 million and trade line TZS 1,500 million making a total facility being TZS 3,500 million. The facility is subject to annual renewal on merit basis. The interest rate is 17% per annum.

4. BRAC Pakistan has a running finance facility with PKR 200 million with Habib Bank which is secured against a local term deposit of USD 1 million and a cash collateral of PKR 100 million. The facility attracts an interest at KIBOR +0.75%. The outstanding loan has been deconsolidated as the Pakistan entity was put under administration.

5. BRAC Pakistan extended a term finance facility of PKR 1 billion (USD 7 million) from Pakistan Microfinance Investment Company (PMIC) in 2018. The loan is secured against assignment of rights over a portfolio of the Company's advances up to PKR 1,250 million and a demand promissory note. The loan will be paid in four equal instalment starting from 30 June 2018 and the current portion of the loan is USD 3,396,124 and attracts interest at 6 month KIBOR+3.25% p.a. The outstanding loan has been deconsolidated as the Pakistan entity was put under administration.

6. In August 2016, a loan agreement was signed between BRAC Uganda Bank Limited and Stromme Microfinance Limited amounting to USHS 5.5 billion. The principle is repayable within 4 years and attracts an interest rate of minimum 18% pa with one year's grace period for principal. The amount was disbursed on 15 November 2016. Principle and interest payments are made on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio. The outstanding balance is USHS 1.9 billion maturing in 2021.

   BRAC Tanzania Finance Limited secured a loan from Stromme Microfinance (E.A) Limited in June 2018 for a period of 48 months. The loan amounted to equivalent USD of 1.5 million as term loan. The loan is quoted at the rate of 18% fixed with no expected increase until maturity.

7. In October 2016, BRAC Uganda Bank obtained a loan from Oikocredit, the loan agreement was for a total principal loan amount of USHS 20 billion for a period of 5 years, at a rate of 16.01% and disbursed in 4 tranches of USHS 5 billion each. The loan will be repaid in 18 quarterly instalments. The loan is secured by a floating charge on BRAC Uganda Finance's loan portfolio. The interest rate was revised to 14% from 16.1% because this facility is tagged to 182Tb+2% which reduced in the year 2018 this rate has not been revised to date.
8. In July 2017, BRAC Uganda and Tanzania Microfinance companies obtained a club finance facility of USD 21 million from Netherlands Development Finance Co. (FMO), Triodos Investment Management and Global Partners for a period of 4 years, at a rate of 15% to 17% and to be disbursed in 4 tranches. The principal repayments will commence from 2020.The loan is not secured.

   BRAC Myanmar also secured a loan USD 2.5 million from FMO repayable in 4 equal instalments. It attracts an interest of 6.99% on USD term. The loan is unsecured.
9. In July 2017, a loan agreement was signed between BRAC Uganda Microfinance and aBi Finance limited amounting to USHS 6 billion (USD 1.69 million). The principle is repayable within 4 years and attracts an interest rate of minimum 14% p.a. with six months grace period for principal.
10. In April 2017, BRAC Myanmar Microfinance obtained a loan facility of Kyat 2 billion (USD 1.50 million) from Grameen Credit Agricole Foundation. The loan is repayable in five equal instalments and attracts an interest of 13% p.a. The loan will be repaid in 2020.
11. In November 2017, BRAC Myanmar Microfinance obtained a loan facility of Kyat 1.30 billion (USD 1 million) from May Bank Ltd. The loan is repayable in 24 monthly instalment and attracts interest of 12.5% p.a. The loan was repaid in 2019.
12. In September 2018, BRAC Myanmar Microfinance obtained a loan facility of Kyat 6.80 billion (USD 4.5 million) from Yoma Bank Ltd. The loan is repayable in 4 semi-annual instalment and attracts interest of 13% p.a. The loan is secured against a back to back facility over USD 2.5 million loan from FMO. The loan is further secured against a corporate guarantee from BRAC International Holdings B.V.
13. In February 2019, BRAC Myanmar Microfinance obtained a loan facility of USD 5 million from OPIC. The loan is repayable in 4 semi-annual instalment and attracts interest of 5% p.a. The loan is secured against a corporate guarantee from BRAC International Holdings B.V.
14. Other includes a loan from Kiva Micro funds, an USA 501 non-profit organisation that allows to lend money via the Internet for low-income entrepreneurs, a loan from Whole Planet Foundation (WPF) in BRAC Tanzania Finance Limited and also includes a loan from Central Bank of Liberia and United Bank of Africa in Liberia.

Certain borrowings have covenant requirements, as per year-end, the covenants have been complied with.

11 Current liabilities

	2019	2018
	USD	USD
Donor funds	**1,722,034**	3,585,925
Current portion of the borrowings (note 10)	**12,820,528**	16,705,534
Other current liabilities	**40,136,046**	30,225,079
	54,678,608	50,516,538

Donor funds

	2019	2018
	USD	USD
Donor funds received in advance	**983,943**	2,408,849
Donor funds invested in microfinance loans	**713,507**	1,006,155
Donor funds utilized in fixed assets	**24,584**	170,921
	1,722,034	3,585,925

Donor funds received in advance

	2019	2018
	USD	USD
Opening balance as at 1 January	**2,408,849**	2,659,421
Received during the year	**1,176,414**	487,814
Transferred to donor funds invested in fixed assets	**–**	–
Transferred to donor fund investment in loans	**–**	(618,330)
Released to profit and loss account	**(2,376,438)**	(32,386)
Other	**(224,882)**	(87,670)
Closing balance as at 31 December	**983,943**	2,408,849

In 2019, Myanmar received USD 626,477 from UNCDF, Whole Planet Foundation and The Leprosy Mission Myanmar (TLMM). BRAC Uganda Bank Ltd received USD 154,937 from Government of Luxembourg and World Bank. BRAC Rwanda Microfinance Co. received USD 395,000 from Whole Planet Foundation and BRAC USA.

