BRAC International Holdings B.V.

Financial statements 2015

Contents

Financial report

Directors' report

Management of the BRAC International Holdings B.V. hereby presents the statutory financial statements for the year ended on 31 December 2015.

BRAC International Holdings B.V. is a private limited liability company, organized and existing under the laws of the Netherlands with its registered address at Bezuidenhoutseweg 2, 2594 AV, The Hague, which was incorporated in 4th May 2010. It is a wholly owned subsidiary of Stichting BRAC International, a Company, registered in the Netherlands. Stichting BRAC International is managing the International programmes of BRAC Bangladesh. We refer to the website of BRAC Bangladesh and Stichting BRAC International for more details about the several programmes.

The Company's share capital consists of shares with a par value of one euro (EUR 1) each.

General information

The International for-profit programs of BRAC Bangladesh , such as microfinance programme, social enterprises, investment companies and regulated finance companies are organized, managed and consolidated under the wing of BRAC International Holdings B.V. The social enterprises programme supporting enterprises currently includes the seed production.

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 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. The Company also is involved into social enterprises that have the objective to generate cash flow for the non-profit programmes.

Administratively, it also plays the role in consolidating the financial results of all our international microfinance operations. In 2015, BRAC Uganda Microfinance Ltd, BRAC Tanzania Finance Ltd, BRAC Zanzibar, BRAC Microfinance Sierra Leone Ltd, BRAC Liberia Microfinance (Co) Ltd, BRAC Myanmar Microfinance Company Ltd and BRAC Pakistan are part of this consolidation, since all entities are controlled by the Company.

Values

Innovation

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

Integrity

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

Inclusiveness

The Company is committed to engaging, supporting and 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.

Social responsibility – commitment towards the SDGs

BRAC International Holdings B.V., by its nature is a socially responsible organization despite the microfinance programmes are profit making. The commitment of the organization is to eradicate poverty from the world through helping the poor by engaging them in economic activities and create sustainable income generation for themselves. In addition to that, supporting them who do not have access and affordability to quality education, healthcare and other subsistence needs.

The environment where the legal entities under BRAC International Holdings B.V. operates are very often hard to be in, such as post-Ebola crisis in West African countries, political conflicts in East Africa and few of the Asian countries, countries with hyper-inflation where foreign currency loss hits the financial statement to a large extent. However, BRAC International Holdings B.V. is committed to carry out its commitment towards the societies despite all drawbacks.

The Microfinance Programmes in most of the countries are profit making. However, instead of bringing in dividends, these profits are reinvested in the countries. The operations also shares partial cost of establishments. In other words, education, health, and agriculture programmes are benefitted from the for-profit operations of the company and thus, helping the society to achieve financial empowerment, sustainable income generation and meet the subsistence needs for a better living. Thus, BRAC International Holdings B.V. is contributing to the society as a whole.

Legal structure

BRAC International Holdings B.V. is a wholly-owned subsidiary of Stichting BRAC International. As of 31 December 2015, all of BRAC International Holdings B.V.'s 7.6 million shares are owned by and issued to Stichting BRAC International. For investment purpose the number of shares may go up in the future. The additional capital will come from Stichting BRAC International solely. As of December 2015 BRAC International Holdings B.V. owns 51% shareholdings in two microfinance entities in Sierra Leone and Liberia and 100% in Myanmar and 100% of an investment entity in Srilanka. It also has been exercising control over four microfinance entities in Tanzania, Uganda, Pakistan and Zanzibar. These entities have been consolidated under BRAC International Holdings BV.

Significant risks and uncertainties

Risks and uncertainties are integral part of operation for any kind of organization. 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 operate in. The organization 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 organization in a structured approach, 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 five major categories 1) Strategic, 2) Operational, 3) Financial, 4) External and Environmental and 5) Political and Legal risks.

Strategic risks

The strategic risks are mainly identified from organizational 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 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 and following up from head office as well as local country offices on a monthly basis.

External/environmental/political/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 regulations or regulatory requirements are mostly have precautionary measures as risk mitigation, and 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 organization 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 loans and receivables presented under financial fixed assets, trade and other receivables and cash. The credit risk 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 company'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. In addition, natural calamities, such as natural disaster or disease outbreak triggers risk of credit, which is beyond any control or cannot be mitigated through precautionary measures.

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 International Holdings B.V. 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 Group's business. As such, exposure to credit risk and the management of this risk is a key consideration for the board.

Management of credit risk

The company recognizes that the aim of risk management is not to eliminate risk totally, but rather to provide the structural means to identify, prioritize 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 Bl;
- Meet legal or statutory requirements; and
- Assist in safeguarding companies assets: people, finance, property and reputation.

The Executive Director will be responsible on behalf of 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 o are in conformity with global standards.

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 in the Group level the US dollar (USD) is the functional and presentation currency. BRAC International Holdings B.V. and its subsidiaries do not use hedging mechanism to reduce currency risk. In case of hyper-inflation economies such as in some of the African countries, hedging is extremely difficult.

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 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.

Management of market risks

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 form 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 organization 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.

BRAC International Holdings B.V. is in full compliance with all applicable laws and regulations.

Financial Reporting

Risk 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.

External audit is conducted on an annual basis.

Code of Conduct

BRAC International Holdings B.V. follows a set of codes of conduct to operate in a multi-cultural environment. This Code of Conduct is based upon the principles of BRAC Bangladesh. The Human Resources department of the organization is the custodian of the Codes of conduct, who is responsible for overall supervision, implementation and practice across the organization.

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 organization. The ‘whistle blower’ policy is in place and HR takes actions as and when required.

Directors' responsibility statement

The Company's directors are responsible for the preparation and presentation of the consolidated financial statements, comprising the consolidated balance sheet as at 31 December 2015, the consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of recognized income and expenses for the year then ended, and the notes to the consolidated financial statements. The notes include a summary of significant accounting policies and other explanatory notes, in accordance with note 3 of the financial statements, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made an assessment of the organization'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.

The internal organization and staffing level

The Company is under the supervision of the Board of Directors who appointed officers who in turn appoint Country Representatives and the day-to-day management is entrusted to the Country Representative who is assisted by the heads of divisions, departments and units.

Microfinance entities consolidated within BRAC International Holdings B.V. currently employ 4,245 personnel (2014: 3,585).

Uganda:	1,525	(2014:	1,419).
Tanzania:	1,438	(2014:	1,116).
Sierra Leone:	256	(2014:	222).
Pakistan:	546	(2014:	540).
Liberia:	221	(2014:	213).
Myanmar:	259	(2014:	75).
Sri Lanka:	0	(2014:	0).

Board members

The following board members served during the year 2015:

1. Sir Fazle Hasan Abed - Chair
2. Dr. Mahabub Hossain (resigned in July 2015)
3. Muhammad Abdul Ali (resigned in July 2015)
4. Susan Davis (resigned in September 2015)
5. Sylvia Borren
6. Dr. Muhammad Musa (joined in October 2015)
7. Parveen Mahmud (joined in October 2015)
8. Orangefield (Netherlands) B.V. (resigned in March 2016)
9. Hans Eskes (joined in March 2016)

The Company is managed by a Board of Directors consisting of one Director A and two or more Directors B. In the discharge of their duties, the Directors shall be guided by the interests of the Company and the business carried on by the Company. The Board of Directors may decide to appoint one or more authorized signatories and to determine their authority and title. The authority to represent the Company is only vested in a Director A and a Director B acting jointly. The A and B directors on the date of signature are:

Directors B:	Director A:
Sir Fazle Hasan Abed	Sylvia Borren
Dr. Muhammad Musa	
Parveen Mahmud	
Hans Eskes (joined in March 2016)	

Financial information

The company has been able to utilize 70% of its approved budget in 2015. Country wise budget vs Actuals and approved budget 2016 has been given below:

Country	Approved budget 2015 USD	Actual expenses 2015 USD	Utilized %	Approved budget 2016 USD
Uganda	**26,308**	**20,659**	**78**	**23,297**
Tanzania	**17,788**	**13,259**	**75**	**16,698**
Pakistan	**10,118**	**4,832**	**48**	**5,895**
Myanmar	**4,082**	**2,918**	**71**	**8,830**
Sierra Leone	**2,596**	**1,430**	**55**	**2,810**
Liberia	**2,371**	**1,416**	**60**	**2,509**
Netherlands	**1,584**	**1,343**	**70**	**1,606**
	64,847	**45,857**	**71**	**61,645**

The Company's financial performance during the year ended 31 December 2015 is as follows:

Service charge on loans increased by **27%** from USD 29,132,186 in 2014 to USD 37,143,449 in2015. This increase is a result due to consolidation of BRAC Pakistan and Zanzibar.