The grants from the above donors were received for the enhancement of the Micro-finance programme. The grants had been provided on the basis of the Company fulfilling certain conditions, failing to comply with which, part or all of the money may have to be refunded to the donor.

Donor funds invested in microfinance loans

	2019 USD	2018 USD
Opening balance as at 1 January	**1,006,155**	1,734,186
Transferred from donor funds received in advance	**–**	618,330
Currency translation	**(292,648)**	(1,346,361)
Closing balance as at 31 December	**713,507**	1,006,155

Donor funds utilised in fixed assets

	2019 USD	2018 USD
Opening balance as at 1 January	**170,921**	154,430
Transferred from donor funds received in advance	**–**	35,669
Depreciation charged for the year released to the profit and loss account	**(121,204)**	(15,126)
Changes in consolidation scope	**(26,679)**	
Currency translation	**1,546**	(4,052)
Closing balance as at 31 December	**24,584**	170,921

Other current liabilities

	2019 USD	2018 USD
Loan Security Fund	**21,293,380**	18,996,519
Deposits from customers	**7,700,758**	1,350,157
Payable to Stichting BRAC International	**1,830,960**	2,072,483
Payable to BRAC Bangladesh	**1,549,698**	2,349,822
Payable to biTs (BRAC IT Services Limited)	**467,574**	636,228
Tax payable	**2,997,937**	1,078,987
Accrued expenses	**454,149**	1,136,864
Other liabilities	**3,841,590**	2,604,019
	40,136,046	30,225,079

The Loan Security Fund acts as collateral for the customers' loan obligations. This is computed as 10% of a part of the customers' approved loans. In the event of any default, customers forfeit all or part of the Loan Security Fund to the extent of the amount at risk. The loans have durations of 20-40 weeks and 6-12 months, depending on the loan types.

Payable to Stichting BRAC International mainly relates to the amount provided by the parent entity to the Company for making various investments. The amount is payable on demand. In December 2018, the shareholder Stichting BRAC International decided to convert their receivable of USD 1,212,789 from the Company into Share Premium.

Payable to BRAC Bangladesh is in relation to the expenses incurred by BRAC Bangladesh on behalf of the Company and its subsidiaries. The amount is payable on demand.

Other liability includes intercompany liability of USD 542,915 (2018: USD 806,479). It also includes interoffice provisions, gratuity provision in BRAC Uganda. In addition, various staff benefit provisions, withholding taxes and payable to suppliers are part of the other liabilities. All the other liabilities are payable within one year.

12 Financial instruments

General

During the normal course of business, the Company uses various financial instruments that expose the Company to market, interest, cash flow, liquidity and/or credit risks. These relate to financial instruments that are included in the balance sheet. To control these risks, the Company has instituted a policy including a code of conduct and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the financial performance of the Company.

The Company does not trade in these financial derivatives and follows procedures and a code of conduct to limit the size of the credit risk with each counterparty and market. If a counterparty fails to meet its payment obligations to the Company, the resulting losses are limited to the fair value of the instruments in question. The contract value or principal amounts of the financial instruments serve only as an indication of the extent to which such financial instruments are used, and not of the value of the credit or fair risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

BRAC financial risk management policy seeks to identify, appraise and monitor the risks facing BRAC whilst taking specific measures to manage its interest rate, foreign exchange, liquidity and credit risks. BRAC does not however, engage in speculative transactions or take speculative positions, and where affected by adverse movements, BRAC has sought the assistance of donors.

Credit risk

Credit risk arises principally from the company loans and receivables presented under financial fixed assets, trade and other receivables and cash. The maximum amount of credit risk that the Company incurs consisting of Loans to customers, Receivable from NGOs, Prepayments and others, Cash at bank and Short-term deposits. The credit risk is spread over a large number of counterparties (banks, customers and other third parties).

The company exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

Exposure to credit risk is monitored on an ongoing basis by the commercial ventures respective management teams. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure.

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

The provision of unsecured loans to group members is the main aspect of the Company's business. As such, exposure to credit risk and the management of this risk is a key consideration for the Board.

The COVID 19 has impact on the credit risks of repayment from customers. However, we have experience with such a crisis from EBOLA in West Africa. We noticed that borrowers are willing to repay and continue their business. We implemented Business Continuity Plan to manage our risks related to COVID 19.

Management of credit risk

The Company recognises that the aim of risk management is not to eliminate risk totally, but rather to provide the structural means to identify, prioritise and manage the risks involved in all activities. It requires a balance between the cost of managing and treating risks, and the anticipated benefits that will be derived.

Policy objectives

- Protect the Company and its subsidiaries from risks of significant likelihood and consequence in the pursuit of the stated strategic goals and objectives.
- Provide a consistent risk management framework in which the risks concerning the Company will be identified, considered and addressed in key approval, review and control processes.
- Encourage pro-active rather than re-active management.
- Provide assistance to and improve the quality of decision making throughout BI.
- Meet legal or statutory requirements.
- Assist in safeguarding the Company's assets: people, finance, property and reputation.

The Executive Director will be responsible on behalf of the Company for ensuring that a risk management system is established, implemented and maintained in accordance with this policy.

The risk management department will be responsible for oversight and assurance of the processes for the identification and assessment of the strategic-level risk environment. Risk management function will ensure Risk Management Services are in conformity with global standards.

Currency risk

The group is exposed to currency risk denominated in a currency other than the respective functional currencies of group entities. The functional currency is the US Dollar (USD), the presentation currency is USD. The currency in which transactions primarily are denominated is USD. No hedges are in place. The management regularly reviews the currency trends to manage currency risks.

Interest rate risk and cash flow risk

BRAC's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to group members. BRAC does not engage in speculative transactions or take speculative positions on its interest rates.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, which are both exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

Overall responsibility for the management of the market risk rests with the Country Representatives. Management is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Company and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Company and also from available financial institutions facilities.

BRAC International Holdings B.V. manages its debt maturity profile, operation cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, the Company maintains sufficient levels of cash or fixed deposits to meet its working capital requirements. In addition the Company maintains banking facilities of a reasonable level.

Off-balance sheet assets and liabilities

The Company has committed USD 1 million each for BRAC Liberia Microfinance Ltd and BRAC Microfinance (SL) Ltd to support the portfolio growth. As of 31 December 2019, USD 500,000 is outstanding for BRAC Liberia Microfinance Ltd.

The Company committed USD 5 million to start up and grow the newly established microfinance company in Rwanda. The investment will be made in multiple tranches in next three years. As of December 2019, USD 1,575,916 has been transferred for equity and running cost.

The company has committed to invest USD 1.75 million in BRAC Myanmar Microfinance Company Ltd to finance its growth opportunities.

The Company provided corporate guarantees to Yoma Bank for Kyat 6.8 billion (USD 4.5 million) for term loans to BRAC Myanmar Microfinance. Current outstanding balance for Yoma Bank USD 4.5 million.

13 Service charge income

The breakdown of service charge income by country is as follows:

	2019 USD	2018 USD
Africa		
Uganda	**23,970,620**	21,902,428
Tanzania	**21,437,116**	19,441,538
Sierra Leone	**4,342,000**	3,308,000
Liberia	**2,980,317**	2,298,567
Zanzibar	**949,566**	831,457
Rwanda	**34,081**	–
	53,713,700	47,781,990
Asia		
Pakistan	**–**	5,553,226
Myanmar	**5,397,953**	3,136,820
Sri Lanka	**–**	–
	5,397,953	8,690,046
	59,111,653	56,472,036

Service charge income denotes the interest income earned on loans and advances disbursed.

14 Other operating income

	2019 USD	2018 USD
Fees and commission income	**3,101,646**	2,797,186
Grant income	**2,309,033**	70,803
Income from sale of seeds	**436,603**	253,546
Foreign exchange (loss)/gains	**–**	420,020
Other income	**3,605,154**	(82,228)
	9,452,436	3,459,327

Fees and commission income includes membership fees charged to customers, loan appraisal fee charged to clients and sale of passbook. Other income includes gains made due to early repayment of loans, cost recovered from staffs as rent against share of space and utilities.

Grant income includes USD 1.75 million grant income utilised during the year in Tanzania as part of the DFID funded projects.

Other income includes USD 3.4 million gain on sale of 51% shares in BRAC Uganda Bank Ltd. In April 2019, the Company offloaded 51% shareholding of BRAC Uganda Bank to ASN MICROKREDIETPTOOL (17%), DEG (DEUTSCHE INVESTITIONS - UND ENTWICKLUNGSGESELLSCHAFT MBH) (17%) and SHORECAP III, LP (17%).

15 Cost of outsourced work and other external costs

	2019 USD	2018 USD
General and administrative expenses	**3,226,523**	4,184,535
Travel and transportation	**4,371,461**	4,160,899
Office rent	**1,779,704**	1,680,737
Utilities	**327,701**	303,875
Printing and office stationery	**919,925**	724,532
Staff training and development	**541,637**	607,814
Audit fees	**313,708**	321,538
Professional and consultancy	**1,060,875**	601,117
Internet subscription charges	**671,527**	299,623
	13,213,061	12,884,670

Professional and consultancy fees were mapped in other operating expenses last year.

16 Wages and salaries

	2019 **USD**	2018 USD
Salaries and benefits	**21,794,694**	18,190,870

During the 2019 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 5,502 people (2018: 5,405). All staffs except 2 (2018: 2) were employed outside the Netherlands.

17 Social security and pension charges

	2019 **USD**	2018 USD
Social security charges and pension charges	**946,575**	1,565,853

Social security benefits include payments made by the Company and its subsidiaries in various social welfare funds/ pension scheme as per the country statue.

The Company has an employee pension scheme (defined benefit) only in the Netherlands. The Company contributes 60% of the annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2019 is USD 0 (2018: USD 828).

18 Other operating expenses

	2019 **USD**	2018 USD
Other operating expenses	**4,408,933**	1,744,728

Other expenses include professional consultancy fees, self-insurance provision, software maintenance, and group member's death benefits.

19 Interest income and similar income

	2019 **USD**	2018 USD
Bank Interest	**1,330,734**	1,580,607
Exchange differences	**87,736**	–
	1,418,470	1,580,607

20 Interest expenses and similar charges

	2019 USD	2018 USD
External borrowings	**6,601,283**	6,077,727

21 Auditor's fees

The following fees were charged by KPMG Accountants N.V. to the Company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a(1) and (2) of the Netherlands Civil Code.

	KPMG Accountants N.V. USD 1,000	**KPMG network USD 1,000**	**Total KPMG USD 1,000**
2019			
Audit of the financial statements	**73**	**126**	**199**
Other audit engagements	**–**	**–**	**–**
Tax-related advisory services	**–**	**96**	**96**
Other non-audit services	**–**	**–**	**–**
	73	**222**	**295**
2018			
Audit of the financial statements	**89**	**137**	**226**
Other audit engagements	**–**	**–**	**–**
Tax-related advisory services	**–**	**111**	**111**
Other non-audit services	**–**	**–**	**–**
	89	**248**	**337**

22 Corporate income tax

The effective tax burden deviates from the nominal (25%) tax burden. This deviation is due to the results in the different tax jurisdictions.