Operating expenses increased by **16%** from USD 21,552,691 in 2014 to USD 24,916,211 in 2015. This increase relates to the increased number of employees due to opening of new branches.

As a result, the net result of the group increased significantly to USD 6,960,047 (2014 profit was USD 4,121,755).

The company made an investment in the SRFE fund of USD 1.470.000. 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.

Loans and advances to customers increased by **40%** from USD 58,933,448 in 2014 to USD 82,413,286 in 2015.

Cash and cash equivalents increased by 4% to USD 21,722,827 in 2015 from USD 20,914,881.

The cash movements have been adequately disclosed in the cash flow statement.

BRAC BV also made a guarantee of USD 2.1 million to Habib Bank Limited, Rotterdam Branch against which a USD 5 million loan was provided to Microfinance Company in Pakistan.

Current liabilities increased from USD 28,538,925 to 51,880,156 which is a result of the increase of the long term borrowings which leads to an increase of the current portion of the borrowing.

The increase in assets and Loans are mainly due to consolidation of BRAC Pakistan and Zanzibar.

Financial position as per balance sheet and profit and loss account

Operating self-sufficiency	= Operating income / total cost = USD 40,611,207 / USD 30,104,581 = 135 % (2014: 119%)
Return on performing assets	= Net income before tax / average total assets = USD 10,771,506 / USD 97,502,274 = 11% (2014: 7%)
Return on equity	= Net income before tax / total equity = USD 10,771,506 / USD 36,766,793 = 29% (2014: 18%)
Cash position indicator	= Cash and deposits into banks / average total assets = USD 21,722,827/ USD 97,502,274 = 22% (2014: 25%)
Impairment reserve ratio	= Impairment reserve / loan to customer = USD 4,009,261 / USD 86,432,808 = 5% (2014: 4%)

Solvency ratio

The solvency ratio (Result after Tax+ Depreciation and amortization / Total long term and short term liability) of Company 2015 is 10% (2014:11%). This shows the Company is financially strong to manage its objectives than last year.

Quick (liquidity) ratio

The Quick ratio [(current assets – inventories) / current liabilities] of the Company is 2.06 (2014: 2.93). It shows the Company has sufficient strength to manage its liabilities.

Outlook for 2016

Investment

BRAC International Holdings board decided to invest additional 2 million in Myanmar in 2016. The decision to transform the Uganda Microfinance company into a Non-banking Finance company limited is in process. A credit line of USD 1 million was created for the Sierra Leone and Liberia Microfinance Operations. However, no disbursement has been made. The company also acquired 100% shares in BRAC Uganda Social enterprise limited in January 2016 from BRAC Industries limited.

The business plan for 2016 is quite ambitious, given the fact that the external and business environment is getting more difficult every year. Changes in the regulatory environment for microfinance programmes in different countries are taking place, such as interest rate caps and borrowing limits on foreign currency loans. This will impact the business in terms of both top line and bottom line of the financial statements. However, some of the countries, mainly in Africa, having hyper-inflation economy, are exposed to foreign currency loss, that will dent the overall consolidated financial statements to a large extent in the bottom line.

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. In the BV, the major source is the capital provided by Stichting BRAC International.

HR

BRAC is investing on a continuous basis in the quality of their staff (2015: 4,245 people; 2014: 3,585). The Board expects staff increase in 2016 by 5%.

Diversity of the board

As the Company values diversity, the board currently has female and male board members. At this moment the male/female split in the board is 60/40.

Signing-off board

The Board of Directors prepared the financial statements on 29 June 2016 and recommends that the AGM adopts the financial statements as presented in this 2015 Report:

The Hague, 29 June 2016

Board of Directors:	Signature:
Sir Fazle Hasan Abed	
Dr. Muhammad Musa	
Parveen Mahmud	
Sylvia Borren	
Hans Eskes	

Consolidated balance sheet as at 31 December 2015

(before appropriation of result)

		2015		2014	
		USD	**USD**	USD	USD
Fixed assets					
Intangible fixed assets	*1*	**287,966**		253,251	
Tangible fixed assets	*2*	**741,741**		711,108	
Financial fixed assets	*3*	**1,126,461**		–	
Deferred Tax Assets	*17*	**1,596,992**		1,266,132	
			3,753,160		2,230,491
Current assets					
Inventories	*4*	**66,984**		42,823	
Loans and advances to customers	*6*	**82,413,286**		58,933,448	
Other receivables	*5*	**2,676,825**		2,249,823	
Cash and cash equivalents	*7*	**21,722,827**		20,914,881	
			106,879,922		82,140,975
			110,633,082		84,371,466
Group equity					
Shareholder's equity		**35,249,187**		32,349,668	
Minority interests	*8*	**1,517,606**		2,060,614	
			36,766,793		34,410,282
Long-term borrowings	*9*		**21,986,133**		21,442,259
Current liabilities	*10*		**51,880,156**		28,518,925
			110,633,082		84,371,466

Consolidated profit and loss account and recognized income and expenses for the year ended 31 December 2015

		2015		2014	
		USD	**USD**	USD	USD
Service charge income	*12*	**37,143,449**		29,132,186	
Other operating income	*13*	**3,467,758**		3,472,858	
Total operating income			**40,611,207**		32,605,044
Cost of outsourced work and other external costs	*14*	**(8,982,554)**		(8,097,311)	
Wages and salaries	*15*	**(12,284,484)**		(11,156,589)	
Social security and pension charges		**(860,812)**		(837,083)	
Amortization and depreciation on intangible and tangible fixed assets		**(400,374)**		(271,762)	
Impairment losses on loans and advances to customers		**(2,387,987)**		(1,189,946)	
Total operating expenses			**(24,916,211)**		(21,552,691)
Operating result			**15,694,996**		11,052,353
Interest income and similar income		**264,880**		1,039,874	
Interest expenses and similar charges		**(5,188,370)**		(5,874,866)	
			(4,923,490)		(4,834,992)
Result from ordinary activities before tax			**10,771,506**		6,217,361
Tax on result from ordinary activities	*17*		**(4,105,892)**		(2,517,244)
Result after tax			**6,665,614**		3,700,117
Minority interests			**294,433**		421,638
Net result			**6,960,047**		4,121,755

Consolidated statement of comprehensive income for the year ended 31 December 2015

	2015		2014	
	USD	**USD**	USD	USD
Consolidated net result after attributable to the Company		**6,960,047**		4,121,755
Translation differences on foreign participating interests	**(5,515,428)**		(2,283,663)	
Total of items recognized directly in shareholder's equity of the Company as part of the group entity		**(5,515,428)**		(2,283,663)
Total result of the legal entity		**1,444,619**		1,838,092

Consolidated statement of changes in equity for the year ended 31 December 2015

	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 2014	**10,462,160**	**5,157,103**	**(1,224,698)**	**3,985,195**	**8,831,122**	**2,512,704**	**29,723,586**
Changes:							
• Transfer of Unappropriated results	**–**	**–**	**–**	**–**	**2,512,704**	**(2,512,704)**	**–**
• Translation difference share capital*	**(1,224,512)**	**–**	**1,224,512**	**–**	**–**	**–**	**–**
• Translation difference participations*	**–**	**–**	**(2,283,663)**	**–**	**–**	**–**	**(2,283,663)**
• Informal capital contribution	**–**	**787,990**	**–**	**–**	**–**	**–**	**787,990**
• Result for the year	**–**	**–**	**–**	**1,369,171**	**–**	**2,752,584**	**4,121,755**
• Translation differences*	**–**	**(666,784)**	**2,796,627**	**(802,139)**	**(1,327,704)**	**–**	**–**
Balance as at 31 December 2014	**9,237,648**	**5,278,309**	**512,778**	**4,552,227**	**10,016,122**	**2,752,584**	**32,349,668**

BRAC International Holdings B.V.