The major components of the tax charge are as follows:

	2019 USD	2018 USD
Current tax	**5,709,917**	4,464,256
Movement in temporary differences	**1,040,718**	(244,654)
Tax on result from ordinary activities	**6,750,635**	4,219,602

The applicable weighted average tax rate is 34% (2018: 24%), whereby the weighted average has been calculated based on the results before taxes in the various tax jurisdictions.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes in the various subsidiaries. The applied tax rate for calculation of deferred tax is between 25-30%.

The numerical reconciliation between the applicable and the effective tax rate is as follows:

	2019		2018	
	USD	**%**	USD	%
Result before tax	**20,145,723**		17,536,483	
Tax using the Company's domestic tax rate	**5,036,431**	**25.0**	4,384,121	25.0
Tax on result BRAC International Holdings B.V.				
Application of different tax rate and unpaid provisions	**1,714,204**		(164,519)	
Income tax according to consolidated profit and loss account	**6,750,635**	**34.0**	4,219,602	24.0

The reason for higher weighted average tax rate is due to the fact that the companies are making positive results.

23 Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, among other relations, the relationship between the Company and its subsidiaries, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged. All the transaction were made on terms equivalent to those that prevail in arm's length transactions.

Therefore, there have been no transactions with related parties that were not on a commercial basis.

The following balances with related parties existed at the year-end:

	2019	2018
	USD	USD
Term deposit to BRAC Bank	**3,408,596**	3,408,596
Receivable from BRAC USA	**250,000**	–
Receivable from BRAC NGO operations	**575,836**	249,971
Other intercompany payables	**542,915**	–
Payable to Stichting BRAC International	**1,830,960**	2,072,483
Payable to BRAC	**1,549,698**	2,349,822
Payable to BRAC IT Services Ltd.	**467,574**	636,228

The following related party transactions occurred during the year:

	2019 USD	2018 USD
Interest payment on BRAC loans	**–**	2,034
Remuneration to the Management Board Members	**52,147**	68,285
Software maintenance cost from BRAC IT Services Ltd.	**706,188**	495,002
Expenses charged by Stichting BRAC International	**1,601,764**	1,212,789

Payable to Stichting BRAC International mainly relates to the amount provided by Stichting BRAC International, the parent entity to the Company for making various investments. The amount is payable on demand.

24 Subsequent events

The recent outbreak of COVID-19 continues to impact the global economy and markets. On 11 March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak to be a pandemic due to its rapid spread across the globe. Governments in many countries are taking stringent measures to help contain the virus, including: requiring self-isolation and or quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders. This has led to a relatively weaker economic outlook and uncertainties across the globe. Our microfinance activities became limited in communities for our borrowers due to lockdown of operations. There were very limited disbursements and cash collections in April and May. During the COVID-19 lockdown period we waived interest income on outstanding loans and we experienced a decrease in loan disbursements which will affect the interest income. During June our branches in the various countries slowly resume their activities.

Since viruses have no boundaries, there will also be uncertainties in the next months. In this respect, the Management team has set up a COVID-19 taskforce to develop and implement contingency plans. The taskforce closely and continuously evaluates the developments. We will take all necessary actions to keep our operations running and, most importantly, protect our employees, customers and all other stakeholders. Since we have encountered similar health crisis before during the 2014 Ebola outbreak in West Africa we are positive on the results of the implemented measures. For example we have decided to keep all staff on the payroll during the crisis which will enable us to have constant communication with the borrowers to provide them with guidance needed and to have a smooth resumption when lockdown is lifted.

Based on our understanding, scenario analysis and actions, we have prepared our cash-flow analysis, based upon this, management believes the effect of the pandemic does not have a material impact on the financial statements as at 31 December 2019 based on the current information and does not amount to a material uncertainty over the company's ability to continue as a going concern. At the time of the signing of the financial statements, management is not aware of any other events after year end not otherwise dealt with in these financial statements.

No other significant subsequent events occurred after balance sheet date.

25 Segmental information

Operational segments

These segments offer different products and services and are managed separately as they require different strategies in terms of operation and marketing.

The group has two strategic operational segments: microfinance and social business enterprise.

Microfinance programme (MF) has been designed to serve large numbers of poor people with reliable access to cost-effective financial services. It is providing capital support to borrowers for creating livelihoods. Loans to group members are traditional microfinance loans, approximately for a 20 and 40 weeks period. SEP loans are normally for a 6-12 month period. The duration of the loans regarding the ELA (Empowering and Livelihood for Adolescent Loans) and the Agriculture loan is approximately 40 weeks and for SEP (Small enterprises programme) loans approximately 12 months. These loans bear interest percentages from 25% to 52% per annum. It is estimated that the fair values of the loans are approximately the same as the carrying values. All loans are unsecured.

Social business enterprise (SBE) involves the production and processing of seeds (maize and rice). The group's management reviews internal report of these segments on a monthly basis. Assets, liability and equity position along with their profitability is set out below.

Segmental balance sheet as at 31 December 2019

	MF USD	SBE USD	Head office USD	Elimination USD	Total USD
Fixed assets					
Intangible fixed assets	1,695,531	–	–	–	1,695,531
Tangible fixed assets	5,644,066	369,631	–	–	6,013,697
Financial fixed assets	618,186	14,993	68,035,982	(64,643,911)	4,025,250
	7,957,783	384,624	68,035,982	(64,643,911)	11,734,478
Current assets					
Inventories	118,927	39,204	–	–	158,131
Loans to customers	137,811,720	–	–	–	137,811,720
Other receivables	4,456,378	160,899	10,475,724	(9,304,791)	5,788,210
Cash and cash equivalents	20,324,261	25,488	16,950,156	–	37,299,905
	162,711,286	225,591	27,425,880	(9,304,791)	181,057,966
	170,669,069	610,215	95,461,862	(73,948,702)	192,792,444
Group equity					
Shareholder's equity	65,577,523	55,731	92,826,599	(64,643,911)	93,815,942
Minority interests	9,503,743	–	–	–	9,503,743
	75,081,266	55,731	92,826,599	(64,643,911)	103,319,685
Non-current liabilities	34,794,151	–	–	–	34,794,151
Current liabilities	60,793,652	554,484	2,635,263	(9,304,791)	54,678,608
	170,669,069	610,215	95,461,862	(73,948,702)	192,792,444

Segmental profit and loss account for the year ended 2019

	MF USD	SBE USD	Head office USD	Elimination USD	Total USD
Service charge income	59,111,653	–	–	–	59,111,653
Other operating income	6,506,038	440,456	3,976,052	(1,470,110)	9,452,436
Total operating income	**65,617,691**	**440,456**	**3,976,052**	**(1,470,110)**	**68,564,089**
Cost of outsourced work and other external cost	(12,484,874)	(136,806)	(2,057,608)	1,466,227	(13,213,061)
Wages and salaries	(21,624,059)	(113,781)	(56,854)	–	(21,794,694)
Social security and pension charges	(928,077)	(18,498)	–	–	(946,575)
Amortisation and depreciation on intangible and tangible fixed assets	(1,380,559)	(47,456)	–	–	(1,428,015)
Impairment losses on loans to customers	(1,428,621)	(15,654)	–	–	(1,444,275)
Impairment loss provision on term deposit	–	–	–	–	–
Other operating expenses	(3,274,289)	(373,027)	(761,617)	–	(4,408,933)
Total operating expenses	**(41,120,479)**	**(705,222)**	**(2,876,079)**	**1,466,227**	**(43,235,553)**
Operating result (carried forward)	**24,497,212**	**(264,766)**	**1,099,973**	**(3,883)**	**25,328,536**

	MF USD	SBE USD	Head office USD	Elimination USD	Total USD
Brought forward	**24,497,212**	**(264,766)**	**1,099,973**	**(3,883)**	**25,328,536**
Interest income and similar income	**1,208,475**	**2,356**	**207,639**	**–**	**1,418,470**
Interest expenses and similar charges	**(6,860,450)**	**5,974**	**249,310**	**3,883**	**(6,601,283)**
	(5,651,975)	**8,330**	**456,949**	**3,883**	**(5,182,813)**
Result from ordinary activities before tax	**18,845,237**	**(256,436)**	**1,556,922**	**–**	**20,145,723**
Corporate income tax	**(6,496,227)**	**7,748**	**(262,156)**	**–**	**(6,750,635)**
Result after tax	**12,349,010**	**(248,688)**	**1,294,766**	**–**	**13,395,088**
Minority interests	**(1,065,418)**	**–**	**–**	**–**	**(1,065,418)**
Net result	**11,283,592**	**(248,688)**	**1,294,766**	**–**	**12,329,670**

Geographic information

The group business operation is mainly based in Asia, Africa and the Netherlands with separate management. The group's management reviews internal report of these geographical segments on a monthly basis. Assets, liability and equity position bases on geography for along with their profitability is set out below:

Geographical balance sheet as at 31 December 2019

	Africa USD	Asia USD	The Netherlands USD	Elimination USD	Total USD
Fixed assets					
Intangible fixed assets	**1,635,712**	**59,819**	**–**	**–**	**1,695,531**
Tangible fixed assets	**5,840,633**	**173,064**	**–**	**–**	**6,013,697**
Financial fixed assets	**633,179**	**–**	**68,035,982**	**(64,643,911)**	**4,025,250**
Carried forward	**8,109,524**	**232,883**	**68,035,982**	**(64,643,911)**	**11,734,478**

	Africa USD	Asia USD	The Netherlands USD	Elimination USD	Total USD
Brought forward	**8,109,524**	**232,883**	**68,035,982**	**(64,643,911)**	**11,734,478**
Current assets					
Inventories	**158,131**	**–**	**–**	**–**	**158,131**
Loans to customers	**110,758,191**	**27,053,529**	**–**	**–**	**137,811,720**
Other receivables	**3,781,755**	**835,522**	**10,475,724**	**(9,304,791)**	**5,788,210**
Cash and cash equivalents	**16,337,190**	**4,012,559**	**16,950,156**	**–**	**37,299,905**
	131,035,267	**31,901,610**	**27,425,880**	**(9,304,791)**	**181,057,966**
	139,144,791	**32,134,493**	**95,461,862**	**(73,948,702)**	**192,792,444**
Shareholder's equity	**52,082,538**	**13,550,716**	**92,826,599**	**(64,643,911)**	**93,815,942**
Minority interests	**9,503,743**	**–**	**–**	**–**	**9,503,743**
	61,586,281	**13,550,716**	**92,826,599**	**(64,643,911)**	**103,319,685**
Non-current liabilities	**22,050,240**	**12,743,911**	**–**	**–**	**34,794,151**
Current liabilities	**55,508,270**	**5,839,866**	**2,635,263**	**(9,304,791)**	**54,678,608**
	139,144,791	**32,134,493**	**95,461,862**	**(73,948,702)**	**192,792,444**

Geographical profit and loss account for the year ended 2019

	Africa USD	Asia USD	The Netherlands USD	Elimination USD	Total USD
Service charge income	**53,713,700**	**5,397,953**	**–**	**–**	**59,111,653**
Other operating income	**6,020,428**	**926,066**	**3,976,052**	**(1,470,110)**	**9,452,436**
Total operating income (carried forward)	**59,734,128**	**6,324,019**	**3,976,052**	**(1,470,110)**	**68,564,089**