	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 2015	**9,237,648**	**5,278,309**	**512,778**	**4,552,227**	**10,016,122**	**2,752,584**	**32,349,668**
Changes:	–	–	–	–	–	–	–
• Transfer of profits before 2014	–	**(4,583,422)**	–	**9,252,711**	**(4,669,289)**	–	–
• Transfer of Unappropriated results	–	–	–	**3,639,069**	**(886,485)**	**(2,752,584)**	–
• Translation difference share capital	**(934,344)**	–	**934,344**	–	–	–	–
• Translation difference participations	–	–	**(5,515,428)**	–	–	–	**(5,515,428)**
• Consolidation of Pakistan and Zanzibar	–	–	–	**1,454,900**	–	–	**1,454,900**
• Result for the year	–	–	–	**9,000,726**	–	**(2,040,679)**	**6,960,047**
Balance as at 31 December 2015	**8,303,304**	**694,887**	**(4,068,306)**	**27,899,633**	**4,460,348**	**(2,040,679)**	**35,249,187**

Legal reserve is restricted for the specific country operation and cannot be used for any other use. The profits and Net equity of Uganda, Tanzania, Pakistan and Zanzibar operations are under this category.

* As a result of the change of the presentation currency from EUR to USD in the consolidated financial statements and the change of the functional currency from EUR to USD company financial statements. Consequently, the 2014 Balance sheet figures have been converted retrospectively into USD using year-end rate of USD 1= 1.21548 Euro and Income statement figures have been converted retrospectively using average rate of USD 1= 1.32144 Euro.

Consolidated cash flow statement for the year ended 31 December 2015

		2015		2014	
		USD	**USD**	USD	USD
Net result			**6,960,047**		4,186,582
Adjusted for:					
• Depreciation/amortization/ other value adjustments	*1, 2*	**400,374**		271,762	
• Impairment/write-off in loans	*6*	**2,387,987**		1,189,946	
• Interest income and expenses		**4,923,490**		4,834,992	
• Tax on result from ordinary activities	*17*	**4,105,892**		2,452,417	
• Change in consolidation scope		**(14,295,620)**			
• Change in minority interest	*8*	**(543,008)**		(1,816,268)	
• Other movements in loans		**616,940**		2,347,196	
• Changes in working capital:					
- Increase inventories		**(24,161)**		5,072	
- Increase other receivables		**(16,002)**		3,049,661	
- Increase other liabilities		**10,012,095**		4,777,879	
			6,567,987		17,112,657
Cash flow from business operations			**14,528,034**		21,299,239
Interest paid		**(4,605,494)**		(5,476,018)	
Income tax paid		**(4,053,352)**		(2,075,092)	
			(8,658,846)		(7,551,110)
Cash flow from operating activities (carried forward)			**5,869,188**		13,748,129

		2015		2014	
		USD	**USD**	USD	USD
Brought forward			**5,869,188**		13,748,129
Investments in:					
• Tangible fixed assets	*2*	**(258,834)**		(478,218)	
• Intangible fixed assets	*1*	**(163,429)**		–	
• Acquisition of group companies		**–**		–	
Disposals of (in)tangible fixed assets	*2*	**59,380**		4,176,526	
Loans to customers distributed	*6*	**(179,227,855)**		(132,173,259)	
Loans to customers repayment	*6*	**166,024,115**		113,597,718	
Cash flow from investing activities			**(13,566,623)**		(14,877,233)
Take-up in borrowings	*9*	**16,998,452**		313,587	
Repayment of borrowings	*9*	**(7,511,584)**		(3,485,346)	
Donor grant received	*10*	**1,717,957**		1,772,326	
Share premium contribution		**–**		787,990	
Cash flow from financing activities			**11,204,825**		(611,443)
Net cash flow			**3,507,390**		(1,740,547)
Exchange rate and translation differences on cash and cash equivalents			**(2,699,445)**		2,521,535
Changes in cash and cash equivalents			**807,945**		780,988
Cash and cash equivalents as at the beginning of the financial year			**20,914,881**		20,123,893
Changes in cash and cash equivalents			**807,945**		790,988
Cash and cash equivalents as at the end of the financial year			**21,722,826**		20,914,881

Notes to the 2015 consolidated financial statements

General

The reporting entity

BRAC International Holdings B.V. ('The Company'), having its legal address in The Hague and its office address at Bezuidenhoutseweg 2, 2594 AV Den Haag is a private limited liability company under Dutch law, with 100% of its shares held by Stichting BRAC International.

BRAC International Holdings BVs 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 BV, through its subsidiaries uses a comprehensive approach to poverty reduction which strategically links programs in Economic Development (Micro Finance 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 Bangladesh has designed its operations.

Financial reporting period

The financial statements are for the year from 1 January 2015 to 31 December 2015.

Basis of preparation

The financial statements have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code.

The applied accounting policies are based on the historical cost convention except for the fair valuation of certain financial instruments.

Going concern

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

Change in accounting policy - Functional and presentation currency

These financial statements are presented in United States Dollar in 2015 compared to the Euro in 2014. Management is of the opinion that the USD presentation currency better reflects the actual international environment in which the group operates. The impact of the change in accounting policy on the consolidated net equity as per 31 December 2014 has resulted in a positive impact of USD 0.5 million.

Since this year, management re-analysed the functional currency at company level and concluded that company's majority of cash flows is also in USD. Consequently, management changed the company functional currency from EUR to USD from 1 January 2015. The 2014 Balance sheet figures have been converted retrospectively into USD using year-end rate of USD 1= 1.21548 Euro and Income statement figures have been converted retrospectively using average rate of USD 1= 1.32144 Euro.

The functional currencies of the subsidiaries are based on the geographical areas where they operate. For the purpose of consolidation, year-end Assets and Liabilities have been translated to United States Dollars (USD) at the year-end rate and income statements balances have been translated using average rate of 2015. Foreign exchange differences are transferred to equity.

Accounting policies

General

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 cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably.

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.

An asset or liability is no longer recognised in the balance sheet 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.

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 period to which they relate. Revenues are recognized when the company has provided the services to the customer based upon the finance agreements.

Consolidation principles

The consolidated financial statements include the financial data of the company, its group companies and other companies over which the company has 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.

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

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.

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.

For a summary of the consolidated group companies, please refer to the table below:

BRAC International Holdings BV has shareholding interest in the companies as follows:

Name	**Legal address**	**2015 Share of interest %**	2014 Share of interest %
BRAC Microfinance Sierra Leone Ltd	Freetown	**51**	51
BRAC Liberia Microfinance Ltd	Monrovia	**51**	51
BRAC Lanka Investments (Private) Ltd	Colombo	**100**	100
BRAC Myanmar Microfinance Company Ltd	Yangon	**100**	100
BRAC Uganda Microfinance Ltd	Kampala	**–**	–
BRAC Tanzania Finance Ltd	Dar es Salaam	**–**	–
BRAC Pakistan	Islamabad	**–**	–
BRAC	Zanzibar	**–**	–

The entities with no share of interest are locally established limited Companies by guarantee and having no share capital. BRAC International Holdings BV has control over the governance and operational policy of these entities and is able to appoint Director's. The goals of the consolidated group companies are aligned with the goals of the company as set out in the 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.