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Brought forward	**59,734,128**	**6,324,019**	**3,976,052**	**(1,470,110)**	**68,564,089**
Cost of outsourced work and other external costs	**(11,213,809)**	**(1,407,871)**	**(2,057,608)**	**1,466,227**	**(13,213,061)**
Wages and salaries	**(19,565,909)**	**(2,171,931)**	**(56,854)**	**–**	**(21,794,694)**
Social security and pension charges	**(915,095)**	**(31,480)**	**–**	**–**	**(946,575)**
Amortisation and depreciation on intangible and tangible fixed assets	**(1,355,405)**	**(72,610)**	**–**	**–**	**(1,428,015)**
Impairment losses on loans to customers	**(1,171,234)**	**(273,041)**	**–**	**–**	**(1,444,275)**
Impairment loss provision on term deposit	**–**	**–**	**–**	**–**	**–**
Other operating expenses	**(3,520,642)**	**(126,674)**	**(761,617)**	**–**	**(4,408,933)**
Total operating expenses	**(37,742,094)**	**(4,083,607)**	**(2,876,079)**	**1,466,227**	**(43,235,553)**
Operating result	**21,992,034**	**2,240,412**	**1,099,973**	**(3,883)**	**25,328,536**
Interest income and similar income	**1,210,831**	**–**	**207,639**	**–**	**1,418,470**
Interest expen-ses and similar charges	**(5,432,900)**	**(1,421,576)**	**249,310**	**3,883**	**(6,601,283)**
	(4,222,069)	**(1,421,576)**	**456,949**	**3,883**	**(5,182,813)**
Result from ordinary activities before tax	**17,769,965**	**818,836**	**1,556,922**	**–**	**20,145,723**
Corporate income tax	**(6,256,774)**	**(231,705)**	**(262,156)**	**–**	**(6,750,635)**
Result after tax (carried forward)	**11,513,191**	**587,131**	**1,294,766**	**–**	**13,395,088**

	Africa USD	Asia USD	The Netherlands USD	Elimination USD	Total USD
Brought forward	**11,513,191**	**587,131**	**1,294,766**	**–**	**13,395,088**
Minority interests	**(1,065,418)**	**–**	**–**	**–**	**(1,065,418)**
Net result	**10,447,773**	**587,131**	**1,294,766**	**–**	**12,329,670**

Company balance sheet as at 31 December 2019

(before profit appropriation)

		2019		2018	
		USD	**USD**	USD	USD
Fixed assets					
Financial fixed assets	*26*		**68,035,982**		34,798,944
Current assets					
Accounts receivable	*27*	**10,475,724**		20,098,733	
Cash and cash equivalents	*28*	**16,950,156**		4,003,237	
			27,425,880		24,101,970
			95,461,862		58,900,914
Shareholder's equity					
Issued capital	*29*	**8,363,800**		8,654,120	
Share premium reserve	*29*	**76,482,102**		45,024,397	
Foreign currency translation reserve	*29*	**(4,745,329)**		(1,526,223)	
Retained earnings	*29*	**5,019,866**		(1,416,023)	
Unappropriated result	*29*	**7,706,160**		6,435,889	
			92,826,599		57,172,160
Current liabilities					
Payable to shareholder and other related parties	*30*	**2,300,894**		1,570,795	
Accrued liabilities	*30*	**334,369**		157,959	
			2,635,263		1,728,754
			95,461,862		58,900,914

The notes on pages 78 to 87 are an integral part of these separate financial statements.

Company profit and loss account 2019

		2019		2018	
		USD	**USD**	USD	USD
Interest income		**157,686**		176,415	
Gain on sale of Uganda Shares		**3,364,320**		–	
Total operating income			**3,522,006**		176,415
Office expense and professional fees	*32*	**2,305,832**		161,061	
Financial expenses /(income)	*33*	**(340,748)**		(305,622)	
Total operating expense			**1,965,084**		(144,561)
Operating result			**1,556,922**		320,976
Tax on operating result			**262,156**		(99,898)
Net operating result			**1,294,766**		420,874
Share in result of participating interests	*34*		**6,411,394**		6,015,015
Net result			**7,706,160**		6,435,889

The notes on pages 78 to 87 are an integral part of these separate financial statements.

Notes to the 2019 company financial statements

General

The company financial statements are part of the 2019 financial statements of the group.

Insofar as no further explanation is provided of items in the company balance sheet and the company profit and loss account, please refer to the notes to the consolidated balance sheet and profit and loss account.

Accounting policies

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated balance sheet and profit and loss account, with the exception of the following:

Financial instruments

In the company financial statements, financial instruments are presented on the basis of their legal form.

Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the equity accounting method on the basis of net asset value. For details we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

Share in result of participating interests

This item concerns the Company's share in the profit or loss of these participating interests. Insofar as gains or losses on transactions involving the transfer of assets and liabilities between the Company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

26 Financial fixed assets

	2019 USD	2018 USD
Participating interests in group companies	**64,643,911**	31,656,183
Investment in SFRE Fund	**3,392,071**	3,142,761
	68,035,982	34,798,944

Participating interests

	2019 USD	2018 USD
Opening balance as at 1 January	**31,656,183**	12,911,784
Inclusion of BRAC Uganda Finance Ltd. (ref. - note 1)	**–**	28,819,351
Dividend income from BRAC Uganda Finance Ltd. (ref. - note 23)	**–**	(17,317,463)
Additional investment in Myanmar	**5,700,000**	2,000,000
Additional investment in Sierra Leone	**200,000**	300,000
Investment in Rwanda	**1,000,000**	575,916
Conversion of equity in Tanzania	**31,457,705**	–
Sale of shares in Uganda	**(8,271,945)**	–
Foreign currency translation differences	**(3,509,426)**	(1,648,420)
Result of subsidiaries	**6,411,394**	6,015,015
Closing balance as at 31 December	**64,643,911**	31,656,183