BRAC Pakistan and BRAC Zanzibar microfinance operations have been consolidated from 1st January 2015 as management re-analysed the control over these entities, since some of the facts and circumstances changes during the year. Subsequently, management concluded that BRAC International Holdings BV has control over the governance and operational policy of these entities and is able to appoint Director's.

BRAC Pakistan

BRAC Pakistan is a not for profit company limited by Guarantee. The objective of the company is to undertake projects and or programmes associated with Socio economic benefits of Pakistan, particularly in the field of education, health microfinance and poverty alleviation. The board of directors are the highest decision making body of the company. Current BOD members are:

Dr. A.M.R. Chowdhury - Chair
Mr. Faruque Ahmed-Director
Mr. S.N. Kairy- Director

BRAC

BRAC is a society registered in Zanzibar to implement microfinance and socio economic development program in the region. The entity is supervised by a board. Current members of the boards are:

1. Dr. A.M.R. Chowdhury - Chair
2. Mr. Faruque Ahmed
3. Mr. S.N. Kairy
4. Ms. Rahma Ali Khamis Abdallah

Principles for the translation of foreign currency

Transactions in foreign currencies

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 they 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 USD 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 USD 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 USD at the exchange rate prevailing at the balance sheet date. The revenues and expenses of such a foreign operation are translated into USD at the exchange rate on the transaction date. Currency translation differences are recognised in the translation reserve within equity. Currency translation differences are recognised in the profit and loss account. Goodwill resulting from the acquisition of a foreign operation and fair value adjustments made at the acquisition date are translated into USD at the exchange rate at the balance sheet date.

A group company that has received a loan from the parent recognizes 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 respective amount is transferred from the translation reserve to the profit and loss account.

Use of estimates and judgment

The preparation of financial statements in conformity with Dutch 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 recognized 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.

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, other financial liabilities.

Financial instruments are initially stated 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.

Investments in unlisted equity instruments

Investments in unlisted shares are stated after their initial recognition at the lower of cost or market value. Dividends are recorded in the profit and loss account at the time when are declared.

Long-term and current liabilities and other financial commitments

Long-term and current liabilities and other financial commitments are stated after their initial recognition at amortised cost on the basis of the effective interest rate method.

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

Derivatives

The company does not make use of derivatives.

Intangible fixed assets

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 licences

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

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

Property and equipment

Recognition and measurement

Property and equipment are stated 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 income statement 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 recognized net with other income in profit or loss.

Depreciation

Depreciation is recognized 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:

- Equipment: 15-33%.
- Motor vehicles: 20%.
- Other: 10%.

Tangible fixed assets, for which the Company and its group companies possess the economic ownership under a financial lease, are capitalized. The obligation arising from the financial lease contract is recognized 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.

Non-financial assets, like property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of value in use and the fair value less costs of disposal. The fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm’s length transaction, whilst value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its

disposal at the end of its useful life. The discount rate used for value-in-use calculations is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to that asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement. Reversal of impairment losses recognised in prior years (other than goodwill) is recorded as income when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.

Financial fixed assets

Participating interests where significant influence is 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.

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. 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 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.

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.

Inventories

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 amortized 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 recognized 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 amortized cost using the effective interest method.

Impairment

Financial assets

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

Objective evidence that financial assets 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:

- 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 therefore, industry practice is used to estimate the specific provision for loans and advances. Specific provision for the loans and advances considered to be non-performing(impaired) based on the criteria, and classification of such loans and advances, as follows:

1-30 days:	2-5%
31-90 days:	20%
91-180 days:	20%
181-365days:	75%
366 days and above past due:	100%

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 realizable 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.

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 losses on financial assets carried at amortized 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 recognized 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.

Other assets

Other assets comprise of prepayments, deposits and other recoverable which arise during the normal course of business; they are carried at original invoice amount less provision made for impairment losses. A provision for impairment of trade receivable is established when there is objective evidence that the Fund 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.

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 recognized in the profit and loss as financial income or expense.

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 and other liabilities

A provision is recognized if, as a result of a past event, BRAC International Holdings BV has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Other accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

Loans and borrowings

Loans and Borrowings are recognized initially as the proceeds are received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between the proceeds and the redemption value is amortized to the income statement over the period of the borrowings.

Revenue recognition

Revenue is recognized on an accruals basis.

Interest income 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 recognized 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 is reversed. Service charge is included in income thereafter only when its receipt becomes probable, generally when it is realized. Loans are returned to the accrual basis only when the full amounts of the outstanding arrears of loans are received and future collectability is reasonably assured.

Membership fees and other charges

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

Other income

Other income comprises interest from short term deposits, gains less losses related to trading assets and liabilities, and includes gains from disposal of assets and all realized and unrealized foreign exchange differences.

Interest income on (BRAC Uganda Microfinance ltd) bank deposit is earned on an accrual basis at the agreed interest rate with the respective financial institution.

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 stated in the group result from the date of acquisition or until the date of sale respectively.

HO logistics costs

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 organizations 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.

Employee benefits

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The company does not operate any retirement benefit fund. However severance pay is provided for in accordance with the country statute. The company also operates an employee bonus incentive scheme. The provision for employee bonus incentive is based on a predetermined company policy and is recognized in other accruals. The accrual for employee bonus incentive is expected to be settled within 12 months.

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 recognized and measured in accordance with Dutch pension plans (see below for an explanation about Dutch pension plans. Since the company has one 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 recognized 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 recognized. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognized 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 recognized 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 amortized 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.

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.

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.

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.

Contingent liabilities

The company recognizes 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.

Related party 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.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated into US Dollars using the weighted average exchange rates at the dates of the transactions.

Cash flows from financial derivatives that are stated as fair value hedges or cash flow hedges are attributed to the same category as the cash flows from the hedged balance sheet items. Cash flows from financial derivatives to which hedge accounting is no longer applied, are categorized in accordance with the nature of the instrument as from the date on which the hedge accounting is ended.

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.

1 Intangible fixed assets

	2015	2014
	USD	USD
Cost:		
• Opening balance	**283,802**	–
• Additions during the year	**163,429**	283,402
• FX difference	**(56,149)**	–
	391,082	283,402
Amortization:		
• Opening balance	**(30,151)**	–
• Charged during the year	**(74,995)**	(28,969)
• FX difference	**2,030**	(1,182)
Closing balance	**(103,116)**	(30,151)
Balance as at 31 December 2015	**287,966**	253,251

The intangible fixed assets consists of expenditure on software assets.

2 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Equipment	**Motor vehicles**	**Other**	**Total**
	USD	**USD**	**USD**	**USD**
Cost:				
• As at 1 January	**1,098,954**	**181,415**	**419,782**	**1,700,151**
• Additions	**63,428**	**65,226**	**130,180**	**258,834**
• Change in consolidation scope	**188,715**	**294,344**	**79,860**	**562,919**
• Disposal	**(41,144)**	**(14,936)**	**(3,301)**	**(59,381)**
• FX difference	**(434,116)**	**(48,499)**	**161,428**	**(321,187)**
As at 31 December	**875,837**	**477,550**	**787,949**	**2,141,336**

	Equipment	Motor vehicles	Other	Total
	USD	USD	USD	USD
Depreciation:				
• As at 1 January	**561,208**	**147,026**	**280,810**	**989,044**
• Charge for the year	**156,684**	**86,124**	**82,571**	**325,379**
• Change in consolidation scope	**96,927**	**195,243**	**37,725**	**329,895**
• Adjustment for disposal	**(21,701)**	**(12,006)**	**(3,039)**	**(36,746)**
• FX difference	**(141,564)**	**(51,614)**	**(14,795)**	**(207,973)**
As at 31 December	**651,554**	**364,773**	**383,272**	**1,399,599**
Book value:				
As at 31 December	**224,285**	**112,778**	**404,677**	**741,740**
As at 1 January	537,747	34,390	138,972	711,109

3 Investment in SFRE Fund

	2015	2014
	USD	USD
Investment	**1,126,461**	–

The investment has been made to 14700 ‘A’ shares in SFRE fund Luxemburg and recognised at cost less impairment value. The cost per shares is USD 100 each and the Net Asset Value (NAV) per share is USD 76.63. According to management estimation the NAV of this fund will not increase to the level of its cost in the near future.

The total interest in SFRE Fund amounts 9.4%. 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 commitment for this investment is USD 4 million which can be called within 24 months after initial closing of February 2015.

4 Inventories

	2015	2014
	USD	USD
Inventories	**66,984**	42,823

No provision for obsolete inventories is deemed necessary (2014: USD 0).

5 Other receivables

	2015	2014
	USD	USD
Advances to third parties	**450,443**	425,719
Receivable from NGOs	**20,027**	332,783
Rental receivables	**1,851,573**	1,491,321
Prepayments and others	**354,782**	–
	2,676,825	2,249,823

Prepayments are mainly rent paid in advances to the landlords for offices and guest house.

6 Loans and advances to customers

Principal loans outstanding

	2015	2014
	USD	USD
Loan to group members	**68,878,682**	54,973,124
Small enterprises programme (SEP)	**13,371,047**	7,306,352
Empowering and Livelihood for Adolescent Loans (ELA)	**2,144,625**	1,744,822
Integrated development program	**202,697**	–
Agriculture	**1,835,757**	–
	86,432,808	64,024,298

Loan to group members are traditional microfinance loans and is approximately for 20 and 40 weeks period. SEP loans are normally for a 6-12 months period. The duration of the loans regarding the ELA (Empowering and Livelihood for Adolescent Loans), 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.

Loans and advances to customers

	2015	2014
	USD	USD
Opening balance as at 1 January	**58,933,448**	45,448,757
Change in consolidation scope	**14,295,620**	–
Disbursements during the year	**179,227,855**	132,173,259
Repayment during the year	**(166,024,115)**	(113,597,718)
Gross advance to customers	**86,432,808**	64,024,298
Interest receivable as at 31 December	**669,336**	589,624
Less write-offs during the year	**(679,597)**	(3,047,4621)
Loan loss reserve	**(4,009,261)**	(2,633,013)
Closing balance as at 31 December	**82,413,286**	31,506,288

The movement of loans loss reserve is below:

	2015	2014
	USD	USD
Opening balance as at 1 January	**2,633,013**	4,865,004
Charged for the year	**2,387,987**	1,189,946
Change in Consolidation Scope	**432,536**	–
Write off	**(679,597)**	(3,047,461)
FX adjustment	**(764,678)**	(374,476)
Closing balance as at 31 December	**4,009,261**	2,633,013

7 Cash and cash equivalents

	2015	2014
	USD	USD
Cash in hand	**112,980**	88,038
Cash at bank	**10,383,102**	12,294,590
Short term deposits	**11,226,745**	8,532,253
	21,722,827	20,914,881

All cash and cash equivalents balances are available on demand. Except for the balance with Habibsons Bank NL of USD 2,100,000, restricted in order to provide a bank guarantee to BRAC Pakistan.

8 Group equity

Minority interests

	2015	2014
	USD	USD
BRAC Microfinance (Sierra Leone) Ltd	**498,330**	907,480
BRAC Liberia Microfinance Company Ltd	**1,019,276**	1,153,134
	1,517,606	2,060,614

This balance sheet heading covers the third-party minority interests, representing the share (49%) of third parties in the shareholders' equity of the group companies BRAC Microfinance (Sierra Leone) Ltd and BRAC Liberia Microfinance Company Ltd.

Refer to note 22 for the movement schedule of shareholder's equity.

9 Long-term borrowings

	2015	2014
	USD	USD
Borrowings	**35,471,353**	22,608,730
Less: current portion of borrowings	**13,485,220**	1,186,471
Non-current liabilities as per 31 December	**21,986,133**	21,422,259

Borrowings

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

	2015	2014
	USD	USD
Opening balance as at 1 January	**22,608,730**	22,491,072
Received during the year	**16,998,452**	313,587
Opening Loan balance (new in consolidation – BRAC Pakistan)	**8,941,828**	–
Repayment during the year	**(7,511,584)**	(3,485,346)
Interest accrued	**1,609,053**	2,668,498
Foreign currency (gain) / loss	**(7,175,126)**	620,921
Closing balance as at 31 December	**35,471,353**	22,608,732

The specification of the borrowings as at 31 December:

	Ref	**2015**	2014
		USD	USD
BRAC Africa Micro Finance Limited	*1*	**13,298,501**	16,282,652
BRAC Bangladesh	*2*	**1,348,971**	726,911
Financial Sector Deepening Trust (FSDT)	*3*	**397,363**	1,156,261
BRAC Lanka Guarantee Ltd		**–**	3,454,211
responsibility Investments AG	*4*	**5,101,114**	–
Bank of Africa	*5*	**5,611,142**	–
Habib Bank Limited	*6*	**5,332,288**	–
Pakistan Poverty Alleviation Fund	*7*	**2,893,756**	–
Others	*8*	**1,488,218**	988,697
		35,471,353	22,608,732

1. The BRAC Africa Micro Finance Limited loan agreement of USD 62 million was entered on 27 October 2008 for period of 7 years. On June 2013 the loan was restructured with a balance of equivalent to 17.25 million for Uganda and Tanzania with a revised interest rates of 14.85%. The loan period is 4.5 years upto December 2017 and repayable in three instalments in June 2016, June 2017 and December 2017. As at 31 December 2015, the outstanding liability amounts to USD 13,298,501, the current part of the liability amounts to USD 2,355,942 (2014: 0).
2. In January 2007, BRAC Uganda Microfinance obtained a facility of USH 2,187,915,685 (USD 639 thousand) from BRAC Bangladesh for support of the microfinance. It bears interest at 8% per annum. This loan is not secured and shall be repaid in demand (2014: 0).
3. The loan with FSDT in Tanzania carries an interest of 10%, is repaid in equal quarterly instalments of TZS 282,458,050 (USD 130,301) and shall be fully repaid by September 2016. There was no drawdown during the year. The loan will be fully repaid by one year (2014: 626,317).

4. In 2015 term loan facility worth USD 7.5 million was secured from responsibility investments AG (a swiss based private enterprise) for 36 months for Uganda and Tanzania. As of December 2015 USD 5 million has been withdrawn. The loan is repayable in three equal instalments and attracts interest at 6.95%. As at 31 December 2015, the outstanding liability amounts to USD 5,101,114, the current part of the liability amounts to USD 1,003,770.

5. In May 2015, BRAC Uganda Microfinance Limited obtained a loan from Bank of Africa amounting to Ushs. 9,500,000,000 equivalent to USD 2,849,858. The loan period is 3 years. Interest and principal is paid on a quarterly basis at a rate of 19%. At close of December 2015, principal amounting to Ushs. 1,632,277,468 equivalent to USD 544,092 had been repaid. As at 31 December 2015, the outstanding liability amounts to USD 2,372,253, the current part of the liability amounts to USD 1,193,998.

   BRAC Tanzania Finance Limited secured a loan from Bank of Africa Tanzania in April 2015 for the period of 36 months. The loan amounted to TZS 8.066 billion (equivalent USD 5 million) as term loan and TZS 2 billion (equivalent USD 1.2 million) overdraft. Both are quoted at the rate of 18% raised to 19.5% during the year. During the year TZS 1.159 billion (equivalent USD 700,000) was repaid. The overdraft facility has not been utilised. The loan was obtained to finance issue of micro finance. BRAC Uganda and Tanzania operations also secured term loan and overdraft facility from bank of Africa. As at 31 December 2015, the outstanding liability amounts to USD 3,238,889, the current part of the liability amounts to USD 1,356,265.