BRAC International Holdings B.V. has interest in the companies as follows:

Name	**Legal address**	**2019 share of interest %**	2018 share of interest %
BRAC Microfinance Sierra Leone Ltd	Freetown, Sierra Leone	**100**	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	**100**	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	**100**	100
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	**100**	100
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	**100**	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	**100**	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	**100**	–
BRAC Uganda Bank Ltd	Kampala, Uganda	**49**	100
BRAC Pakistan	Islamabad, Pakistan	**–**	–
BRAC	Mbweni, Zanzibar	**–**	–

The foreign currency translation difference denotes the reduction in the company share due to exchange difference with subsidiaries' functional currency against USD.

The entities with no share of interest are locally established limited companies by guarantee and having no share capital. BRAC International Holdings B.V. has control over the governance and operational policy of these entities and is able to appoint directors. The goals of the consolidated group companies are aligned with the goals of the Company. Within these consolidated group companies, at least one of the executives of the Company is involved as member of the Board of Directors.

Investment in SFRE Fund

The investment in SFRE Fund has been made to 56,151 'A' shares in SFRE fund Luxemburg and recognised at cost less impairment value. The cost per share is USD 71.24 each and the Net Asset Value (NAV) per share is USD 60.41. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future.

SFRE (Sustainability – Finance – Real Economies SICAV – SIF Fund) was initiated by the Global Alliance for Banking on Values (GABV) to meet growth capital needs of the value-based banks and expand their impact and reach. Total committed USD 4 million has been invested till 31 December 2019 (NAV USD 3,392,071). An impairment of USD 607,929 has been provisioned up to 2019.

27 Accounts receivable

	2019 USD	2018 USD
Receivable from BRAC USA OPIC loan in Myanmar	**250,000**	–
Accor Hospitality	**3,191**	–
Prepaid Income Tax	**142,207**	215,689
Interest receivable on short-term deposit	**164,015**	51,697
Cash in transit	**1,361,656**	–
Short term loan receivable – Uganda Social Business	**303,883**	–
Receivable from subsidiary	**8,250,772**	19,831,347
	10,475,724	20,098,733

The receivable from subsidiary mainly relates to dividend receivable USD 6,605,163 (2018: USD 17,808,845) from BRAC Uganda Bank Ltd. which has been declared on 30 September 2018 and also includes cash in transit of USD 1,361,656. This is expected to be received during 2020.

28 Cash and cash equivalents

	2019	2018
	USD	USD
Cash at bank	**13,541,559**	594,640
Term deposits	**3,408,597**	3,408,597
	16,950,156	4,003,237

All cash and cash equivalent balances are available on demand.

29 Shareholder's equity

	Issued capital USD	Share premium reserve USD	Foreign currency translation reserve USD	Retained earnings USD	Unappropriated result USD	Total USD
Balance as at 1 January 2018	9,103,736	14,992,257	(327,420)	(2,420,081)	1,004,059	22,352,550
Changes:						
— Transfer of unappropriated results	–	–	–	1,004,058	(1,004,059)	–
— Conversion of liability (ref. – note 20)	–	1,212,789	–	–	–	1,212,789
— Informal capital contribution (ref. – note 1)	–	28,819,351	–	–	–	28,819,351
— Translation differences - share capital	(449,616)	–	449,616	–	–	–
— Translation differences - participation interest	–	–	(1,648,419)	–	–	(1,648,419)
— Result for the year	–	–	–	–	6,435,889	6,435,889
Balance as at 31 December 2018	8,654,120	45,024,397	(1,526,223)	(1,416,023)	6,435,889	57,172,160
Balance as at 1 January 2019	**8,654,120**	**45,024,397**	**(1,526,223)**	**(1,416,023)**	**6,435,889**	**57,172,160**
Changes:						
— Transfer of unappropriated results	**–**	**–**	**–**	**6,435,889**	**(6,435,889)**	**–**
— Informal capital contribution (ref. – note 1)	**–**	**31,457,705**	**–**	**–**	**–**	**31,457,705**
— Translation differences - share capital	**(290,320)**	**–**	**290,320**	**–**	**–**	**–**
— Translation differences - participation interest	**–**	**–**	**(3,509,426)**	**–**	**–**	**(3,509,426)**
— Result for the year	**–**	**–**	**–**	**–**	**7,706,160**	**7,706,160**
Balance as at 31 December 2019	**8,363,800**	**76,482,102**	**(4,745,329)**	**5,019,866**	**7,706,160**	**92,826,599**

Issued capital

The Company's authorised capital, amounting to EUR 7,600,000 (USD 8,363,800) and in 2018: EUR 7,600,000 (USD 8,654,120), consists of 7,600,000 ordinary shares of EUR 1 each. All shares have been issued and fully paid up.

Share premium reserve

The share premium concerns the income from the issuing of shares insofar as this exceeds the nominal value of the shares (above par income). In September 2019, following a group restructuring, the legal entity form of BRAC Tanzania Finance Limited was transferred from a Company Limited by Guarantee to a Company Limited by Shares. During the year, BRAC Tanzania Finance has been legally transformed into an entity owned by shares. The net book value of the assets transferred was USD 31.5 million and treated as share premium.

Foreign currency translation reserve

Exchange gains and losses arising from the translation of foreign operations from functional to reporting currency are accounted for in this statutory reserve. In the case of the sale of a participating interest, the associated accumulated exchange differences are taken to retained earnings.