6. BRAC Pakistan secured a loan facility of PKR 500 million (USD 5 million) from Habib bank. The loan is secured against SBP (State Bank of Pakistan)'s partial guarantee under Micro Credit Guarantee Facility for 60% of the o/s principal amount and a bank guarantee of USD 2.1 million from BRAC International Holdings BV. As at 31 December 2015, the outstanding liability amounts to USD 5,332,288, the current part of the liability amounts to USD 2,525,944.

7. BRAC Pakistan also continues multiple loan facilities from Pakistan Poverty Alleviation Fund (PPAF). These facilities are secured against assignment of rights over the Company’s portfolio upto an amount received by the Company under the agreement, a demand promissory note and a first charge on all assets / capital items created out of the agreement. The interests on these facilities are in the range of six month KIBOR rate with a floor of 8%. As at 31 December 2015, the outstanding liability amounts to USD 2,893,756, the current part of the liability amounts to USD 1,814,749.

8. Others include loan from Kiva Micro funds is a 501 non-profit organization that allows to lend money via the Internet for low-income entrepreneurs. The loans do not attract any interest. The loans are payable in one year. (2014: USD 560,154).

10 Current liabilities

	2015	2014
	USD	USD
Donor funds	**4,416,652**	3,386,265
Current portion of the borrowings (note 9)	**13,485,220**	1,186,471
Other liabilities	**33,978,284**	23,946,189
	51,880,156	28,518,925

Donor funds

	2015	2014
	USD	USD
Donor funds received in advance	**2,026,693**	1,218,457
Donor funds invested in fixed assets	**287,050**	333,060
Donor funds invested in loan fund	**2,102,909**	1,834,749
	4,416,652	3,386,266

Donor funds received in advance

	2015	2014
	USD	USD
Opening balance as at 1 January	**1,218,457**	1,832,153
Received during the year	**1,717,957**	1,356,081
Transferred to donor funds invested in fixed assets	**(15,554)**	–
Transferred to deferred income	**–**	10,193
Transferred to donor fund investment in loans	**(538,219)**	(906,881)
Released to profit and loss account	**(310,017)**	(1,211,093)
Other	**(45,931)**	138,004
Closing balance as at 31 December	**2,026,693**	1,218,457

On 1 April 2013, BRAC Maendeleo Tanzania entered into grant agreement amounting to GBP 8.2 million with Department for International Development (DFID). Part of this fund amounting to GBP 1.25 million was allocated for disbursement of loans relating to Agriculture and Livestock. This year grants amounts to USD 882,333 were received from this fund.

Donor funds invested in fixed assets

	2015	2014
	USD	USD
Opening balance as at 1 January	**333,060**	400,598
Transferred from donor funds received in advance	**15,554**	(10,193)
Depreciation charged for the year released to the profit and loss account	**(142,514)**	(78,460)
Other	**80,951**	21,115
Closing balance as at 31 December	**287,051**	333,060

Donor funds invested in loan fund

	2015	2014
	USD	USD
Opening balance as at 1 January	**1,834,749**	736,846
Transferred from donor funds received in advance	**538,219**	906,881
Other	**(270,059)**	191,022
Closing balance as at 31 December	**2,102,909**	1,834,749

Other liabilities

	2015	2014
	USD	USD
Loan Security Fund	**14,706,275**	11,423,791
Payable to BRAC Bangladesh	**2,396,110**	1,242,026
Payable to Stichting BRAC International	**10,345,099**	6,062,634
Tax payable	**929,290**	411,896
Deposits from customers	**357,041**	60,118
Other liabilities	**4,873,062**	4,549,407
Accrued expenses	**371,407**	196,317
	33,978,284	23,946,189

The Loan Security Fund acts as collateral for the customers' loan obligations to the subsidiaries of BRAC International Holdings B.V. This is computed as 10% of a part of the customers' approved loans. In the event of any default, the subsidiaries of BRAC International Holdings B.V forfeits all or part of the Loan Security Fund to the extent of the amount at risk. The loans have duration of 40 weeks to 12 months depending on the loan types.

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.

Payable to Stichting 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. The company is discussing with the Stichting to consider converting this payable into equity.

Other liability includes mainly provisions from BRAC Uganda Microfinance amounting USD 2.1 million and staff retirement benefits from BRAC Pakistan of USD 0.4 million. In addition, various staff benefit provisions, withholding taxes and payable to suppliers are part of the other liabilities.

11 Financial instruments

General

During the normal course of business, the Company uses various financial instruments that expose the Company to market and/or credit risks. These relate to financial instruments that are included in the balance sheet.

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 is USD 65.9 million, consisting of Loans and advances to customers, Receivable from NGOs, Prepayments and others, Cash at bank and Short-term deposits. The credit risk 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.

Management of credit risk

The company recognizes that the aim of risk management is not to eliminate risk totally, but rather to provide the structural means to identify, prioritize 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 Bl;
- Meet legal or statutory requirements; and
- Assist in safeguarding companies assets: people, finance, property and reputation.

The Executive Director will be responsible on behalf of 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 o 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 the US Dollar (USD). The currency in which transactions primarily are denominated is USD. No hedges are in place.

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, 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.

Management of market risks

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 form the working capital generated by the Company and also from available financial institutions facilities.

BRAC 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, BRAC maintains sufficient levels of cash or fixed deposits to meet its working capital requirements. In addition BRAC maintains banking facilities of a reasonable level.

12 Service charge income

The breakdown of net turnover by country is as follows:

	2015	2014
	USD	USD
BRAC Microfinance (Sierra Leone) Ltd	**1,061,000**	941,001
BRAC Liberia Microfinance company Ltd	**1,002,995**	696,824
BRAC Uganda Microfinance Ltd	**17,306,857**	14,409,432
BRAC Tanzania Finance Ltd	**12,390,831**	11,345,532
BRAC Lanka Investment (Private) Ltd	**–**	1,717,474
BRAC Myanmar Microfinance Company Ltd	**294,227**	21,924
BRAC Pakistan	**4,645,647**	–
BRAC Zanzibar	**441,892**	–
	37,143,449	29,132,187

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

13 Other operating income

	2015	2014
	USD	USD
Fees and commission income	**1,948,654**	1,609,322
Grant income	**323,958**	1,021,610
Foreign exchange gains	**169,093**	93,062
Other income	**1,026,053**	748,863
	3,467,758	3,472,857

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, cost recovered from staffs as rent against share of space and utilities.

14 Cost of outsourced work and other external costs

	2015	2014
	USD	USD
Maintenance and general expenses	**2,485,086**	2,150,511
Travel and transportation	**2,422,397**	2,204,054
Logistics and management expenses	**1,361,034**	1,182,589
Office rent	**701,212**	617,328
Utilities	**210,757**	146,457
Printing and office stationery	**552,755**	451,491
Staff training and development	**212,968**	191,746
Audit fees	**292,411**	259,943
Internet	**110,798**	113,769
Other expenses	**633,136**	779,421
	8,982,554	8,097,309

Logistics and management expenses are charged by Stichting BRAC International to the companies against various support provided such as Management, Accounting, Legal, Procurement, Recruitment, Training, IT support and Branding.

15 Wages and salaries

	2015	2014
	USD	USD
Salaries and benefits	**12,284,484**	11,156,589

During the 2015 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 4,245 people (2014: 3,045). All people except one were employed outside the Netherlands.

16 Social security benefits

	2015	2014
	USD	USD
Social security benefits	**860,812**	837,083

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

17 Tax on result from ordinary activities

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:

	2015	2014
	USD	USD
Current tax	**4,587,544**	2,899,047
Movement in temporary differences	**(481,652)**	(381,803)
Tax on result from ordinary activities	**4,105,892**	2,517,244

The applicable weighted average tax rate is 38.0% (2014: 40%), whereby the weighted average has been calculated based on the results before taxes in the various tax jurisdictions. The numerical reconciliation between the applicable and the effective tax rate is as follows:

	2015		2014	
	%	**USD**	%	USD
Result before tax		**10,771,506**		6,217,361
Tax using the Company's domestic tax rate	**25.0**	**2,692,876**	25.0	1,554,340
Tax on result BRAC International Holding (compa)		**233,209**		64,827
Application of different tax rate and unpaid provisions		**1,179,807**		898,037
Income tax according to consolidated profit and loss account	**38.0**	**4,105,892**	40.5	2,517,244

The reason of higher weighted average tax rate is due to the fact of higher tax rates in microfinance business in the African countries specially Uganda and Tanzania and due to non allowability of all unpaid provisions in accordance with the local fiscal authorities.

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. The applied tax rate is 25-30%.

18 Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the company and an natural person or entity that is affiliated with the company. This includes, amongst others, 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:

Term deposit to BRAC Bangladesh:	USD	7,498,635	(2014:	USD	7,498,635)
Payable to Stichting BRAC International:	USD	10,345,099	(2014:	USD	6,062,634)
Payable to BRAC Bangladesh:	USD	2,396,110	(2014:	USD	1,968,937)
BRAC International Loan Fund:	USD	13,298,501	(2014:	USD	16,282,652)
Payable to BRAC Lanka Guarantee Ltd:	USD	315,762	(2014:	USD	3,454,211)

The following related party transactions occurred during the year:

Interest payment on related party loans:	USD	2,100,114	(2014:	USD	2,740,409)
Logistic and management cost charged by Stichting BRAC International:	USD	1,361,034	(2014:	USD	1,182,589)
Expenses charged by BRAC Bangladesh:	USD	468,376	(2014:	USD	0)
Interest BRAC Africa Micro Finance Ltd:	USD	2,086,428	(2014:	USD	2,692,486)

Company balance sheet as at 31 December 2015

(before profit appropriation)

		2015		2014 (Restated)*	
		USD	**USD**	USD	USD
Fixed assets					
Financial fixed assets	*20*		**5,381,693**		2,731,870
Current assets					
Accounts receivable		**627,440**		575,108	
Cash and cash equivalents	*21*	**10,369,850**		12,038,131	
			10,997,290		12,613,239
			16,378,983		15,345,109
Shareholder's equity					
Issued capital	*22*	**8,303,304**		9,237,648	
Share premium reserve	*22*	**694,887**		694,887	
Foreign currency translation reserve	*22*	**422,147**		267,168	
Retained earnings	*22*	**(30,103)**		610,772	
Unappropriated result	*22*	**(2,040,681)**		(640,875)	
			7,349,554		10,169,600
Current liabilities					
Payables to Stichting BRAC International	*23*	**8,669,139**		5,059,027	
Accrued liabilities	*23*	**360,290**		116,482	
			9,029,429		5,175,509
			16,378,983		15,345,109

* Reference is made to note 19 for the disclosure of the restatement.

Company profit and loss account 2015

		2015		2014 (Restated)*	
		USD	**USD**	USD	USD
Other revenue		**–**		829,579	
Interest income		**264,878**		236,136	
Total operating income			**264,878**		1,065,715
Office expense and professional fees	*25*	**1,031,718**		324,697	
Financial expenses		**343,539**		–	
Total operating expense			**1,375,257**		324,697
Operating result			**(1,110,379)**		741,018
Tax on operating result	*27*		**(233,029)**		(64,827)
Net operating result			**(1,343,408)**		676,191
Shares in result participations	*26*		**(697,273)**		(1,317,066)
Net result			**(2,040,681)**		(640,875)

* Reference is made to note 19 for the disclosure of the restatement.

Notes to the 2015 company financial statements

General

The Company financial statements are part of the 2015 financial statements of the Group.

Insofar as no further explanation is provided of items in the separate balance sheet and the separate 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 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 unrealized, they have not been recognized.

19 Restatement of the Financial Statements

After adoption of the 2014 financial statements, a material error in the company financial statements was identified. As per 31 December 2014, the entities BRAC Uganda Finance Ltd and BRAC Tanzania Finance Ltd, which qualify as Group companies without share interest in the share capital, were accounted for as financial fixed assets.

The impact on shareholders' equity is USD -22.2 million as per 31 December 2014 and EUR -17.9 million as per 1 January 2014. The impact on the result for the year 2014 is USD -4.8 million. In the reporting year 2015, Group companies without share interest in the share capital have been excluded from the financial fixed assets and also excluded in the comparative figures.

	Financial fixed assets	**Share premium reserve**	**Legal reserve**	**Retained earnings**	**Unappro-priated results**
	USD	**USD**	**USD**	**USD**	**USD**
Balance as at 1 January 2014	**21,180,785**	**5,157,103**	**3,985,195**	**8,831,122**	**2,512,704**
Restatement opening balance	**(17,943,327)**	**(4,583,422)**	**(3,985,195)**	**(6,810,198)**	**(2,564,512)**
Restated balance as at 1 January 2014	**3,237,458**	**573,681**	**–**	**2,020,924**	**(51,808)**
Balance as at 31 December 2014	**24,911,938**	**5,278,309**	**4,552,227**	**10,016,122**	**2,752,284**
Restatement opening balance	**(17,943,327)**	**(4,583,422)**	**(3,985,195)**	**(6,810,198)**	**(2,564,512)**
Restatement in the year 2014	**(4,236,741)**	**-**	**(567,032)**	**(2,595,153)**	**(828,647)**
Total restatement	**22,180,068**	**(4,583,422)**	**(4,552,227)**	**(9,405,351)**	**(3,393,159)**
Restated balance as at 31 December 2014	**2,731,870**	**694,887**	**–**	**610,771**	**(640,875)**

20 Financial fixed assets

	2015	2014
	USD	USD
Participating interests in group companies	**4,255,223**	2,731,870
Investment in SFRE Fund	**1,126,461**	–
	5,381,684	2,731,870

Participating interests

	2015	2014
	USD	USD
Opening balance as at 1 January	**2,731,870**	21,180,785
Restatement of Financial Fixed Assets	**–**	(17,943,327)
Opening balance as per restatement as 1 January	**2,731,870**	3,237,458
Acquisition	**3,000,000**	737,057
Donated equity	**–**	248,949
Foreign currency translation differences	**(779,365)**	(174,528)
Result of subsidiaries	**(697,273)**	(1,317,066)
Closing balance as at 31 December	**4,255,232**	2,731,870

BRAC International Holdings BV has interest in the companies as follows:

Name	**Legal address**	**2015**	2014
		Share of interest %	Share of interest %
BRAC Microfinance Sierra Leone Ltd	Freetown	**51**	51
BRAC Liberia Microfinance Ltd	Monrovia	**51**	51
BRAC Lanka Investments (Private) Ltd	Colombo	**100**	100
BRAC Myanmar Microfinance Company Ltd	Yangon	**100**	100
BRAC Uganda Microfinance Ltd	Kampala	**–**	–
BRAC Tanzania Finance Ltd	Dar es Salaam	**–**	–
BRAC Pakistan	Islamabad	**–**	–
BRAC	Zanzibar	**–**	–

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

Previously the net assets of those companies were recognised as financial fixed assets of the company. However based on the Dutch Gaap this companies are not recognised in the FS from January 2015 and adequate adjustments have been passed and financial statement for 2014 has been restated accordingly.

Investment in SFRE Fund

The investment has been made to 14700 'A' shares in SFRE fund Luxemburg and recognised at cost less impairment value. The cost per shares is USD 100 each and the NAV per share is USD 76.63. According to the management estimate the NAV of this fund will not increase to the level of its cost in the near future .The total interest in SFRE Fund amounts 9.4%. 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 commitment for this investment is USD 4 million which can be called within 24 months after initial closing of February 2015.

21 Cash and cash equivalents

	2015	2014
	USD	USD
Triodos Bank 113	**127,695**	1,192,998
Triodos Bank 193	**367,290**	3,324,409
Habibsons Bank NL	**2,100,000**	–
ING Bank	**18,770**	22,089
Term Deposits	**7,756,094**	7,498,635
	10,369,849	12,038,131

All cash and cash equivalents balances are available on demand. Except for the balance with Habibsons Bank NL of USD 2,100,000, restricted in order to provide a bank guarantee to BRAC Pakistan.