Reconciliation of shareholder's equity and net result per the consolidated financial statements with shareholder's equity and net result per the company financial statements

	2019 **USD**	2018 USD
Shareholder's equity according to the consolidated balance sheet	**93,815,942**	88,669,297
Less:		
— Shareholder's equity of affiliated companies, without participating interest:		
✓ BRAC Tanzania Finance Company Ltd	**–**	24,825,011
✓ BRAC Pakistan	**–**	5,551,650
✓ BRAC Zanzibar	**989,343**	672,206
— Reversal of impairment	**–**	448,270
Shareholder's equity according to company balance sheet	**92,826,599**	57,172,160

	2019 USD	2018 USD
Net result according to the consolidated profit and loss account	**12,329,670**	13,316,881
Less:		
— Surplus of affiliated Foundations, without participating interest		
- BRAC Tanzania Finance Company Ltd	**4,308,067**	4,239,081
- BRAC Pakistan	**–**	2,350,771
- BRAC Zanzibar	**315,443**	226,597
— Reversal of impairment	**–**	64,543
Net result according to company profit and loss account	**7,706,160**	6,435,889

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2019 result after taxation: to add the result to the retained earnings and legal reserve. In anticipation of the decision by the General Meeting of Shareholders, the result after tax for 2019 has been included under unappropriated result in shareholder's equity.

30 Current liabilities

	2019 USD	2018 USD
Related party payables	**2,300,894**	1,570,795
Other liabilities	**334,369**	157,959
	2,635,263	1,728,754

Related party payables represent short term advances provided by Stichting BRAC International, which is repayable on demand. The amount has been fully repaid in May 2019.

31 Off-balance sheet assets and liabilities

The Company has committed USD 1 million each for BRAC Liberia Microfinance Ltd and BRAC Microfinance (SL) Ltd to support the portfolio growth. As of 31 December 2019, USD 500,000 is outstanding for BRAC Liberia Microfinance Ltd.

The Company committed USD 5 million to start up and grow the newly established microfinance company in Rwanda. The investment will be made in multiple tranches in next three years. As of December 2019, USD 1,575,916 has been transferred for equity and running cost.

The company has committed to invest USD 1.75 million in BRAC Myanmar Microfinance Company Ltd to finance its growth opportunities.

The Company provided corporate guarantees to Yoma Bank for Kyat 6.8 billion (USD 4.5 million) for term loans to BRAC Myanmar Microfinance. Current outstanding balance for Yoma Bank USD 4.5 million.

32 Office expense and professional fees

	2019 USD	2018 USD
Secretariat expenses	**1,601,764**	1,212,789
Bank charge	**2,278**	1,499
Salaries and benefits	**56,854**	48,668
Training and development	**7,551**	–
Travel and transportation	**25,833**	13,345
Rent	**20,616**	23,621
Software maintenance cost	**46,294**	23,878
Professional and consultancy fees	**219,169**	230,906
Taxation consultancy fees	**75,712**	90,332
Audit fees	**106,963**	122,317
Meeting and workshop	**43,505**	13,698
Other operating expenses	**669,540**	5,647
Recharging of expense to the subsidiaries	**(570,247)**	(1,625,639)
	2,305,832	161,061

Secretariat expenses

The total BRAC International secretariat cost has been allocated between the Company and its parent at the rate of 70% and 30% (2018: 65% and 35%) following OECD guidelines.

Recharging of expense to the subsidiaries

In 2019, the Company recharged its cost to the subsidiaries through charging head office logistics fees which is around 10% of field office expenses under subsidiaries.

Salaries and benefits

	2019 USD	2018 USD
Salaries and benefits	**48,362**	40,838
Social security charges	**8,492**	7,348
Pension costs	**–**	482
	56,854	48,668

33 Financial expenses / (income)

	2019 USD	2018 USD
Impairment loss / (income) on SFRE Investment Fund (ref note 23)	**(249,310)**	118,609
Impairment loss on receivable from subsidiaries	**–**	64,543
Foreign currency loss	**(91,438)**	(488,774)
	(340,748)	(305,622)

34 Share in result of participating interests after tax

	2019 USD	2018 USD
BRAC Uganda Bank Ltd	**1,549,628**	4,058,743
BRAC Tanzania Finance Ltd	**2,935,773**	–
BRAC Microfinance Sierra Leone Ltd	**1,530,000**	951,000
BRAC Liberia Microfinance Company Ltd	**976,264**	972,433
BRAC Myanmar Microfinance Company Ltd	**589,343**	382,353
BRAC Rwanda Microfinance Company Plc	**(845,407)**	(133,835)
BRAC Social Business Enterprise Uganda	**(321,995)**	(212,888)
BRAC Lanka Investments (Private) Ltd	**(2,212)**	(2,791)
	6,411,394	6,015,015

35 Remuneration of the Management Board

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Company and group companies amounted to USD 52,147 (2018: USD 68,285) for current and former managing directors.

The Hague, 24 June 2020

BRAC International Holdings B.V.

The Management Board of BRAC International Holdings B.V.

Signed

Mr Shameran Abed

Signed

Mr Hans Eskes

Supervisory Board, BRAC International Holdings B.V.

Signed

Ms Marilou van Golstein Brouwers, Board Chair

Signed

Dr Muhammad Musa

Signed

Ms Parveen Mahmud

Signed

Mr Gregory Chen

(Signed)

Other information

Provisions in the Articles of Association governing the appropriation of profit

In accordance with the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

The Company can only make payments to the shareholder and other parties entitled to the distributable profit insofar as the shareholder's equity exceeds the paid-up and called-up part of the capital plus the statutory reserves and exceeds the amounts resulting from the distribution test, performed by management at the date of each dividend payment.

Independent auditor's report

The independent auditor's report is set forth on the following pages.