22 Shareholder's equity

	Issued capital	Share premium reserve	Foreign currency translation reserve	Legal reserve	Retained earnings	Unappro-priated result	Total
	USD	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2014	**10,462,160**	**5,157,103**	**(1,224,698)**	**3,985,195**	**8,831,122**	**2,512,704**	**29,723,586**
Less : Restatement of financial fixed assets for 2013	**–**	**(4,583,422)**	**–**	**(3,985,195)**	**(6,810,198)**	**(2,564,512)**	**(17,943,327)**
Revised balance as at 1 January 2014	**10,462,160**	**573,681**	**(1,224,698)**	**–**	**2,020,924**	**(51,808)**	**11,780,259**
Changes:							
• Transfer of unappropriated results	**–**	**–**	**–**	**–**	**(51,808)**	**51,808**	**–**
• Informal capital contribution	**–**	**248,949**	**–**	**–**	**–**	**–**	**248,949**
• Translation differences - share capital	**(1,224,512)**	**–**	**1,224,512**	**–**	**–**	**–**	**–**
• Translation differences - participation interest	**–**	**–**	**(174,528)**	**–**	**–**	**–**	**(174,528)**
• Result for the year	**–**	**–**	**–**	**–**	**–**	**(640,875)**	**(640,875)**
• Translation difference	**–**	**(127,743)**	**441,882**	**–**	**(1,358,344)**	**–**	**(1,044,205)**
Revised balance as per 31 December 2014	**9,237,648**	**694,887**	**267,168**	**–**	**610,772**	**(640,875)**	**10,169,600**

BRAC International Holdings B.V.

	Issued capital	Share premium reserve	Foreign currency translation reserve	Legal reserve	Retained earnings	Unappro-priated result	Total
	USD	USD	USD	USD	USD	USD	USD
Revised balance as at 1 January 2015	**9,237,648**	**694,887**	**267,168**	**–**	**610,772**	**(640,875)**	**10,169,600**
Changes:							
• Transfer of unappropriated results	–	–	–	–	**(640,875)**	**640,875**	–
• Informal capital contribution	–	–	–	–	–	–	–
• Translation differences - share capital	**(934,344)**	–	**934,344**	–	–	–	–
• Translation differences - participation interest	–	–	**(779,365)**	–	–	–	**(779,365)**
• Result for the year	–	–	–	–	–	**(2,040,681)**	**(2,040,681)**
• Translation differences	–	–	–	–	–	–	–
Balance as at 31 December 2015	**8,303,304**	**694,887**	**422,147**	**–**	**(30,103)**	**(2,040,681)**	**7,349,554**

* As a result of the change of the presentation currency from EUR to USD in the consolidated financial statements and the change of the functional currency from EUR to USD company financial statements. Consequently, the 2014 Balance sheet figures have been converted retrospectively into USD using year-end rate of USD 1= 1.21548 Euro and Income statement figures have been converted retrospectively using average rate of USD 1= 1.32144 Euro.

Reconciliation of reserves and net result per the consolidated financial statements with reserve and net result per the company financial statements

	2015	2014
	USD	USD
Reserves according to the consolidated balance sheet	**35,249,187**	32,349,668
Less:		
Reserve of affiliated companies, without participating interest:		
• BRAC Uganda Microfinance Company	**15,574,864**	12,568,564
• BRAC Tanzania Finance Company	**10,657,862**	9,611,504
• BRAC Pakistan	**1,384,004**	–
• BRAC Zanzibar	**282,903**	–
Shareholders' equity according to the separate balance sheet	**7,349,554**	10,169,600
Net result according to the consolidated profit and loss account	**6,960,047**	4,121,755
Less:		
Surplus of affiliated Foundations, without participating interest		
BRAC Uganda Microfinance Company	**5,502,068**	3,639,069
BRAC Tanzania Finance Company	**3,102,958**	1,123,561
BRAC Pakistan	**341,715**	–
BRAC Zanzibar	**53,987**	–
Net result according to the separate profit and loss account	**(2,040,681)**	(640,875)

Issued capital

The Company's authorized capital, amounting to EUR 7,600,000 (2014: EUR 7,600,000), 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).

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.

Legal reserve

Due to the fact that the BRAC International Holdings BV is not entitled to distribute any of the company's reserves of Tanzania, Uganda, and Pakistan and Zanzibar entity its share of the reserves from the above countries are recorded separately.

23 Current liabilities

	2015	2014
	USD	USD
Debts to shareholder/participants	**8,669,139**	5,059,027
Other liabilities	**360,290**	116,482
	9,029,429	5,175,509

The shareholder, Stichting BRAC International, has paid expenses on behalf of the Company which has resulted in a balance of USD 8.7 million. The amount is payable on demand. The company is discussing with the Stichting to consider converting this payable into equity.

24 Off-balance sheet assets and liabilities

The company has a capital commitment of SFRE fund of USD 4 million. As of December 2015 USD 1.47 million is disbursed.

25 Office expense and professional fee

	2015	2014
	USD	USD
Secretariat expenses	**468,376**	–
Trust fees	**84,058**	75,100
Legal fees	**–**	159,673
Foreign currency loss	**353,576**	–
Bank charge	**2,059**	43,675
Professional and consultancy fees	**68,085**	–
Audit fees	**55,565**	46,250
	1,031,719	324,698

26 Share of result of participating interests after tax

	2015	2014
	USD	USD
BRAC Microfinance Sierra Leone Ltd	**(225,930)**	(223,380)
BRAC Liberia Microfinance Company Ltd	**(80,521)**	(232,535)
BRAC Myanmar Microfinance Company Ltd	**(386,109)**	(363,345)
BRAC Lanka Investments (Private) Ltd	**(4,713)**	(497,806)
	(697,273)	(1,317,066)

27 Tax on result of operation

	2015	2014
	USD	USD
Tax on result of operation	**(233,029)**	(64,827)

28 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. 2015 USD 1,000	**Other KPMG network 2015 USD 1,000**	**Total KPMG 2015 USD 1,000**
Audit of the financial statements	**39**	**142**	**181**
Other audit engagements	**–**	**–**	**–**
Tax-related advisory services	**–**	**59**	**59**
Other non-audit services	**–**	**–**	**–**
	39	**201**	**240**

	KPMG Accountants N.V. 2014 USD 1,000	Other KPMG network 2014 USD 1,000	Total KPMG 2014 USD 1,000
Audit of the financial statements	43	85	128
Other audit engagements	–	–	–
Tax-related advisory services	–	34	34
Other non-audit services	–	–	–
	43	119	162

29 Remuneration of the Board of Directors

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 84,058 (2014: USD 57,483) for former managing directors.

Amsterdam, 29 June 2016

Directors B:	Director A:
Sir Fazle Hasan F.H. Abed	Sylvia Borren
Dr. Muhammad Musa	
Parveen Mahmud	
Hans Eskes	

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.

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2015 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 2015 has been included under unappropriated result in shareholder's equity.

Subsequent events

The company acquired 99 shares of BRAC Uganda Social enterprise limited on 5th January 2016 from BRAC Industries limited without any consideration. The book value of those shares as of 31 December 2015 is equivalent to USD 856,000.

Independent auditor's report

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

KPMG

Independent auditor's report

To: the General Meeting of Shareholders of BRAC International Holdings B.V.

Report on the financial statements

We have audited the accompanying financial statements 2015 of BRAC International Holdings B.V., The Hague, which comprise the consolidated and company balance sheet as at 31 December 2015, the consolidated and company profit and loss account for the year then ended, the consolidated statement of comprehensive income and cash flow statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of these financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of BRAC International Holdings B.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 29 June 2016

KPMG Accountants N.V.

L.M.A. van Opzeeland RA